

 A LEADING-EDGE  
SERVICE PROVIDER  
CREDIT SAISON CO., LTD.

**FY 2009 April – September**

**Management Strategy**

**November 10, 2009**



# AGENDA

- ◆ **FY2009 2<sup>nd</sup> Quarter Financial Report**
- ◆ **Business Strategy**
- ◆ **Current State of the Domestic Card Market  
(Reference Material)**

This report contains forward-looking statements that reflect our plans and expectation. These forward-looking statements are not guarantees of future performance: known and unknown risks, uncertainties, and other factors may cause our actual results, performance, achievements, or financial position to be materially different from any future results, performance, achievements, or financial position expressed or implied by these forward-looking statements.



# FY2009 2<sup>nd</sup> Quarter Financial Report

1. Operating Results
2. Results by Business Segment
3. Contributions to Consolidated results
4. Main Indices (Non-Consolidated)
5. Credit Risk Trends / Trends in Loss on Interest Repayment
6. Financial Indices
7. Financial Strategy
8. Fund Structure

# 1. Operating Results

(¥ billion)

		FY2008 2 <sup>nd</sup> Quarter	YoY (%)	FY2009 2 <sup>nd</sup> Quarter	YoY (%)	FY2009 (Estimate)	YoY (%)
Consolidated	Operating Revenues	171.2	96.5	156.7	91.5	308.0	94.2
	Ordinary Income	28.7	87.1	19.1	66.7	35.0	113.1
	Quarter Net Income	15.6	127.7	8.6	55.4	17.0	—
	Earnings per Share (¥)	8.672	127.5	4.780	55.1	9.263	—
Non-consolidated	Operating Revenues	133.5	94.8	131.0	98.1	260.0	96.0
	Ordinary income	22.2	107.3	16.3	73.6	33.0	102.4
	Quarter Net Income	14.6	115.2	7.3	49.7	16.5	—

## 2. Results by Business Segment

(¥ billion)

	Operating Revenues			Operating Income (Loss)		
	FY2008 2 <sup>nd</sup> Quarter	FY2009 2 <sup>nd</sup> Quarter	YoY (%)	FY2008 2 <sup>nd</sup> Quarter	FY2009 2 <sup>nd</sup> Quarter	YoY (%)
Credit Service	128.0	124.0	(3.1%)	16.9	14.2	(15.8%)
Finance	22.7	16.6	(26.7%)	7.0	2.9	(58.1%)
Real Estate-related	15.8	8.8	(44.2%)	7.4	1.4	( 80.7%)
Entertainment	8.0	7.5	(6.1%)	0.9	1.1	22.6%
Others	0.9	1.0	5.6 %	0.6	0.7	8.5%
<b>Total</b>	<b>175.6</b>	<b>158.1</b>	<b>(10.0%)</b>	<b>33.0</b>	<b>20.4</b>	<b>(38.0%)</b>
Inter-segment Transactions	(4.4)	(1.4)	(68.1%)	(2.5)	(2.5)	(3.3%)
<b>Consolidated</b>	<b>171.2</b>	<b>156.7</b>	<b>(8.5%)</b>	<b>30.4</b>	<b>17.9</b>	<b>(40.9%)</b>

# 3. Contribution to Consolidated Results

Ordinary Income: Difference between consolidated and non-consolidated figures

	Non-consolidated	Consolidated	Difference
<b>Ordinary Income</b>	¥ 16.3 billion	¥ 19.1 billion	¥ 2.8 billion

Contribution to Consolidated Results

Major Consolidated Subsidiaries	Contribution to Ordinary Income
<b>Atrium Group</b> ・Atrium Co., Ltd. (Liquidation of real estate) ・Atrium Servicing Co., Ltd. (Servicing business) ・AIC (Liquidation of real estate)	¥ 0.9 billion
<b>Saison Fundex Group</b> ・Saison Fundex Corp. (Loans) ・House Planning Co., Ltd. (Real estate)	(¥ 0.4) billion
<b>Concerto Co., Ltd.</b> (Amusement business) (Membership clubs management) (Real estate leasing business)	¥ 1.4 billion
<b>JPN Holdings Co., Ltd.</b> JPN Collection Service Co., Ltd. (Servicing business)	¥ 0.5 billion

Major Equity Method Affiliates	Contribution to Ordinary Income
<b>Saison Information Systems Co., Ltd.</b> (Information processing)	¥ 0.15 billion
<b>UC Card Co., Ltd.</b> (Information processing)	¥ 0.09 billion
<b>Resona Card Co., Ltd.</b> (Credit card business)	¥ 0.07 billion
<b>Idemitsu Credit Co., Ltd.</b> (Credit card business)	¥ 0.06 billion

## 4. Main Indicators (Non-consolidated)

	FY2008		FY2009		FY2009	
	2nd Quarter	YoY (%)	2nd Quarter	YoY (%)	(Estimate)	YoY (%)
New Applications (millions)	1.35	77.1	1.56	115.6	3.40	116.0
New Card Issued (millions)	1.23	86.0	1.31	106.5	2.80	111.1
Total Cardholders (millions)	27.51 (+1.50)	107.3	27.96 (+0.39)	101.4	28 (+0.43)	101.6
Active Cardholders (millions)	13.67 (+0.45)	106.4	14.16 (+0.25)	101.8	14.52 (+0.61)	104.4
Transaction Volume (¥ billion)	2,304.4	102.5	2,202.6	95.6	4,493.0	96.5
Card Shopping	1,915.9	105.3	1,879.8	98.1	3,893.0	100.0
Cash Advances	388.4	90.8	322.8	83.1	600.0	78.4

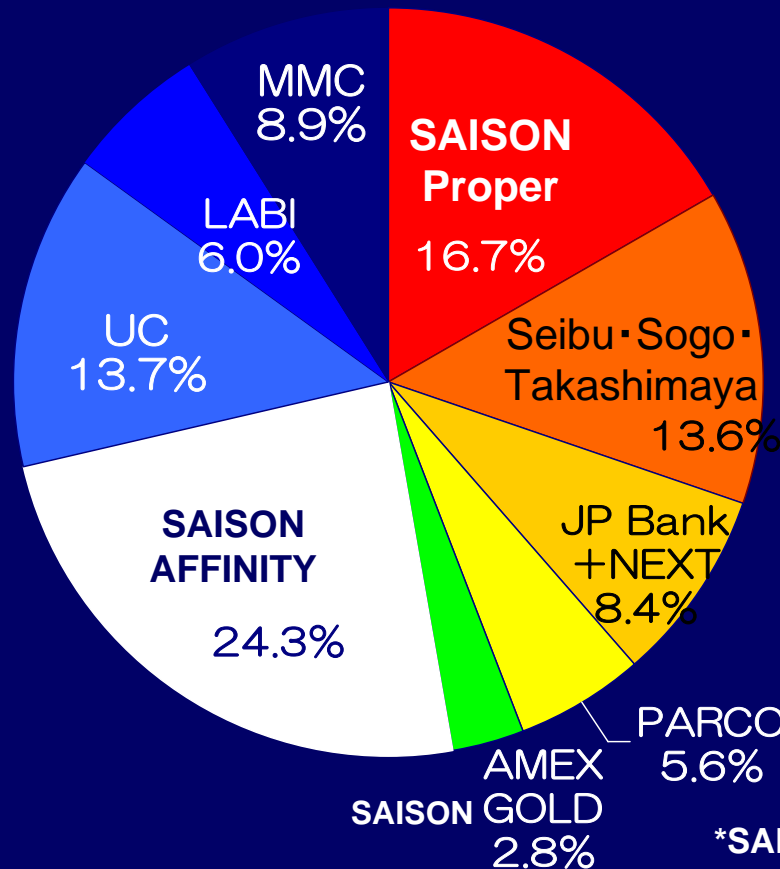
(Unit: million cards, million people, ¥ billion)

Figures in parentheses are changes from end of FY2008

# (Reference) Share of Cards

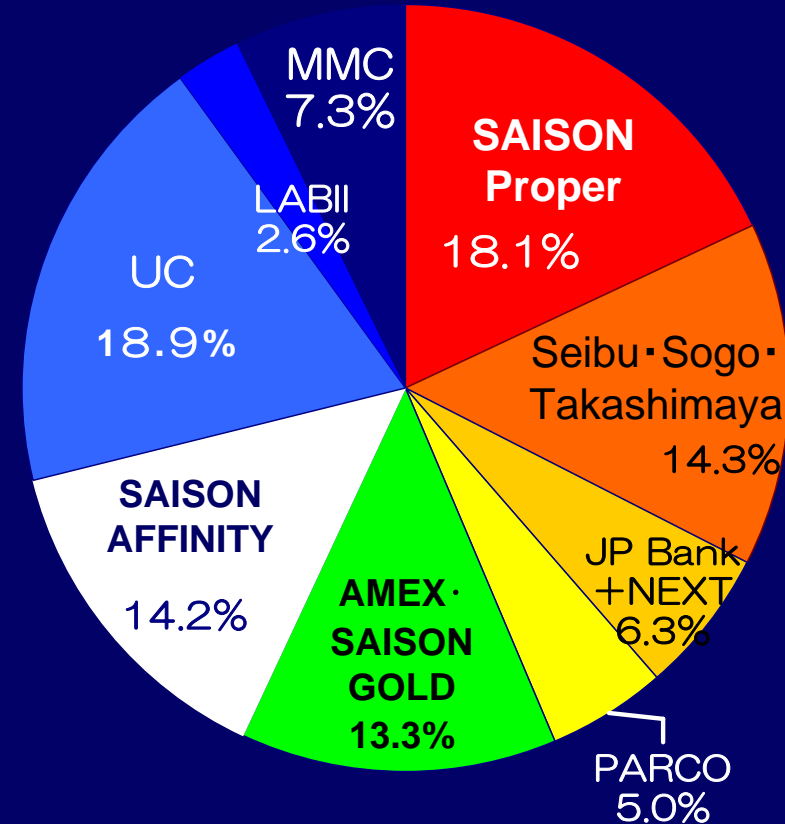
【Share of Total Cardholders】

(total: 27.96 million)



【Share of Shopping Transaction Volume】

(total: ¥ 1,879.8 billion)



\*SAISON GOLD includes affiliate GOLD/ROYAL.

60% of new accounts in Saison Proper are from AMEX cards with no annual fees.

The productivity of premium cards is 5 times higher than other cards.



# (Reference) Changes in Individual Spending Habits

## ■ FY2009 April-September Affiliated Store Billings YoY% by Industry (SAISON brand)

Rank	Transaction Number		Transaction Value		Transaction Volume	
1	<b>ETC</b>	137.6%	Communications	107.0%	Education	121.0%
2	Furniture	117.9%	Education	103.1%	Communication	112.7%
3	Education	117.4%	Medical	99.3%	Public Funds/Insurance	112.4%
4	Public Funds/Insurance	115.4%	Lodging	98.1%	Medical	112.2%
5	Car Supplies	114.3%	Public Funds/Insurance	97.4%	<b>ETC</b>	107.3%
6	Medical	113.1%	Home Electronics	96.7%	Car Supplies	105.4%
7	Leisure	110.3%	Sports	95.6%	Mail Order	102.9%
8	Mail Order	109.4%	Mail Order	94.1%	Furniture	102.6%
9	Clothing	106.5%	Car Supplies	92.2%	Leisure	100.2%
10	Communications	105.4%	Restaurants	91.9%		
11	Travel	105.3%	Department Store	91.2%		
12	Shopping Center	104.8%	Shopping Center	91.2%		
13	Sports	103.7%	Leisure	90.9%		
14	Department Store	100.8%	Supermarket	90.6%		
15	Supermarket	100.7%	Clothing	90.0%		

\*Sports: Fitness Clubs, golf, etc.

\*Leisure: Theme parks, movies, tickets, etc.

\*Car Supplies: Includes electronic toll collection equipment.

## 5. Credit Risk

(%)

Delinquency Rate of Over 90 days		change from end of FY2008
Consolidated	3.22	+0.42
Credit Card	3.25	+0.36
Card Shopping	2.39	+0.29
Cash Advances	4.60	+0.48

\*Delinquency Rate: Percentage of total receivables 90 days or more past due date.

(¥ billion)

	Consolidated		Non-consolidated	
		YoY		YoY
Credit Cost	35.4	+3.5	32.0	+6.7
Interest Repayment Cost	4.2	+1.2	3.7	+1.0
Allowance for Doubtful Accounts	127.1	+5.2*	85.6	(50.2)*
Provision for Loss on Interest Repayment	39.0	(5.6)*	34.6	(5.0)*

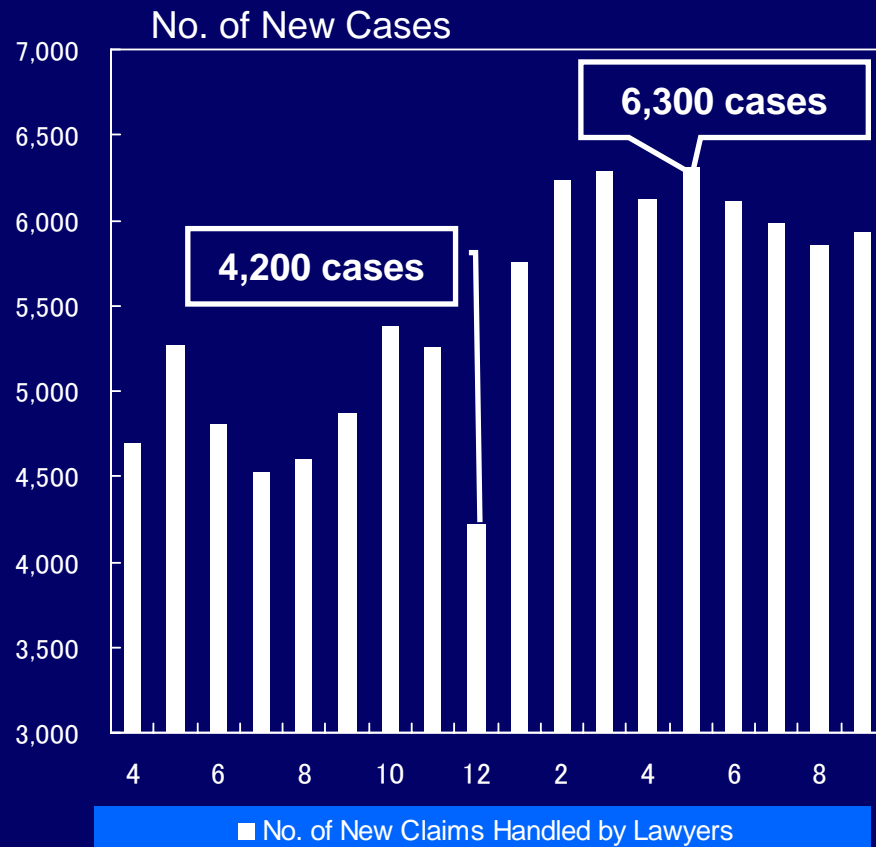
\*Figures in asterisk are changes from end of FY2008

# Trends in Loss on Interest Repayments

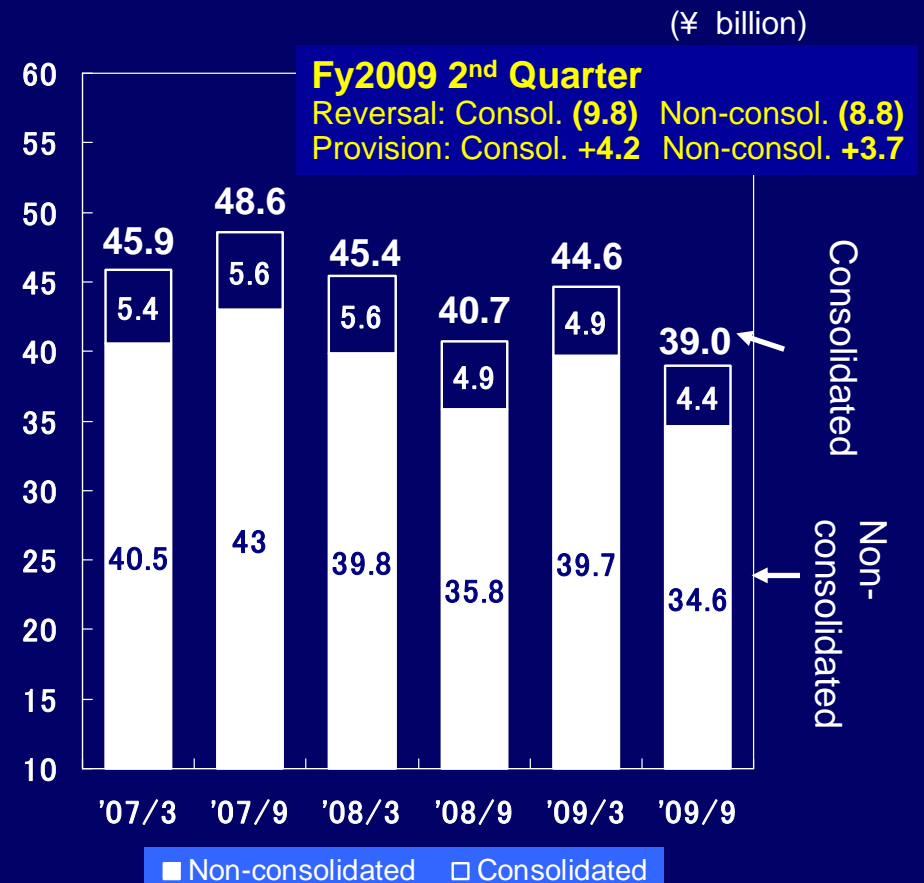
New occurrences of credit handling by lawyers and other parties are gradually decreasing.

## Downward Trend of Provision for Loss on Interest Repayment

### ■ Trends in New Interest Repayment Claims Handled by Lawyers



### ■ Changes in the provision for loss on interest repayment



## 6. Financial Indices

(¥ billion)

	Consolidated		Non-consolidated	
		change from end of FY2008		change from end of FY2008
<b>Shareholders' Equity</b>	<b>326.7</b>	<b>+8.4</b>	<b>310.5</b>	<b>+6.3</b>
<b>Total Assets</b>	<b>2,398.3</b>	<b>(8.6)</b>	<b>2,224.8</b>	<b>+4.0</b>
<b>Shareholders' Equity Ratio</b>	<b>13.6%</b>	<b>+0.4%</b>	<b>14.0%</b>	<b>+0.3%</b>

## 7. Financial Strategy Implement action based on the basic policies in a flexible and swift manner

### Basic Funding Policy

**Liquidity Risk Management**

**Interest Rate Risk Control**

**Cost Control**

### Implement Asset Structure·Revenue Structure· Fund Structures Based on the Financial Market's Status

- ◆ Diversify methods of funding
- ◆ Maintain good relations with correspondent financial institutions
- ◆ Create investors
- ◆ Equalize repayment/redemption amount
- ◆ Commitment line

- ◆ Duration control based off the asset structure
- ◆ Hedge ratio control based on the financial market's status

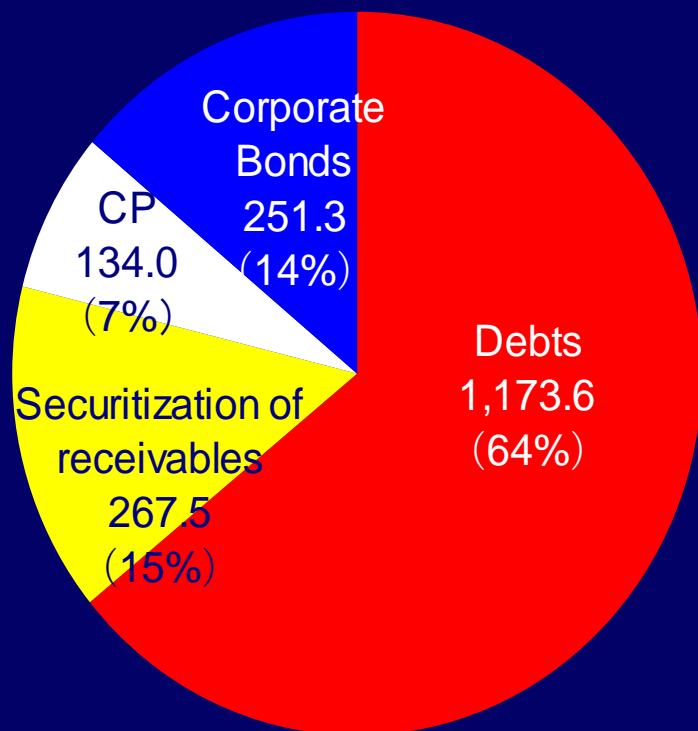
- ◆ Proactive disclosure (Debt IR, etc.)
- ◆ Maintain/increase rating

# 8. Fund Structure

(¥ billion)

[Consolidated]

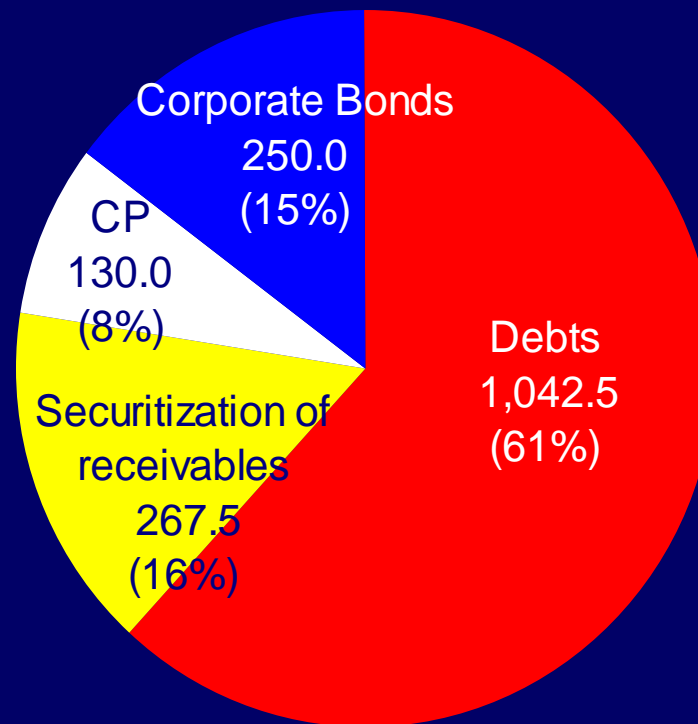
Total Balance: 1,826.5



Long Term Ratio: 75%

[Non-consolidated]

Total Balance: 1,690.0



Long Term Ratio: 77% Fixed Ratio: 69%

## 【Rating】

R&I A+

«Investment Grade Rating» Fitch BBB+



# Business Strategy

- I . **Our Company's Attributes and Competitive Edge**
- II . **Business Strategy Applying Our Company's Strengths**
- III . **Priority Policies, FY2009 Second Half**

# I . Our Company's Attributes and Competitive Edge

## (1) Customer base of 35 million cardholders

Strong customer base with two brands, SAISON and UC, containing credit and operation results (including from contracted agents) from 35 million cardholders with high value in attributes, areas, and spending trends

## (2) Ability to understand our clients

Marketing and planning strength allows us to pursue the customer needs which we have identified through our business as a retail card company, and also to consider issues from the perspective of the client

## (3) On-site sales ability

A bright and energetic on-site sales force composed largely of women, integrated with Saison counters and other retail locations

## (4) Credit policies and collection performance

Provide credit policies that fit the needs of the customer and provide ease of repayment by offering repayment at sales offices (card counters) and ATMs.

## (5) Alliance network

Our network of alliances is unrestricted by business groupings. We have formed alliances with excellent companies in a broad range of fields, including retail, finance, communications, transportation, and various service industries.

## (6) AMEX brand

Application of our exclusive domestic service rights for the four types of AMEX brand cards, which have high-status as a card brand



## II. Business Strategy Applying Our Company's Strengths

### Credit Card Business

- Invest in development of new systems and expanding clientele of high volume cards.
- Increase operational efficiency, reexamine economic requirements with business partners, and reform profitability of Qubitous.
- Create partnerships with large retailers, and increase “shopping transaction volume” and “revolving repayment balance” to promote stable growth in card revenue.

### Profit Earning Utilizing the Internet and Credit Card Customer Base

- Continue operational reform in the card business in using the internet to reduce costs.
- Use sites such as EikyuFumetsu.com, increase services to online members, and implement a fee business using the internet to increase revenue and distinguish our company from our competitors.

### Finance Business

- Aims to a multi-core revenue source using the lease and rental business as its core, and strengthen financing for businesses using the sales network established from the card business.
- Maintenance of comprehensive risk management system

### Group Management

- Maximize the group's revenue by preparing a comprehensive risk management system that covers compliance, internal control, system and operation risk, credit risk, etc.



## **Ⅲ. Priority Policies, FY2009 Second Half**

- 1. Measures for Expanding the Profitability of the Card Business (1)~(4)**
- 2. Cash Advance/Loan Strategies**
- 3. Measures for Expanding the Profitability of Business by Using the Internet**
- 4. Development of the Financial Business**
- 5. In-depth Cost Reduction**

# 1. Measures for Expanding the Profitability of the Card Business (1)

**Measure(1)** Expand card revenue by using *collaboration with department store businesses, regional (area) revitalization, and expand shopping revolving* as keywords.

## ■ Send Saison/UC cardholders and contracted agent cardholders (35 million card holders) to affiliated partners

- Implement an “All Saison & UC card promotion” at affiliated department stores
- Expand the promotion from Tokyo to other regional department stores in Kyushu, Chugoku, and Tohoku regions.

## ■ Conduct joint promotional events that bring together multiple affiliated intertype stores in the same area by using cards as media.

- “Ikebukuro East Gate Festival” (October ~ November) is currently running  
Ikebukuro Seibu, Ikebukuro Parco, Yamada Denki, ISP, Sunshine City, MUJI, Loft, Seiyu
- Planning similar promotions in other areas such as Tokyo, Yokohama, Osaka, Nagoya, Sendai, Hiroshima.

## ■ Approach customers to increase revolving repayment volume

- Approach viable customers through **DM** + phone
- \* The initiatives will be conducted to include the 120,000 Saison cardholders in the first half; those will include the UC cardholders in the second half.
- Promote shopping revolving at Saison counters and affiliated large retailers

### Shopping Revolving Repayment

Accounts in Use:  
98 million people  
(YoY 109.8%)

Shopping Revolving  
balance:  
¥ 284,000  
(YoY 96.3%)

**FY2009 Target Shopping Revolving Balance    ¥ 318 billion (YoY 108%)**

\* Δ2% from the beginning of the term

## 1. Measures for Expanding the Profitability of the Card Business (2)

### Measure(2) Approach distribution/service with “new type enterprise companies”

#### ■ Approach SPA (specialty store retailers) with high customer acceptance

- Deploy a comprehensive sales initiative, such as affiliated cards and promotions, to attract Saison and UC card holders to the stores of large SPA companies (including companies like NITORI, UNIQLO, ZARA, H&M, etc.)

#### ■ “Service” affiliated store

- Make the switch of individual spending from “Object” to “Service” to expand and develop the number of affiliated stores in the service industry.
- 【Examples of affiliated stores】 Promote paying with cards at salons and ceremonial occasions

#### ■ New revenue model creates new businesses at branches

- “Corporate agent business” for internet and telecommunication companies
  - \* Affiliate store recruitment service for E-Commerce businesses
  - \* Sales agent for placing telecommunication lines for corporations by Soft Bank Telecom, etc.
- Ad sales for “internet magazines” including news for internet member

**Revenue Target  
3 Years Later**  
(Corporate Agent Business)  
¥ 500 Million  
(Advertising Business)  
¥ 300 Million

# 1. Measures for Expanding the Profitability of the Card Business (3)

## Measure (3) Collaborate with AMEX in order to expand AMEX's share of the Japan domestic market

### (1) Offer subscriptions for AMEX cards with no annual fees

- Offer subscriptions as part of the main proper Saison card at locations like Seiyu (approximately 60% of the share of new accounts)
- Approximately 21% of the new Saison cards, including the co-brands, are AMEX brand cards.

### (2) Expand AMEX co-branded affinity cards issued by our company

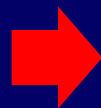
- Mitsui Shopping park (from May), Yamada Denki (from December), and United Air Lines Mileage Plus (from November), etc.

### (3) Enhance card features and services to promote usage

- New card designs for Gold AMEX and Platinum AMEX cards (planned)
- Currently planning to implement a large scale co-promotion campaign with AMEX

#### 2009 (End of December) Plan

- Cardholders **CS-GOLD: 430,000**  
**UC-GOLD: 350,000**  
**AMEX: 1,200,000**
- S Transaction Volume:  
¥ **860** billion (101.1% YoY)

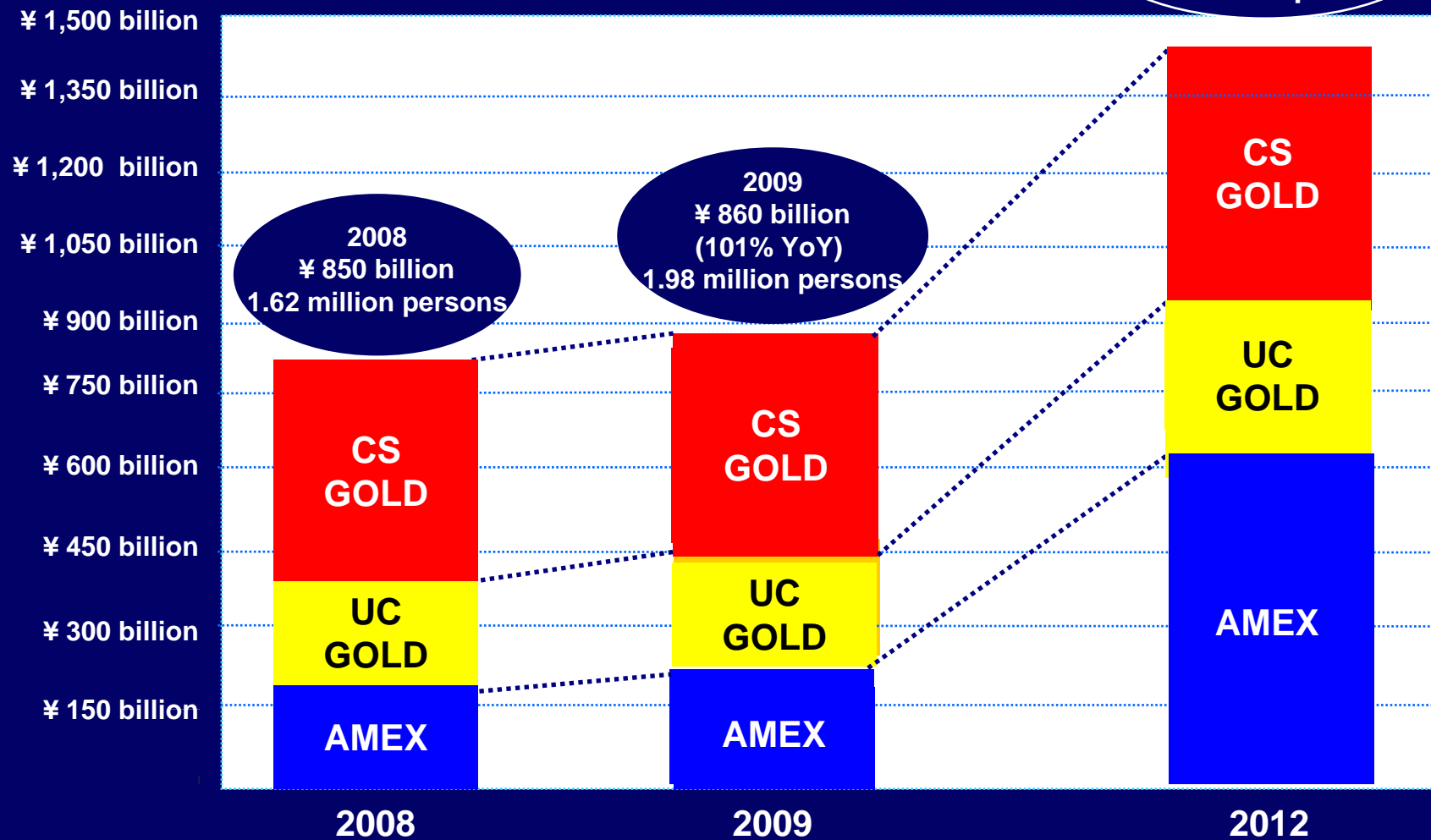


#### 2012 (End of December) Targets

- Cardholders **CS-GOLD: 480,000**  
**UC-GOLD: 370,000**  
**AMEX: 2,830,000**
- S Transaction Volume:  
¥ **1,400** billion (162.8% from 2009)

# [Reference] 2009 - 2012 AMEX+GOLD card plan

## Annual Shopping Transaction Volume



\*AMEX includes all AMEX cards, including agents. \*CS Gold includes all gold cards. \*UC gold includes personal cards only.

# 1. Measures for Expanding the Profitability of the Card Business (4)

## Measure(4) Increase transaction volume of large affiliate cards

### (1) Expand Issuing of MMC cards

- Customers obtain MMC cards when opening new bank accounts.
- Increase transaction volume by implementing point systems and expanding functional type cards (ANA Alliance, Suica Alliance, etc.)

### (2) Yamada LABI card

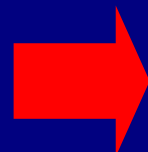
- Add functional type cards (AMEX co-branded etc.)
- Start recruitment via mobile phones at Yamada Denki stores by using QR codes

### (3) Mitsui Shopping Park / Outlet Park Card

- Started issuing “Mitsui Shopping Park cards” in May
- Deployed at 15 locations including the Outlets (planned to expand to all 21 facilities)

### ■ FY2009 New Account Targets

MMC	300,000
LABI	700,000
MSP/MOP	150,000



Increase annual shopping transaction volume to

**Total: ¥ 500 billion**

(1<sup>st</sup> Half Performance: Approx.  
¥ 200 billion)

## 2. Cash Advance/Loan Strategies

### (1) Current Status of Cash Advances

- People that Use Cash Advances (with balance at the end of the term) ⇒ 1.73 million (98.3% YoY)
- Amount of Using Cash Advance (1<sup>st</sup> half average) ⇒ ¥ 44,000 (87.3% YoY)

### (2) Efforts for Continued Use (Ensuring Balances) by Existing Cardholders and Prevention of Customer Loss

- Approach for acquisition of “proof of income or tax return documents” by leveraging use of our counters, DM, phone calls, and other company channels
- Acquisition of the latest customer information using the internet (static customer information).

**Target Acquisitions: 600,000**

**Confirmed Acquisitions: 320,000**

### (3) Promote Card Loans Targeting Private Business

- Services targeting members with an unclear annual income (after-tax income)
- Apply the extreme exception loan which does not apply to the total lending restriction

**Target Balance  
(by end of Sept. 2009)  
¥ 50 billion**

\*The “Moneylending Control Act” may be reexamined, but we will prepare legal compliance without changing our current policy.

### Cash Advances + Card Loan Balance (non-consolidated)

End of March 2009: ¥ 593.9 billion (100.4% YoY) ⇒ Performance at end of Sept. 2009: ¥ 573.1 billion (96.5% YoY)  
⇒ Forecast for end of March 2010: ¥ 545.0 billion (91.7% YoY)



### 3. Measures for expanding the profitability of business utilizing the internet

#### (1) Low-cost Operations using the Internet

- Achieve large-scale reductions in personnel costs, advertising and PR costs, communications costs, and other costs through internet card expansion, internet statements, and internet card news (from August).
- Started sending internet statements to all internet card holders starting in January

Reduce costs by  
¥ 1.5 billion  
in 2009

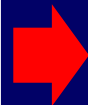
#### (2) Fee businesses such as Eikyufumetsu.com use the 28 million cardholder base

- Creation of fee revenue (contingency fees, advertising, contents, research, auctions, clicks, etc.)
- Increase in transaction volume of Eikyufumetsu.com through the reintegration of amazon.com (¥ 2.5 billion in October)

#### (3) Start shopping credit appropriation service of Eikyufumetsu points for web registered members (November)

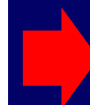
#### FY2009 Midterm Results

- Web registered members: 3.7 million
- Internet Statements: 0.5 million
- Eikyufumetsu.com Transaction Volume: ¥ 11 billion (120% YoY)
- Contribution to Profits: ¥ 0.7 billion



#### FY2009 plan

- Web registered members: 5 million
- Internet Statements: 3 million
- Eikyufumetsu.com Transaction Volume: ¥ 36 billion (180% YoY)
- Contribution to Profits: ¥ 2 billion



#### FY2011 (3 years later) targets

- Web registered members: 8 million
- Internet Statements: 5 million
- Eikyufumetsu.com Transaction Volume: ¥ 120 billion
- Contribution to Profits: ¥ 7 billion

# [Reference] Schematic of Internet Business



## Extensive Menu in Addition to Shopping

永久不滅コンテンツ      永久不滅リサーチ      永久不滅クリック

価格.com      SAISON CARD INTERNATIONAL      UC      永久不滅WALKER      永久不滅オークション

# 4. Development of the Financial Business

## Expansion of Financial Business by Using the Sales Network

### (1) Lease and Rental Business (targeted at private businesses)

- Cross-sales of products for private businesses through alliances with card divisions
- Aggressive expansion of the rental business through expansion of the agent sales business and the new “Complete 5 year rental pack” product
- Aggressive expansion of new affiliated vendor lease stores (retail stores)

**Vendor Leases  
Transaction Volume**  
1<sup>st</sup> half: ¥ 53 billion  
FY Goal: ¥ 107 billion

### (2) Flat 35 (started service in March 2009)

- Showing steady growth with great services including a speedy screening process, accepting contracts on s, and preferred treatment for card members.  
⇒ As of Oct. 2009, there are 232 contracts (of which 149 are executed)
- Developing into our main business in the financial business

**“Flat 35”  
Financing Cases**  
First Year Target:  
Over 300

	Results at End of 03/09	Results at End of 09/09		Plan for End of 03/10
Lease and Rental Balance	¥ 249.3 billion	¥ 257.8 billion(107% YoY)	➔	¥ 268.6 billion(108% YoY)
Credit Guarantee Balance	¥ 175.3 billion	¥ 172.9 billion(114% YoY)		¥ 175.3 billion(100% YoY)
Financing Balance	¥ 129.6 billion	¥ 34.5 billion(81% YoY)		¥ 17.2 billion(13% YoY)

\*These balances are management figures from the Sales Division, and are different from the figures in the financial statement (quantitative edition).

\*The balance in the financing business is decreasing from closing off new applicants to the guaranteed real estate collateral loan.

# 5. In-depth Cost Reduction

## 1<sup>st</sup> Half Sales Administration Costs

[Consolidated] ¥ 126.6 billion( down ¥ 2.5 billion reduction, 98.0% YoY)

[Non-consolidated] ¥ 105.3 billion (up ¥ 1.8 billion increase, 101.7% YoY)

### 【Cost Reduction Priorities】

- (1) Review the economic conditions in the card business, and change renewal standards in order to reduce costs.  
(down ¥3.5 billion reduction)
- (2) Reduce costs by using internet statements and promoting the transition of customer channels to the internet.  
(down ¥2.5 billion reduction)
- (3) Reduce loan loss costs by strengthening mid-term credit and the early recovery system. (down ¥2.0 billion reduction)
- (4) Optimize QB processing operations (down ¥1.0 billion reduction)

- ◆ Cost reduction is going as planned keeping in line with the above priorities
- ◆ Business consignment fees were reduced largely through negotiating contract alterations

#### FY 2009 Target

#### Sales Management Expenses

[Non-consolidated]:

¥ 207.0 billion(¥ 13.7 billion, 93.8% YoY)

\*Provision for loss on interest repayment increased by ¥ 10 billion from the previous semester

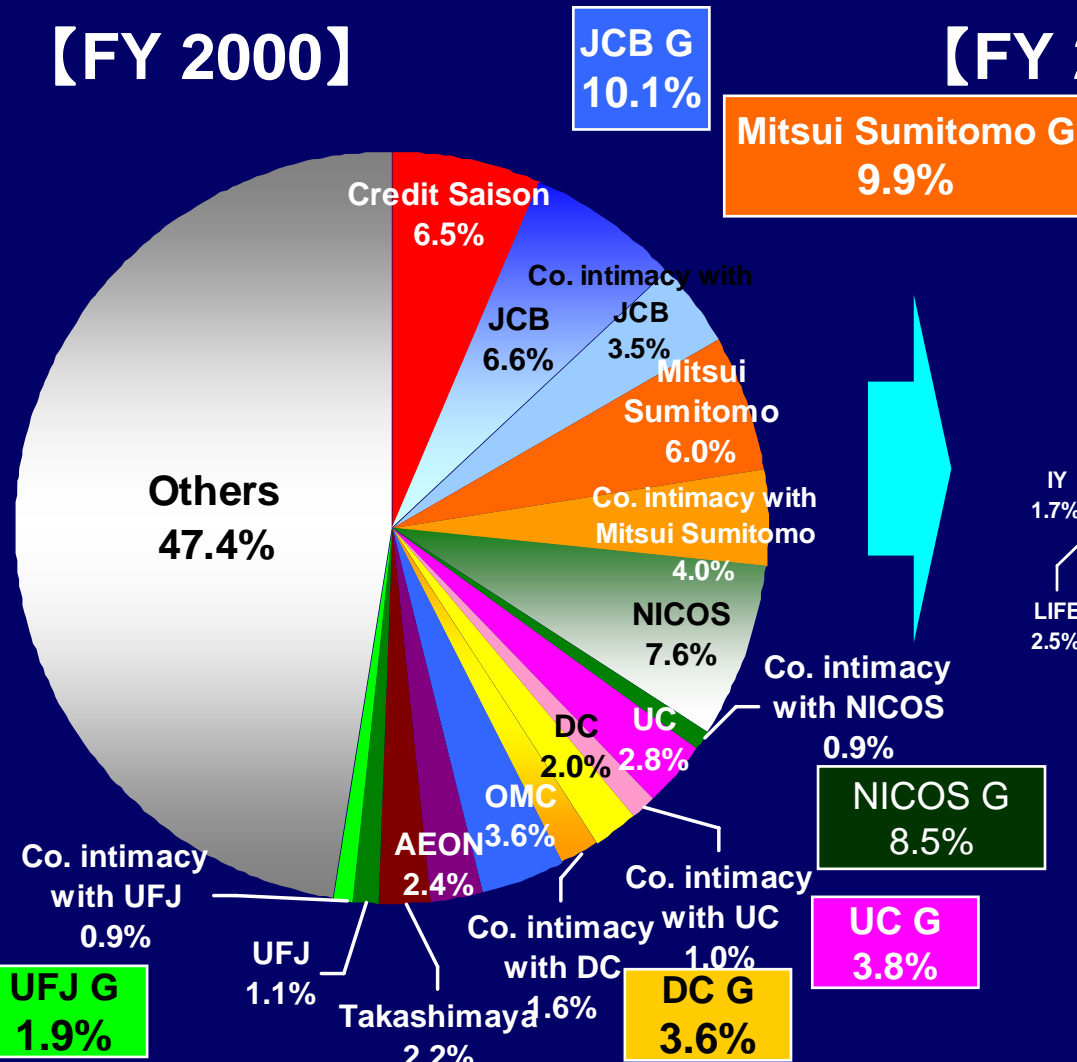
#### ■ 1<sup>st</sup> Half Sales Management Expense Breakdown [Non-consolidated]

▪ Commission	¥ 31.4 billion (91.9% YoY)
▪ Transportation & Communications	¥ 6.4 billion (92.2% YoY)
▪ Payroll	¥ 10.9 billion (95.4% YoY)
▪ Advertising	¥ 15.0 billion (98.3% YoY)
▪ Cost Depreciation	¥ 4.0 billion (107.7% YoY)
▪ Loan Loss Costs	¥ 31.1 billion (116.8% YoY)

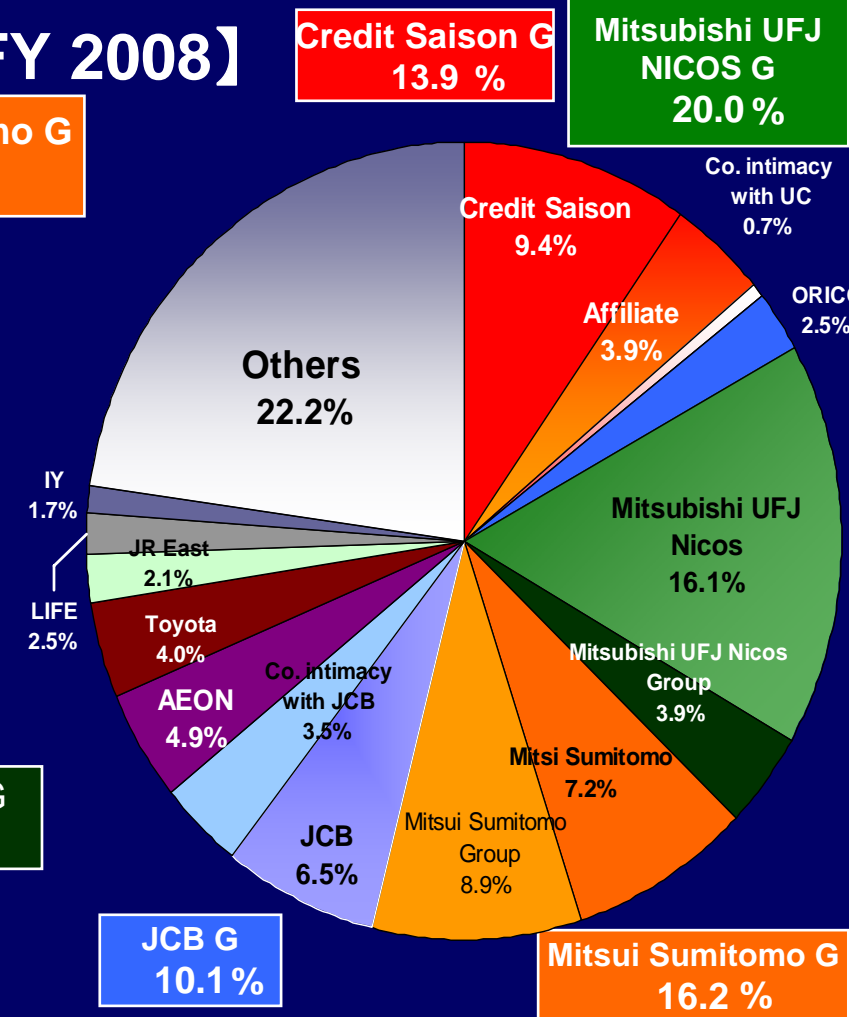
\*Cost depreciation costs are mainly from systems costs.

# [Reference] Change of Domestic Market Share (Shopping Transaction Volume)

**【FY 2000】**



**【FY 2008】**



**Transaction Volume FY 2008:  
Approx. ¥ 41.5 trillion**

\* Co. Intimacy with companies, etc. using the brand (the "Group" includes all affiliated companies, capital alliance partners, and close partners).

\* The figures for UFJ NICOS include data from its consolidated subsidiaries.

\* Calculated using our own estimates.

# [Reference] Reorganization of the Domestic Credit Market

