CREDIT SAISON

FY2024 3Q
決算概況資料
Summary of Financial Results

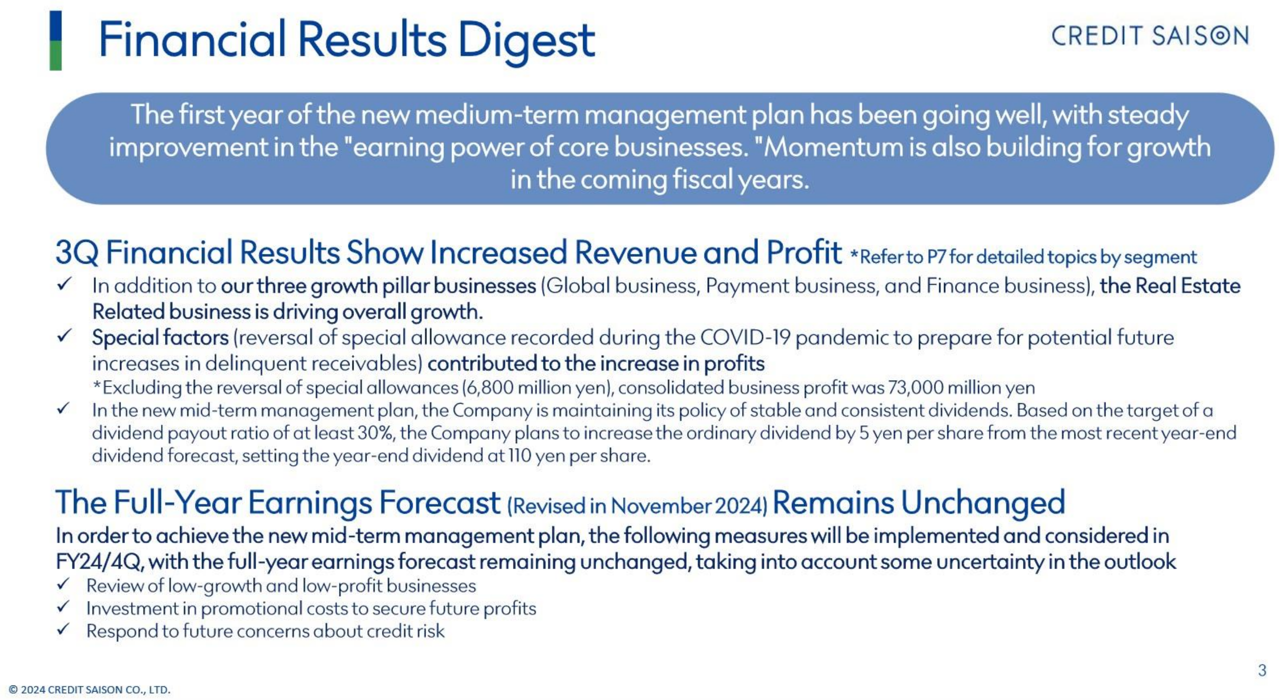
February 14,2025

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 Third Quarter of the Fiscal Year Ending March 31, 2025
February 17, 2025

[Number of Speakers]
Masaki Negishi　Managing Executive Officer, CFO



Negishi: Thank you for joining us today.

I would like to report on the overview of the financial results for Q3 in accordance.

Q3 results showed an increase in both revenue and profit. In addition to the global, payment, and finance businesses, real estate–related business performed well.

One of the special factors is that there was a reversal of the special allowance for COVID-19 again in Q3, which totaled about JPY6.8 billion. This also contributed to boosting profit. Considering the current progress, the Company plans to increase the ordinary dividend by JPY5, setting the year-end dividend at JPY110 per share.

The full-year earnings forecast remains unchanged. We are doing a number of things toward FY2026. In Q4, we are reviewing low-growth and low-profitability businesses, allocating promotional costs for future earnings, and taking or considering measures to address future concerns about credit risk.

It is difficult to predict the scale of each of these amounts, and in light of this, we have decided to leave our earnings forecast unchanged.

決算サマリー
Financial Summary

CREDIT SAISON

（億円／￥100 Million）

		FY23 3Q	FY24 3Q	前年比 YOY	FY24計画(期初) Plan(Initial)	FY24計画(修正)* Plan(Revised)	進捗率 Progress rate
連結 Consolidated	純収益 Net revenue	2,687	3,134	116.6%	4,130	4,160	75.3%
	事業利益 Business profit	614	799	130.0%	770	800	99.9%
	四半期利益 Profit attributable to owners of parent	620	576	92.8%	520	550	104.7%
単体 Non-consolidated	営業収益 Operating revenue	2,121	2,291	108.0%	3,030	3,060	74.9%
	営業利益 Operating profit	322	392	121.7%	425	435	90.3%
	経常利益 Ordinary profit	404	468	115.6%	480	500	93.6%
	四半期純利益 Profit	317	476	149.8%	340	470	101.4%

*2024年11月修正計画/Revised plan for November 2024

Page four is the financial summary.

On a consolidated basis, net revenue was JPY313.4 billion, 116% of the previous year's level; business profit was JPY79.9 billion, 130% of the previous year's level; and profit attributable to owners of parent was JPY57.6 billion, 92% of the previous year's level.

The decrease in net profit was due to the absence of the gain on negative goodwill resulting from the conversion of Suruga Bank Ltd. into an equity-method affiliate, which was recorded in the previous fiscal year.

セグメント別業績概況
Overview of Business Results by Segment

CREDIT SAISON

（億円／￥100 Million）

純収益 Net revenue	FY23 3Q	FY24 3Q	前年比 YOY	FY24計画(期初) Plan(Initial)	FY24計画(修正)*1 Plan(Revised)	進捗率 Progress rate
ペイメント Payment	1,760	1,888	107.3%	2,499	2,529	74.7%
リース Lease	93	98	106.2%	135	135	73.3%
ファイナンス Finance	437	505	115.4%	633	633	79.8%
不動産関連 Real estate related	183	244	133.7%	260	260	94.1%
グローバル Global	180	364	201.8%	513	493	74.0%
エンタテインメント Entertainment	48	48	101.8%	67	67	73.0%
計 Total	2,703	3,151	116.6%	–	–	–
セグメント間取引 Intersegment transactions	△15	△17	–	–	–	–
連結 Consolidated	2,687	3,134	116.6%	4,130*2	4,160*3	75.3%

(*1) 2024年11月修正計画/Revised plan for November 2024 (*2)金融収益23億円含む/Includes 2.3 billion yen in financial revenue (*3)金融収益43億円含む/Includes 4.3 billion yen in financial revenue

Page five shows results by segment.

First, let's look at net revenue. In the payment business, net revenue was 107% of the previous year's level, thanks to a steady increase in card shopping revolving balance at Credit Saison, as well as a revision of the commission rates for revolving credits and other fees, which also contributed to revenue growth.

In the finance business, net revenue was 115% of the previous year's level due to an increase in the number of financial institutions affiliated with Credit Saison and SAISON FUNDEX CORPORATION and an increase in products.

In the real estate–related business, net revenue was 133% of the previous year's level, mainly due to the sale of a certain number of properties for sale in the three months of Q3.

In the global business, net revenue was 201% of the previous year's level due to strong growth in the Indian business.

セグメント別業績概況
Overview of Business Results by Segment

CREDIT SAISON

（億円／￥100 Million）

事業利益 Business Profit	FY23 3Q	FY24 3Q	前年比 YOY	FY24計画(期初) Plan(Initial)	FY24計画(修正)[*1] Plan(Revised)	進捗率 Progress rate
ペイメント Payment	190	270	141.6%	205	275	98.3%
リース Lease	35	33	96.0%	40	40	84.9%
ファイナンス Finance	213	289	135.4%	315	315	91.9%
不動産関連 Real estate related	141	162	114.7%	130	130	125.0%
グローバル Global	10	35	330.0%	68	28	125.5%
エンタテインメント Entertainment	13	11	84.2%	12	12	94.2%
計 Total	605	802	132.5%	–	–	–
セグメント間取引 Intersegment transactions	9	△3	–	–	–	–
連結 Consolidated	614	799	130.0%	770[*2]	800[*2]	99.9%

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(*1)2024年11月修正計画/Revised plan for November 2024 (*2)セグメント間取引を含む/Includes intersegment transactions

Page six shows business profit by segment.

In the payment business, in addition to the increase in net revenue I mentioned earlier, we have basically managed our expenses well for the past nine months, compared to the previous year or our earnings forecast. In addition, strong equity in earnings from affiliates and card joint ventures and other portfolio companies contributed to a 141% YoY increase in business profit.

In the finance business, in addition to Credit Saison and Saison Fundex, Suruga Bank performed well, and equity in earnings from them was significant, resulting in business profit of 135% of the previous year's level.

In the real estate-related business, despite the absence of approximately JPY4 billion in gains on the sale of interests in real estate trust beneficiary rights that were recorded in the previous fiscal year, business profit was 114% of the previous year's level due to the increase in Saison Realty Group's net revenue mentioned earlier, as well as the fact that Saison Realty's cost reduction efforts are bearing some fruit.

In the global business, business profit was 330% of the previous year's level, mainly due to the recovery of the business in Vietnam in addition to the business in India.

Topics by Segment

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Payment

・Shopping transaction volume grew due to changes in customer demographics as a result of promoting our premium strategy.
・Card shopping revolving balances expanded due to increased shopping limits and UI/UX improvements, and revenue and profit increased due to the impact of the increase in revolving fee rates.
・Special factors (reversal of special allowances) also contributed to profit growth.

Lease

・While revenue increased due to strengthened sales activities targeting existing major retailers, profit declined due to higher credit costs.

Finance

・Expanded group business with Suruga Bank and Saison Fundex.
・Both revenue and profit grew, driven by the expansion of real estate finance-related products at Credit Saison, by strengthened relationships with new partners, and by the impact of variable interest rate products.

Real Estate Related

・Revenue and profit growth exceeded expectations due to higher-than-anticipated sales of owned real estate at Saison Realty.

Global

・Expansion of the lending business at Credit Saison India.
・Continued profit contribution from HD SAISON in Vietnam, following the first half financial results, which led to revenue and profit growth.

Entertainment

・Revenue grew but profit declined due to the impact of costs associated with new store openings.

Page seven shows segment-specific topics.

Contribution by Consolidated Companies

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Business profit Difference

(¥100 Million)

	Consolidated Business profit	Non-consolidated Ordinary Profit	Difference
FY24-3Q	799.3	468.1	331.2
(Year-on-year difference)	184.3	63.2	121.1

Contribution by Consolidated Companies

(¥100 Million)

		Contribution to business profit	Year-on-year difference	Business description
Major consolidated subsidiaries	Saison Realty Group	106.8	+12.5	Comprehensive real estate business
	SAISON FUNDEX CORPORATION	95.4	+22.3	Real estate financing business, credit guarantee business, and personal loan business
	Kisetsu Saison Finance(India)Pvt. Ltd.	40.0	+23.6	Digital lending business in India
	SAISON ASSET MANAGEMENT CO., LTD.	11.2	+2.9	Asset management
Major equity method affiliates	Suruga Bank Ltd.	42.5	+26.4	Banking
	HD SAISON Finance Co., Ltd.	23.2	+21.4	Retail Finance Business in Vietnam
	Seven CS Card Service CO.,LTD	8.7	+ 0.1	Credit card business
	Takashimaya Financial Partners Co.,Ltd	8.4	+0.9	Credit card business, insurance business, investment trust business, and trust business

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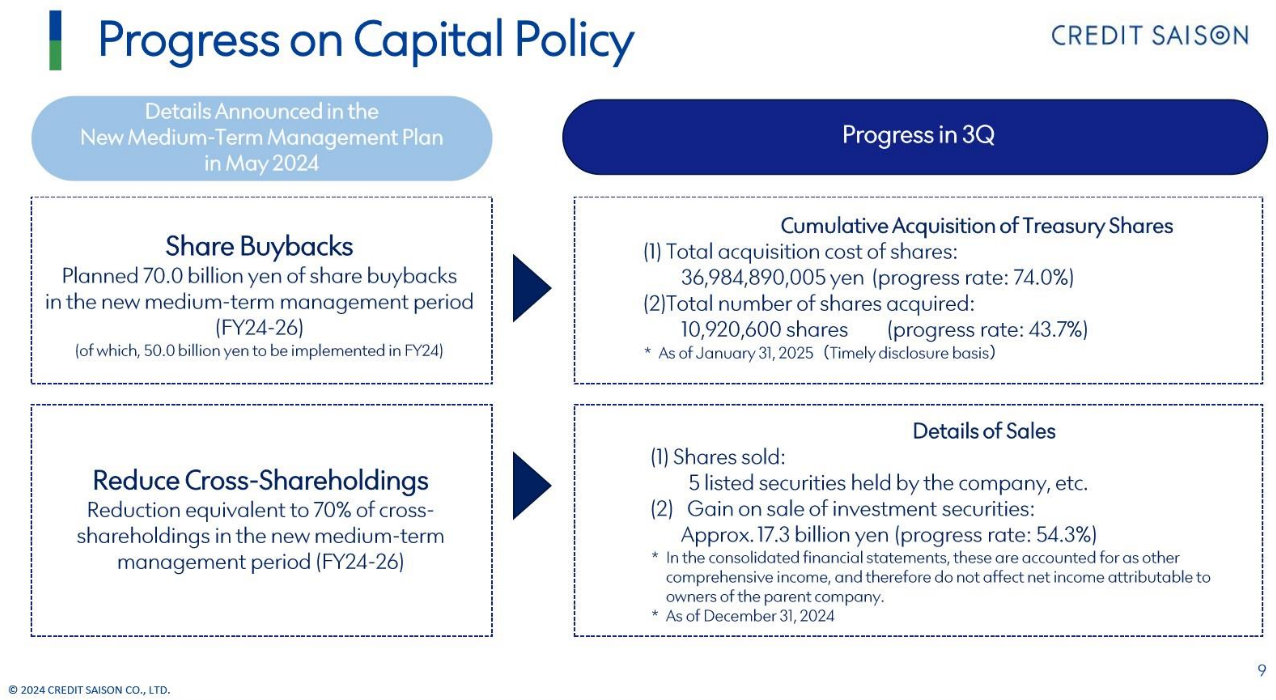
Page eight shows the contribution of consolidated companies.

The situation of the main consolidated company, Saison Realty Group, is as explained earlier, and its business profit increased by JPY1.2 billion from the previous year.

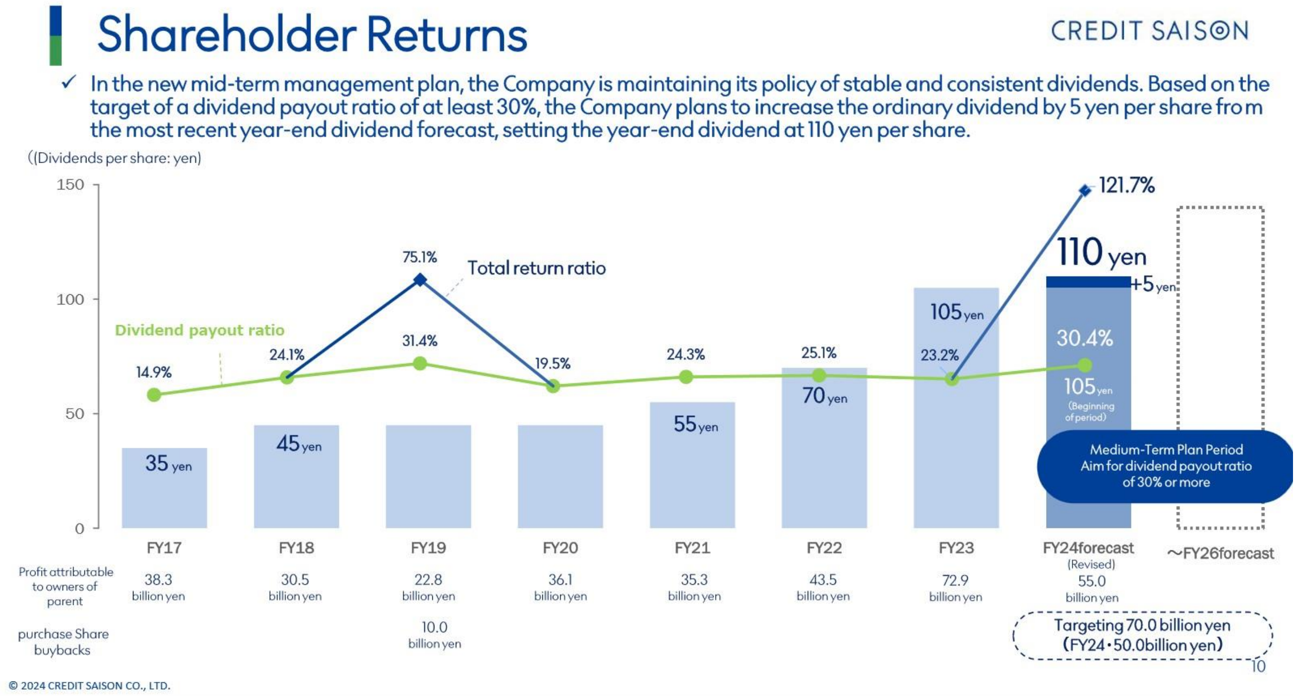
Profit contributions from Saison Fundex, Kisetsu Saison Finance (India) Pvt. Ltd., Suruga Bank, and HD SAISON Finance Co., Ltd. in Vietnam increased by more than JPY2 billion compared to the previous year. New lending is progressing steadily at all companies.



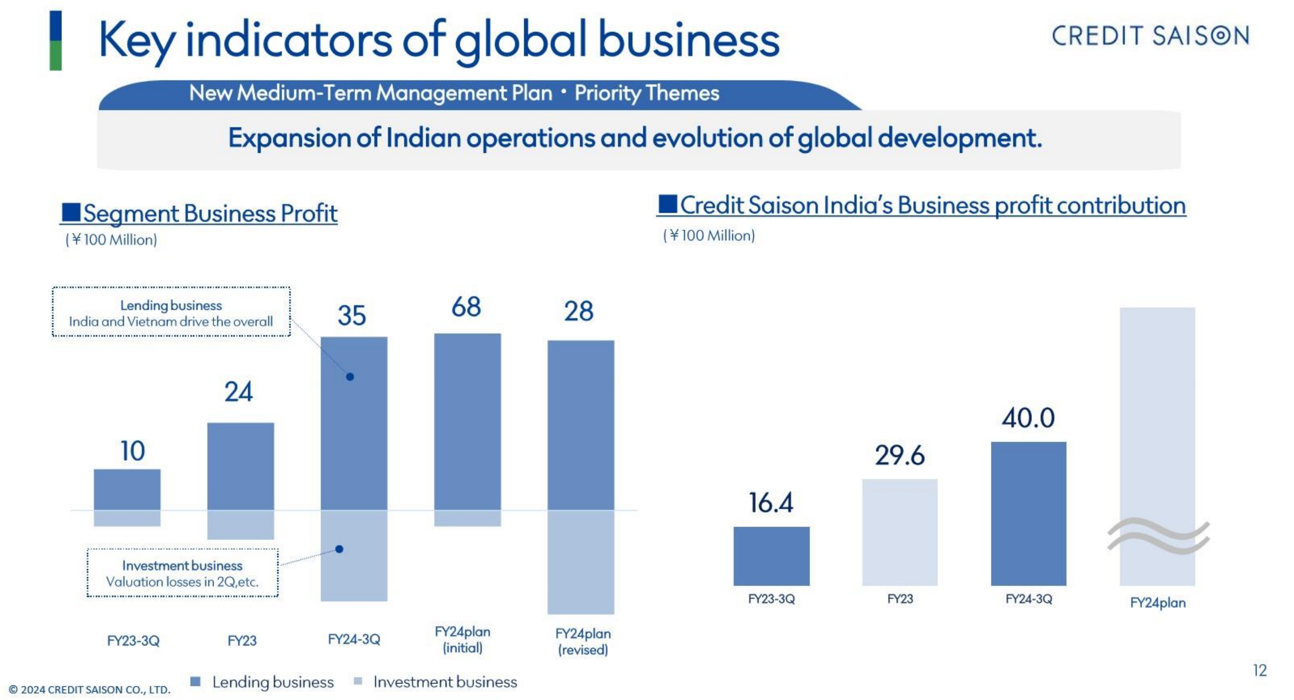
Page nine shows the progress of capital policy.

The progress rate of share repurchase is 74% as of the end of January. We expect to acquire JPY50 billion by May 15, 2025, the deadline announced in May 2024.

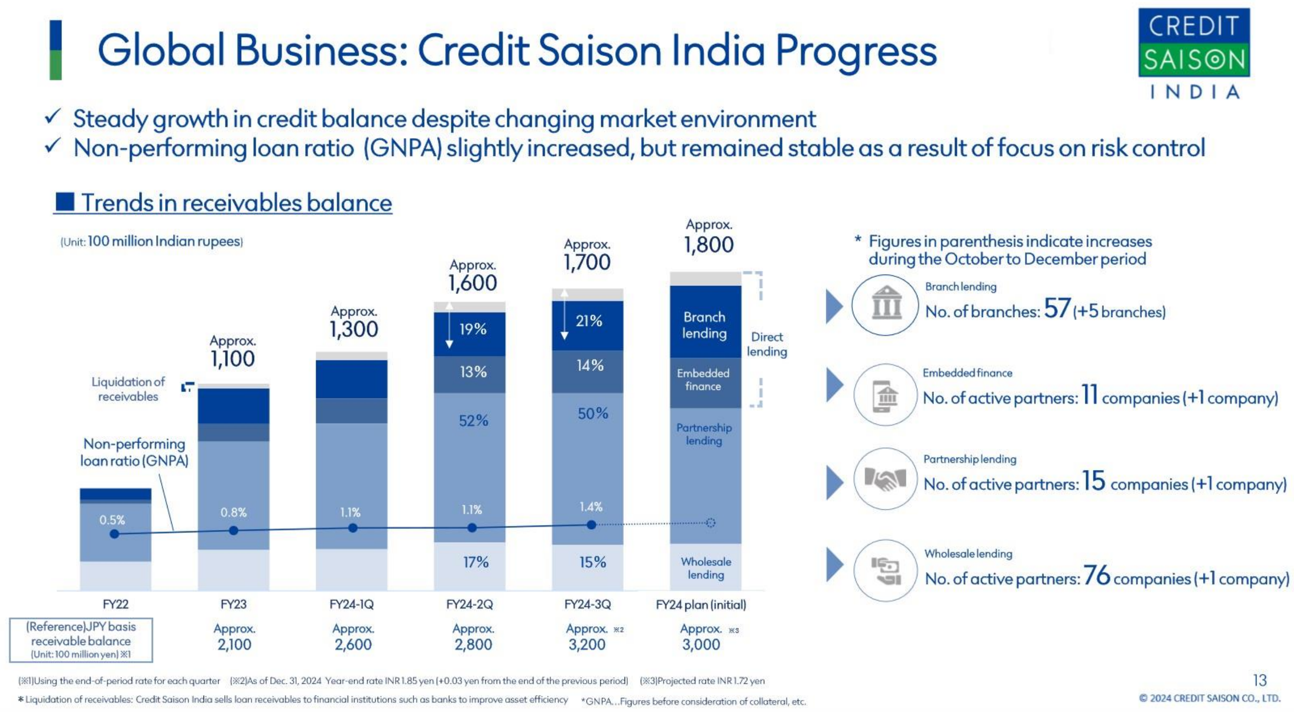
As already announced, we intend to reduce our policy shareholdings by 70% over three years. As of the end of December, progress is about 54%. We are continuing to have detailed conversations with our partners, and we hope to achieve a 70% reduction over three years.



The dividend shown on page 10 is as explained earlier.



Next, let's look at the progress of our main businesses. Page 12 describes global business. Segment business profit for Q3 was JPY3.5 billion. The lending business continues to grow very steadily.



See page 13.

The Indian business, which is the largest driver of the lending business, has contributed a cumulative profit of JPY4 billion. The outstanding loan balance, which is the source of the profit contribution, was approximately INR170 billion in local currency at the end of Q3, almost in line with our plan.

In Q3, we are focused on two direct-lending products, resulting in a slight increase in market share.

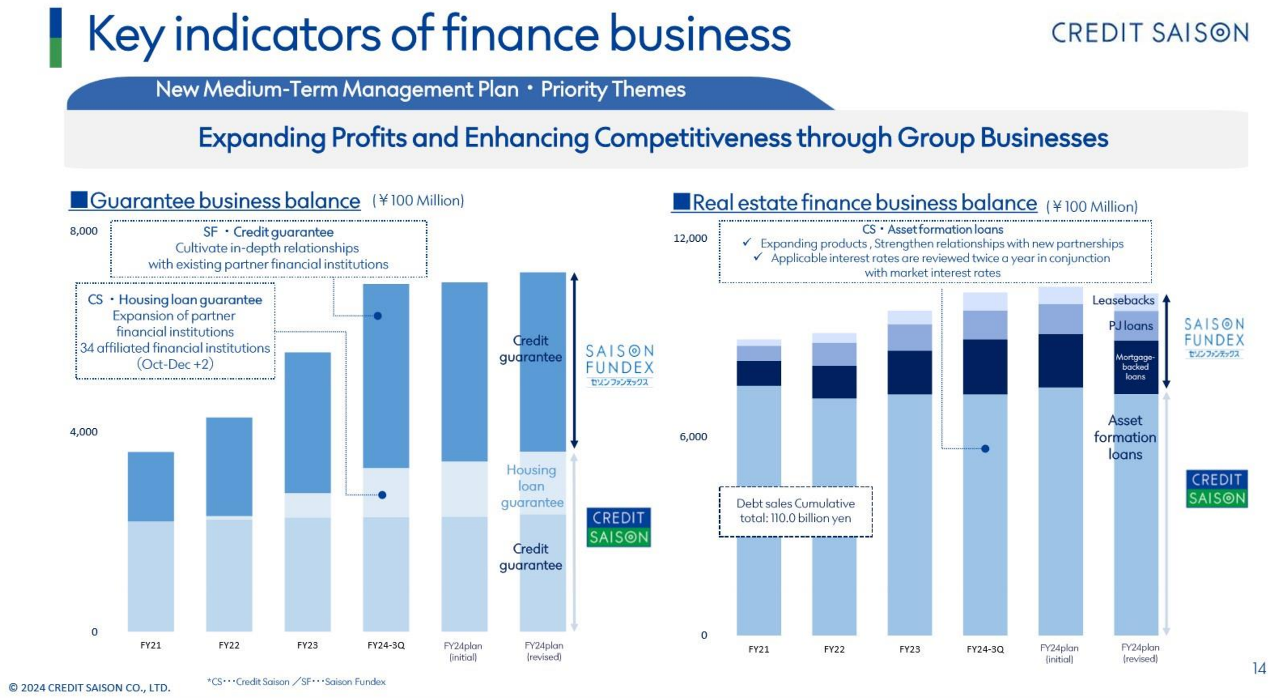
The NPL ratio was 1.4% on a GNPA basis, slightly increasing from the 1.1% level in H1 of the year.

I think there are two major backgrounds. One is that we are affected by the overall macroeconomic situation in India, which is not limited to our company. It started with the manifestation of risk in the microfinance layer, and gradually the risk in the clientele of our investments is also becoming apparent. There is a slight increase in risk with some of the partnership lending partners and direct lending.

The other is the impact of the Company's various trials. We have been trying various things for about a year in direct lending, such as changing the credit bureaus we use, and simplifying and automating small loans in branch lending as much as possible. However, the NPL ratio was still slightly higher than the risk level we had assumed, so we basically stopped those trials and modified the model.

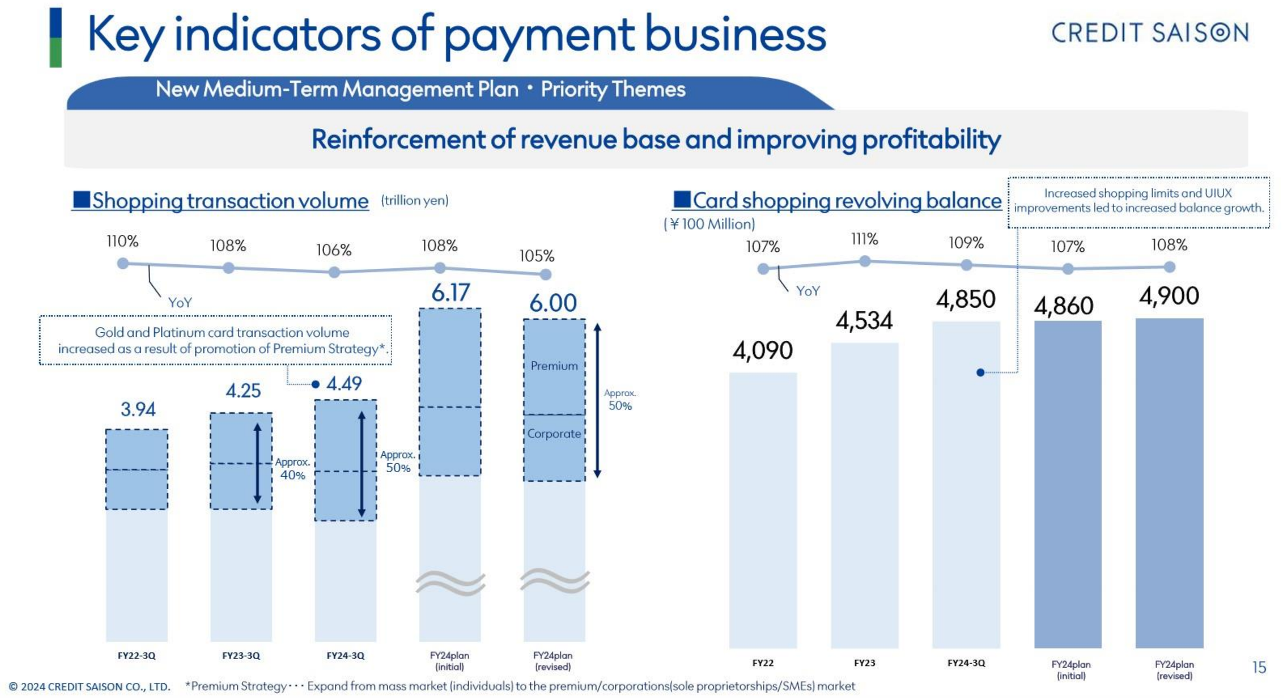
Although there was a slight increase in risk, the accumulation of our efforts has clearly improved the risk situation after 30 and 60 days for new loans since Q3. I think we will also be able to reduce risk from new loans, including current ones.

Including macroeconomic effects, we believe that the 1.4% level will not increase significantly and can be managed well within the range of our assumptions.



See page 14.

In the finance business, both the guarantee business balance and the real estate finance business balance remained strong. The still growing number of financial institutions with which we are affiliated and the summer launch of new products in the real estate finance business also contributed significantly to the increase in lending.



Page 15 is the payment business.

Shopping transaction volume finally rose slightly in Q3 compared to H1. We intend to extend this further, marketing it as successfully as possible toward the end of the fiscal year.

Meanwhile, the card shopping revolving balance continues to build steadily and remains at 109% of the previous year's level.

See page 16.

Revenue from the balance is a very important factor. Last October, we introduced a service that allows customers to change to revolving payments later. Although we are rather a latecomer to this service in the industry, the use of the service, especially among young people, has progressed further than we had expected.

This is a promising point, assuming that the balance will be of some size next year and the year after.

In addition, although we began raising revolving commission rates last November, the impact of customer defections has been smaller than we had anticipated. We feel that we have been able to raise the rates in a manner that we are able to have an expectation for future increases in revolving credit revenues.

Progress on Initiatives to Improve Profitability

CREDIT SAISON

Review of product features

Increase loyalty by brushing up value-added products that meet needs

- ✓ Review and expansion of card benefits
- ✓ Providing special value for ALL Saison members
- ✓ Deepening efforts to leverage group content

Promotion of fee design commensurate with services in parallel with a review of product

✓	December 2024	Change in administrative processing expenses (markup fees) incurred when using cards overseas
✓	December 2024	Revising statement issuance fees ※Per mail [Before revision] 110 yen (incl. tax) → [After revision] 330 yen (incl. tax)
✓	August 2025	Introduced a card service fee for inactive members for certain cards. ※Card service fee: 1,650 yen (including tax), 2,200 yen (including tax)

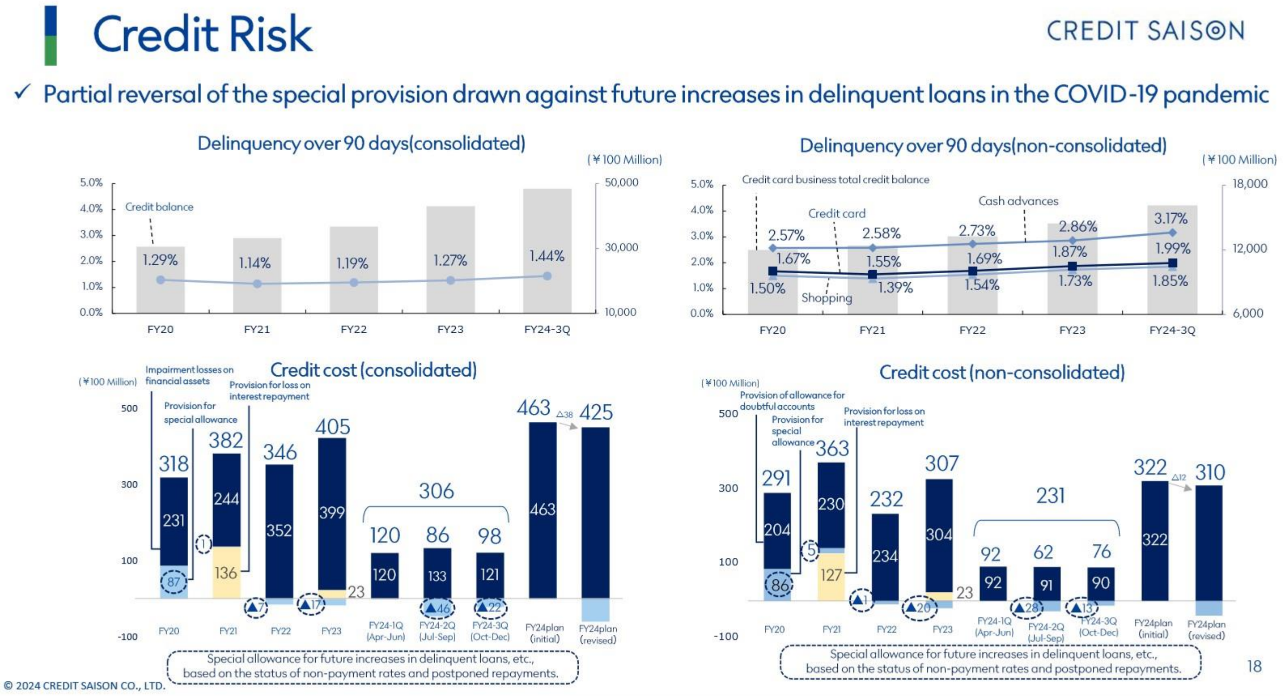
See page 17.

The payment business will continue with various structural reforms. The upper section describes rather aggressive approaches.

In addition to revising the benefits for each card and making sure that we offer what our customers want, we would like to introduce benefits common to all cards and focus on advertising to raise awareness.

At the same time, we will continue to promote fee designs commensurate with our services, as noted in the lower section. Most recently, in December last year, we revised again the fees for overseas use and for issuing statements. In addition, as already announced, we will be introducing a card service fee for some of our cards this August.

In addition to this, we will make several other revisions for the next fiscal year and continue to work to improve the profitability of the payment business.



Finally, see page 18.

With regard to credit risk, the rate of delinquencies over 90 days has increased slightly. Credit costs were also approximately JPY9 billion for the three months on a non-consolidated basis and JPY12 billion on a consolidated basis. While it has not increased on a quarterly basis, it has not yet been reduced.

In the current period, as explained from H1 of the year, there is a reversal of the special provision recognized in the COVID-19 pandemic. In Q3, there was a reversal of JPY1.3 billion on a non-consolidated basis and JPY2.2 billion on a consolidated basis. As a result, on a three-month basis, non-consolidated credit costs were approximately JPY9 billion and consolidated credit costs were approximately JPY12 billion.

We will continue to tighten where we need to tighten, paying particular attention to the way we set the limits for initial credit and credit monitoring. As for collections, the volume of medium-term items is increasing, and we will direct as much manpower as possible toward collections of medium-term credits. We would also like to increase the number of areas we outsource to law firms to improve the accuracy of collections.

As for the credit risk, I think we should expect that it will probably continue for the next six months to a year or so. We would like to continue to maintain or reduce the credit cost by implementing various measures as much as possible.

That's all from me.

Main Questions and Answers

Q1.

Please tell us about the qualitative and quantitative aspects of each segment in terms of how you view the business performance by segment when compared to your plans. Although we understand that the Finance Business has generally been performing well and that the Real Estate-Related Business is seeing strong results due to gains from property sales, we would like you to further clarify why the Payment and Global Businesses have exceeded expectations.

A1.

In terms of the monetary amounts involved, my answer will be broad. First, regarding the Payment Business, in addition to overall revenue exceeding the plan by several billion yen, costs have also progressed favorably, coming in under planned expenditures by a double-digit 100-million-yen margin. As a result, strong revenue growth combined with cost reductions has led to an extremely favorable outcome through the third quarter. In the fourth quarter it is typical for expenses to increase as per budget allocations, and the planned profit tends to be smaller compared to the other three quarters.

Second, regarding the Global Business, due to the uncertain business environment in Vietnam and instability in receivables management, the contribution of the Vietnam business was largely excluded from the plan. However, overcoming these concerns, it achieved profit contributions of more than 2.0 billion yen compared to the previous year, which was the primary factor for the upward variance.

Third, regarding the Finance Business, we have made good progress due to the increase in new lending and outstanding balances at Credit Saison and Saison Fundex, as well as the solid performance of Suruga Bank, which led to our equity share exceeding the planned figures.

Additionally, regarding the Real Estate-Related Business, the favorable results were driven by Saison Realty's property sales and cost reductions.

Q2.

In the Global Business, are there any positive factors from the Investment Business? Additionally, under the Medium-Term Management Plan, the plan was to complete the sale of assets related to the liquidation business within the Real Estate-Related Business by FY2025. Is it correct to understand that some of these sales have been moved forward ahead of schedule?

A2.

Regarding the Investment Business within the Global Business, please understand that there have been no increases or decreases in the third quarter.

As for the sale of assets related to the liquidation business within the Real Estate-Related Business, please understand that the assets sold were those that were originally scheduled for sale within this fiscal year. The sales plan for the next fiscal year remains unchanged at this time.

Q3.

(Page 3) Regarding the items listed at the bottom – "Review of low-growth and low-profit businesses," "Investment in promotional costs to secure future profits," and "Respond to future concerns about credit risk" – were these originally included in the initial plan? Additionally, please provide details on the specific initiatives being undertaken.

A3.

Those three items were not originally incorporated into the initial plan; rather, they are now being considered and implemented.

Regarding the first point, "Review of low-growth and low-profit businesses," we intend to assess the continuity of businesses conducted by our Group companies. For businesses with low future growth potential or profitability, we will consider discontinuation or sale as possible options in our review process.

Regarding the second point, "Investment in promotional costs," we are primarily focusing on marketing expenses for the Payment Business and Saison Fundex, our consolidated subsidiary, as areas for consideration and implementation. For the Payment Business, the original plan already allocated a higher portion of promotional costs to the fourth quarter. In addition, to achieve the final-year targets of the Medium-Term Management Plan, we intend to allocate additional marketing expenses to areas where a certain amount of results is already anticipated, such as growth in revolving balances and new co-branded cards. These efforts are aimed at contributing to revenue and profit growth in the next fiscal year and beyond.

Regarding the third point, "Respond to future concerns about credit risk," we intend to consider preventive provisioning as necessary. Domestically, there is concern over the persistently high level of risks in the Payment Business, while internationally, there are also concerns about credit risk in various countries, including India. As such, we will continue discussions on the necessity of preventive measures.

Q4.

(Page 3) Is it correct to think that "Reviewing low-profit businesses" will contribute to improving ROE in the next fiscal year?

A4.

We don't believe that there will be any changes in ROE.

Q5.

(Page 10) Regarding shareholder returns, you have raised the divided per share (DPS) to 110 yen this time. For the next fiscal year, are there any considerations for changes to your return policy or for increasing the dividend payout ratio?

Additionally, with regard to share buybacks, after having implemented the 50-billion-yen plan in the first year of the Medium-Term Management Plan, what is your current thinking on how you will proceed with the remaining 20 billion yen in the next fiscal year?

A5.

The only thing that has been decided at this point in time regarding dividends and share buybacks is to raise the dividend per share from 105 yen to 110 yen, and we intend to annually review other initiatives within our "policy to achieve a dividend payout ratio of 30% or more toward fiscal 2026." We intend to make comprehensive decisions based on profit levels, taking into account growth potential and investment possibilities from the next fiscal year onwards.

As for share buybacks, we will consider factors such as the amount of risk capital required for each business from next fiscal year and onwards, as well as the possibility and time frame of new investments, and will consider the timing for executing the remaining 20-billion-yen worth of share buybacks.

Q6.

Regarding expenses, you mentioned that each segment has been able to effectively control expenses. However, is there any room for further reductions beyond the targets you presented in the cost structure reforms for the Payment Business under the Medium-Term Management Plan, which call for a "4 percentage point reduction in the labor cost rate" and a "3 percentage point reduction in the cost ratio excluding labor costs"?

A6.

At this point, we cannot expect to exceed the plan. However, as outlined in the materials, revisions to product features, such as revisions to statement issuance fees, are being implemented alongside fee structures that align with service offerings, which could enhance profitability and result in a greater impact than initially expected.

While personnel expenses are currently progressing slightly faster than planned, we expect them to align with the original projections when viewed over the three-year period as a whole.

Q7.

Should we interpret the current progress as cost reductions being ahead of schedule, or, rather, as you being able to maintain your current plans because you are able to offset clearly rising costs, such as increases in personnel expenses and base pay adjustments, by achieving better-than-expected results?

A7.

Currently, the reduction in personnel expenses is progressing ahead of schedule. However, we expect that this will change as we continue to grow, such as through our recruitment and hiring of new professionals.

Regarding costs, we intend to enhance profitability while maintaining the current structure, aiming to increase revenue by reviewing the fee structure, etc.

Q8.

Regarding the assets related to liquidation businesses in the real estate-related business, I would like to hear about the expected sale profits for the next fiscal year and how they compare with the sale profits for the current fiscal year.

A8.

Because the number of properties scheduled for sale in the next fiscal year is higher than in the current fiscal year, the profits from liquidation business-related assets alone are expected to be higher next year. While future real estate market conditions will have an impact, at this point, we anticipate proceeding in line with the initial plan established in the spring of last year.

Q9.

Regarding the India business within the Global Business, it was mentioned that, to strengthen risk management in branch lending, trials such as small-scale automation and changes to credit bureaus have been discontinued, and that the model is being revised. Could you please tell us about the cost efficiency improvements and cost reduction effects that have been achieved over the past year as a result of these initiatives? Additionally, please comment on the possibility of any reversals of items that were factored into the Medium-Term Management Plan during this period.

A9.

We will refrain from providing a response in specific monetary terms, but for about a year now we have been working to simplify and automate the application process for loans to relatively small businesses through branch lending.

Initially, we tried this with the hope that it would lead to reduced labor costs and increased profit margins, but credit risk ended up increasing more than we had anticipated, so we reversed the simplification and automation and reverted to the traditional screening model used for medium-sized and larger businesses, which involves more manual screening and on-site inspections depending on the scores, and this has since reduced credit risk.

With embedded finance, taking costs into consideration, we switched to a different credit bureau and restructured our model. However, just like with branch lending, the change resulted in a slight increase in credit risk. In light of this, we have newly tuned our model to effectively combine the originally used credit bureau with the newly introduced credit bureau. As a result, the risk associated with new lending has been decreasing.

In this way, by tuning the increased risks that resulted from the trials conducted from the fourth quarter of last year through the first half of the current fiscal year, new loan risk has been successfully reduced since around the third quarter.

Q10.

(P22) You explained that this fiscal year's performance has progressed significantly ahead of schedule, and you explained the potential for investments in the fourth quarter that are aimed at expanding revenue in the coming fiscal years. Can this be understood as an indication that there is a possibility of raising your plans for FY2025 and FY2026?

A10.

At this point, we are not considering raising our plans for fiscal 2025 or 2026, but we believe that it will be necessary to carefully examine a variety of things in this fourth quarter.

The reversal of special allowances for bad debt costs in domestic businesses, which occurred at a certain scale this fiscal year, will fall off next fiscal year. Additionally, interest rate levels are expected to exceed those initially assumed in the Medium-Term Management Plan, necessitating a thorough review of costs. On the other hand, the accumulation of revenue-generating balances across all of our business segments continues to steadily progress. Before making any final decisions, we intend to carefully evaluate both the areas with strong progress and the anticipated increase in costs beyond next fiscal year.

Q11.

Does there also need to be a detailed review of the plans for the Global Business?

A11.

Regarding the Global Business, particularly in India, financing needs remain strong, so we believe it is possible to accumulate loan balances, although we also recognize that the credit risk cycle within India is shifting. As such, we feel that it is necessary to make careful assessments, such as ensuring the adequacy of provisions.

Additionally, we are aware of the central bank's concerns regarding the rapid growth of non-bank financial institutions over a short period. Moving forward, we intend to conduct our careful assessment while thoroughly considering our communications with the central bank.

Q12.

(P19) In your financial strategy, what are your mid- to long-term targets for the long-term ratio and fixed ratio? We would like to hear your comments on your approach to financial management, taking into account the assumption of future interest rate increases.

A12.

Given that interest rate levels are expected to exceed the assumptions initially set in the Medium-Term Management Plan, we will once again hold internal discussions regarding interest rates and timing for next fiscal year and beyond, and we believe that it will be necessary to revise our scenarios to some extent on both the funding and business sides. At the same time, while we need to mitigate the short-term cost impact within the plan through FY2026, we intend to move forward with financing while maintaining our fundamental policy unchanged, focusing on long-term and fixed-rate