FY2024 1Q
決算概況資料
Summary of Financial Results

August 9,2024

Credit Saison Co.,Ltd.

東証プライム市場上場　証券コード :8253

Tokyo Stock Exchange Prime Market, Securities Code: 8253

Credit Saison Co., Ltd.

Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2025

August 9, 2024

[Number of Speakers]

Masaki Negishi　　Managing Executive Officer, CFO

決算サマリー／Financial summary

（億円／￥100 Million）

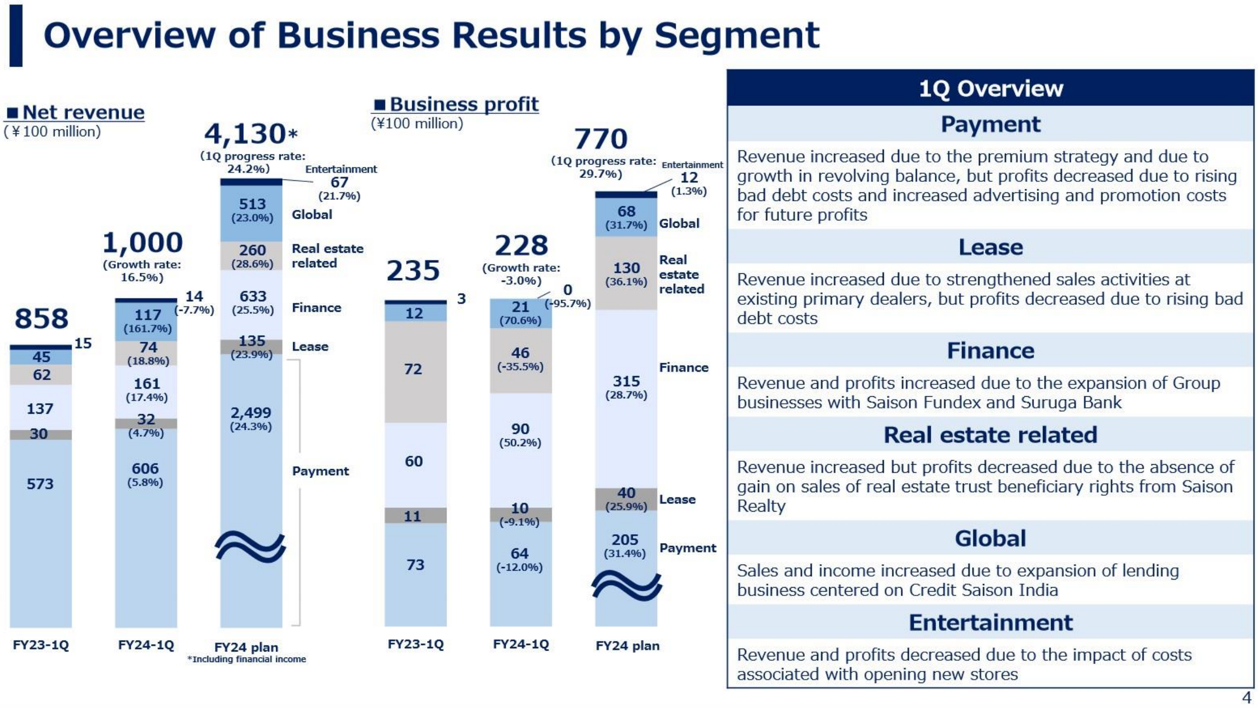
		FY23 1Q	FY24 1Q	前年比 YOY	FY24計画 plan	進捗率 Progress rate
連結 Consolidated	純収益 Net revenue	858	**1,000**	**116.5%**	4,130	24.2%
	事業利益 Business profit	235	**228**	**97.0%**	770	29.7%
	四半期利益 Profit attributable to owners of parent	169	**165**	**97.9%**	520	31.9%
単体 Non-consolidated	営業収益 Operating revenue	687	**735**	**106.9%**	3,030	24.3%
	営業利益 Operating profit	104	**98**	**94.0%**	425	23.1%
	経常利益 Ordinary profit	129	**123**	**95.4%**	480	25.8%
	四半期純利益 Profit	117	**102**	**87.1%**	340	30.0%

Negishi: My name is Negishi. Thank you. I would like to report on the overview of Q1.

First, on page three, we have the summary of the consolidated financial results for Q1.

Net revenue is JPY100 billion, 116.5% of the previous year's level, or 24% of progress.

Business profit was JPY22.8 billion, 97% of the previous year's level, with a progress rate of 29%, and profit attributable to owners of parent was JPY16.5 billion, 97% of the previous year's level, with a progress rate of 31%, resulting in an increase in sales and a decrease in profit.



Page four shows the results by segment.

For the payment segment, net revenue was JPY60.6 billion, 105.8% of the previous year's level, and business profit was JPY6.4 billion, 88% of the previous year's level, or 31.4% of progress. Revenue increased due to growth in revolving balance in payment, et cetera. Business profit was down YoY due to an increase in sales-linked expenses, et cetera, which are necessary to generate revenue, as well as an increase in bad debt costs of approximately JPY2.2 billion. This is the reason for the YoY decrease.

Next is the finance segment. Net revenue was JPY16.1 billion, 117% of the previous year's level, and business profit was JPY9 billion, 150% of the previous year's level, for a progress rate of 28.7%. In the finance business, for net revenue, Credit Saison's credit guarantee and finance-related business, and Saison Fundex's credit guarantee and real estate collateralized loan business performed very well. For business profit, in addition to the contribution of Credit Saison and Saison Fundex, Suruga Bank, which is accounted for by equity method, contributed about JPY1.4 billion, resulting in a total of JPY9 billion.

In real estate segment, net revenue was JPY7.4 billion, 118% of previous year’s level, and business profit was JPY4.6 billion, 64% of previous year’s level with a progress rate of 36%. For business profit, as you know, in Q1 of last year, we recorded a gain of JPY3.9 billion from the sale of our interest in a real estate fund, and because of its absence in this fiscal year, business profit was 64% of previous year’s level.

In the global segment, net revenue was JPY11.7 billion, 261% of the previous year's level, and business profit was JPY2.1 billion, 170% of the previous year's level, with a progress rate of 31%. For both revenue and business profit, Kisetsu Saison Finance in India has been performing well, which contributed to this figure. The global business is slightly affected by foreign exchange rates.

Contribution by Consolidated Companies

■Business profit Difference

(￥100 Million)

	Consolidated Business profit	Non-consolidated Ordinary Profit	Difference
FY24-1Q	228.7	123.6	105.0
(Year-on-year difference)	▲7.0	▲5.9	▲1.0

■Contribution by Consolidated Companies

(￥100 Million)

		Contribution to business profit	Year-on-year difference	Business description
Major consolidated subsidiaries	Saison Realty Group	**29.4**	▲28.7	Comprehensive real estate business
	SAISON FUNDEX CORPORATION	**29.2**	+6.6	Real estate financing business, credit guarantee business, and personal loan business
	Kisetsu Saison Finance(India)Pvt. Ltd.	**12.4**	+8.4	Digital lending business in India
	SAISON COLLECTION SERVICE CO., LTD.	**5.2**	+1.7	Servicer (debt collection) business
Major equity method affiliates	Suruga Bank Ltd.	**14.2**	+14.2	Banking
	Seven CS Card Service CO.,LTD	**2.9**	+0.2	Credit card business
	Takashimaya Financial Partners Co.,Ltd	**2.9**	+0.2	Credit card business, insurance business, investment trust business, and trust business
	Saison Technology Co., Ltd.＊	**1.3**	▲0.6	Information Processing services, Data Integration Software services

＊Saison Information Systems Co., Ltd., change its trade name to Saison Technology Co., Ltd. on April 1, 2024.

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As for the contribution of the consolidated companies, the difference between the consolidated and non-consolidated results was JPY10.5 billion, which is almost the same as the previous year.

Major contribution of the consolidated companies includes JPY2.94 billion from Saison Realty Group. It is down JPY2.8 billion from previous year but, as I mentioned earlier, this is a reaction to last year's gain on the sale of real estate fund interests.

On the other hand, Saison Fundex and Kisetsu Saison Finance contributed JPY2.92 billion and JPY1.24 billion, respectively. Both of these two companies are performing solidly.

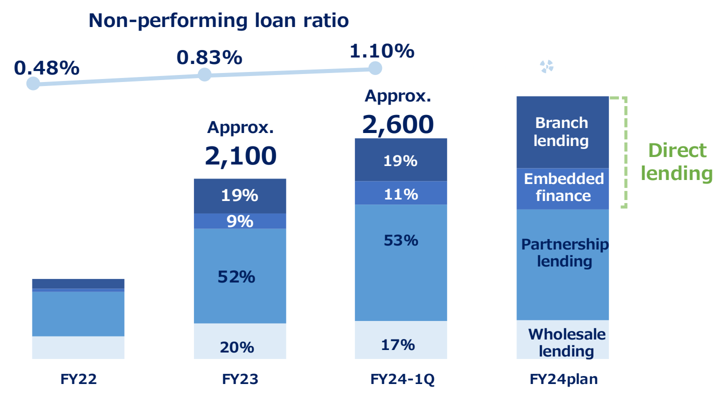
In addition, Suruga Bank, our equity affiliate, has been incorporated since Q2 of last year, and in Q1 of this fiscal year, we incorporated JPY1.4 billion.

Credit Saison India Progress

✓ **Steady growth in receivables balance, approx. 260 billion yen in FY24 -1Q**
✓ **Continue to control risk while expanding profitable direct lending**

■Credit Saison India Receivable balance

（￥100 Million）



＊Year-end rate INR 1.93 yen (+0.11 yen from the end of the previous period)
＊Receivable balance including offbalance sheet receivables

Branch lending

Expansion of branch network and Growing receivable balance by utilizing sales agents
Number of branches: 45
※1 new branch opened
※As of June 30, 2024

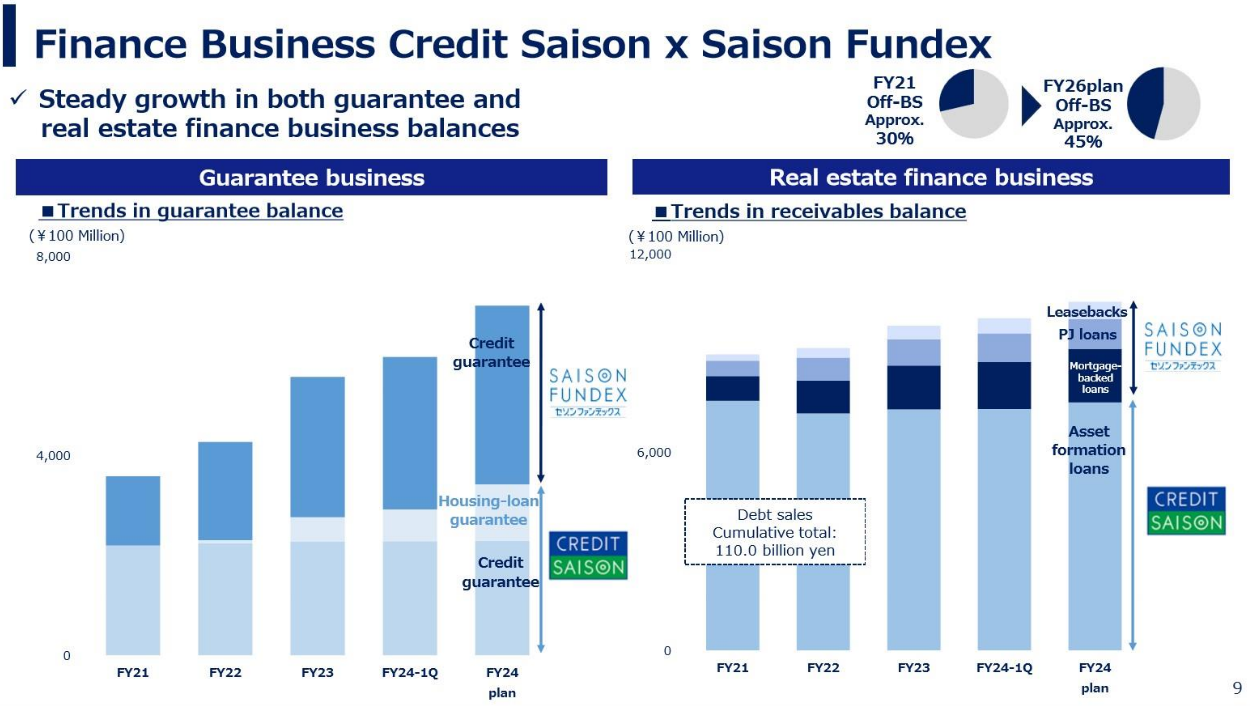
Embedded finance

Expand customer base through alliances with non-financial businesses
Number of partners: 10
※1 new partner
※As of June 30, 2024

Please proceed to page eight, where we will report on the progress of balances and other items that are the source of income for each of our businesses.

First, our business in India. The receivable loans at the end of Q1 were JPY260 billion. This is calculated by the rate at the end of the quarter, which is JPY1.93 per Indian rupees. The difference from the end of the previous fiscal year is plus JPY0.11, which gives the impression that the growth is a little large. If we convert JPY210 billion at the end of the fiscal year by the exchange rate at the end of June, it will be approximately JPY230 billion. I hope you can understand the fluctuation as being between JPY230 billion and JPY260 billion.

Kisetsu Saison Finance's main goal is to focus more on direct lending in the current fiscal year. We have set very high goals for this direct lending business, and although we fell a little short of these high goals in Q1, we are generally confident that we will be able to recover to the plan later on. On the other hand, the partnership lending business has remained stronger than budgeted.



Next, page nine, the finance business.

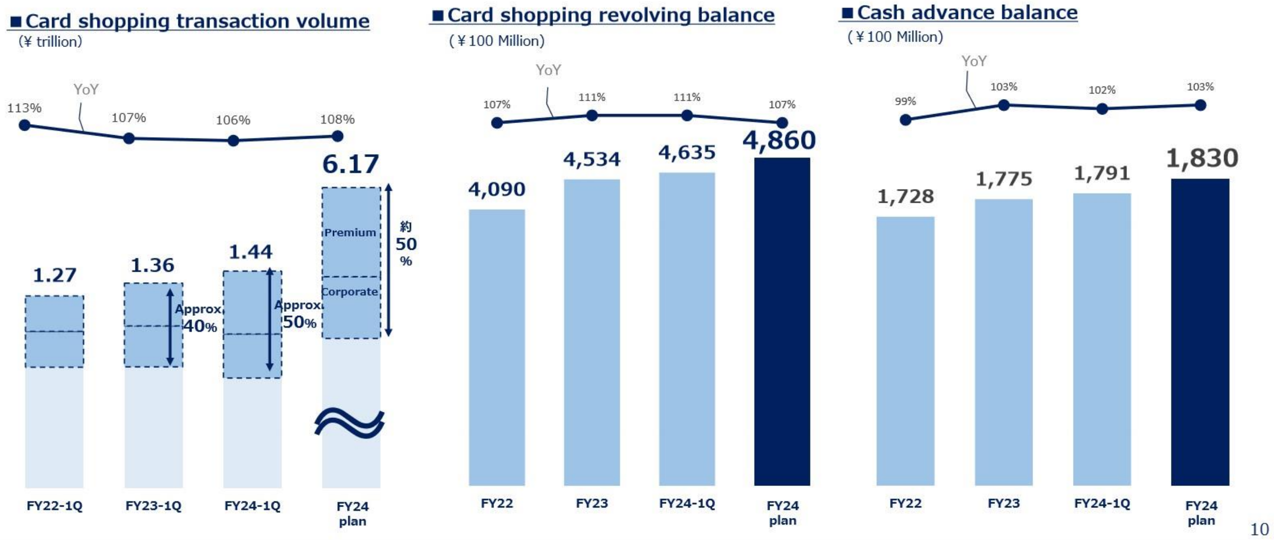
In the guarantee business, Credit Saison's unsecured credit guarantee and housing loans performed well in Q1. In total, the balance grew by 123% compared to the previous year. Unsecured credit guarantees grew by 102% and mortgage guarantees by 442%. In addition, the balance of credit guarantee business of Saison Fundex continued to grow steadily, to 141% of previous year’s level.

On the right side, in the real estate finance business, the balance of Credit Saison asset formation loans is 102% of the previous year's level, which is about the same as the previous year. The transaction volume for Q1 is 222% of the previous year's level, which is growing partly due to the contribution from Suruga Bank from last year. We believe that we can enter the stage of increasing the balance once again.

In addition, Saison Fundex's mortgage-backed loan, project finance, and leaseback are showing 130%, 125%, and 144% of previous year’s level in balance, respectively. We are making good progress partly thanks to the effect of digital marketing.

Key Indicators of Payment Business

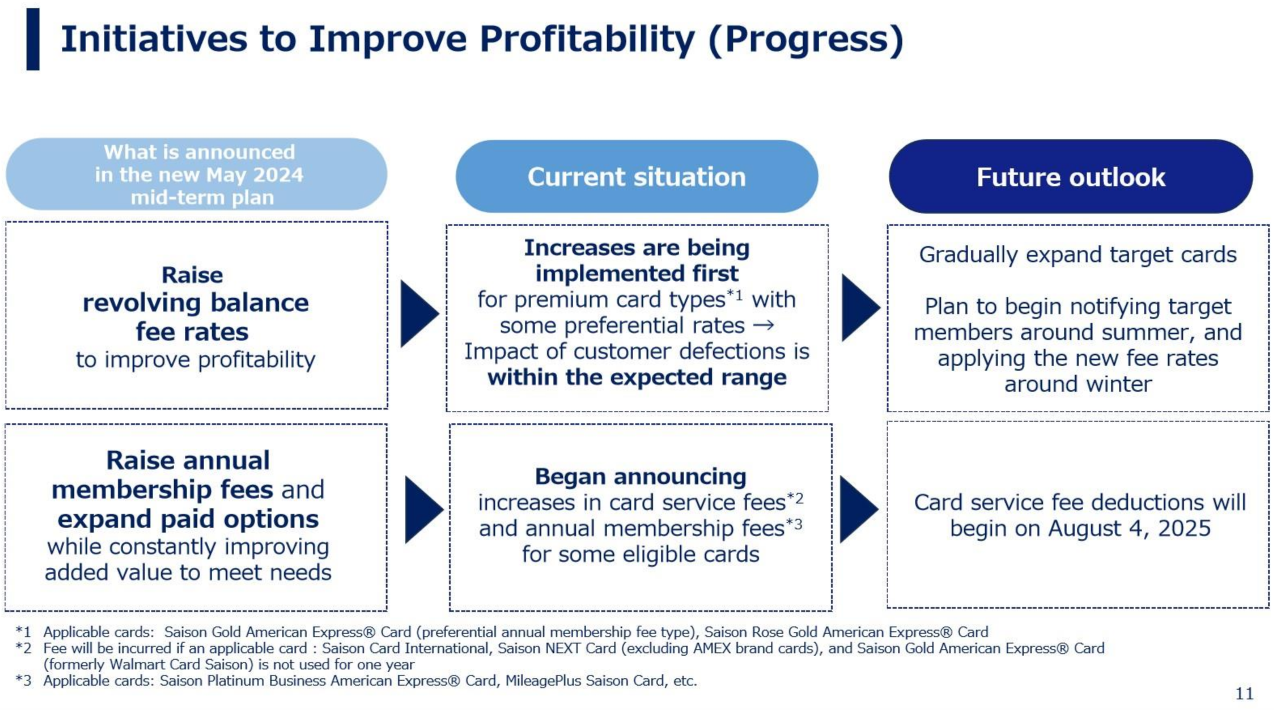
- ✓ Growth in shopping transaction volume and revolving balance through premium strategy
- ✓ Cash advance balances grew due to expansion of revolving credit and business support loans



Next, the payment business.

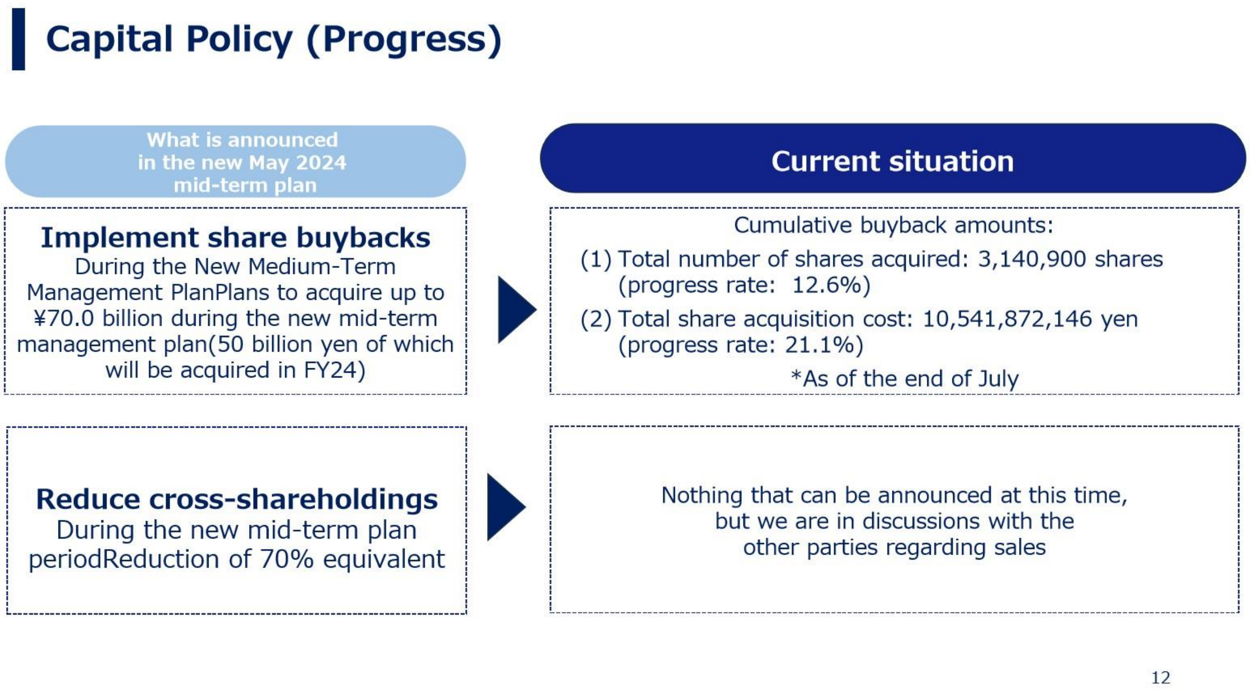
We are continuing to promote our premium strategy, but the shopping transaction volume on the far left is 106% of the previous year's level, of which premium corporate card customers account for about 50%. We believe that we are increasing the sales of our target premium and corporate card customers, but the overall growth was 106%, which is a little short of our target. That is the challenge in future.

On the other hand, card shopping revolving balance on the right next to it increased to JPY463.5 billion, or 111% of the previous year's level. The need to buy now and pay later is increasing. We will continue to improve the flow line of the application, and we will continue to expand the application by making it easy for customers to use it when they want to use it.



On the next page, page 11, you will see that we are taking several actions to improve the profitability of the payment business, which is one of the major themes of the new medium-term management plan, and which I mentioned briefly when I announced the new medium-term plan in May.

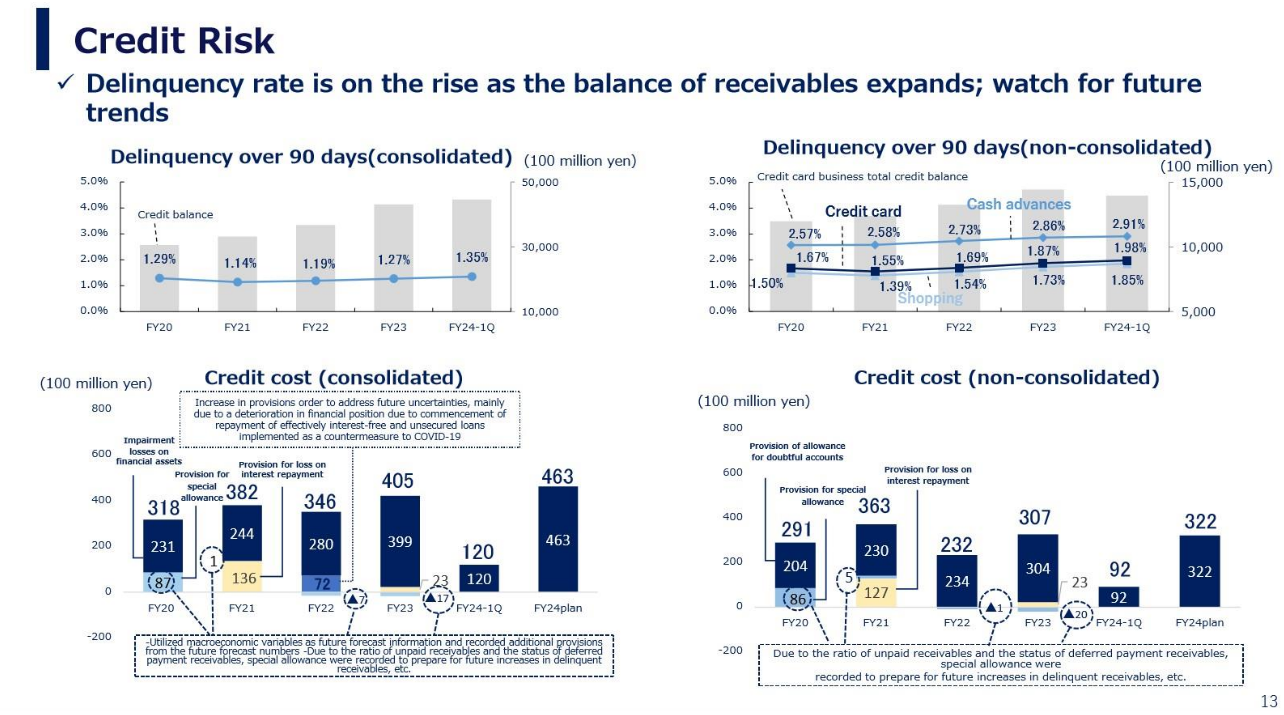
As for the increase in the revolving balance fee rates, we will probably start applying it around this winter.



Moving on to page 12.

As for the capital policy, we started purchasing treasury stock in May of this year. The plan is JPY50 billion, and as of the end of July, we had achieved JPY10.5 billion, a progress rate of 21.1%.

In addition, since June, our departments in charge have been visiting all of our business partners to inform them of our company's policy regarding the reduction of strategic shareholdings. We will start selling the shares gradually for those we reached the agreement on in the past three years, to achieve the target of 70%.



Finally, credit risk.

If you look at the 90-plus day delinquency rate and credit costs, you can see that there is a slight worsening trend.

I would like to touch a little on the non-consolidated credit cost at the bottom right of this page. It was JPY9.2 billion in Q1. Last year, it was JPY6.8 billion, so it is an increase of JPY2.4 billion from previous year. Of this difference of JPY2.4 billion, approximately JPY2.2 billion is for the payment business.

In the payment business, there are basically two major customer segments that have an impact on credit costs. The trend has remained almost the same. One is the concern about payment of customers with high credit limit, including business cards, which is part of the premium strategy. The other is concern of payment of younger customers, especially those in their 20s, who are mainly digital card holders.

However, the credit cost is basically based on how much risk we can take as we promote our premium strategy and other measures to increase profits, including revolving credit. We expect that the credit cost will increase as our profits increase and it is in line with our assumption.

However, looking at Q1 alone, the ratio of costs to revenues was slightly higher than we had expected. We will conduct a thorough analysis of the situation and work closely with servicers to control credit limits for developing loans so that it will return to the original plan in Q2 and beyond.

That’s all from me.

Main Questions and Answers

Q1.

What are the primary factors behind the decline in profits in the payments segment? With regards to the fact that costs exceeded revenues, when do you expect them to return to their original level? Also, other than credit costs, were there any other costs that exceeded the plan?

A1.

First, bad debt costs were slightly higher than expected. As we are moving forward with our premium strategy, including for corporations, bad debt costs for high-credit customers were slightly higher than expected. The start of payments for so-called "zero-zero" loans peaks from the beginning of the year through the spread, and we had made our budget taking that into account, but the first quarter results were slightly higher than we expected.

However, as for the payment business, we plan to further realize the effects of the structural reform in the second half (third and fourth quarters) as part of our plan for the current fiscal year, and we will be introducing several measures. And, of course, revising the revolving fee rate is one of them. Although this has been factored into the new Medium-Term Management Plan, it looks like we may be able to start on it a little earlier than expected, so we hope to absorb these costs well while also anticipating the effects of increased revenue.

We also have special provisions from the COVID-19 period, which we will discuss with our auditing firm and others depending on the situation.

The other is sales-linked expenses. There was a portion of point costs that were slightly higher than expected. In terms of point provisions, customers who have not used points for a certain period of time are excluded from the provision, and customers who resume the use of points have their provisions re-accumulated when they resume usage. However, there were some areas where the recovery rate was slightly higher than we expected.

Q2.

In July, it was announced that a portion of eplus's equity shares would be sold to Sony Music Entertainment. Could you tell us the size of the gain on the sale and the impact of the reevaluation?

A2.

eplus inc. has been a 50:50 joint venture with Sony Music Entertainment, but a portion of the joint venture has now been transferred to Sony Music Entertainment. The impact of this on gain on sale is minor, and there is no impact from the reevaluation.

Q3.

Could you please explain your assessment of the progress on the annual plans for each of the major segments? From your earlier explanation, I had the impression that the payments segment was a little behind schedule. As such, in terms of the overall full-year plan, could you tell us your outlook for the portions that are ahead of the full-year plan, the portions that are behind, and how you expect the portions that are ahead will progress as we move towards the full year?

A3.

In the payments segment, the first quarter seems to have been a bit more difficult than that previous year due to an increase in bad debt costs, but, looking at the annual plan, I think you can see that in the first quarter we made good progress against the plan.

In the finance segment, as of the first quarter, the equity method gains for Suruga Bank are exceeding our initial expectations, which is a positive factor.

At the same time, asset formation loans and Saison Fundex guarantees are also basically performing well. We expect Saison Fundex guarantees to essentially continue at this pace, but Credit Saison's asset formation loans may be slightly affected by interest rate fluctuations.

In the area of asset formation loans, there are Mizuho Bank products that are linked to the long-term prime rate and products that are linked to the short-term prime rate,

but most of them are linked to the long-term prime rate. The October rate will be applied next time, and at this point it is difficult to predict what level the rate will be at when compared to the previous year, so we are considering this to be a variable factor.

In the real estate related segment, sales at Saison Realty are trending steadily and slightly above exceeding the plan.

For the global segment, the P/L inclusion of a business profit of 2.1 billion yen also includes the impact of foreign exchange rates. This is due to Credit Saison providing yen-based loans to our subsidiary in Singapore, and there is a possibility that foreign exchange rates will continue to affect this going forward. On the other hand, in India, Brazil, and other countries, balance accumulation is steadily progressing when compared to our plans, and we are in a position to create solid sources of profitability, so please rest assured.

Naturally, we want to minimize the impact of fluctuations in foreign exchange rates, so in parallel we will continue to raise funds locally and in local currencies as much as possible, including loans to our subsidiaries in India, Indonesia, Brazil, Mexico, and Singapore.

Q4.

Could you please reconfirm your view on the impact of interest rates? In previous dialogues, I got the impression that you are assuming that there will probably be one interest rate hike in the fall. I think you have also factored in an increase in financial expenses, but interest rates were actually raised in July, and the short-term prime rate has finally started to rise. On the other hand, the long-term prime rate has fallen slightly, but, looking at the current situation for these interest rates, some of your assets and liabilities are linked to floating interest rates. So, even if it is just qualitatively, could you please once again explain what kind of an impact there may be?

A 4.

As for the impact of rising interest rates on funds procurement, first of all, the fact that the policy interest rate has been raised to 0.25 at present is within the scope of our plan, although the timing differs from our initial assumptions.

As for long-term interest rates, at this point in time we generally expect them to remain at around 1%, which overall is within the range of our plans. However, in the future if the policy interest rate rises to 0.5% or more, or if long-term interest rates rise to 1.2% or more, then the absolute amount of funds procured will increase, so we may need to revise our plans somewhat.

At the same time, looking at the business and product aspects, finance-related products, particularly asset formation loans with large balances, are products that are linked to long-term or short-term interest rates and that are reviewed twice a year, so, if there are large short-term movements then there is a possibility that there will be good or bad effects, but, if the rates fluctuate over a certain period of time then I don't think there will be a large impact.

As for payments, there are almost no products that are linked to market interest rates; instead, most products have an upper limit on interest rates. Taking into account the competitive market environment and customer reactions, there is room to raise interest rates within the upper limit, so I think that there is a possibility that we may implement further increases, if necessary, on a somewhat comprehensive basis.

If rising interest rates are accompanied by rising prices and rising wages, then we believe that the payment business will see positive effects on business performance, such as an increase in unit shopping prices and increased use of revolving installment payments.

Also, if we look at the current gap between floating interest rate liabilities and floating interest rate assets, there are more assets with negative, that is, so-called floating interest rates. As such, from the perspective of the simple impact of interest rate fluctuations, there will be some positive impact on earnings, so at present there is a positive-negative relationship.

Q5.

I have two questions about the finance business. The first is about your comment that the profit captured from Suruga Bank was stronger than expected. The financial results were announced yesterday, and the amount of profit captured was greater than the amount obtained by multiplying Suruga Bank's actual profit by Credit Saison's equity. Were there any technical accounting factors behind this? Please tell us about the background for this.

Second, you said that Saison Fundex is likely to continue to increase its profits going forward. I think that the financial results were, indeed, extremely reassuring, but I would also like to know about the background that supports this solid performance and the measures that Credit Saison is taking.

A5.

For your first question regarding the capture of profit from Suruga Bank, as we are converting to IFRS, there are both positives and negatives for factors that differ from Japanese accounting standards, such as the market value of securities and bad debt costs. In the first quarter, adjustments were made that ultimately worked out to be in a positive direction, and the figures are slightly higher than the figures that were announced by Suruga Bank yesterday under Japanese accounting standards. As for the IFRS adjustments, some aspects of it cannot be determined until the results are released, so these adjustments were not included in the plan and have had an unexpected positive impact.

For your second question regarding Saison Fundex, both the guarantee business and the real estate finance business are performing well. First, for the guarantee business, we are increasing the number of affiliated financial institutions by a few banks each year, so one of the effects is that we are able to increase our number of affiliated financial institutions.

Credit Saison has approximately 400 affiliated financial institutions for unsecured loans, and we would like to expand our number of affiliated financial institutions while working closely with the Group and supporting Saison Fundex's new partnerships as much as possible.

On the other hand, in the real estate financing business, over the past year or two Saison Fundex has been focusing on digital marketing for mortgage-backed loans and leasebacks. We have invested hundreds of millions of yen in sales promotion expenses, and we believe that the effects are starting to show up.

Through TV commercials and web ads, we feel that Saison Fundex is gradually becoming more well-known, and we are seeing this in our interactions with customers who actually wish to apply.

Additionally, as for leasebacks, our TV advertising, mainly on satellite channels, has been effective, and we are receiving an increasing number of inquiries from customers who have seen our advertisements, asking about what kind of product it is. With life expectancies increasing, we feel that seniors' financial needs are growing year by year, and we also feel that we have been effectively using the Saison name and achieving results.

Within the mortgage-backed loan area, Saison Fundex tends to meet the lending needs of individuals, and we continue to have high expectations that we will be able to successfully capture this market by raising our name recognition.

Q6.

(page 8 of the Financial Results Overview) I get the impression that Credit Saison India's GNPA is increasing at a relatively fast pace. How does Credit Saison view this?

A6.

It is true that it has increased from 0.83% (FY23) to 1.1% (FY24Q1), but we believe that this is also due to our conservative provisioning for direct lending embedded finance. As embedded finance receivables increase going forward, provisioning will naturally increase as well. We had originally planned to keep the level as close to 1% as possible, so we will continue to closely evaluate these initiatives in direct finance while also watching how the quality of receivables changes as we further strengthen embedded finance from the second quarter onwards.

We are revising credit as necessary, and as such we think that actual bad debts will be controlled to a certain extent going forward and will not tend to increase. We believe that our conservative trend in provisioning will continue for the time being.

End