

# Cedyna Financial Corporation



## Consolidated Financial Results for the Three Months ended June 30, 2010

### Cedyna Financial Corporation

July 28, 2010

|                    |  |
|--------------------|--|
| Code Number:       | 8258   |
| Shares Listed on:  | First Section of The Tokyo Stock Exchange<br>First Section of The Nagoya Stock Exchange<br>(URL: <a href="http://www.cedyna.co.jp">http://www.cedyna.co.jp</a> ) |
| Tokyo Head Office: | Minato-ku Tokyo, Japan   |
| Representative:    | Hajime Yamashita, President and Representative Director  |
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### **【Disclaimer】**

This is an English translation of the original Japanese document extracted from the Japanese Financial Statements (Kessan Tanshin) filed with the Tokyo Stock Exchange on July 28, 2010.

All the financial information has been prepared in accordance with the Japanese generally accepted accounting principles. The document herein contains forward-looking statements based upon the judgment of Cedyna's management in view of the information currently available.

Actual results may be significantly affected by various factors, including but not limited to, changes in the Japanese economy and the business environment surrounding Cedyna Financial Corp.

## Cedyna Financial Corporation

### 1. Consolidated operating results and financial condition for the first quarter (April 1, 2010 to June 30, 2010)

|                                      | (Amounts rounded off to million yen) |          |                                    |          |
|--------------------------------------|--------------------------------------|----------|------------------------------------|----------|
|                                      | 1st Quarter<br>ended June 30, 2010   |          | 1st Quarter<br>ended June 30, 2009 |          |
|                                      | Millions of yen                      | % change | Millions of yen                    | % change |
| Operating revenues                   | 55,559                               | -6.8     | 59,619                             | -        |
| Operating income                     | 3,315                                | -        | -26,312                            | -        |
| Ordinary income                      | 3,423                                | -        | -25,696                            | -        |
| Net income                           | 3,203                                | -        | -46,646                            | -        |
| Net income per share                 | ¥5.37                                |          | ¥-96.20                            |          |
| Net income per share - fully diluted | -                                    |          | -                                  |          |

Note: We have not reported diluted earnings per share for the first quarter, despite the existence of potential shareholders, as we incurred a net loss in the quarter.

### (2) Consolidated Financial Condition

|                                | As of<br>June 30, 2010 | As of<br>March 31, 2010 |
|--------------------------------|------------------------|-------------------------|
| Total assets                   | 2,210,598 million yen  | 2,216,213 million yen   |
| Net asset value                | 94,646 million yen     | 43,018 million yen      |
| Shareholders' equity ratio     | 4.3%                   | 1.9%                    |
| Shareholders' equity per share | ¥116.35                | ¥87.83                  |

Reference:

Net asset value ( excluded minority interest ):

|                                  |                    |
|----------------------------------|--------------------|
| 1st quarter ended June 30, 2010: | 94,258 million yen |
| Year ended March 31, 2010:       | 42,640 million yen |

### 2. Dividend

|                                 | Year ended<br>March 31, 2011 | Year ended<br>March 31, 2011<br>(projected) | Year ended<br>March 31, 2010 |
|---------------------------------|------------------------------|---|------------------------------|
| Dividend per share for the year |                              |   |                              |
| End of the first quarter        | -                            | -   | -                            |
| End of the first half           |                              | ¥0.00                                       | ¥0.00                        |
| End of the third quarter        |                              | -   | -                            |
| End of term                     |                              | ¥0.00                                       | ¥0.00                        |
| Total amount (full year)        |                              | ¥0.00                                       | ¥0.00                        |

Note: Revisions made in the first quarter to dividends forecast: No

### 3. Consolidated projection for the year ending March 31, 2011 (April 1, 2010 to March 31, 2011)

(The percentage figures shown in operating revenue, operating income, ordinary income and net income columns represent year-on-year changes.)

|                                | Year ending<br>March 31, 2011 |          |                 |          |
|--------------------------------|-------------------------------|----------|-----------------|----------|
|                                | First half                    |          | Full year       |          |
|                                | Millions of yen               | % change | Millions of yen | % change |
| Operating revenue              | 111,100                       | 93.9     | 224,600         | 96.5     |
| Operating income               | 7,000                         | -        | 18,600          | -        |
| Ordinary income                | 7,200                         | -        | 19,000          | -        |
| Net income                     | 6,800                         | -        | 18,200          | -        |
| Projected net income per share | ¥9.66                         | -        | ¥24.05          | -        |

※ Revisions made in the first quarter to consolidated earnings forecast figures: No

**4. Other**

(1) Significant changes in subsidiaries during the term

(Changes to specific subsidiaries accompanying changes in the scope of consolidation) : None

(2) Use of simplified accounting method : Used

(3) Changes in accounting principles, procedures or methods of presentation for preparing consolidated financial statements.

(Those to be described in the section of significant accounting policies for preparing consolidated financial statements):

① Changes due to revision of accounting principles: Yes

② Changes other than ①: Yes

(4) Shares issued and outstanding (common stock):

① Number of shares issued and outstanding at the end of the period (including treasury stock):

1st quarter ended June 30, 2010: 812,271,779 shares

Year ended March 31, 2010: 487,596,479 shares

② Number of treasury stock at the end of the period:

1st quarter ended June 30, 2010: 2,119,421 shares

Year ended March 31, 2010: 2,119,108 shares

③ Number of average shares for the period:

1st quarter ended June 30, 2010: 596,080,899 shares

1st quarter ended June 30, 2009: 484,883,896 shares

## Cedyna Financial Corporation

<Reference>

### [ Notes on significant changes to equity ]

Due to the share issue by way of a third-party allotment to SMFG Card & Credit, Inc. on May 31, 2010, common stock increased by ¥24,999 million and capital surplus also increased by ¥24,999 million. As a result, common stock at the end of the first quarter of this accounting period stood at ¥82,843 million, and capital surplus stood at ¥66,059 million. As a result, shareholders' equity ratio in the first quarter of the period ending March 2011 increased by 2.4 points to 4.3%.

### [ Basic accounting methods and special accounting methods used ]

1. Valuation of estimated doubtful accounts within receivables  
There was deemed to be no material difference between figures such as the proportion of doubtful accounts at the end of this first quarter and at the end of the previous consolidated accounting period. Accordingly, the balance of estimated doubtful accounts within receivables has been calculated on a rational basis taking into account figures such as the proportion of doubtful accounts at the end of the previous accounting period.
2. Calculation of the depreciation charge for fixed assets  
For assets depreciated under the declining-balance method, the charge has been calculated by pro-rating the annual depreciation charge for the quarter.
3. Calculation of income taxes and deferred tax assets and liabilities  
Income taxes paid have been calculated taking into account only those major items that increase or decrease the liability or are a credit against the liability. As there was deemed to be no material difference in the business environment since the end of the previous accounting period or in temporary differences that might affect the collectability of deferred tax assets, the balance of deferred tax assets has been calculated with reference to the same future earnings projections and tax planning as were used in the previous accounting period.

### [ Changes in accounting principles and procedures and presentation methods ]

1. Accounting standard for asset retirement obligations  
With effect from this first quarter, the Company applies the "Accounting Standards for Asset Retirement Obligations" (ASBJ Statement No. 18, issued on March 31, 2008) and the "Guidance on Accounting Standards for Asset Retirement Obligations" (ASBJ Guidance No. 21, also issued on March 31, 2008).  
As a result, operating income and ordinary income for this first quarter have increased by ¥26 million, and income before income taxes for the quarter has decreased by ¥211 million. The movement in asset retirement obligations due to applying these standards for the first time was ¥463 million.
2. Change in classification in the accounts of dividends received  
Dividends received had previously been classified as non-operating revenues, but from the fourth quarter of the previous accounting period have been included in "Financial transactions" under operating revenues. The classification of dividends received therefore differs between the first quarter of this fiscal year and the first quarter of the previous fiscal year.  
The change was debated in the course of discussions on accounting treatments after the merger, and its financial materiality increased; because of this, the old treatment was revised and the change has been accounted for according to the principles of "Standardizing Accounting Standards in the Credit Industry" (MITI Circular Notice, Industry Bureau 60 No. 291) and "Presentation of Financial Expenses on the Income Statement for Consumer Credit Companies" (report by the Head of the Credit and Consumer Credit Industry Committee at JICPA).  
  
As a result of the change, in comparison to the figures that would have been calculated under the old method, operating revenues increased by ¥306 million and operating income increased by the same amount, but there was no impact on ordinary income or income before income taxes for the quarter.
3. Allowance for losses on business transfer  
In the second quarter of the previous accounting period, taking into account changes in the economic environment, a policy was set to transfer the housing loans business in the mid- to long-term rather than the short-term originally proposed, in response to market trends. To prepare for the resulting losses that would arise as a result of the holding period and transfer of the business, an allowance for losses on business transfer was made for the estimated amount of losses and classified as a non-current liability. Accordingly, in this first quarter, an allowance for losses on business transfer is again included in non-current liabilities.

**Cedyna Financial Corporation**  
**Summary Consolidated Balance Sheets**

**ASSETS**

|                                    | <b>As of</b><br><b>Jun 30, 2010</b><br><b>Millions of yen</b> | <b>As of</b><br><b>Mar 31, 2010</b><br><b>Millions of yen</b> |
|------------------------------------|---|---|
| <b>Current Assets:</b>             |   |   |
| Cash and Cash Equivalents          | 163,671   | 138,588   |
| Installment Sales Receivables      | 813,363   | 824,421   |
| Loan Guarantee Receivables         | 688,567   | 699,461   |
| Operating Loans                    | 472,710   | 483,593   |
| Deferred Tax Assets                | 24,501  | 25,303  |
| Other                              | 54,562  | 56,051  |
| Allowance for Doubtful Accounts    | -105,694  | -111,987  |
| <b>Total Current Assets:</b>       | <b>2,111,681</b>  | <b>2,115,431</b>  |
| <b>Fixed Assets:</b>               |   |   |
| Property and Equipment             | 4,156   | 4,234   |
| Intangible Fixed Assets            | 32,599  | 32,856  |
| Investments and Other Assets       |   |   |
| Deferred Tax Assets                | 18,827  | 17,776  |
| Other                              | 48,973  | 51,122  |
| Allowance for Doubtful Accounts    | -6,152  | -5,335  |
| Total Investments and Other Assets | 61,647  | 63,562  |
| <b>Total Fixed Assets:</b>         | <b>98,404</b>   | <b>100,653</b>  |
| <b>Deferred Assets</b>             | <b>511</b>  | <b>128</b>  |
| <b>Total Assets</b>                | <b>2,210,598</b>  | <b>2,216,213</b>  |

**Cedyna Financial Corporation**  
**Summary Consolidated Balance Sheets**

**LIABILITIES AND NET ASSET VALUE**

|  | <b>As of<br/>Jun 30, 2010<br/>Millions of yen</b> | <b>As of<br/>Mar 31, 2010<br/>Millions of yen</b> |
|--|---|---|
| <b>Current Liabilities:</b>                      |   |   |
| Notes and Accounts Payable                       | 104,193   | 109,229   |
| Loan Guarantee Payables                          | 688,567   | 699,461   |
| Short-term Borrowings                            | 290,016   | 297,837   |
| Current Portion of Long-term Debt                | 326,331   | 335,577   |
| Commercial Paper                                 | 72,800  | 53,400  |
| Deposits Received                                | 21,473  | 22,916  |
| Deposits Received of Collection Agency           | 87,650  | 88,812  |
| Reserve for Bonuses                              | 830   | 2,120   |
| Deferred Revenue                                 | 41,953  | 42,671  |
| Other  | 25,783  | 25,846  |
| <b>Total Current Liabilities</b>                 | <b>1,659,601</b>                                  | <b>1,677,872</b>                                  |
| <b>Long-term Liabilities:</b>                    |   |   |
| Long-term Debt                                   | 365,191   | 392,991   |
| Allowance for Credit Card Points Redemption      | 6,257   | 5,885   |
| Liability for Retirement Benefits                | 6,060   | 6,033   |
| Allowance for Losses on Interest Refunds         | 67,562  | 78,093  |
| Allowance for Losses on Business Transfer        | 8,300   | 8,500   |
| Other  | 2,979   | 3,819   |
| <b>Total Long-term Liabilities</b>               | <b>456,350</b>                                    | <b>495,322</b>                                    |
| <b>Total Liabilities</b>                         | <b>2,115,951</b>                                  | <b>2,173,195</b>                                  |
| <b><u>Net Asset Value:</u></b>                   |   |   |
| <b>Stockholders' Equity:</b>                     |   |   |
| Common Stock                                     | 82,843  | 57,843  |
| Capital Surplus                                  | 66,059  | 41,059  |
| Retained Earnings                                | -49,392   | -52,595   |
| Treasury Stock                                   | -5,044  | -5,044  |
| <b>Total Stockholders' Equity</b>                | <b>94,465</b>                                     | <b>41,262</b>                                     |
| <b>Unrealized Gain:</b>                          |   |   |
| Unrealized Gain on Available-for-sale Securities | -431  | 1,195   |
| Deferred Gains or Losses on Hedges               | 224   | 182   |
| <b>Total Unrealized Gain</b>                     | <b>-207</b>                                       | <b>1,377</b>                                      |
| <b>Minority Interest</b>                         | <b>388</b>  | <b>377</b>  |
| <b>Total Net Asset Value</b>                     | <b>94,646</b>                                     | <b>43,018</b>                                     |
| <b>Total Liabilities, Net Asset Value</b>        | <b>2,210,598</b>                                  | <b>2,216,213</b>                                  |

**Cedyna Financial Corporation**  
**Summary Consolidated Statements of Income**

|   | 1st Quarter<br>ended Jun 30, 2010<br>Millions of yen | 1st Quarter<br>ended Jun 30, 2009<br>Millions of yen |
|---|--|--|
| <b>Operating Revenues:</b>  |  |  |
| Credit Card Contracts   | 15,396   | 13,639   |
| Personal Credit Contracts   | 7,175  | 9,006  |
| Guarantee Contracts   | 4,127  | 4,274  |
| Loan Contracts  | 20,128   | 24,488   |
| Other Revenues  | 8,417  | 8,023  |
| Financial Transactions  | 313  | 186  |
| <b>Total Operating Revenues</b>   | <b>55,559</b>  | <b>59,619</b>  |
| <b>Operating Expenses:</b>  |  |  |
| SG&A Expenses:  |  |  |
| Provision for Operating Receivables   | 9,147  | 13,209   |
| Provision for Bonuses   | 830  | 954  |
| Provision for Credit Card Points Redemption                                 | 2,122  | 852  |
| Provision for Retirement Benefits   | 235  | 395  |
| Provision for Loss on Interest Refunds                                      | -  | 25,294   |
| Other   | 32,691   | 38,502   |
| <b>Total SG&amp;A Expenses</b>  | <b>45,027</b>  | <b>79,208</b>  |
| Financial Expenses  | 5,767  | 5,079  |
| Other   | 1,449  | 1,644  |
| <b>Total Operating Expenses</b>   | <b>52,244</b>  | <b>85,932</b>  |
| <b>Operating Income/Loss</b>  | <b>3,315</b>   | <b>-26,312</b>                                       |
| <b>Non-operating Income:</b>  |  |  |
| Dividends Income  | 224  | 349  |
| Gain on Equity Method   | 41   | -  |
| Miscellaneous Income  | 105  | 427  |
| <b>Total Non-operating Income</b>   | <b>371</b>   | <b>776</b>   |
| <b>Non-operating Expenses:</b>  |  |  |
| Investment Losses on Equity Method  | -  | 8  |
| Other   | 263  | 151  |
| <b>Total Non-operating Expenses</b>   | <b>263</b>   | <b>160</b>   |
| <b>Ordinary Income/Loss</b>   | <b>3,423</b>   | <b>-25,696</b>                                       |
| <b>Extraordinary Income:</b>  |  |  |
| Gains on Sales of Investment Securities                                     | 451  | -  |
| Gain on Negative Goodwill   | -  | 7,062  |
| Other   | 44   | 0  |
| <b>Total Extraordinary Income</b>   | <b>496</b>   | <b>7,063</b>   |
| <b>Extraordinary Losses:</b>  |  |  |
| Provision for Operating Receivables   | -  | 9,895  |
| Loss on adjustment for accounting standard for asset retirement obligations | 237  | -  |
| Extra Retirement Payments   | -  | 12,058   |
| Other   | 241  | 922  |
| <b>Total Extraordinary Losses</b>   | <b>478</b>   | <b>22,875</b>  |
| <b>Income/Loss before Income Taxes</b>                                      | <b>3,441</b>   | <b>-41,507</b>                                       |
| <b>Income Taxes:</b>  |  |  |
| Income Taxes, Current   | 105  | 157  |
| Income Taxes, Deferred  | 113  | 4,968  |
| <b>Total Income Taxes</b>   | <b>219</b>   | <b>5,126</b>   |
| <b>Income/Loss before Minority Interests</b>                                | <b>3,222</b>   | <b>-46,634</b>                                       |
| <b>Minority Interests</b>   | <b>19</b>  | <b>12</b>  |
| <b>Net Income/Loss</b>  | <b>3,203</b>   | <b>-46,646</b>                                       |