

MITSUKOSHI MOTORS PHILIPPINES, INC.		
POLICY AND PROCEDURE		
ITEM TITLE :	SAVING THE SALES	Ref. No.
DEPARTMENT :	OPERATIONS SUPPORT DEPARTMENT	OPS-16-04-1603
TO :	ALL BRANCHES/ AREA MANAGER/ REGIONAL MANAGER	

OBJECTIVE

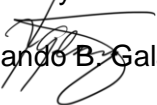

1. To guide the branch in saving the sale.
2. To ensure that the effort of the branch to create the sales have not gone to waste.
3. To help the branch in obtaining their sales target without sacrificing the quality of customers to be accommodated in the retail financing.

POLICIES

1. It is the responsibility of the branch to take all option to save the sale before disapproving the application of a prospective customer.
2. The option to be offered should be the most advantageous to the company and should not in any violate the company's standard operating procedures and policies.
3. The branch should recommend any of the following to save the sale:
 - 3.1. Motorcycle brand or model with lower List Cash Price;
 - 3.2. Repossessed unit;
 - 3.3. Assumption of account;
 - 3.4. Issuance of post-dated cheques;
 - 3.5. Option to cash;
 - 3.6. Shorter to longer term;
 - 3.7. Lower to higher down payment; and
 - 3.8. Co-maker.
4. The branch should always offer the lowest Monthly Installment (MI) to prospective customer. They generally object to a higher MI, offer the highest term because it has lowest MI.

PROCEDURES

1. Offer the following to save the sales:
 - 1.1. Offering Brand or Model with Lower List Cash Price.
 - 1.1.1. The company is carrying motorcycle products from Sang Yang Motors (SYM), Euro Motors and Euro Keeway.
 - 1.1.2. The SYM brand has the higher price on motorcycle products available to the company and Euro Motors and Euro Keeway have almost the same pricing.
 - 1.1.3. If the customer wants an SYM, however will not pass the Capacity to Pay standard of the company due to high Monthly Installment (MI), the branch can offer Euro Motors or Euro Keeway Motors with the same displacement desired by the prospective customer because they have a lower MI as compared to SYM.

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2. Offering Repossessed Unit

2.1. The repossessed unit has a lower selling price because of the following:

- 2.1.1. The repossessed selling price is based on the book value which is lower than the LCP.
- 2.1.2. The initial cash outlay or down payment of the customer is lower than the down payment required on a brand new unit.

3. Assumption of Account

3.1. In the assumption of account (OPS-15-12-031), the assuming party/prospective customer will only have to pay an equivalent of one (1) monthly amortization plus full payment of partial payment, if any.

4. Issuance of Post Dated Cheques (PDC)

4.1. There are instances that due to the working schedule or distance or location of the place of abode of the prospective customer, our capacity to collect (OPS-15-11-009) may cause the disapproval of the application of the latter. To resolve the matter, branch may require the submission of the post-dated-cheques.

5. Option to Cash (OTC)

5.1. Some customer find cash purchase more economical than installment purchase but have no enough cash for the moment, however, their expecting to have the money within an acceptable period sets by the company. We have adopted the Option to Cash scheme to accommodate and save the sales to these types of customers. This scheme is the conversion of 6 month term to cash sale within 90 days period (ACT-16-01-005).

6. From Shorter to Longer Term

6.1. The company's pre-established regular term on installments sales contracts, 6, 12, 18, 24, 30 and 36 Months.

6.2. The shorter the term, the higher Monthly Installment (MI) the customer will be having which sometimes causes their failure to meet the Capacity to Pay standard of the company.

Offering longer term reduces the MI, thus saving the sale. In our Credit Investigation Report (CIR), Net Disposable Income (OPS-15-11-30) is determined and the MI amount plays an important part whether the credit application will be approved or disapproved.

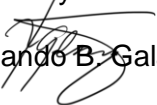

6.3. Looking for Term

6.3.1. Formula

$$\text{Term} = \left[\frac{1}{\frac{\text{MI} - \text{P 200}}{\text{AF}}} \right] - 0.0148$$

6.3.2. Given

LCP	44,000.00
Down Payment	4,500.00
Monthly Installment	2,500.00

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6.3.3. Computation

The one % 48/100 (1.48%) percent in the formula represent the monthly interest rate being charged by the Company.

6.3.3.1. AF

LCP		44,000.00
Less: Down Payment	4,500.00	
Less: LTO Charges	<u>2,300.00</u>	
Net Down Payment		<u>2,200.00</u>
Amount Financed		<u>41,800.00</u>

6.3.3.2. Term

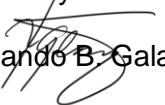

$$\begin{aligned} \text{Term} &= \left(\frac{1}{\frac{2,500 - P\ 200}{41,800} - } \right) 0.0148 \\ \text{Term} &= \left(\frac{1}{\frac{2,300}{41,800} - } \right) 0.0148 \\ \text{Term} &= \frac{1}{0.0550239} - 0.0148 \\ \text{Term} &= \frac{1}{0.0402239} \\ \text{Term} &= \underline{24.86} \quad \text{or} \quad \underline{30 \text{ Months}} \end{aligned}$$

6.1.3.4. The recommended term shall be the next higher regular term based on the result of the computation but should not exceed the established maximum term.

7. Lower to Higher Down Payment

- 7.1. In financing business, one the mathematical principle is that the higher down payment, the lower the MI because it affect the Amount to be Financed (AF) which is the basis in the computation of interest amount to be charged to the customer.
- 7.2. The MI Factor will be helpful in determining the required down payment in order to save a prospective applicant. As previously mentioned, the MI is one of the factors in determining whether a prospect will pass the company's Capacity to Pay standard.
- 7.3. To compute for the required Down Payment for the 18 month term based on the abovementioned data to have a Monthly Installment amount of P 2,750.00:

LCP		44,000.00
Monthly Installment	2,750.00	
Less: PPD	<u>200.00</u>	
NET MI		<u>2,550.00</u>
MI Factor (for 18 Months)	÷ <u>0.0703556</u>	
Adjusted AF		<u>36,244.00</u>
Net DP		<u>7,756.00</u>
Add: LTO/Processing Charges		<u>2,300.00</u>
Required Down Payment		<u>10,056.00</u>

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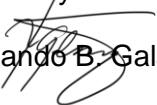

7.3.1. To Check

LCP		44,000.00
Add: LTO		<u>2,300.00</u>
Balance		46,300.00
Less: Down Payment		<u>10,056.00</u>
AMOUNT FINANCED		36,244.00
Add: Interest (36,244 x 1.48% x 18)	9,655.00	
PPD (18 x P 200)	<u>3,600.00</u>	<u>13,255.00</u>
PNV		49,499.00
Term	÷	<u>18</u>
Monthly Installment		<u>2,750.00</u>

8. Co-Maker (OPS-15-11-033)

8.1. In instances wherein the applicant failed to pass the company's credit standard, the branch may require the prospective applicant to have co-maker to save the sale.

8.1.1. An applicant who is willing to mortgage real estate property together with the purchased motorcycle maybe exempted from co-maker requirement provided that the ownership can be readily established.

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