

Credit Saison Co., Ltd. Main Question and Answer Session at the 2017 Fiscal Year Financial Results Briefing

Q1.

The long-term goal for card shopping transaction volume is listed as 30% market share in the reference materials. What is the most important thing for achieving this goal share level, and what is the driver?

A1.

Individual retailers are currently creating their own applications. We are focused on integrating our proprietary settlement platform into these applications. However, there are some companies that consider maximizing sales within their retail business is their top priority, as well as companies that have their own settlement platforms. Companies that possess their own settlement platforms or tools have a strong tendency to integrate these platforms or tools into their applications. As a means of handling these retailers who prioritize sales first and foremost, we are currently attempting to develop a settlement tool similar to Saison accounts which has all the available settlement tools built into it which we can then convince these retailers to include in their applications.

Q2.

How big of a risk is there that customers at current affiliated stores such as Seiyu and Parco will be taken away by other players in the market?

A2.

The same trends are in motion at Seiyu and Parco, and in order to successfully expand our settlement platform, we consider inserting it into applications which retailers are likely to develop in the future and we are currently planning on all possible efforts into negotiations for this purpose.

Q3.

Regarding the return to shareholders, there is a section about “Considering core system migration and a downward trend in the number of interest repayment claims” (p. 9) related to the 10-yen increase planned for this time. The content seems to indicate that future dividend payout ratio will emphasize cash-based profits. If for example, excluding strategic investments, the system investment, IC card conversions, and other expenses settle to lower levels later on, can we expect the dividend payout ratio to be increased again at this time?

A3.

Our company has always provided stable dividend payments to all of our shareholders. The graph (p. 9) included in the reference materials is a reflection of this. In that sense, dividend amounts are determined based on period profits and a comprehensive approach that takes other business status conditions into account as well. For this reason, although we are aware of the dividend payout ratio, we generally focus on providing profitable returns through stable dividends regardless of the period performance. However, we are thinking of increasing our dividends when period performance experiences noteworthy improvements.

Q4.

Regarding system investment expenses, there was an explanation stating that there will be a new system cutover in October of this year. Approximately how much is the investment cost anticipated for this? Also, the expected system-related expenses listed under operating expenses for this period on p. 11 is ¥9 billion. What extent of this total is made up of one-time expenses?

A4.

We anticipate the additional investment amount necessary for the second investment stage to be approximately ¥15 billion. Aside from this, we anticipate ordinary expenses for operations such as maintenance of our current applications to reach approximately ¥5 billion. Also, client announcement expenses will likely exceed ¥2 billion while this will discontinue in the progression period. Although there will be additional expenses for handling obstacles and the total estimate including the first stage is not disclosed, you can consider the figure to fall within the estimated scope.

Q5.

I'd like to ask a question about training a successor. For the sake of business continuation, at a company with a president who has strong leadership skills, I think the topic of training a successor is an important one. President Rinno, what do you think about that?

A5.

The predecessor of this company, Midoriya Department Stores, operated a monthly installments plan for payments and was founded in 1951. Afterward, Fuji Bank conducted restructuring management, and then Marubeni joined forces with Midoriya Department Stores. Next, Seibu Department Stores' merchandising was used to restructure Midoriya Department Stores and take on the channel of the market. All of these attempts ended in failure. On the 4th attempt, at the age of 38, I left my position at Seibu to join the company as General Manager, Business Planning Dept. after being instructed to do so by Tsutsumi. At that time, there was no money, there were no skilled workers, and although the company had experience conducting monthly installments, this was different from credit, so the knowledge was not there. In that environment, I created new business. When your market share is the lowest, that is where you win by management. That's what so interesting about the world. Accordingly, I was able to picture how we could be victorious when starting with a blank slate with no idea of who would come out on top. Without that, you will end up dragging the past along with you. Discarding all past investments and ways of thinking puts you in a very advantageous position as a new business. Starting from that blank slate, what I did was similar to establishing a new company. The Money Lending Business Act, Installment Sales Act, and overpayment all have an impact, and most companies are unable to hold out and end up under the umbrella of mega banks. Why were we able to stay independent? When I was appointed company president, I lowered the interest rate for cashing and formed joint ventures with all kind of organizations. After forming these joint ventures, we took on processing duties. This created a new framework, and we conducted outsourcing, and developed to the point where we could provide knowledge and work on new companies, proposing they work with us to create customer information systems. It has to be someone who either can do that or can come up with such idea to manage the company. Rather than someone who sits at a desk theorizing, I think it would be best to hand the baton off to someone who can create real achievement. Today might end up being my last financial

results briefing. Perhaps it depends on the circumstances, but I understand better than anyone else that this is a decision I will have to make sooner rather than later. For Japanese companies, especially established ones, it's extremely difficult for future leaders to grow and develop. In order to manage a company, one has to be trying out various things even more open-mindedly and overcoming the difficulties encountered in the process of doing so. From now on, those with experience working in about three different companies will be the ones chosen. Those who have worked in innovation and marketing at multiple companies will be top picks. In this day and age, someone with only work experience in management department or the sales department can no longer run a company. In the future, staying in business will be tough unless companies can change. It will be difficult for those who think of the modern era as an extension of the 20th century. Those who can take a bird's-eye view and plan for things to do and things not to do will be chosen as leaders, and it will be difficult for those who are hoping to finish out their terms in peace. I want to go out into the growing markets and claim them as new mainstays for future earnings. I will also continue to be victorious in our country's markets. This is not a continuation of the past.