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POCKET CARD (8519)

Fiscal Year (Unconsolidated) (Million Yen)		Op. Rev.	OP	RP	NP	EPS (Yen)	DPS (Yen)	BPS (Yen)
FY02/2016		35,676	3,759	3,779	1,682	21.5	10.0	747.5
FY02/2017		37,619	4,094	4,093	2,239	28.6	10.0	766.1
FY02/2018CoE		38,800	5,300	5,300	3,400	43.5	10.0	-
FY02/2017	YoY	5.4%	8.9%	8.3%	33.1%	-	-	-
FY02/2018CoE	YoY	3.1%	29.4%	29.5%	51.8%	-	-	-
Half Year (Unconsolidated) (Million Yen)		**Op. Rev.**	**OP**	**RP**	**NP**	**EPS (Yen)**	**DPS (Yen)**	**BPS (Yen)**
Q1 to Q2 FY02/2017		18,666	1,984	1,983	985	-	-	-
Q3 to Q4 FY02/2017		18,953	2,110	2,110	1,254	-	-	-
Q1 to Q2 FY02/2018CoE		19,200	2,400	2,400	1,500	-	-	-
Q3 to Q4 FY02/2018CoE		19,600	2,900	2,900	1,900	-	-	-
Q1 to Q2 FY02/2018CoE	YoY	2.9%	20.9%	21.0%	52.2%	-	-	-
Q3 to Q4 FY02/2018CoE	YoY	3.4%	37.4%	37.4%	51.5%	-	-	-

Source: Company Data, WRJ Calculation

1.0 Executive Summary (22 May 2017)

Increasing Card Members

POCKET CARD, aiming at future growth with Famima T Card business, is seeing favorable business performance. Given management integration between FamilyMart and UNY GHD (1 September 2016), having not been assumed in midterm management plan (FY02/2017 to FY02/2019), the number of new openings for FamilyMart stores, i.e., the key channel to invite new applications for Famima T Card, is to be larger than initially assumed and thus the number of new applications for Famima T Card. That is to say, the Company is to see unexpected increases for its own key earnings source. Meanwhile, the Company is to see unexpectedly increasing expenses to acquire new applications, etc. at the same time, but this is to be compensated for by interest-refund-related expenses, etc. to fall short of initial assumptions, suggesting a high probability for midterm management plan to be met at the end of the day. In regards to Famima T Card, the number of effective members stood at 2.70m as of the end of FY02/2017, while midterm management plan assumes 2.81m as of the end of FY02/2019. Meanwhile, the Company now suggests that this target could be achieved probably as early as by the end of FY02/2018, judging from the most recent trends. FamilyMart alone is going for prospective new openings of 796 stores (versus 831 in the previous year) in FY02/2018, while those by store conversion to FamilyMart from Circle K Sunkus (CKS) stemming from above- mentioned management integration are to surge, i.e., up to 2,600 stores (versus 829). Thus, in a view of the Company, the number of FamilyMart stores or the key channel to invite new applications for Famima T Card is to double (1,660 to 3,396) in FY02/2018 over FY03/2017, while the Company is to benefit from operating revenue represented by customer charges to be obtained through shopping on revolving credit by all those new card members acquired here on a full-year basis, starting in FY02/2019.

In FY02/2017, operating revenue came in at ¥37,619m (up 5.4% YoY), operating profit ¥4,094m (up 8.9%) and operating profit margin 10.9% (up 0.4% points). Operating revenue comprised shopping revenue of ¥28,894m (up 11.4%), cash advance revenue of ¥5,874m (down 11.5%) and other revenue of ¥2,850m (down 7.8%). Meanwhile, shopping revenue comprised customer charges of ¥22,422m (up 13.5%) and merchant fees of ¥6,472m (up 4.7%). Thus, increases of operating revenue as a whole for the Company mainly came from those of customer charges, representing commissions to be collected by the Company from users of own credit cards issued in line with receivables outstanding of shopping on revolving credit mainly generated by their transactions of shopping on revolving credit. Due mainly to increasing shopping on revolving credit through the use of Famima T Card, etc., receivables outstanding of shopping on revolving credit nicely increased over the previous year, having enhanced customer charges a lot. Although cash advance revenue came down in line with falling receivables outstanding of cash advance, strengths of customer charges were more than compensating. Meanwhile, operating expenses came in at ¥33,524m (up 5.0%), as a result of increases of bad-debt-related/interest-refund-related expenses, point-reduction expenses in line with increasing transaction volume and expenses to acquire new card members.

FY02/2018 Company forecasts are going for prospective operating revenue of ¥38,800m (up 3.1% YoY), operating profit of ¥5,300m (up 29.4%) and operating profit margin of 13.7% (up 2.8% points). Company forecasts assume shopping revenue of ¥31,000m (up 7.3%), cash advance revenue of ¥5,400m (down 8.1%) and other revenue of ¥2,400m (down 15.8%), while customer charges of ¥24,400m (up 8.8%) and merchant fees of ¥6,600m (up 2.0%) as constituents of shopping revenue. Thus, increases of operating revenue as a whole for the Company are to mainly come from those of customer charges also in FY02/2018. Again the story is the same that this is to be driven by increasing shopping on revolving credit through the use to Famima T Card, etc. Meanwhile, Company forecasts assume operating expenses roughly unchanged from the previous year, i.e., ¥33,400m, driving operating profit and operating profit margin. The Company is going for accelerating expenses to acquire new members for Famima T Card, but for decreasing interest-refund- related expenses at the same time. The Company suggests that signs of calming down are now seen in regards to claim of interest refund. This is to lead to calming down of payments associated with interest refund (outflow of cash) and thus provisions to be taken, both cutting back interest-refund-related expenses.

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2.0 Company Profile

SMBC Group's Credit Card Company

Company Name	POCKET CARD CO., LTD. Company Website IR Information Share Price
Established	25 May 1982
Listing	1 February 2000: Tokyo and Osaka Stock Exchange 1st Section (Ticker: 8519) 28 July 1998: Tokyo and Osaka Stock Exchange 2nd Section 11 September 1996: Registered on OTC market
Capital	¥14,374m (As of the end of February 2017)
No. of Shares	79,323,844 shares, including 1,073,404 treasury shares (As of the end of Feb. 2017)
Main Features	● Merged with Famima Credit Corporation on 15 September 2012 ● Shopping on revolving credit to drive long-term growth ● Interest-refund-related expenses to come down
Business Segments	Ⅰ. Shopping (Credit Card Business) Ⅱ. Cash Advance (Loan Business) Ⅲ. Other
Top Management	President: Keiichi Watanabe
Shareholders	SMBC 35.0%, ITOCHU 26.6%, FamilyMart 14.8% (As of the end of February 2017)
Headquarters	Minato-ku, Tokyo, JAPAN
No. of Employees	Unconsolidated: 365 (As of the end of February 2017)

Source: Company Data

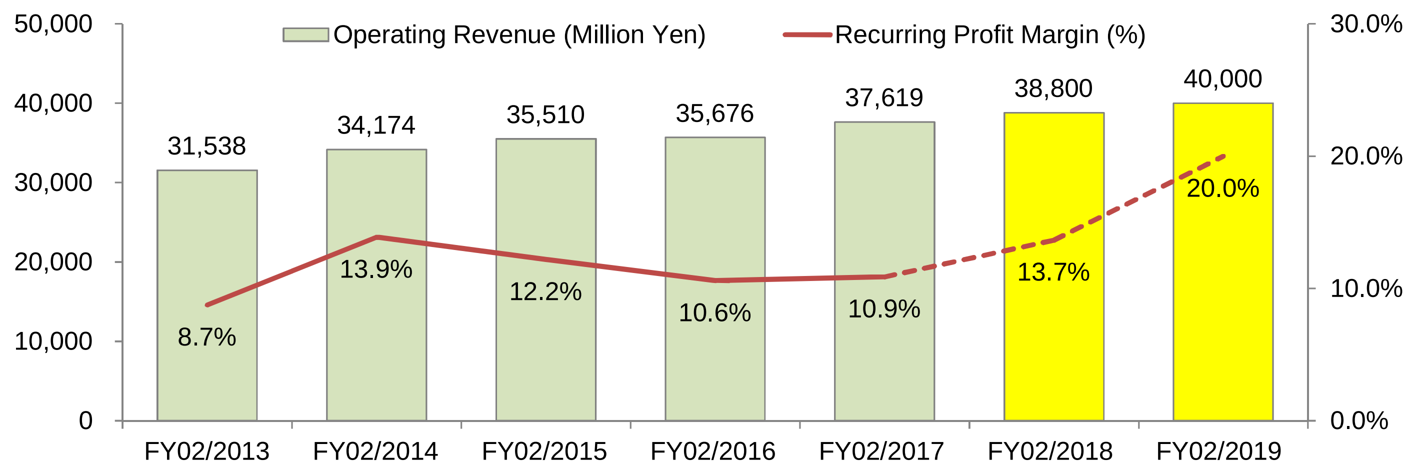
3.0 Recent Trading and Prospects

FY02/2017 Results

In FY02/2017, operating revenue came in at ¥37,619m (up 5.4% YoY), operating profit ¥4,094m (up 8.9%), recurring profit ¥4,093m (up 8.3%) and net profit ¥2,239m (up 33.1%). In terms of rate of increases over the previous year, net profit meaningfully exceeded operating profit and recurring profit. This is due to decreases of deferred tax assets to have been withdrawn over the previous year, i.e.,FY02/2016 when said withdrawal was substantial because of lowering corporate tax rate.

Operating profit margin came in at 10.9% (up 0.4% points) and recurring profit margin 10.9% (up 0.3% points). The Company has been seeing non-operating balance roughly breaking even effectively all the time and there were almost no differences between the two. Meanwhile, the most recent Company forecasts (as of 6 October 2016) were exceeded by ¥319m (0.9%) in operating revenue, by ¥94m (2.4%) in operating profit, by ¥93m (2.3%) and recurring profit by ¥93m (2.3%) and net profit by ¥39m (1.8%), suggesting that the results were roughly in line.

Operating Revenue and Recurring Profit Margin

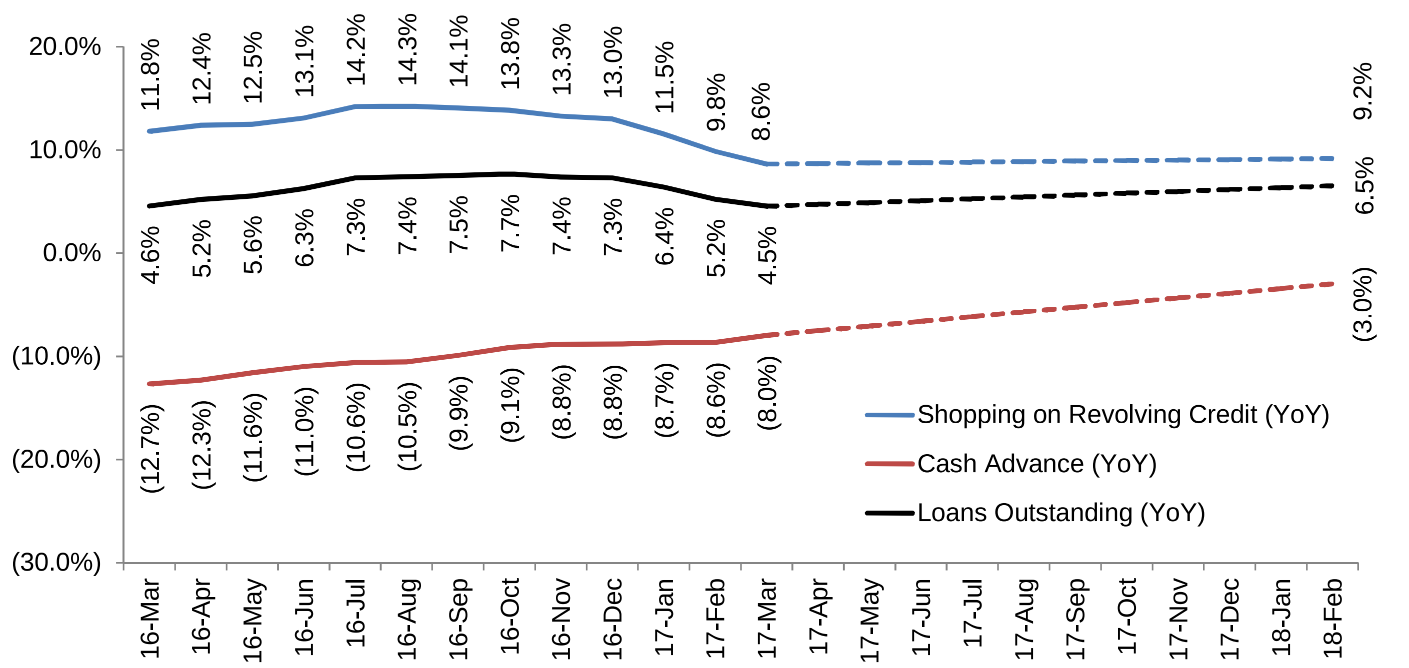


Source: Company Data, WRJ Calculation

The bulk of operating revenue of the Company as a whole is generated by the use of credit cards issued by the Company for shopping and cash advance. In regards to shopping, customer charges and merchant fees are booked as operating revenue. While the former represents commissions to be collected by the Company from users of own credit cards in line with receivables outstanding of shopping on revolving credit mainly generated by their transactions of shopping on revolving credit, the latter commissions to be collected by the Company from affiliated stores in line with transaction volume of shopping. In regards to cash advance, interest income to be collected in line with receivables outstanding of cash advance generated by own credit card users' transactions of cash advance is booked as operating revenue.

In FY02/2017, customer charges (¥22,422m) hinged on receivables outstanding of shopping on revolving credit and cash advance revenue (¥5,874m) hinged on receivables outstanding of cash advance collectively accounted for 75.2% (¥28,296m) out of operating revenue of the Company as a whole (¥37,619m). Thus, receivables outstanding of shopping on revolving credit and those of cash advance are crucially important for operating revenue and thus operating profit as a whole for the Company. Meanwhile, their collective amounts are called loans outstanding.

Loans Outstanding



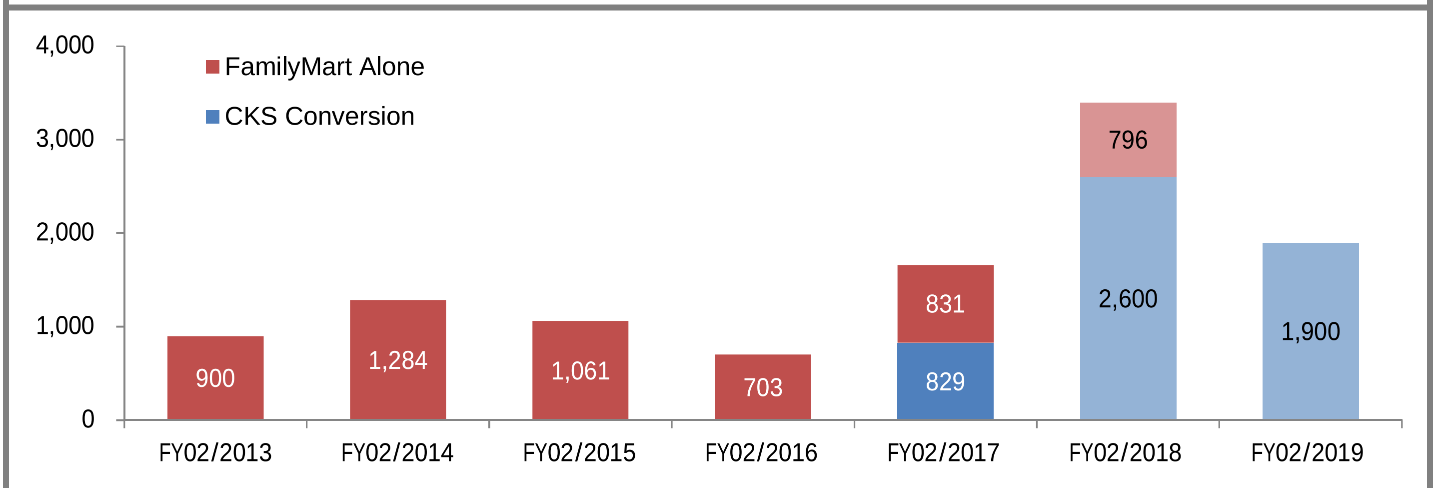
Source: Company Data

As of the end of FY02/2017, loans outstanding stood at ¥173,269m (up 5.2% YoY), comprising receivables outstanding of shopping on revolving credit of ¥135,756m (up 9.8%) and those of cash advance of ¥37,513m (down 8.6%), while respectively 78.3% and 21.7% in terms of composition ratio. Meanwhile, the Company has been seeing decelerating rate of increases over the previous year for loans outstanding in the most recent monthly trends. In regards to receivables outstanding of cash advance, the Company has been seeing decelerating rate of decreases in spite of intensifying competition in the market with limited growth potentials, but it has been more impactful that the main constituent of receivables outstanding of shopping on revolving credit have been seeing decelerating rate of increases. However, the situations are expected to improve going forward and thus the Company is to see recovery for rate of increases for loans outstanding toward the end of FY02/2018.

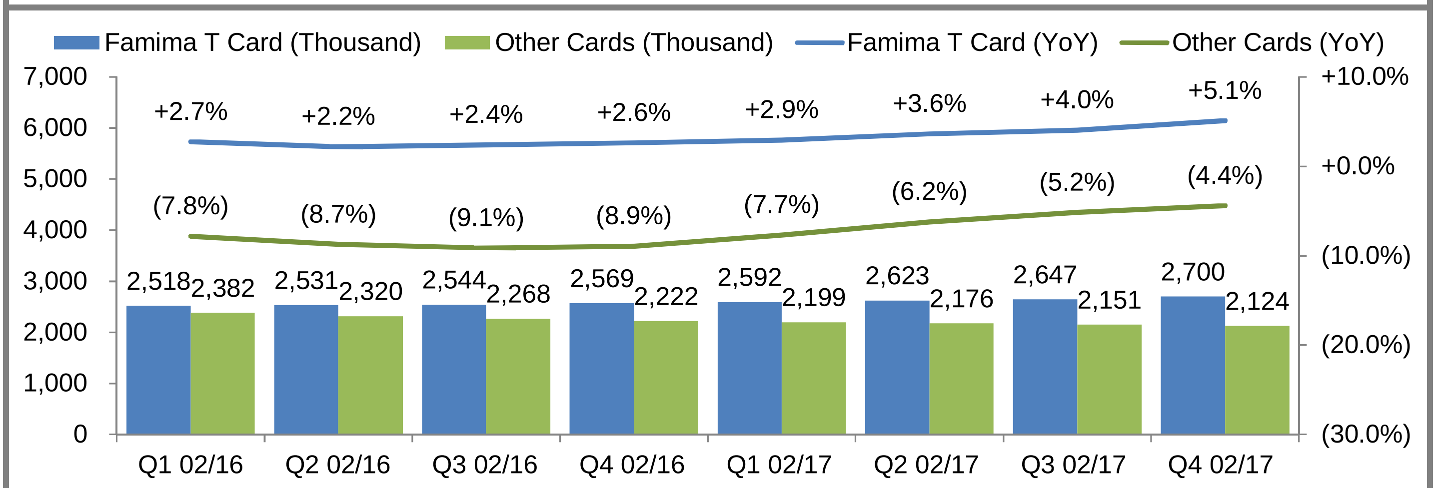
In FY02/2017, the Company saw some net add-ons stemming from its strategy to implement developing credit (November 2015) for receivables outstanding of shopping on revolving credit. Developing credit represents expansion of the credit facilities for existing card members with reasonable respect to risk and return. So far expanded credit facilities have been well utilized with no particular increases of bad debts, etc., according to the Company. Meanwhile, this effect is supposed to peak out in some 6 months after introduction and recent trading suggests that this is actually taking place as far as we could see. Going forward, the Company is to implement another one of developing credit, but it appears that potential room to further expand credit facilities with reasonable respect to risk and return has become limited to date after the implementation of developing credit so far.

Still, the Company is going for a recovery for rate of increases toward the end of FY02/2018, given a trend that the increases of the number of effective card members are accelerating. Specifically, it appears that the Company is looking to increasing shopping on revolving credit in line with increasing number of new Famima T Card members acquired in increasing CKS-to-FamilyMart-converted stores. When based on information disclosed by FamilyMart UNY Holdings Co., Ltd., new openings of CKS-to-FamilyMart-converted stores in FY02/2019 are to be 1,900. This is expected to be achieved by the end of August in 2018, while being the end of the conversion. Out of 6,300 stores at the beginning, collective 5,300 stores are to be converted at the end of the day, while 1,000 stores are to be closed down.

New Openings of FamilyMart Stores: FM (FamilyMart), CKS (Circle K Sunkus)



The Number of Effective Members



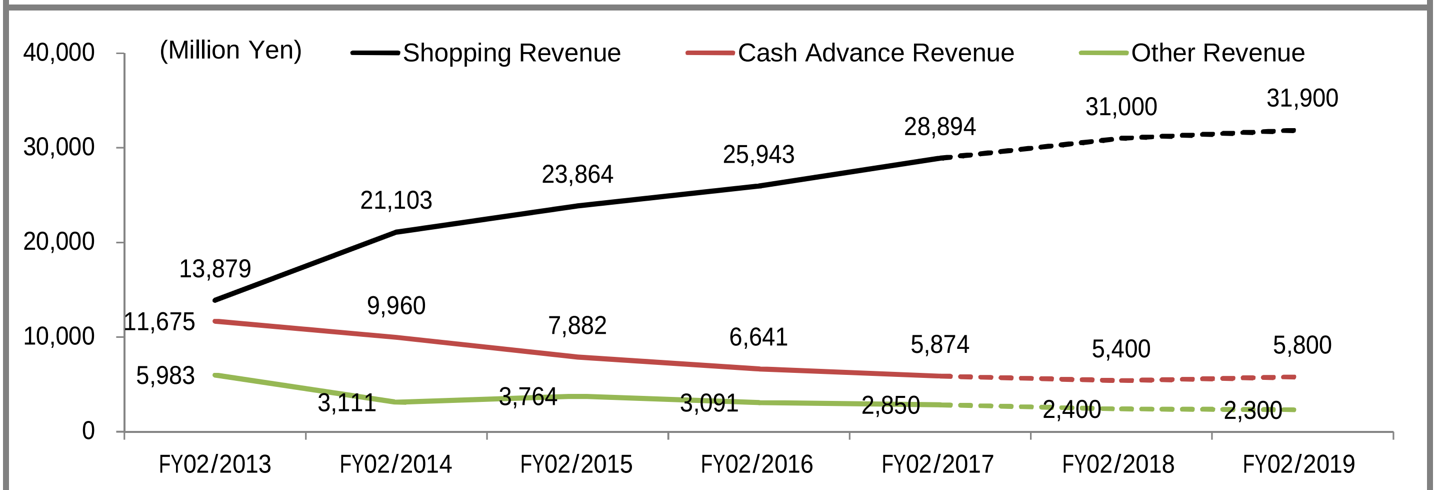
Source: Company Data

As of the end of FY02/2017, the number of effective members for Famima T Card stood at 2.70m (up 5.1% YoY) and other credit cards 2.12m (down 4.4%). The former is seeing rate of increases accelerating, while the latter rate of decreases decelerating.

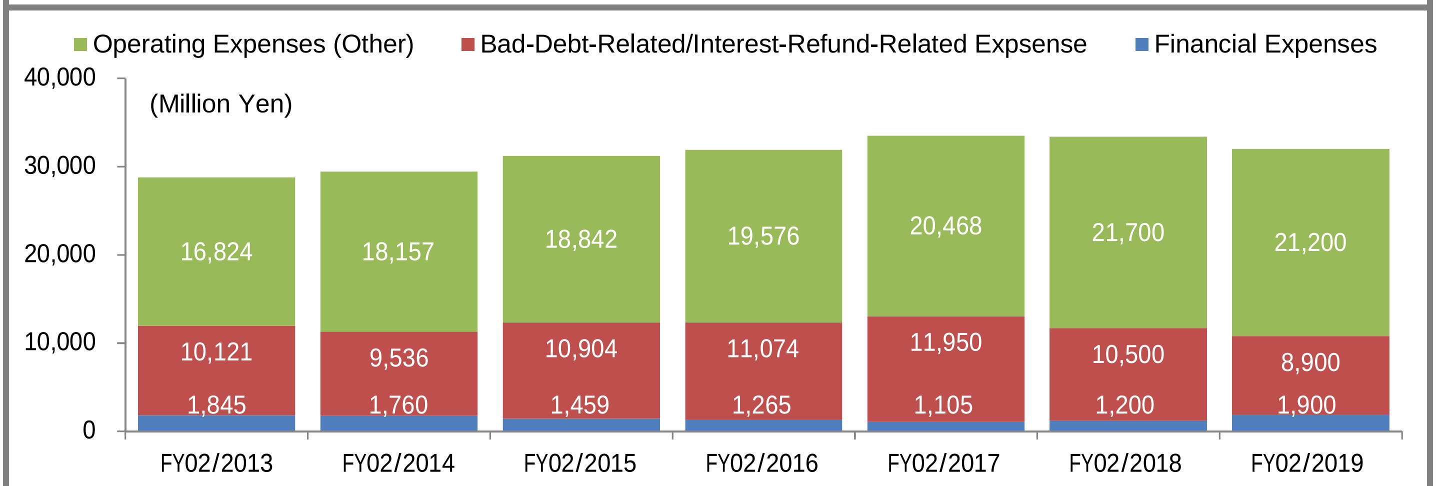
In regards to Famima T Card, the number of new applications came in at 350,000 (versus 297,000 in the previous year). The Company suggests that the net increases over the previous year here had something to do with new openings of CKS-to-FamilyMart- converted stores to have been implemented intensively in Q4. Out of new applications of 350,000, applications through CKS-to-FamilyMart-converted stores accounted for 46,000 or 13% of total. Then, in FY02/2018, the number of new applications is expected to reach 450,000, driven by accelerating new openings of CKS-to-FamilyMart-converted stores. As far as based on this assumption, the number of effective members of Famima T Card is to see rate of increases persistently accelerating over the previous year.

On the other hand, in regards to credit card other than Famima T Card, i.e., P-one Card, etc., the Company implements strategy to rather reduce the number of effective members. Those who have not been utilized over the past few years in a row (while generating maintenance expenses only) are all persuaded to withdraw, when the timing of renewal for membership comes. However, most recently, the rate of decreases is now decelerating as discussed above.

Operating Revenue



Operating Expenses



Source: Company Data, WRJ Calculation/Estimates

Income Statement (Cumulative, Quarterly)

Income Statement (Million Yen)	Par.Act Q1 02/2016	Par.Act Q1 to Q2 02/2016	Par.Act Q1 to Q3 02/2016	Par.Act Q1 to Q4 02/2016	Par.Act Q1 02/2017	Par.Act Q1 to Q2 02/2017	Par.Act Q1 to Q3 02/2017	Par.Act Q1 to Q4 02/2017	YoY Net Chg.
Operating Revenue	**9,013**	**17,825**	**26,571**	**35,676**	**9,214**	**18,666**	**27,977**	**37,619**	**+1,943**
Provision for Possible Credit Losses	1,355	2,844	4,495	6,610	1,397	3,178	5,086	6,713	+103
Ditto for Refundable Excess Interest	1,408	2,947	4,019	4,464	1,633	2,842	3,999	5,237	+773
Other	4,865	9,575	14,367	19,576	5,076	10,100	15,134	20,469	+893
SG&A Expenses	7,629	15,366	22,882	30,650	8,107	16,121	24,219	32,419	+1,769
Interest Expenses	229	445	654	856	196	371	541	705	(151)
Other Financial Charges	87	168	304	408	86	189	307	399	(9)
Financial Expenses	317	613	959	1,265	282	560	848	1,105	(160)
Operating Expenses	7,946	15,980	23,841	31,916	8,390	16,682	25,068	33,525	+1,609
Operating Profit	**1,066**	**1,844**	**2,729**	**3,759**	**823**	**1,984**	**2,908**	**4,094**	**+335**
Non-Operating Balance	6	6	9	20	(1)	(1)	(2)	(1)	(21)
Recurring Profit	**1,072**	**1,850**	**2,738**	**3,779**	**822**	**1,983**	**2,906**	**4,093**	**+314**
Extraordinary Balance	0	0	0	(17)	0	0	0	0	+17
Pretax Profit	1,072	1,850	2,738	3,762	822	1,983	2,906	4,093	+331
Tax Charges, etc.	808	1,182	1,609	2,079	529	997	1,394	1,854	(225)
Net Profit	**264**	**667**	**1,128**	**1,682**	**293**	**985**	**1,512**	**2,239**	**+557**
Operating Revenue YoY	+3.2%	(1.0%)	(1.3%)	+0.5%	+2.2%	+4.7%	+5.3%	+5.4%	-
Operating Profit YoY	(23.5%)	(27.1%)	(23.6%)	(12.6%)	(22.7%)	+7.6%	+6.6%	+8.9%	-
Recurring Profit YoY	(23.3%)	(27.1%)	(23.7%)	(12.7%)	(23.3%)	+7.2%	+6.1%	+8.3%	-
Net Profit YoY	(59.5%)	(47.5%)	(38.2%)	(23.6%)	+11.1%	+47.6%	+34.0%	+33.1%	-
Operating Profit Margin	11.8%	10.3%	10.3%	10.5%	8.9%	10.6%	10.4%	10.9%	+0.4%
Recurring Profit Margin	11.9%	10.4%	10.3%	10.6%	8.9%	10.6%	10.4%	10.9%	+0.3%
Net Profit Margin	2.9%	3.7%	4.2%	4.7%	3.2%	5.3%	5.4%	6.0%	+1.2%
Tax Charges, etc. / Pretax Profit	75.4%	63.9%	58.8%	55.3%	64.4%	50.3%	48.0%	45.3%	(10.0%)

Income Statement (Million Yen)	Par.Act Q1 02/2016	Par.Act Q2 02/2016	Par.Act Q3 02/2016	Par.Act Q4 02/2016	Par.Act Q1 02/2017	Par.Act Q2 02/2017	Par.Act Q3 02/2017	Par.Act Q4 02/2017	YoY Net Chg.
Operating Revenue	**9,013**	**8,812**	**8,746**	**9,105**	**9,214**	**9,452**	**9,311**	**9,642**	**+537**
Provision for Possible Credit Losses	1,355	1,489	1,651	2,115	1,397	1,781	1,908	1,627	(488)
Ditto for Refundable Excess Interest	1,408	1,539	1,072	445	1,633	1,209	1,157	1,238	+793
Other	4,865	4,710	4,792	5,209	5,076	5,024	5,034	5,335	+126
SG&A Expenses	7,629	7,737	7,516	7,768	8,107	8,014	8,098	8,200	+432
Interest Expenses	229	216	209	202	196	175	170	164	(38)
Other Financial Charges	87	81	136	104	86	103	118	92	(12)
Financial Expenses	317	296	346	306	282	278	288	257	(49)
Operating Expenses	7,946	8,034	7,861	8,075	8,390	8,292	8,386	8,457	+382
Operating Profit	**1,066**	**778**	**885**	**1,030**	**823**	**1,161**	**924**	**1,186**	**+156**
Non-Operating Balance	6	-	3	11	(1)	0	(1)	1	(10)
Recurring Profit	**1,072**	**778**	**888**	**1,041**	**822**	**1,161**	**923**	**1,187**	**+146**
Extraordinary Balance	0	0	0	(17)	0	0	0	0	+17
Pretax Profit	1,072	778	888	1,024	822	1,161	923	1,187	+163
Tax Charges, etc.	808	374	427	470	529	468	397	460	(10)
Net Profit	**264**	**403**	**461**	**554**	**293**	**692**	**527**	**727**	**+173**
Operating Revenue YoY	+3.2%	(5.0%)	(1.9%)	+6.0%	+2.2%	+7.3%	+6.5%	+5.9%	-
Operating Profit YoY	(23.5%)	(31.5%)	(15.1%)	+40.9%	(22.7%)	+49.2%	+4.4%	+15.1%	-
Recurring Profit YoY	(23.3%)	(31.9%)	(15.2%)	+40.5%	(23.3%)	+49.2%	+3.9%	+14.0%	-
Net Profit YoY	(59.5%)	(35.1%)	(16.9%)	+48.1%	+11.1%	+71.7%	+14.3%	+31.2%	-
Operating Profit Margin	11.8%	8.8%	10.1%	11.3%	8.9%	12.3%	9.9%	12.3%	+1.0%
Recurring Profit Margin	11.9%	8.8%	10.2%	11.4%	8.9%	12.3%	9.9%	12.3%	+0.9%
Net Profit Margin	2.9%	4.6%	5.3%	6.1%	3.2%	7.3%	5.7%	7.5%	+1.5%
Tax Charges, etc. / Pretax Profit	75.4%	48.1%	48.1%	45.9%	64.4%	40.3%	43.0%	38.8%	(7.1%)

Source: Company Data, WRJ Calculation

Operating Revenue, Transactions and Loans Outstanding (Cumulative)

Operating Revenue, Transactions and Loans Outstanding (Million Yen)	Par.Act Q1 02/2016	Par.Act Q1 to Q2 02/2016	Par.Act Q1 to Q3 02/2016	Par.Act Q1 to Q4 02/2016	Par.Act Q1 02/2017	Par.Act Q1 to Q2 02/2017	Par.Act Q1 to Q3 02/2017	Par.Act Q1 to Q4 02/2017	YoY Net Chg.
Shopping	6,315	12,711	19,164	25,943	7,046	14,263	21,538	28,894	+2,951
Cash Advance	1,755	3,451	5,077	6,641	1,545	3,059	4,497	5,874	(767)
Other	942	1,662	2,329	3,091	623	1,343	1,940	2,850	(241)
Operating Revenue	**9,013**	**17,825**	**26,571**	**35,676**	**9,214**	**18,666**	**27,977**	**37,619**	**+1,943**
Shopping	+8.2%	+8.1%	+7.9%	+8.7%	+11.6%	+12.2%	+12.4%	+11.4%	-
Cash Advance	(18.1%)	(17.2%)	(16.6%)	(15.7%)	(12.0%)	(11.4%)	(11.4%)	(11.5%)	-
Other	+25.4%	(20.0%)	(24.2%)	(17.9%)	(33.8%)	(19.2%)	(16.7%)	(7.8%)	-
Operating Revenue (YoY)	**+3.2%**	**(1.0%)**	**(1.3%)**	**+0.5%**	**+2.2%**	**+4.7%**	**+5.3%**	**+5.4%**	**-**
Shopping	103,160	204,055	305,643	415,255	111,602	221,673	332,768	449,650	+34,395
Cash Advance	8,423	16,075	24,194	31,127	8,071	15,453	23,600	30,338	(789)
Other	1,264	2,460	3,709	4,973	1,324	2,721	4,195	5,786	+813
Transactions	**112,848**	**222,591**	**333,548**	**451,356**	**120,999**	**239,849**	**360,564**	**485,776**	**+34,420**
Shopping	(0.8%)	+1.1%	+1.8%	+3.9%	+8.2%	+8.6%	+8.9%	+8.3%	-
Cash Advance	(2.1%)	(1.4%)	(2.8%)	(2.5%)	(4.2%)	(3.9%)	(2.5%)	(2.5%)	-
Other	+4.7%	+2.4%	+3.1%	+3.4%	+4.8%	+10.6%	+13.1%	+16.3%	-
Transactions (YoY)	**(0.9%)**	**+0.9%**	**+1.5%**	**+3.4%**	**+7.2%**	**+7.8%**	**+8.1%**	**+7.6%**	**-**
Shopping	113,291	115,063	118,212	123,590	127,455	131,466	133,913	135,756	+12,166
Cash Advance	45,825	43,896	42,976	41,060	40,513	39,274	39,187	37,513	(3,547)
Loans Outstanding	**159,116**	**158,959**	**161,188**	**164,650**	**167,969**	**170,741**	**173,100**	**173,269**	**+8,619**
Shopping	+9.5%	+8.4%	+7.9%	+10.7%	+12.5%	+14.3%	+13.3%	+9.8%	-
Cash Advance	(17.2%)	(15.7%)	(14.6%)	(13.1%)	(11.6%)	(10.5%)	(8.8%)	(8.6%)	-
Loans Outstanding (YoY)	**+0.2%**	**+0.5%**	**+0.8%**	**+3.6%**	**+5.6%**	**+7.4%**	**+7.4%**	**+5.2%**	**-**

Source: Company Data, WRJ Calculation

Balance Sheet (Quarterly)

Balance Sheet (Million Yen)	Par.Act Q1 02/2016	Par.Act Q2 02/2016	Par.Act Q3 02/2016	Par.Act Q4 02/2016	Par.Act Q1 02/2017	Par.Act Q2 02/2017	Par.Act Q3 02/2017	Par.Act Q4 02/2017	YoY Net Chg.
Cash & Deposit	8,765	8,827	8,471	8,191	8,344	8,731	7,920	8,976	+785
Installment Shopping Receivables	181,339	184,053	188,551	194,640	203,575	207,694	211,812	212,145	+17,505
Cash Advance Receivables	45,825	43,896	42,976	41,060	40,513	39,274	39,187	37,513	(3,547)
Allowance for Possible Credit Losses	(13,334)	(12,870)	(12,778)	(13,204)	(12,877)	(12,861)	(12,956)	(12,792)	+412
Other	11,154	10,507	10,043	9,730	9,823	9,523	9,339	9,060	(670)
Current Assets	**233,750**	**234,414**	**237,265**	**240,418**	**249,379**	**252,363**	**255,302**	**254,902**	**+14,484**
Tangible Assets	318	292	262	355	327	318	298	299	(56)
Intangible Assets	4,448	4,265	4,159	4,019	3,730	3,506	3,278	3,644	(375)
Investments and Other Assets	4,475	4,591	4,666	4,178	4,251	4,330	4,421	4,577	+399
Fixed Assets	**9,243**	**9,150**	**9,088**	**8,553**	**8,309**	**8,155**	**7,999**	**8,521**	**(32)**
Total Assets	**242,993**	**243,564**	**246,353**	**248,972**	**257,688**	**260,519**	**263,302**	**263,423**	**+14,451**
Accounts Payables	14,063	13,122	15,334	12,651	15,225	14,350	15,859	13,717	+1,066
Short Term Debts	71,915	68,449	52,764	55,302	62,270	63,826	57,322	56,254	+952
Other	4,148	5,154	4,998	5,638	4,830	5,604	5,467	6,830	+1,192
Current Liabilities	**90,126**	**86,725**	**73,096**	**73,591**	**82,325**	**83,780**	**78,648**	**76,801**	**+3,210**
Corporate Bond	20,000	20,000	30,000	30,000	30,000	30,000	40,000	40,000	+10,000
Long Term Debts	65,092	68,110	74,144	76,091	75,481	75,877	73,330	74,187	(1,904)
Other	10,299	10,851	11,167	10,795	11,486	11,774	12,100	12,484	+1,689
Fixed Liabilities	**95,391**	**98,961**	**115,311**	**116,887**	**116,967**	**117,651**	**125,430**	**126,671**	**+9,784**
Total Liabilities	**185,518**	**185,687**	**188,408**	**190,479**	**199,293**	**201,431**	**204,079**	**203,473**	**+12,994**
Shareholders' Equity	**57,466**	**57,869**	**57,939**	**58,493**	**58,395**	**59,087**	**59,222**	**59,950**	**+1,457**
Adjustments	9	8	6	-	-	-	-	-	-
Total Assets	**57,475**	**57,877**	**57,945**	**58,493**	**58,395**	**59,087**	**59,222**	**59,950**	**+1,457**
Total Liabilities & Net Assets	**242,993**	**243,564**	**246,353**	**248,972**	**257,688**	**260,519**	**263,302**	**263,423**	**+14,451**
Equity Capital	57,475	57,877	57,945	58,493	58,395	59,087	59,222	59,950	+1,457
Interest Bearing Debt	157,007	156,559	156,908	161,393	167,751	169,703	170,652	170,441	+9,048
Net Debt	148,242	147,732	148,437	153,202	159,407	160,972	162,732	161,465	+8,263
Equity Capital Ratio	23.7%	23.8%	23.5%	23.5%	22.7%	22.7%	22.5%	22.8%	(0.7%)
Net-Debt-Equity Ratio	257.9%	255.3%	256.2%	261.9%	273.0%	272.4%	274.8%	269.3%	+7.4%
ROE (12 months)	3.2%	2.8%	2.6%	2.9%	3.0%	3.4%	3.5%	3.8%	+0.9%
ROA (12 months)	1.7%	1.5%	1.4%	1.6%	1.4%	1.6%	1.5%	1.6%	+0.0%
Total Assets Turnover	15%	14%	14%	15%	14%	15%	14%	15%	-
Quick Ratio	211%	222%	270%	276%	257%	258%	279%	288%	-
Current Ratio	259%	270%	325%	327%	303%	301%	325%	332%	-

Source: Company Data, WRJ Calculation

Cash Flow Statement (Cumulative)

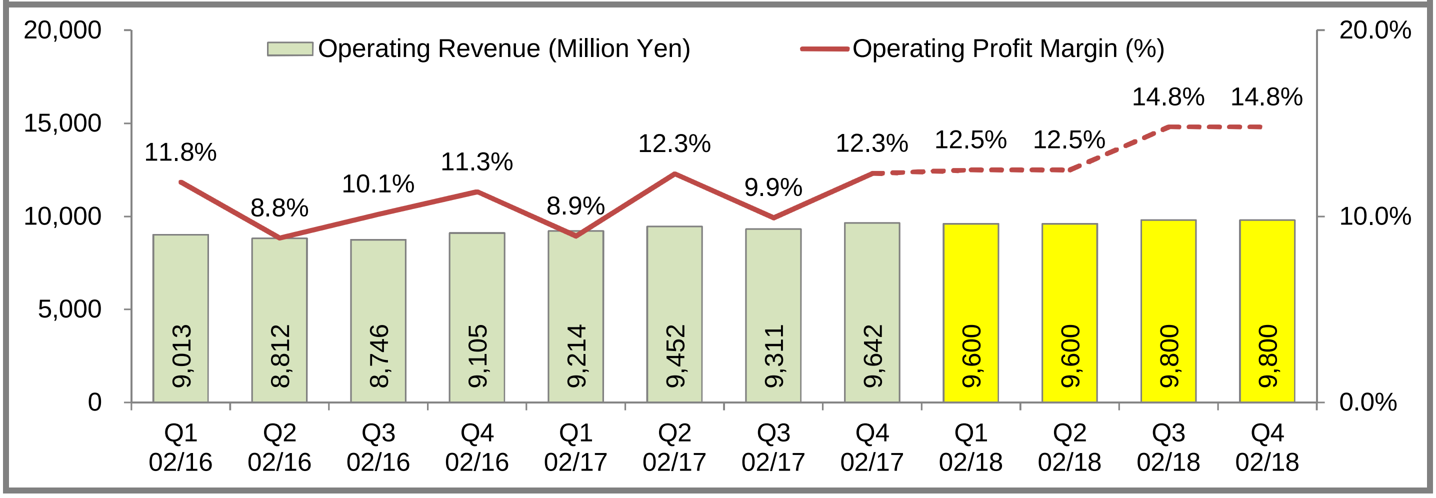
Cash Flow Statement (Million Yen)	Par.Act Q1 02/2016	Par.Act Q1 to Q2 02/2016	Par.Act Q1 to Q3 02/2016	Par.Act Q1 to Q4 02/2016	Par.Act Q1 02/2017	Par.Act Q1 to Q2 02/2017	Par.Act Q1 to Q3 02/2017	Par.Act Q1 to Q4 02/2017	YoY Net Chg.
Operating Cash Flow	-	(1,133)	-	(5,807)	-	(6,869)	-	(6,755)	(948)
Investment Cash Flow	-	(303)	-	(652)	-	(509)	-	(675)	(23)
Operating CF & Investment CF	**-**	**(1,436)**	**-**	**(6,459)**	**-**	**(7,378)**	**-**	**(7,430)**	**(971)**
Financing Cash Flow	-	761	-	5,146	-	7,914	-	8,204	+3,058

Source: Company Data, WRJ Calculation

FY02/2018 Company Forecasts

FY02/2018 Company forecasts are going for prospective operating revenue of ¥38,800m (up 3.1% YoY), operating profit of ¥5,300m (up 29.4%), recurring profit of ¥5,300m (up 29.5%) and net profit of ¥3,400m (up 51.8%), while operating profit margin of 13.7% (up 2.8% points). Meanwhile, prospective annual dividend is ¥10.0 per share, implying payout ratio of 23.0%. The Company, having implemented dividend increases in FY02/2015 (up to ¥10.0 from ¥8.5 in FY02/2014) for the first time over the preceding 7 years, maintained annual dividend of ¥10.0 per share, implying payout ratio of 46.5%, in FY02/2016, in spite of adjustments of net profit, while this stable dividend is to persist in FY02/2017 and as well as in FY02/2018.

Operating Revenue and Operating Profit Margin



Source: Company Data, WRJ Calculation (FY02/2018 quarterly forecasts: half-year Company forecasts pro rata)

Company forecasts assume interest-refund-related expenses of ¥2,600m (down 48.3%). In particular, the decreases are expected to become large in H2. This is the main reason why operating profit margin to rise in H2 over H1. As far as we could gather, interest-refund-related expenses have started to fall short of assumptions of midterm management plan.

This is in line with a trend that outflow of cash associated with payments for interest refund has been coming down to date. In FY02/2017, the Company saw interest-refund-related expenses of ¥3,500m versus ¥3,400m in the previous year, having had still increased. Most recently, however, the Company suggests that signs of calming down after the peak are seen in regards to claim of interest refund. This is to lead to calming down of payments associated with interest refund in the foreseeable future.

It takes 6 months to 12 months for new claims to see interest refunded, while the Company suggests payments for the refund will start coming down on a full-fledged basis in H2, based on the state of the claims so far. At the same time, this actual trend here for outflow of cash is to be directly reflected for taking provisions, implying that interest-refund-related expenses, comprising payments for the refund and provisions to take, will come down sharply. In FY02/2019, this trend is likely to take place from the beginning of the year.

Long-Term Prospects

At the release of FY02/2016 results (7 April 2016), the Company came up with its midterm management plan (FY02/2017 to FY02/2019) at the same time, calling for prospective operating revenue of ¥40,000m, recurring profit of ¥8,000m (recurring profit margin of 20.0%), net profit of ¥5,000m and ROE of 8% in the last year of the plan, i.e., FY02/2019. Based on FY02/2016 results, operating revenue is to increase by 3.9% in terms of CAGR and recurring profit by 28.4%.

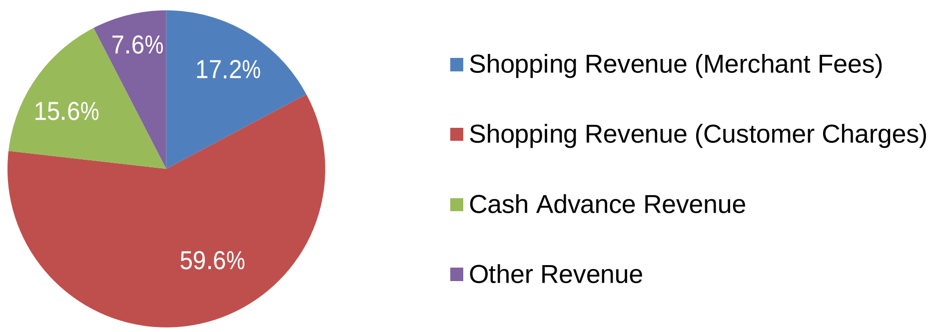
Meanwhile, management integration between FamilyMart and UNY GHD (1 September 2016), having not been assumed, took place in reality, while interest-refund-related expenses are to fall short of assumptions, according to the Company. Details and impacts to operating revenue and earnings are as have been discussed so far.

4.0 Business Model

SMBC Group's Credit Card Company

The Company's operating revenue comprises shopping revenue (customer charges and merchant fees), cash advance revenue and other revenue. In FY02/2017 results, shopping revenue accounted for 76.8% of operating revenue of the Company as a whole, comprising customer charges (59.6%) and merchant fees (17.2%). Meanwhile, cash advance revenue which used to be the key source of operating revenue of the Company as a whole accounted for no more than 15.6%. Due to market environment getting worse, stemming from the amendment of Money Lending Business Act, enacted in December 2006, the Company has been seen cash advance revenue consistently coming down so far.

Operating Revenue Breakdown by Business Domain (FY02/2017)



Operating Revenue Breakdown: Operating Expenses by Category and Operating Profit (FY02/2017)

Source: Company Data, WRJ Calculation

In FY02/2017, operating profit equated to 10.9% of operating revenue and to 54.4% for regular SG&A expenses or Operating Expenses (Other), while the remaining 34.7% was accounted for by expenses specific for the Company's operations as a credit card company. Financial expenses, stemming from fund raising externally through long-term debt, etc. equated to 2.9% of operating revenue. Meanwhile, some parts of receivables outstanding inevitably become nonperforming all the time and the Company is obliged to write them off, while taking provisions for doubtful parts. Expenses associated with all those issues are called bad-debt-related expenses, having equated to 18.4% of operating revenue. On top of this, in line with occurrences of claims to refund interest, the Company has been refunding some parts of once paid-in interest (outflow of cash for the Company), while taking provisions as it does for bad debt, generating interest-refund-related expenses, comprising expenses to refund interest and provisions to take, collectively having equated to 13.4% of operating revenue.

Famima T Card and Other Credit Cards

Source: Company Data

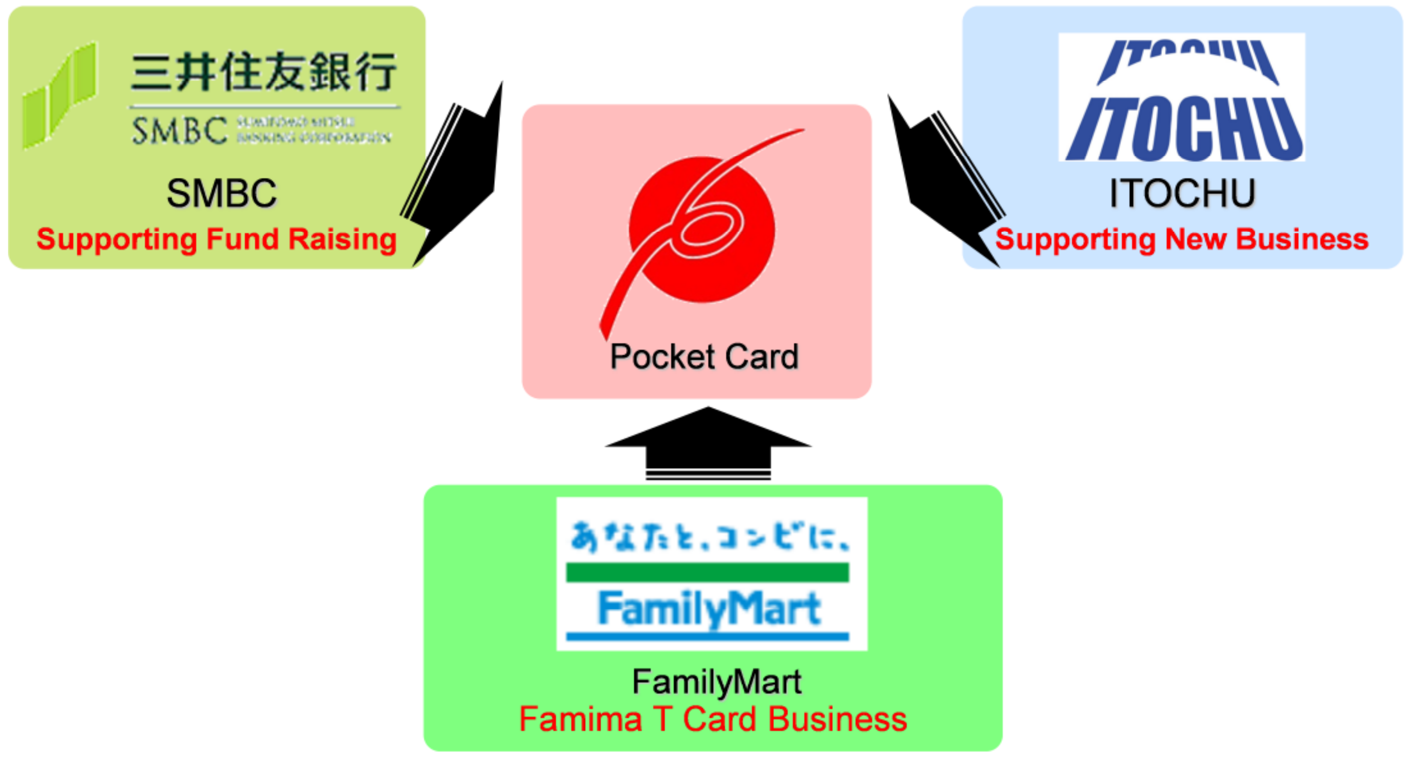
In May 1982, the Company was established as Nichii Credit Services Co., Ltd., and entered credit card business, on a full-fledged basis, in October 1993, by issuing MasterCard credit card through tie-up with MasterCard International Japan Inc. In September 1996, the Company was listed onto the stock market as MYCAL CARD INC. In April 2001, Sanyo Shinpan Finance Co. Ltd. became the parent company (through tender offer, buying up to 51%) versus MYCAL INC. until then. In May 2003, the Company formed capital and operational alliance with ITOCHU Group, then, with Famima Credit Corporation in February 2004, having issued Visa credit card as part of tie-up with Sumitomo Mitsui Card Company Limited in August of the same year. In April 2005, the Company also formed alliance with JCB Co., Ltd. and in October of the same year, the Company began issuing P-one Card, which is one of the key existing credit cards of the Company.

In February 2011, a negotiated transaction between Itochu Finance Corporation and Itochu Corporation resulted in the latter becoming one of the major shareholders for the Company, then, in the next month (March 2011), the Company made Famima Credit Corporation a wholly owned subsidiary, by issuing common shares to Itochu Corporation, FamilyMart Co., Ltd. and Itochu Enex Co., Ltd., through a third party allocation, while a negotiated transaction between Promise Co., Ltd. and Sumitomo Mitsui Banking Corporation made the latter become the largest shareholder for the Company.

Having gone through all those dramatic changes in capital structure since the startup, the Company has been successfully and consistently increasing its exposure to shopping revenue to date. In particular, acquisition of Famima Credit Corporation as a wholly owned subsidiary, in March 2011, became the major driver to increase exposure to shopping revenue. At the end of the day, the Company merged with Famima Credit Corporation in September 2012. Going forward, Famima T Card business is positioned as the utmost growth driver for pursuing further improvements of shopping revenue.

Meanwhile, the Company is currently included as equity method affiliate in consolidated accounts of parent companies, i.e., Sumitomo Mitsui Banking Corporation, Itochu Corporation and FamilyMart Co., Ltd., keeping and improving its tight and favorable relationship with them.

Tight Relationship with Parent Companies



Source: Company Data

Disclaimer

Information here is a summary of “IR Information” of the Company, compiled by Walden Research Japan, from a neutral and professional standing point, in the form of a report. “IR Information” of the Company comprises a) contents of our interview with the Company, b) contents of presentations for institutional investors, c) contents of timely disclosed information and d) contents of the homepage, etc.

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