《Translation of excerpted sections》

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

(IFRS)

February 7, 2020
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
Inquiries to: Masaki Negishi / General Manager, Corporate Planning Dept.; Phone: (03) 3988-2110
Scheduled date to submit Quarterly Securities Report: February 14, 2020
Scheduled date to commence dividend payments: –
Preparation of supplementary material on quarterly financial results: Yes
Holding of quarterly financial results presentation meeting: No

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

1. Consolidated Results for the Third Quarter of the Fiscal Year Ending March 31, 2020 (April 1, 2019 to December 31, 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)	(%)
3rd Quarter FY2019	237,755	3.6	47,488	6.8	40,665	5.2	33,882	24.5	34,076	21.7	36,776	116.6
3rd Quarter FY2018	229,404	–	44,467	–	38,664	–	27,214	–	28,002	–	16,975	–

	Basic earnings per share (Yen)	Diluted earnings per share (Yen)
3rd Quarter FY2019	212.54	211.82
3rd Quarter FY2018	171.45	–

(2) Consolidated Financial Position

	Total assets (Millions of yen)	Total equity (Millions of yen)	Equity attributable to owners of parent (Millions of yen)	Ratio of equity attributable to owners of parent to total assets (%)
3rd Quarter FY2019	3,407,928	512,166	511,324	15.0
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)	30,000	(1.7)	191.82

(Note) Revision of consolidated earnings forecasts most recently announced: None

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 January 31, 2020.

Notes

(1) Changes in significant subsidiaries during third 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):
      3rd Quarter FY2019: 185,444,772 shares FY2018: 185,444,772 shares
   b. Treasury shares at the end of the period:
      3rd Quarter FY2019: 28,624,831 shares FY2018: 22,112,702 shares
   c. Average number of outstanding shares during the period (cumulative):
      3rd Quarter FY2019: 160,328,303 shares 3rd Quarter FY2018: 163,332,314 shares

- 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 December 31, 2019
Assets		
Cash and cash equivalents	82,642	80,997
Trade and other receivables	2,393,197	2,623,485
Inventories	151,385	138,459
Operational investment securities	39,973	46,729
Investment securities	91,553	79,119
Other financial assets	11,916	14,121
Property, plant and equipment	29,341	28,628
Right-of-use asset	–	17,812
Intangible assets	219,972	183,810
Investment property	56,683	58,889
Investments accounted for using equity method	92,752	75,478
Deferred tax assets	32,148	38,055
Other assets	10,897	8,003
Assets held for sale	–	14,338
Total assets	3,212,465	3,407,928

(Millions of yen)

	As of March 31, 2019	As of December 31, 2019
Liabilities and equity		
Liabilities		
Trade and other payables	314,729	301,884
Financial guarantee liabilities	8,305	7,526
Bonds and borrowings	2,203,818	2,379,201
Other financial liabilities	28,441	28,870
Income taxes payable	3,120	7,728
Provision for point card certificates	104,963	108,635
Provision for loss on interest repayments	17,762	13,423
Other provisions	1,530	1,560
Deferred tax liabilities	1,025	752
Other liabilities	37,026	46,179
Total liabilities	2,720,724	2,895,762
Equity		
Share capital	75,929	75,929
Capital surplus	85,642	85,278
Retained earnings	360,303	388,796
Treasury shares	(52,881)	(61,804)
Other components of equity	22,004	23,123
Total equity attributable to owners of parent	490,998	511,324
Non-controlling interests	743	841
Total equity	491,741	512,166
Total liabilities and equity	3,212,465	3,407,928

(2) Condensed Quarterly Consolidated Statements of Income

(Millions of yen)

	Third quarter of FY2018 (April 1, 2018 to December 31, 2018)	Third quarter of FY2019 (April 1, 2019 to December 31, 2019)
Revenue		
Income from the payment business *	169,958	174,438
Income from the lease business	9,479	9,200
Income from the finance business	28,483	32,213
Revenue from the real estate-related business	32,630	50,137
Revenue from the entertainment business	38,226	37,068
Finance income	669	565
Total	279,446	303,624
Cost of sales		
Cost of sales for the real estate-related business	18,430	35,520
Cost of sales for the entertainment business	31,612	30,348
Total	50,042	65,868
Net revenue	229,404	237,755
Selling, general and administrative expenses	163,517	168,271
Impairment losses on financial assets	24,372	24,529
Finance costs	7,370	7,714
Share of profit of investments accounted for using equity method	6,136	5,903
Other income	3,611	4,857
Other expenses	5,226	7,335
Profit before tax	38,664	40,665
Income tax expense	11,450	6,782
Profit	27,214	33,882
Profit attributable to		
Owners of parent	28,002	34,076
Non-controlling interests	(788)	(193)
Profit	27,214	33,882

(Yen)

Earnings per share		
Basic earnings per share	171.45	212.54
Diluted earnings per share	–	211.82

* 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)

	Third quarter of FY2018 (April 1, 2018 to December 31, 2018)	Third quarter of FY2019 (April 1, 2019 to December 31, 2019)
Profit before tax	38,664	40,665
Reconciliations (Other income)	–	(705)
Reconciliations (Other expenses)	5,145	7,138
The adjustment amount for financial assets by applying the effective interest rate method	656	390
Subtotal	5,802	6,823
Business profit	44,467	47,488

(3) Condensed Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	Third quarter of FY2018 (April 1, 2018 to December 31, 2018)	Third quarter of FY2019 (April 1, 2019 to December 31, 2019)
Profit	27,214	33,882
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	(9,675)	2,080
Share of other comprehensive income of investments accounted for using equity method	(56)	(371)
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	(4)	7
Effective portion of cash flow hedges	(652)	1,331
Exchange differences on translation of foreign operations	(41)	24
Share of other comprehensive income of investments accounted for using equity method	193	(177)
Total other comprehensive income, net of tax	(10,238)	2,894
Comprehensive income	16,975	36,776

Comprehensive income attributable to		
Owners of parent	17,776	36,966
Non-controlling interests	(800)	(189)
Comprehensive income	16,975	36,776

(4) Condensed Quarterly Consolidated Statements of Changes in Equity

Third quarter of FY2018 (April 1, 2018 to December 31, 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			28,002			28,002	(788)	27,214
Other comprehensive income					(10,225)	(10,225)	(12)	(10,238)
Comprehensive income	–	–	28,002	–	(10,225)	17,776	(800)	16,975
Purchase of treasury shares				(0)		(0)		(0)
Disposal of treasury shares		(0)		0		0		0
Dividends			(5,719)			(5,719)		(5,719)
Transfer from other components of equity to retained earnings			212		(212)	–		–
Changes in ownership interest in subsidiaries		(60)				(60)	60	–
Total transactions with owners	–	(61)	(5,507)	(0)	(212)	(5,780)	60	(5,719)
Balance as of December 31, 2018	75,929	85,568	357,638	(52,880)	22,131	488,387	1,225	489,613

Third quarter of FY2019 (April 1, 2019 to December 31, 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			34,076			34,076	(193)	33,882
Other comprehensive income					2,889	2,889	4	2,894
Comprehensive income	–	–	34,076	–	2,889	36,966	(189)	36,776
Purchase of treasury shares				(8,923)		(8,923)		(8,923)
Disposal of treasury shares		(0)		0		0		0
Dividends			(7,353)			(7,353)		(7,353)
Transfer from other components of equity to retained earnings			1,770		(1,770)	–		–
Changes in ownership interest in subsidiaries		(363)				(363)	288	(75)
Total transactions with owners	–	(363)	(5,582)	(8,922)	(1,770)	(16,640)	288	(16,352)
Balance as of December 31, 2019	75,929	85,278	388,796	(61,804)	23,123	511,324	841	512,166

(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 third quarter ended December 31, 2018, the new business segment name is used.

(ii) Information regarding reportable segments

For the third quarter ended December 31, 2018 (from April 1, 2018 to December 31, 2018)

(Millions of yen)

	Payment	Lease	Finance	Real estate related	Entertainment	Total	Adjustments (Note 2)	Consolidated
Revenue								
Revenue from external customers	170,625	9,480	28,483	32,630	38,226	279,446	–	279,446
Intersegment revenue	1,073	4	–	711	0	1,789	(1,789)	–
Total	171,699	9,484	28,483	33,341	38,226	281,236	(1,789)	279,446
Net revenue	171,699	9,484	28,483	14,903	6,614	231,186	(1,782)	229,404
Segment profit (Business profit) (Note 1)	16,045	4,351	13,743	8,333	1,990	44,464	2	44,467
Reconciliations	–	–	–	–	–	–	–	(5,802)
Profit before tax	–	–	–	–	–	–	–	38,664

(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 third quarter ended December 31, 2019 (from April 1, 2019 to December 31, 2019)

(Millions of yen)

	Payment	Lease	Finance	Real estate related	Entertainment	Total	Adjustments (Note 2)	Consolidated
Revenue								
Revenue from external customers	175,003	9,200	32,213	50,137	37,068	303,624	–	303,624
Intersegment revenue	1,130	3	–	710	0	1,843	(1,843)	–
Total	176,133	9,203	32,213	50,848	37,068	305,467	(1,843)	303,624
Net revenue	176,133	9,203	32,213	15,325	6,720	239,596	(1,841)	237,755
Segment profit (Business profit) (Note 1)	17,703	3,475	16,044	8,146	2,116	47,485	2	47,488
Reconciliations	–	–	–	–	–	–	–	(6,823)
Profit before tax	–	–	–	–	–	–	–	40,665

(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)

	Third quarter of FY2018 (April 1, 2018 to December 31, 2018)	Third quarter of FY2019 (April 1, 2019 to December 31, 2019)
Segment profit (Business profit)	44,467	47,488
The adjustment amount for financial assets by applying the effective interest rate method	(656)	(390)
Reconciliations (Other income)	–	705
Gain on sales of shares of subsidiaries and associates	–	545
Gain on sale of businesses	–	82
Other	–	77
Reconciliations (Other expenses)	(5,145)	(7,138)
Loss on valuation of investment securities (e.g. stocks)	(1,753)	(588)
Impairment losses on non-financial assets	–	(6,351)
System transfer cost	(3,299)	–
Other	(93)	(198)
Reconciliations - total	(5,802)	(6,823)
Profit before tax	38,664	40,665