

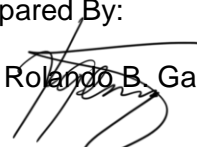
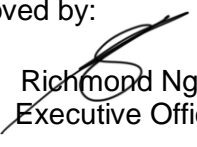
| MITSUKOSHI MOTORS PHILIPPINES, INC. | | |
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| POLICY AND PROCEDURE | | |
| ITEM TITLE : | COUNSELING OF CUSTOMER | Ref. No. |
| DEPARTMENT : | OPERATIONS SUPPORT DEPARTMENT | OPS-16-03-1304 |
| TO : | ALL BRANCHES/ AREA MANAGER/ REGIONAL MANAGER | |

OBJECTIVE

1. To guide field personnel in counseling customers who have failed to pay on their due date resulting to delinquency in their accounts.
2. To ensure that the branch financing receivables are in good health maintaining high collection efficiency in their performance.
3. To rehabilitate an account with arrear and bring it back to its current status; that is helping the delinquent customers on his/her temporary financial set-back.
4. To encourage and establish ability and right attitudes in counseling delinquent customers.
5. To flow-back financed receivables to operations in form of liquid assets as quickly and efficiently as possible, while maintaining our goodwill to our customers.

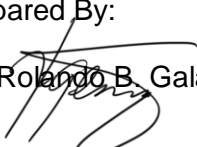
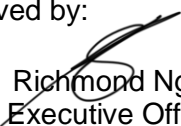
POLICIES

1. Counseling is our preferred collection technique even with problem accounts and must be done in the friendliest atmosphere possible.
 - 1.1. There are occasions when a debtor wants to pay his debt but cannot do so because of problems. These problems may be directly related to the customer's business or due to internal or external reasons affecting his business and thus affected his ability to pay. In this event, the field personnel must always be ready and willing to offer assistance to their customer.
 - 1.2. The success or failure in this aspect of collection will have an impact in the long-term relationship with the customer. Nevertheless, the field personnel should still insist in the settlement of the customer's obligation.
2. It is the responsibility of the field personnel to be familiar and knowledgeable with the area assigned to him.
3. It is always necessary that the field personnel be neatly dressed or presentable. Some customers tend to be offended or displeased when approached by a slovenly dressed individual.
4. The customer should be the one to solve his/her problems. The field personnel are only there to guide him/her.
 - 4.1. The main objective of counseling is to bring about voluntary actions from the customer to resolve his/her present predicament and for this purpose the field personnel must provide options and schemes to achieve desire and suitable rehabilitation of account.
 - 4.2. The main goal of counseling is stimulating the customer to evaluate, make, accept and act upon his choice.
5. The field personnel must ensure that necessary counseling has been made prior to repossession of financed unit, reporting to barangay or filing of necessary legal case to court.

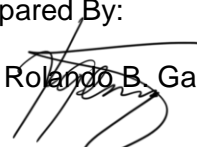
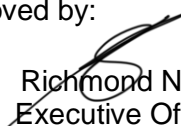
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| Prepared By:  Rolando B. Galang | Approved by:  Richmond Ngan Executive Officer | Effective March 1, 2016 | Page 1 of 5 |
|--------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|-------------|

PROCEDURE

1. During field work, study character and moods of the customers; this in addition that they must be familiar with the status of their accounts before visiting them.
2. Qualify and study the situation first, then make a specific correct approach, every customer is different from another.
 - 2.1. To be effective, know the various types of delinquent customer so that he can properly adjust on his action plans to avoid delinquency of accounts;
 - 2.1.1. The Negligent; one who doesn't bother about due dates.
 - 2.1.2. Honest but Confused; one who didn't understand in the first places the terms and conditions of the contract he or she entered into. These types of delinquent debtors can be minimized if during the credit investigation and pre-delivery inspection (PDI), the terms and conditions he has entered into were properly explained to him/her.
 - 2.1.2. Can't be bothered; one who refuses to pay small balances and asked the same to be discounted.
 - 2.1.3. Seasonal delinquent; one who falls behind when his business drops at a certain time of the year.
 - 2.1.4. Honest-late payer; one who pays late because his own debtors also pay late.
 - 2.1.6. Chronically slow; one who makes all creditors wait until their most liberal terms are given.
 - 2.1.7. The Stretcher; one who is temporarily over-extended.
 - 2.1.8. The Habitual Discounter; "Insists" to a PPD whether he earns it or not.
 - 2.1.9. Tightrope debtor; one who is almost always on the verge of bankruptcy.
 - 2.1.10. The Stinger; the "1 2 3" operators.
 - 2.1.11. The Big Question Mark "?"
 - 2.1.12. The "do you know who I am? Debtor; the "Yabangs" or arrogance; these are the influence peddlers.
 - 2.1.13. The "now you see him, now you don't" or the "Houdinis"; one who always hide during your visit.
3. Always listen to the customer with patience but with firmness.
 - 3.1. Listen intently to the customer complains about the performance of the unit and takes down notes on his complaints.
 - 3.2. Give him the assurance that you will assist him in bringing his complaint to the Service people.
 - 3.2.1. But never allow the customer to default on his installments just because he has a service complaint.
 - 3.2.2. Make the customer understand that we are in the financing business and therefore we have to collect the installments in accordance with the contract of sale he has entered into.
4. The field personnel should always be courteous to customers.
 - 4.1. Customer perceived them to be entitled to courteous treatment.
 - 4.2. Careful in selecting collection time. It should not interfere with customer's daily routine.
 - 4.3. At the presence of another guest, refrained from directly stating their purpose, since your presence was tacit, indication that they you are collecting payment.

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|--------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|-------------|
| Prepared By:  Rolando B. Galang | Approved by:  Richmond Ngan Executive Officer | Effective March 1, 2016 | Page 2 of 5 |
|--------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|-------------|

5. Apply "Win-win" principle.
 - 5.1. Avoid giving the first concession except minor ones. After you have granted the first concession, the customer will be feeling comfortable in asking for another one.
 - 5.2. Give it slowly and grudgingly.
 - 5.3. Try not to give two in a row.
6. Amplify the benefits the customer can get if he maintains a good account. Whenever possible, it is always good to remind the customer on the importance of having his account maintained on an up-to-date or current basis; as he can use this as a reference for his future credit transactions with banks and other financial institutions.
7. Appeal to "pride", it refers to vanity, good credit and reputation.
 - 7.1. Never let your own pride to get in the way.
 - 7.2. Remind the customer that he was approved due to his good outstanding and don't let it go to waste by not paying his obligation to the Company.
8. Magnify the consequences of not being able to pay on time. Instill fear by consequence of;
 - 8.1. Losing something, the financed motorcycle or his/her properties.
 - 8.2. Avoiding something, bad reputation in his/her neighborhood or facing legal case for non-payment of debt.
9. Never allow the customer to be able to pass his problem to you.
 - 9.1. There is always a better deal for both parties.
 - 9.2. Work together to overcome the problem.
 - 9.3. Focus on the agreement reached.
 - 9.4. Avoid polarization or conflict.
 - 9.5. Agreement should not be based on why? - but how?
 - 9.6. Begin on the small items first -- The big ones later.
10. Never accept a promise to pay that is not within the month, otherwise, it might come into conflict with the next installment falling due or the customer will have a very short breathing spell between installment payments.
 - 10.1. Insist a fixed date for promises; however, never be the one to pinpoint the date. This is his/her commitment therefore he/she should be the one to give the specific date.
 - 10.2. Endeavor to get a reasonably short repayment program or rehabilitation of account because a long one is bound to fail.
11. Exact discipline right at the start; never accept that you should regularly come to customer to collect. Remember that you are an Account Counselor/Credit Supervisor not a collector and we should have inform him/her on the on start that we have no collector and he/she should pay in the office to enjoy the PPD.
12. Use the power of asking questions to control the conversation. Avoid using close-ended questions (answerable by yes or no) instead use open-ended (answerable by an explanation) or rhetorical questions (answer is within the question, this are asked not for information but for effect or emphasis).
13. Appeal to justice, fair play, duty and cooperation. The customer is benefited from using the motorcycle unit and it's just fair to pay its amortization.
14. Take a positive attitude, never give up. If the customer talks about his personal problems and uses this as an excuse for not paying his account, try to appear sympathetic with him; but never let him get away

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|--------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|-------------|
| Prepared By:  Rolando B. Galang | Approved by:  Richmond Ngan Executive Officer | Effective March 1, 2016 | Page 3 of 5 |
|--------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|-------------|

with it. Pressure him to pay; and if you are not successful, get from him a written promise to pay on a definite date within the month or two- (2) week's time.

15. Look for solution, rather than fixing the blame on the cause of the problem. Identify reasons for non-payment and must gather other pertinent information to help him in rehabilitating the account:

15.1. Excessive debt (denial/evasion/defiance)

15.1.1. Do not accept excessive debt as an excuse.

15.1.2. Investigate the situation.

15.1.3. Who does he owe, for what, for how long?

15.1.4. What are the balances? What are the monthly payments due?

15.1.5. Which are delinquent? How much is the amount?

15.1.6. Total monthly income.

15.1.7. Is there sufficient income to pay all the debts and still support family?

15.1.8. Is the problem excessive indebtedness or plain mismanagement of income?

15.2. Illness/Disability/Accident (begging for sympathy)

15.2.1. What is the extent of the Customers' Illness/ Disability/ Accident?

15.2.2. What is his time for recovery?

15.2.3. What is his income during the period of illness?

15.2.4. Does his Family or Company have reserves?

15.2.5. Can he avail of SSS, Employer, or relatives' assistance?

15.3. Unemployed (begging for sympathy)

15.3.1. What is the reason for his unemployment?

15.3.2. When terminated, what was the period of employment?

15.3.3. Does he have any Reserve or Other Income?

15.3.4. Does he have insurance, compensation, others?

15.3.5. Can the debtor borrow?

15.3.6. What are his other major expenses?

15.3.7. What is the debtor's plan to pay his debts?

15.4. Marital Problems (begging for sympathy)

15.4.1. Talk to the debtor. Gain his confidence.

15.4.2. Discover where the spouse works.

15.4.3. Determine the seriousness of the problem.

15.4.4. Pinpoint who, if either one, plans to pay.

15.4.5. Identify who has ability to pay?

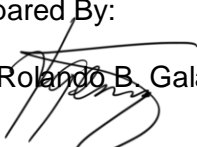
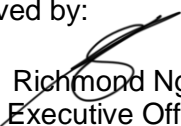
15.4.6. How? When? Where?

15.5. Debtor's debtors are not paying (sympathy and compassion)

15.5.1. Ascertain the magnitude of the debtor's receivable portfolio.

15.5.2. Identify the reasons for his debtors not paying.

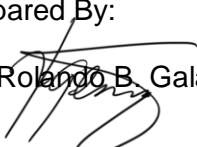
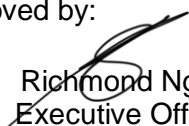
15.5.3. What collection efforts were exerted to collect?

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|--------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|-------------|
| Prepared By:  Rolando B. Galang | Approved by:  Richmond Ngan Executive Officer | Effective March 1, 2016 | Page 4 of 5 |
|--------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|-------------|

15.6. Force Majeure or fortuitous events

Investigate the causes and extent of the damage and its effect on the debtor's capability to fulfill his obligation. If needed, offer some assistance with proper, prudent and practical safeguards to your further credit exposure.

16. Exhaust all avenues of compromise, before repossession or committing to legal action. If you happen to know that the customer has other creditors collecting from him, always make sure that you get his money first before his other creditors does. It pays to be one or two steps ahead of his other creditors.
17. Always use the second person term, e.g. financing, main office, in the process of foreclosure or collecting, this is to avoid customer's impression that you are in authority and directly to be blamed.
18. Use third party assistance within the industry, family or community. One of the weaknesses of Filipino consumer is their attachment to friends and relatives, they will be a great help in the settlement of the obligation of the customer.
19. Entering of payment in the Daily Itinerary Report or Customer's Field Card at the presence of the customer give high satisfaction to them because it was an assurance that payment was noted.
20. If the field personnel happen to know that the customer has other creditors collecting from him, always make sure that you get his money first before his other creditors does. It pays to be one or two steps ahead of his other creditors.
21. The field personnel must be observant, he should watch out for red flags or warning signs that may affect the paying capability of the customer. Look and search for vulnerable area or "Achilles heel" of the customer.

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| Prepared By:  Rolando B. Galang | Approved by:  Richmond Ngan Executive Officer | Effective March 1, 2016 | Page 5 of 5 |
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