

《Translation of excerpted sections》

Consolidated Financial Statements for the Second Quarter of the Fiscal Year Ending March 31, 2020

(IFRS)



November 12, 2019
Stock exchange listing: Tokyo
(URL <https://www.saisoncard.co.jp>)

Listed company name: Credit Saison Co., Ltd.

Code number: 8253

Representative: Masahiro Yamashita / President and COO

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Scheduled date to submit Quarterly Securities Report: November 14, 2019

Scheduled date to commence dividend payments: –

Preparation of supplementary material on quarterly financial results: Yes

Holding of quarterly financial results presentation meeting: Yes (for institutional investors and analysts)

Note: All amounts are rounded down to the nearest million yen.

1. Consolidated Results for the Second Quarter of the Fiscal Year Ending March 31, 2020 (April 1, 2019 to September 30, 2019)

(1) Consolidated Operating Results (cumulative) (% represents year-on-year change)

	Net revenue		Business profit		Profit before tax		Profit		Profit attributable to owners of parent		Total comprehensive income	
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)
2 nd Quarter FY2019	159,285	5.3	31,263	15.4	25,159	(3.8)	18,524	(0.8)	18,637	(0.1)	12,900	(39.9)
2 nd Quarter FY2018	151,295	–	27,098	–	26,147	–	18,668	–	18,665	–	21,472	–

	Basic earnings per share (Yen)	Diluted earnings per share (Yen)
2 nd Quarter FY2019	115.33	115.24
2 nd Quarter FY2018	114.28	–

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of parent	Ratio of equity attributable to owners of parent to total assets
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(%)
2 nd Quarter FY2019	3,366,355	491,410	490,781	14.6
FY2018	3,212,465	491,741	490,998	15.3

2. Dividends

	Annual dividends				
	End of first quarter (Yen)	End of second quarter (Yen)	End of third quarter (Yen)	End of fiscal year (Yen)	Annual (Yen)
FY2018	–	0.00	–	45.00	45.00
FY2019	–	0.00	–	–	–
FY2019 (Projected)	–	–	–	45.00	45.00

(Note) Revision of projected dividends most recently announced: None

3. Consolidated Earnings Forecasts for Fiscal 2019 (April 1, 2019 to March 31, 2020)

(% represents year-on-year change)

	Net revenue		Business profit		Profit attributable to owners of parent		Basic earnings per share
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Yen)
FY2019	315,500	3.5	42,500	(18.6)	29,000	(5.0)	183.66

(Note) Revision of consolidated earnings forecasts most recently announced: Yes

For detail on the revision to the consolidated earnings forecasts please refer to “Announcement Regarding Difference Between Actual Business Results and Earnings Forecasts for the First Half of FY2019 (Consolidated and Non-consolidated) and Revision to the Full Year Earnings Forecasts for FY2019 (Consolidated and Non-consolidated)” released today (November 12, 2019). Note that the Company engages in stock buybacks as provided for by the resolution passed at the Board of Directors meeting held on June 7, 2019. “Basic earnings per share” in the consolidated earnings forecasts takes into account the effect of the total number of its own shares bought back as of October 31, 2019.

Notes

- (1) Changes in significant subsidiaries during second quarter: None
(Changes in specified subsidiaries resulting in changes in the scope of consolidation)
- (2) Changes in accounting policies and changes in accounting estimates
 - a. Changes in accounting policies required by IFRS: Yes
 - b. Changes in accounting policies other than a. above: None
 - c. Changes in accounting estimates: None
- (3) Number of shares issued (common shares):
 - a. Number of shares issued at the end of the period (including treasury shares):

2 nd Quarter FY2019: 185,444,772 shares	FY2018: 185,444,772 shares
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 - b. Treasury shares at the end of the period:

2 nd Quarter FY2019: 26,795,734 shares	FY2018: 22,112,702 shares
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 - c. Average number of outstanding shares during the period (cumulative):

2 nd Quarter FY2019: 161,598,988 shares	2 nd Quarter FY2018: 163,332,352 shares
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- Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

- Proper use of earnings forecasts, and other special matters
(Caution regarding forward-looking statements, etc.)

The forecasts indicated above are based on our future outlook as of the announcement date of these materials, assumptions that form the basis of plans, and predictions. Actual performance may differ from the projected results due to various factors.

(Means of obtaining supplementary material on quarterly financial results)

The Company provides English translations of supplementary materials on its businesses and performance and its quarterly financial statements (excerpted sections only) on its website.

2. Condensed Quarterly Consolidated Financial Statements

(1) Condensed Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2019	As of September 30, 2019
Assets		
Cash and cash equivalents	82,642	84,848
Trade and other receivables	2,393,197	2,532,846
Inventories	151,385	143,421
Operational investment securities	39,973	48,404
Investment securities	91,553	84,755
Other financial assets	11,916	13,641
Property, plant and equipment	29,341	28,665
Right-of-use asset	–	18,327
Intangible assets	219,972	185,113
Investment property	56,683	60,088
Investments accounted for using equity method	92,752	75,291
Deferred tax assets	32,148	37,325
Other assets	10,897	7,550
Assets held for sale	–	46,075
Total assets	3,212,465	3,366,355

(Millions of yen)

	As of March 31, 2019	As of September 30, 2019
Liabilities and equity		
Liabilities		
Trade and other payables	314,729	279,868
Financial guarantee liabilities	8,305	8,281
Bonds and borrowings	2,203,818	2,380,943
Other financial liabilities	28,441	27,904
Income taxes payable	3,120	10,340
Provision for point card certificates	104,963	107,426
Provision for loss on interest repayments	17,762	14,939
Other provisions	1,530	1,556
Deferred tax liabilities	1,025	1,025
Other liabilities	37,026	41,228
Liabilities directly associated with assets held for sale	–	1,430
Total liabilities	2,720,724	2,874,945
Equity		
Share capital	75,929	75,929
Capital surplus	85,642	85,644
Retained earnings	360,303	372,934
Treasury shares	(52,881)	(58,761)
Other components of equity	22,004	15,034
Total equity attributable to owners of parent	490,998	490,781
Non-controlling interests	743	628
Total equity	491,741	491,410
Total liabilities and equity	3,212,465	3,366,355

(2) Condensed Quarterly Consolidated Statements of Income

(Millions of yen)

	Second quarter of FY2018 (April 1, 2018 to September 30, 2018)	Second quarter of FY2019 (April 1, 2019 to September 30, 2019)
Revenue		
Income from the payment business *	111,791	116,629
Income from the lease business	6,334	6,117
Income from the finance business	19,016	20,994
Revenue from the real estate-related business	19,565	34,407
Revenue from the entertainment business	26,112	25,465
Finance income	521	381
Total	183,342	203,995
Cost of sales		
Cost of sales for the real estate-related business	10,473	23,855
Cost of sales for the entertainment business	21,574	20,854
Total	32,047	44,710
Net revenue	151,295	159,285
Selling, general and administrative expenses	108,766	112,596
Impairment losses on financial assets	17,358	16,784
Finance costs	4,975	5,179
Share of profit of investments accounted for using equity method	4,034	3,848
Other income	2,433	3,232
Other expenses	516	6,645
Profit before tax	26,147	25,159
Income tax expense	7,478	6,635
Profit	18,668	18,524
Profit attributable to		
Owners of parent	18,665	18,637
Non-controlling interests	3	(112)
Profit	18,668	18,524

(Yen)

Earnings per share		
Basic earnings per share	114.28	115.33
Diluted earnings per share	-	115.24

* As a result of a change to a segment name, “Income from the credit service business” has been renamed “Income from the payment business” effective the first quarter of the fiscal year ending March 31, 2020.

Breakdown of reconciliations from profit before tax to business profit

(Millions of yen)

	Second quarter of FY2018 (April 1, 2018 to September 30, 2018)	Second quarter of FY2019 (April 1, 2019 to September 30, 2019)
Profit before tax	26,147	25,159
Reconciliations (Other income)	–	(702)
Reconciliations (Other expenses)	485	6,501
Adjustments for the application of the effective interest method to financial assets	465	304
Subtotal	950	6,103
Business profit	27,098	31,263

(3) Condensed Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	Second quarter of FY2018 (April 1, 2018 to September 30, 2018)	Second quarter of FY2019 (April 1, 2019 to September 30, 2019)
Profit	18,668	18,524
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	1,121	(4,138)
Share of other comprehensive income of investments accounted for using equity method	(2)	(395)
Items that may be reclassified to profit or loss		
Net change in fair value of debt instruments measured at fair value through other comprehensive income	(5)	4
Effective portion of cash flow hedges	1,344	(733)
Exchange differences on translation of foreign operations	(3)	(52)
Share of other comprehensive income of investments accounted for using equity method	348	(310)
Total other comprehensive income, net of tax	2,803	(5,624)
Comprehensive income	21,472	12,900

Comprehensive income attributable to		
Owners of parent	21,470	13,015
Non-controlling interests	1	(114)
Comprehensive income	21,472	12,900

(4) Condensed Quarterly Consolidated Statements of Changes in Equity
Second quarter of FY2018 (April 1, 2018 to September 30, 2018)

(Millions of yen)

	Equity attributable to owners of parent						Non-controlling interests	Total
	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity	Total		
Balance as of April 1, 2018	75,929	85,629	344,291	(52,880)	35,913	488,883	1,965	490,849
Cumulative effect of accounting change			(9,148)		(3,343)	(12,491)		(12,491)
Restated balance	75,929	85,629	335,143	(52,880)	32,569	476,391	1,965	478,357
Profit			18,665			18,665	3	18,668
Other comprehensive income					2,805	2,805	(1)	2,803
Comprehensive income	-	-	18,665	-	2,805	21,470	1	21,472
Purchase of treasury shares				(0)		(0)		(0)
Disposal of treasury shares						-		-
Dividends			(5,719)			(5,719)		(5,719)
Transfer from other components of equity to retained earnings			199		(199)	-		-
Changes in ownership interest in subsidiaries						-		-
Total transactions with owners	-	-	(5,520)	(0)	(199)	(5,719)	-	(5,719)
Balance as of September 30, 2018	75,929	85,629	348,288	(52,880)	35,176	492,142	1,967	494,110

Second quarter of FY2019 (April 1, 2019 to September 30, 2019)

(Millions of yen)

	Equity attributable to owners of parent						Non-controlling interests	Total
	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity	Total		
Balance as of April 1, 2019	75,929	85,642	360,303	(52,881)	22,004	490,998	743	491,741
Profit			18,637			18,637	(112)	18,524
Other comprehensive income					(5,622)	(5,622)	(2)	(5,624)
Comprehensive income	-	-	18,637	-	(5,622)	13,015	(114)	12,900
Purchase of treasury shares				(5,880)		(5,880)		(5,880)
Disposal of treasury shares		(0)		0		0		0
Dividends			(7,353)			(7,353)		(7,353)
Transfer from other components of equity to retained earnings			1,347		(1,347)	-		-
Changes in ownership interest in subsidiaries		1				1	0	2
Total transactions with owners	-	1	(6,005)	(5,880)	(1,347)	(13,232)	0	(13,231)
Balance as of September 30, 2019	75,929	85,644	372,934	(58,761)	15,034	490,781	628	491,410

(5) Segment information

(i) Overview of reportable segments

The Group's reportable segments are components of the Group for which separate financial information is available, and which are subject to regular review by the Board of Directors for the purpose of making decisions about the allocation of management resource and assessing the segments' performance.

The Company and its consolidated subsidiaries separately develop and conduct business activities that directly relate to their various customers, and that are mainly based on market and customer service offerings. In accordance with these considerations, the Group's reportable segments are classified by market and customer service offerings and comprise the "Payment," "Lease," "Finance," "Real Estate Related" and "Entertainment" business segments.

The Payment business segment mainly consists of the credit card business, which is the Group's major segment, and various peripheral businesses closely related to the credit card business.

The Lease business segment operates the Group's leasing business which is centered on the leasing of office equipment.

The Finance business segment consists of the credit guarantee business and the finance related business.

The Real Estate Related business segment comprises the real estate business and the real estate leasing business.

In the Entertainment business, the Group is developing an amusement business centered on the management of amusement centers/arcades.

Effective the first quarter of the fiscal year ending March 31, 2020, the business segment "Credit Service" was renamed "Payment." The change to this reportable segment's name does not have an effect on the segment information. Note that below in the table for the second quarter ended September 30, 2018, the new business segment name is used.

(ii) Information regarding reportable segments

For the second quarter ended September 30, 2018 (from April 1, 2018 to September 30, 2018)

(Millions of yen)

	Payment	Lease	Finance	Real estate related	Entertainment	Total	Adjustments (Note 2)	Consolidated
Revenue								
Revenue from external customers	112,312	6,335	19,016	19,565	26,112	183,342	-	183,342
Intersegment revenue	698	2	-	467	0	1,169	(1,169)	-
Total	113,011	6,338	19,016	20,032	26,113	184,512	(1,169)	183,342
Net revenue	113,011	6,338	19,016	9,553	4,538	152,459	(1,164)	151,295
Segment profit (Business profit) (Note 1)	8,840	3,097	8,642	5,054	1,461	27,096	1	27,098
Reconciliations	-	-	-	-	-	-	-	(950)
Profit before tax	-	-	-	-	-	-	-	26,147

(Notes) 1. Business profit is calculated by adding or subtracting certain items of adjustment to or from profit before tax. The items of adjustment are determined by the Group based on the judgment that they provide useful comparative information of business performance from the consideration of the nature or frequency of the respective revenue or expense and appropriately reflect the method by which the business is managed.

2. Adjustments include inter-segment eliminations.

For the second quarter ended September 30, 2019 (from April 1, 2019 to September 30, 2019)

(Millions of yen)

	Payment	Lease	Finance	Real estate related	Entertainment	Total	Adjustments (Note 2)	Consolidated
Revenue								
Revenue from external customers	117,011	6,117	20,994	34,407	25,465	203,995	–	203,995
Intersegment revenue	745	2	–	488	0	1,236	(1,236)	–
Total	117,756	6,119	20,994	34,895	25,465	205,231	(1,236)	203,995
Net revenue	117,756	6,119	20,994	11,038	4,610	160,519	(1,234)	159,285
Segment profit (Business profit) (Note 1)	11,628	2,176	9,623	6,238	1,594	31,261	1	31,263
Reconciliations	–	–	–	–	–	–	–	(6,103)
Profit before tax	–	–	–	–	–	–	–	25,159

- (Notes) 1. Business profit is calculated by adding or subtracting certain items of adjustment to or from profit before tax. The items of adjustment are determined by the Group based on the judgment that they provide useful comparative information of business performance from the consideration of the nature or frequency of the respective revenue or expense and appropriately reflect the method by which the business is managed.
2. Adjustments include inter-segment eliminations.

Breakdown of reconciliations from segment profit (business profit) to profit before tax

(Millions of yen)

	Second quarter of FY2018 (April 1, 2018 to September 30, 2018)	Second quarter of FY2019 (April 1, 2019 to September 30, 2019)
Segment profit (Business profit)	27,098	31,263
Adjustments for the application of the effective interest method to financial assets	(465)	(304)
Reconciliations (Other income)	–	702
Gain on valuation of investment securities (e.g. stocks)	–	702
Reconciliations (Other expenses)	(485)	(6,501)
Loss on valuation of investment securities (e.g. stocks)	(395)	–
Impairment losses on non-financial assets	–	(6,327)
Other	(90)	(173)
Reconciliations – total	(950)	(6,103)
Profit before tax	26,147	25,159