

**CREDIT SAISON** 

# INTEGRATED REPORT 2022



# Strengths that will accelerate our transformation into a comprehensive life services group

From the time of our founding to the present day, what has enabled us to bring about reforms in response to changes in the business environment and overcome numerous difficulties has been our three inherent strengths.

We will continue to leverage those strengths as we usher in our third founding and become a comprehensive life services group.

### Credit Saison's DNA

# DNA of facing challenges and initiating reforms that has been passed down since our founding

The creative destruction to create innovation through customer-oriented thinking and partnerships; the desire to empower people who are constrained, such as women and young people, to ensure their freedom from positions in which they are socially constrained; the "getting closer to our customers" for new and flexible ideas—all lie in Credit Saison's DNA.

These building blocks of our DNA have been handed down from the time of our founding and have led to the ability we possess to face challenges and initiate reform now.



Saison Group founder Seiji Tsutsumi

### **Instilling of Philosophy**

### Reforms for sustainable growth and so that every employee can play an active role

We have been developing our business by building partnerships through open innovation and striving for co-creation with our partners. These partnerships have led to our current broad customer base.

Having introduced a common HR system to promote the active participation of all employees, we are also realizing equal pay for equal work. Furthermore, in 2022, we are revising the HR system and creating a system that will provide added backup to employees as they face challenges and additional encouragement to their personal growth.



### **Breakthrough Innovations**

# Innovative services that revolutionized the industry

Since the 1980s, we have launched a succession of customer-oriented services that have broken with conventional wisdom, such as instant credit, instant issuance, Japan's first signatureless payments, and Eikyufumetsu Points. We will continue to bring about innovation in areas other than financial services with revolutionary ideas that meet customer needs.



### **CONTENTS**

### **Vision**

- 1 Credit Saison's New Challenges
- 3 Contents/Editorial Policy
- 4 A History of Reforms and Challenges
- 6 Interview with the CEO
- 10 Value Creation Stories
- 12 The Five Businesses

### **Strategy**

- 13 Interview with the COO
- 17 Retrospective Overviews of Past Medium-term Management Plans
- 18 Overview of the New Medium-term Management Plan
- 19 Growth Strategy (1): Establish the Saison Partner Economic Zone and Reinforce Business Coordination within the Group
- 21 Growth Strategy (2): Revitalization of the Payment Business
- 23 Growth Strategy (3): Promotion of Healthy Growth and Expansion into New Fields for the Finance Business
- 25 Growth Strategy (4): Acceleration of Global Business Expansion
- 28 Global Strategy: Interview with the Director in Charge
- 30 Financial Capital Strategy: Interview with the Executive Officer in Charge

### **Special Feature**

- 34 CSDX Strategy: Interview with the Director in Charge
- 36 The CSDX Strategy as the Platform for Supporting the Entire Group

### Sustainability

- 39 Responses to Risks/Opportunities
- 41 Sustainability of the Credit Saison Group
- 43 Response to Climate Change (Information Disclosure Based on the TCFD Recommendations)
- 45 Environment
- 47 Human Rights
- 48 Human Resource Strategy: Interview with the Executive Officer in Charge
- 50 Human Resources
- 53 Contributing to a Safe, Secure, and Convenient Cashless Society
- 54 Information/Cybersecurity
- 55 Coexistence with Local Communities
- 56 Three-way Discussion on Sustainability Governance
- 59 Corporate Governance
- 63 Messages from Outside Directors
- 64 Board of Directors/Audit & Supervisory
  Board Members/Executive Officers

### **Data Section**

- 66 11-Year Summary of Selected Financial Data
- 67 Segment Highlights/5-Year Non-financial Data
- **68** List of Affiliated Companies
- 69 Corporate Information/
  Investor Relations Information
- 70 Responsible Officer's Guarantee/ Editor's Postscript

### The concept behind our logo



About the Company's corporate colors

Saison Blue

Symbolizing people's happiness and aspirations

Saison Green

Symbolizing trust, peace of mind, culture and innovation

### **Editorial Policy** -

Credit Saison works diligently to provide its wide range of stakeholders including customers, shareholders, and investors with accurate information in an equitable manner on a timely basis. In addition to an overview of its operating results and financial standing, the Credit Saison Integrated Report 2022 contains non-financial information that covers a wide range of environmental, social, and governance (ESG), as well as other fields. This report is intended to help our many stakeholders to better understand the Company's efforts to create value over the medium and long term and ensure its sustainable growth.

In compiling this report, we have referred to the International Integrated Reporting Framework recommended by the IFRS Foundation and the Guidance for Collaborative Value Creation issued by Japan's Ministry of Economy, Trade, and Industry (METI).



### Forward-looking Statements

This report contains information including details of the Company's management plans, projections, strategies, and estimates that are not historical facts. This information reflects the beliefs of management based on currently available information. Projections and forward-looking statements are subject to certain risks and uncertainties. As a result, projections of future performance, the business environment, and other forward-looking estimates might differ materially from actual results.

### Reporting Period

This Report covers the 2021 fiscal year (FY2021: April 1, 2021, to March 31, 2022). Some activities in FY2022 are described as well.

# A History of Reforms and Challenges

1951

Founding of Midoriya Co., Ltd., a department store that sold products on a monthly installment basis

# The dawn of the Saison Group's philosophy and culture

The company that is today Credit Saison was established in May 1951 as Midoriya Co., Ltd., a department store that sold products on a monthly installment basis. Having joined the Seibu Distribution Group (later the Saison Group) due to a deterioration in its management in the 1970s, the Company shifted to being a credit card company.

Seiji Tsutsumi, the founder of the Saison Group, foresaw the growth of consumer needs after the needs for food, clothing, and shelter had been satisfied following World War II. Tsutsumi advocated an "integrated lifestyle industry" to promote distribution reform by expanding business to all areas of daily life while leading the consumption culture. "Always paying attention to the customer and providing society with new innovations"—this idea is at the heart of the Saison Group.



### **Management Philosophy**

We will fulfill our corporate social responsibility by striving to meet the expectations of all our customers, shareholders, and business partners.

We will compete successfully in the market by promoting our three shared values: practically implementing the principles of customer satisfaction as a leading-edge service company; mutual respect for our interests and those of our business partners; and developing a corporate culture of creative innovation.

1980

Conversion to the payment business

# Creating revolutionary innovations one after another to become the No. 1 credit card company

Since changing the company name to Seibu Credit Co., Ltd., in 1980, and later to Credit Saison Co., Ltd., in 1989, the Company has launched a succession of customer-oriented services that have broken with generally accepted industry practices and traditions, including instant credit screening, instant card issuance, signature-less payments, and Eikyufumetsu Points that never expire. In 2002, Credit Saison achieved the top position in the industry in terms of four indicators: the number of cards issued annually, total cardholding membership, the number of cards in operation annually, and annual card transaction volume.

1982 • Issued the Seibu Card and started instant credit screening, instant card issuance, and instant use at Saison Counters

 Developed an international credit card with no annual membership fees through a tie-up with Visa and Mastercard

990 Started the first cards in Japan to support signature-less transactions

Started Eikyufumetsu Points, a program for points that never expire
 Established a business model that provides capital,
 human resources, and know-how through mergers
 with companies such as Idemitsu Kosan, Resona HD, Takashimaya, etc.

 Launched the points exchange website Eikyufumetsu.com (currently Saison Point Mall)

 Issued the world's first Centurion design card with American Express **永久不滅** ポイント

AMERICAN EXPRESS

111T 812345 12345

Note: "American Express" is a registered trademark of American Express. Credit Saison Co., Ltd., uses the trademark under license from American Express.

2000

A change of business structure

### Full-fledged advance into the finance business and expansion of the fee business as a new revenue source

From 2002 onward, as reorganization of the creditcard industry became more active, Credit Saison strengthened its marketing and took steps to improve value-added in its card operations. In 2006 the Company merged with UC Card Co., Ltd. (card issuance business).

Making maximum use of management resources cultivated in the card business, Credit Saison strengthened an assortment of businesses related to leasing, credit guarantee, and financing. In the latter business, Credit Saison developed a diverse array of services for corporate and individual clients, including office-automation and IT equipment leasing plans tailored to clients' capital-investment plans, personal loans arranged in partnership with financial institutions, Flat 35, and rental-income guarantee support. The Company also founded the industry's first credit-card processing company. These initiatives served to expand Credit Saison's fee business as a fresh revenue stream.



2014

Acceleration of the global business

# Growing from a Japanese non-bank to a finance company distinctive in Asia

Aiming to be the No. 1 company in the cashless payment market, we are promoting collaboration management with our own products and services and alliance partners.

At the same time, we are positioning the global business as a future revenue base and have entered the retail financial business in line with each country, centered on ASEAN. Using these products and services as tools, we have established a complex sales system that turns corporations and individuals into customers. As a non-bank capable of responding to changes, we shifted to a business model that addresses the various payment and financial needs of companies and provides cashless functions for all individuals and corporations in Japan and elsewhere in Asia.



2022

Acceleration of digitalization

# Transformation into a comprehensive life services group Fusing real and digital to achieve customer success

We are currently working to accelerate the digitization that we have been promoting since 2019 and to transform ourselves into a comprehensive life services group as a "Neo Finance Company" without being constrained to the category of a finance company. Our mission statement is to fuse the real and the digital to achieve customer success. Furthermore, through the CSDX Strategy announced in FY2021, we are accelerating our business transition and transformation using digital technology.

The entire Group will strive to increase customer satisfaction and create new value by quickly providing kind and appropriate solutions to problems that arise in a mature society.



Interview with the CEO

Encouraging human resources to take on challenges while continuing to create innovation



Representative, Chairman and CEO



### Our understanding of the business environment

In the Company's 2021 Integrated Report, I mentioned that I would keep a close eye on international political developments, including friction between the United States and China. It is no secret that global conditions have become increasingly tense over the past year. Struggles over the balance of power between the United States, the European Union, China, and Russia, including the conflict in Ukraine that began in February 2022 and the prospect of a Taiwan contingency, are indicative of a global environment in a state of flux.

As far as the status of capitalism is concerned, the overwhelming role that profits have played in society has significantly accelerated disparity. Taking into consideration developments throughout advanced countries including Japan, we are arguably at a point where a correction is no longer possible, and conditions are out of control. In addition, nations with strong authoritarian aspirations have risen in prominence, and even major countries and communist states are becoming increasingly concerned that such clashes of national egos could occur at any moment and for any reason. Amid such geopolitical risks, Japan is continually underperforming and losing its global standing, with the lowest economic growth rate among developed countries.

Under these circumstances, we are strengthening our global operations, not only in Japan but also in India and the Southeast Asia region, to solidify our business portfolio. In a bid to increase the pace of the Group's global business development, steps were taken



to transfer control of the global business promotion and management functions within the Company's Head Office to Credit Saison Asia Pacific Pte. Ltd., a subsidiary in Singapore that engages in the integrated management of the Group's bases throughout the region, and to change the company's name to Saison International Pte. Ltd. in April 2022. Through these means, we have bolstered the control function over the entire overseas market, with a prime focus on India and Southeast Asia, and established a system to promote horizontal cooperation among existing overseas companies and new business development by accelerating the decision-making process. I believe my profound sense of crisis concerning Japan's position in world affairs is reflected in the Company's organizational structure.

### Third founding\*: Transforming into a comprehensive life services group

In announcing details of its new Medium-term Management Plan in May 2022, Credit Saison outlined details of its intention to transform itself into a comprehensive life services group while achieving customer success through the fusion of the real and digital worlds. What then is the difference between the third and previous founding periods? Primarily, our intention to move away from a business model that relies on the Payment Business against the backdrop of a change in the structure of society.

Under this vision of a comprehensive life services group, we will work to raise the level of customer satisfaction by responding more thoughtfully, appropriately, and swiftly than any other company to every problem faced by consumers as part of their lives. This vision also draws on the concept of an integrated lifestyle industry advocated by Seiji Tsutsumi, founder of the Saison Group. The Saison Group, at that time, had the idea of pushing forward a distribution revolution by expanding its business in all areas related to daily life, while foreseeing new consumer needs and leading consumer activities and culture. On a personal note, I have learned much from this management style of Mr. Tsutsumi, and as a manager, I have pioneered a path that has enabled Credit Saison to grow while replaying this process of creative destruction in the credit card industry as part of the Group's financial arm.

During our third founding period, we will create an economic sphere, which we refer to as the Saison partner economic zone, as a forum for the Group to establish itself as a comprehensive life services group. In building this loosely connected economic zone, which can be established on a stand-alone basis without the need for capital ties or business alliances, we will pursue solutions to all our customers' problems. In September 2021, we launched Saison's Lifestyle Research website as a medium for solving the worries and problems faced by consumers from their 50s. In addition to money-related content including such essential financing needs as loans and real estate as well as household budgeting and the funds required for retirement and the future, the website covers a wide range of lifestyle activities including house cleaning and visiting graves as well as such categories as cleaning services, trouble with housing, computer consultation, maintenance and repair, beauty, inheritance, and pet care. With its abundant menu, the site has gained the support of many customers in its first year of operation. Over this period, page views per month have exceeded 2.5 million. In this manner, customers can contact the Saison Group at any time should they confront problems or hold concerns about their daily lives. We are confident in our ability to address all issues at hand. In creating a structure of this kind, I am convinced that the Saison partner economic zone will succeed. In contacting Saison's Lifestyle Research website, customers will find solutions to their problems quickly and in the cheapest and most thoughtful way available. In creating a service area of this

nature, we will undoubtedly gain the support of customers, and through word of mouth, enjoy an increase in the number of cardholders.

Efforts to build this economic zone are in concert with a loose connection of partner companies. Under a give and take arrangement, our contribution encompasses a membership base of approximately 36 million customers. I believe that this customer base will bring us one step closer to realizing our vision where all participants within the economic zone reap considerable benefits. In addition to partner company business growth, our customers enjoy solutions to all their problems.

First founding: Midoriya Co., Ltd., a department store that sold products on a monthly installment basis, established in 1951. Second founding: Company changed its name to Seibu Credit Co., Ltd., in 1980. Shifted to a credit card company. Third founding: Currently taking up the challenge of transforming into a comprehensive life services group under the new Medium-term Management Plan.

### Combining the strengths cultivated in the real world with the digital world

Credit Saison recognizes that three core concepts—innovative, digital, and global—are critical in realizing its third founding vision. From a digital perspective, the Company's CSDX Strategy is exhibiting greater-than-expected progress in attracting DX human resources. The impact of the pandemic on consumer behavior has been mixed. On one hand, brick-and-mortar (real) stores have struggled. On the other hand, we have seen an accelerated shift toward the virtual domain including the online purchase and delivery of products and services. In this context, the digital domain is said to have expanded to around 20%-25% of total consumer spending. Despite the remarkable pace of e-commerce growth, real stores still account for 75% of the total. This

three-to-one ratio is unlikely to change in the foreseeable future. Credit Saison has expanded its membership centered on house cards for large-scale allied retailers and banks. In working to expand our house card membership, we have gained considerable expertise in speaking on a one-on-one basis with a broad array of customers. This know-how and track record cultivated in the real world will be put to full use in the digitization of our services. In harnessing our strengths in the real world, while skillfully utilizing DX, as we make inroads into the virtual world, we will take positive steps toward creating new customer experiences. At the same time, we will be better placed to secure residual profits in the event of an upswing in the withdrawal of real stores.



### Innovation is born and can only be nurtured in an organization rich in diversity

I have said that the greatest source of our growth is our ability to drive innovation. The innovation generated by the Company during its second founding broke with industry credit card convention, which had historically served as a payment tool held by a select few with a certain amount of income. Credit Saison democratized credit cards by capturing new customer segments including young people and women—a key shopping demographic. Efforts to attract large numbers of card members were also buoyed by offering such innovations as instant credit, issuance, and use of credit as well as free annual membership fees. Building on these initiatives, Credit Saison has been quick to put forward a host of innovative measures including Eikyufumetsu Points and signatureless transactions, which have gained the support of customers while spurring growth.

Representing two halves of a whole, creative destruction, the essence of capitalism, and competition, the essence of business, form the core components of innovation, which in turn fuels social reform and development. Innovation is often confused with breakthroughs in technology, when in fact, the concept of innovation differs from the technological ingenuity that brings about new discoveries. The role of innovation is to bring latent demand to the surface by asking "Why haven't we had this before?" The difference between coming up with an idea, or not, and between implementing an idea, or not, is the deciding factor, as opposed to the difficulty of whether it is technically feasible. From a different perspective, this means that everyone has a chance to create innovation.

Serving as a breath of fresh air, we can ensure that the organization remains conducive

to innovation by actively recruiting experienced personnel from outside the Company to complement existing staff. One major positive in hiring experienced external human resources is the adversity it brings by not having to rely on existing internal personnel. In the absence of support from within the Company, one is forced to make do on one's own. When this happens, one inevitably feels a sense of desperation. The principle of the able minority is not about gathering a small number of the elite. Rather, it is about sticking to the few to better nurture top-ranked personnel.

I have also worked diligently to carry forward Mr. Tsutsumi's management idea of customer first, the organizational concept of management republicanism, and the organizational culture of humanism, together with the philosophies of gender equality, the uselessness of educational backgrounds, meritocracy, and not implementing a seniority system. I also make it a point to encourage the use of honorifics for both business partners and employees to ensure that relationships are conducted as equal partnerships and not between superiors and subordinates. A flat organizational structure, such as one formed by a team of equals, is a key to putting innovation into practice immediately. While not knowing who will take notice of an innovation as it occurs, a hierarchical organization like a pyramid, in contrast, requires a considerable amount of time before innovation can be brought to fruition.

I have always said that the lack of a sense of impending crisis is a company's worst enemy. Lacking a sense of crisis weakens the competitive fervor that is critical for companies and drains their strength to drive innovation. Innovation is the by-product of a sense of crisis, and where there is no sense of crisis, there is no innovation. Mr. Mizuno, Executive President and COO, oversees the executive function. As CEO, I believe that one of my most important roles is to ensure that the Company's ability to innovate continues to grow. This means instilling a sense of impending crisis in our employees, while at the same time creating an environment in which the brightest individuals are encouraged to take on challenges in a flat organization and allowed to fulfill their aspirations without the fear of making mistakes.

Under the keyword incubation, we put forward the idea of building more than 100 companies and increasingly leaving their management to employees who volunteer to take the reins through open recruitment in our 2021 Integrated Report. In September this year, we adopted a new human resources system and introduced a mechanism through which employees can engage in work that meets with their aspirations. The Company's goal to become a comprehensive life services group is clear. The first step is to recognize that we are no longer just a credit card company. With this in mind, we must continue to be a company that encourages employees to design and choose what they want to do with their lives, and to take on challenges of their own volition.

### Developing the ability to see the true nature of things on a global scale

Earlier, I explained that we are strengthening our global headquarters function in Singapore. Credit Saison's business continues to exhibit remarkable growth across such global markets as Southeast Asia, where the average age of the population is young and growth potential is high. For the younger generation to play an active role on the global stage, I feel it is extremely important for them to go beyond economics and deepen their understanding of political, cultural, philosophical, and religious affairs in countries around the world. It is vital for the youth of today to face the truth of the different events occurring around the world without being swayed by the overwhelming amounts of information. Equally important is the need to cultivate the ability to learn from history and to see things for what they truly are.

Compared to people in other countries, Japanese people are distinguished by their concern for their surroundings and their adherence to rules. Conversely, I fear that there are only a limited number of people who will make judgments on their own and focus on the true nature of things. In his book *An Encouragement of Learning*, Yukichi Fukuzawa advocated that all people are born equal with the same qualifications and status. In the *Jitsugokyo*, the teachings of Kobo Daishi, one of the most respected and popular Buddhist masters of Japan, it is said that "If a man does not study, he will have no knowledge. A man without knowledge is a fool." (The difference between a wise man and a fool depends on whether or not he learns.)

We will work to remain a company that always questions the true nature of what we do. At the same time, we will endeavor to never stop learning and continue to give our employees every opportunity to take on new challenges while sharing all the right values. As we strive to achieve our established goals, we ask for the continued support and understanding of all stakeholders.



### **Value Creation Stories**

Established in 1951 as Midoriya Co., Ltd., a department store that sold products on a monthly installment basis, Credit Saison has, in the face of various difficulties, continued to take on challenges as a leading-edge service company. As we have in the past, we will continue to contribute to the realization of a "sustainable society that is even more convenient and prosperous than today's" by resolving social and environmental issues in ways that only Credit Saison can.

Realization of

financial inclusion\*



**Our Image of Society** 

A sustainable society that is even more convenient and prosperous than today's



**Employees** 

Value co-creation with stakeholders



Resolving customer problems centered on financial services

Transforming into a comprehensive life services group



Shareholders



Regions/communities



Declining birthrate, aging population

Climate change

□ Digitalization

Changing society/ Promoting conversion Global environment to cashless operations

Growing needs for asset formation





Contributing to the creation of a sustainable society that is even more convenient and prosperous than today's by resolving social and environmental issues

### **Main Management Resources**

### Corporate culture that has been handed down in continuous succession

Awareness toward co-creation with all stakeholders

Meritocracy free from age, gender, or educational attainment bias

An organizational culture that allows creative destruction and failure

"CS Style" action guidelines

### Human resources with vitality

Human resources that are active under our common system for all employees\*

Consolidated number of employees

Non-consolidated number of employees

(of whom 3.058 are women) \*Excluding part-time employees

5,562

4,084

Innovation creation capabilities

Credit know-how nurtured over the 72 years since the Company's founding

Professional human resources well-versed in the payment/finance fields

Service development track record in the finance field

System infrastructure capable of responding flexibly to change

### Rock-solid sales platform

Industry-leading customer base

Number of individual members

Approx. 3,600 million

Number of corporate card issuers

150,000 companies

### Sound financial base

Diverse financing based on high creditworthiness

Consolidated total assets

¥3,610.7 billion

¥2,569.0 billion Interest-bearing debt

Highest level of creditworthiness for independent non-bank

High credit rating

Rating and Investment Information, Inc. (R&I) (Continuously for 26 years since October 1996) A+ Transforming ourselves into a

# comprehensive life services group

centered on financial services

Providing a wide range

of advanced security

services with the

strengths of

creditworthiness and a

wide customer base

**CREDIT** 

SAISON

Global

Transforming existing values and creating new values in response to various problems

Transforming the customer/employee experience by promoting digitalization that fuses with the real world

Five Businesses > P12

**Payment Business** 

**Lease Business** 

**Finance Business** 

**Business** 

**Business** 

Creating human resources and an

Real Estate-related

Entertainment

Enriching our customers' lives and enabling them to live happily and true to themselves

co-creation with partners

Digital

Achieving sustainable growth and improving corporate value through sound corporate management

Taking on the challenge of

financial inclusion through

financial services

**Materialities for Sustainability** 

organization where each person can fulfill an active role in their own way Protecting the rich natural environment and culture that enriches life, and energizing people in the region and community

11

Sustainability of the Credit Saison Group > P41

Creating a better society through

### especially in Asia **Financial results**

Value Created in

Collaboration with Stakeholders

Realization of a resilient organization

Progress in social and environmental initiatives by

establishing the Sustainability Promotion Committee

Committee: Seven times; WG: Climate change 10 times;

Fostering motivation and diverse values

New business/Product development

Strengthening ability to resolve

social and environmental issues

a carbon-neutral and recycling-oriented society

Financial inclusion for the underserved class,

Approx. 1,000 proposals;

four commercialization projects

Regions/ Shareholders Employees

26 in total

196

74.9%

24.5%

73.5%

Approx. 260

0

Customers

Partners

working groups held

DE&I: Nine times

Number of committee meetings/

Number of dialogues held with shareholders/investors

Number of security incidents

Ratio of female employees

Ratio of female managers\*2

Paid leave take-up rate

No. of human resources with

digital technology backgrounds

Number of new product releases

Number of SWITCH SAISON proposals and

number of commercialization projects

Business alliances aimed at building

Environmental protection activities

Reducing paper consumption by digitizing recruitment operations

(operation of Akagi Nature Park)

6.5% (previous fiscal year: 7.1%) Return on equity (ROE)

Shareholders' equity ratio 15.6% (equity ratio attributable to owners of parent) (previous fiscal year: 15.6%)

Improvement of ¥52.3 billion Group business profit (8.2% increase from the previous fiscal year)

¥8.6 billion Total dividends

Total shareholder return

76.9% (75.4% in the previous fiscal year)

About 74,000 visitors

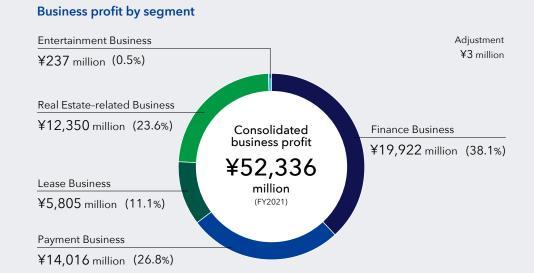
Note: The standard is as of the end of March 2022, but some as of November 2022 also included.

<sup>\*1</sup> Total aggregated number of products and services from April 2021 to March 2022

<sup>\*2</sup> General manager and manager

# The Five Businesses

### Net revenue by segment Lease Business Adjustment **Entertainment Business** (-¥2,224 million) ¥6,407 million (2.1%) ¥11,837 million (4.0%) Real Estate-related Business ¥22,704 million (7.6%) Consolidated net revenue **Finance Business** ¥299,017 ¥48,313 million (16.2%) **Payment Business** ¥211,979 million (70.9%) million (FY2021) Note: Amount in parentheses ( ) indicates share of total.





In addition to credit cards, we offer a variety of payment services, including prepaid cards and smartphone-based payments, with an eye to bringing about a cashless society. To better meet the needs of our customers, we engage in a one-stop processing business outsourced to us by credit card and other companies.

Furthermore, outside of Japan (mainly in Asia), we promote financial inclusion by providing digitalized and localized financial services to people (underserved people) and small businesses that are unable to receive adequate financial services.



We offer "finance leases" and "business-use installment sales" based on office automation (OA) communication equipment tailored to the capital investment plans of business operators.

Besides supporting business trends such as the POS cash register peripherals market, which facilitates cashless payments, we take on new challenges in growth fields such as environmental products.



Including the credit guarantee business and the finance business, we develop lifestyle creation financial services ranging from home purchases to rentals, with a focus on Saison's Flat 35, Saison Asset Formation Loans, and Credit Saison's Rent Guarantee service Rent Quick.



We conduct the real estate business, real estate leasing business, and servicing (loan collection agency) business, etc.



Includes the amusement business, among others.

Interview with the COO

Transitioning to an offensive arrangement for our third founding through the building of the Saison partner economic zone and remarkable global business growth

Katsumi Mizuno

Representative, Executive President and COO

# A year has passed since you were first appointed in March 2021. Please tell us your views looking back over this past year.

Although behavioral restrictions during the COVID-19 pandemic this past year were erratic, swinging back and forth between looser and tighter approaches, within the Company I kept an awareness of communicating with the frontlines as often as possible, and strove to actively observe the frontlines through both on- and off-line means. I continuously stated my thoughts on the new Medium-term Management Plan and the importance of making deliberate changes. Ultimately, I was able to converse with more than half of our employees. I aspire to a level organization wherever possible, and I dive into and travel around the frontlines, which I feel has closed the distance between management and the frontlines. Externally, I actively visited our business partners, together with Chairman Rinno, and shared with them our concept of an economic zone that positions our customers as hubs linked together by loose horizontal connections.

# In addition to trends in the spread of COVID-19, the situation in Ukraine and other challenges presented uncertainty. What is your sense of the current business environment?

The effects that a weak yen, higher crude oil prices, inflation, and other world affairs have on the Company can be both positive and negative. A weak yen and inflation, for example, have a positive impact from the standpoint of transaction volumes, where the overseas funds in which we were early investors when the yen was strong have had a positive impact in terms of the numbers. On the other hand, when the yen swings lower the cost of dollar-denominated payments, including some payment fees and cloud usage fees, for example, increase, which has a negative impact.

Our global business has shown remarkably strong growth, so macro trends in international affairs are no longer someone else's problem. Therefore, we keep watch with our antenna always up in regard to how various overseas situations will affect the Company's businesses and finance recipients.

# Looking back over the previous Medium-term Management Plan, what is your assessment?

Despite being faced with the COVID-19 pandemic, we basically achieved all our initial target values. Although we recorded broad allowances regarding the overpayments issue, this problem is approaching an end in terms of the fact that we have come to see some

degree of settlement. And our new system remains in stable operation, so I feel we have entered a period where we will without question transition to an offensive arrangement.

The three innovative, digital, and global themes raised in the new Medium-term Management Plan have each shown steady progress. The innovative theme serves as the overarching concept for the entire Plan, including digital and global, but in addition to service revisions and reductions, we will drive forward products and services that fuse digital technologies and innovation, like SAISON CARD Digital, which launched in 2020. Internally, we are taking a bidirectional bottom-up and top-down approach to creating innovative initiatives, where executives lead by example and propose new businesses in some cases. In terms of digital, we have been more successful than expected in recruiting and securing DX human resources under the CSDX Strategy, and we will continue to launch new services in succession as we advance our redesign of operations. Global has also begun to produce significant early results, which will be introduced in the Global Strategy (P.28).

# Please provide an overview of the new Medium-term Management Plan that was recently announced.

In May 2022, we announced the new Medium-term Management Plan: transforming into a comprehensive life services group while achieving customer success through the fusion of the real and digital worlds. The reason we purposefully changed the phrasing used in the previous Medium-term Management Plan from comprehensive life services company to group is because we felt that we wanted a greater awareness of an economic zone that consists of loose horizontal links centered on our customers. The Company has always taken a stance of encouraging independent management at each Group company, even in terms of individual Group company governance, so we never considered an economic zone concept that was tightly tied by brand or capital relationships. This is because the Company essentially considers our services from the starting point of our customers and aspires to become a comprehensive life services group that offers a high level of convenience for our customers. This loosely bound economic zone consists of a broad, lightly tied group of companies that provide those services that we feel our customers desire to use and is based on the concept of bringing together various services from different brands. For this reason, we will sometimes even form alliances with competitors and incorporate them into this economic zone when doing so would assist our customers.

On the other hand, in terms of the Saison brand, which was built up by our founder, Seiji Tsutsumi, and has attracted broad support among the affluent and senior segments, we decided to use the term *Saison partner economic zone* because we hope to fully relaunch

this brand for Generation Y and Generation Z, which do not possess the same positive brand awareness as other segments. The Saison Group has valued the ideal of solving the problems of our customers from the starting point of our customers, and this ideal has spread beyond Japan to touch the heartstrings of our overseas employees, who have been rapidly growing in number. In Vietnam, India, Indonesia, and the other foreign countries in which we engage in various businesses, the Saison brand has come to symbolize the ideal of viewing our customers as the starting point and has begun to take root as a common facet among our employees.

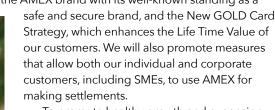
Under the new Medium-term Management Plan, we have four growth strategies:

1) Establishment of the "Saison Partner Economic Zone" and reinforcement of business coordination among the Group, 2) Revitalization of the Payment Business, 3) Promotion of healthy growth and expansion into new fields for the Finance Business, and 4) Acceleration of global business expansion. As the quantitative goals for the final fiscal year of the plan, we aim to achieve consolidated business profit of ¥70.0 billion and an ROE of around 8%.

# Please tell us about the key points to the four growth strategies raised in the new Medium-term Management Plan.

In establishing the Saison partner economic zone and business coordination among the Group, we will further promote the effective use of the Group's customer base, which consists of approximately 36 million members. Amid this loosely bound economic zone, we will create value for customers while demonstrating mutual synergy through a more stratified series of services enabled by combining resources between Group companies and between the different businesses within the Company in a complex manner.

To revitalize the Payment Business, we will promote our transition to our customers' main cards by advancing two strategies, namely the AMEX Strategy, which is based on SAISON AMEX products that leverage the AMEX brand with its well-known standing as a



To promote healthy growth and expansion into new fields for the Finance Business, we will advance structural reforms that emphasize balance by identifying the opportunities and

risks in real estate financing, while leveraging the strengths of each Group company with real estate-related businesses. In the area of asset formation loans, along with working to sell bonds as we have in the past, we will take on the challenge of businesses targeting power couples and other households that have an average annual income of ¥10 million or more.

To accelerate global business expansion, we aim to achieve financial inclusion through the core lending business, which targets underserved demographics that find it difficult to receive loans from standard financial institutions, and the core investment business, which targets promising start-ups throughout the world. As we begin to see the relaxation of movement restrictions imposed during the COVID-19 pandemic, we have high anticipation for growth acceleration among existing businesses and will support this growth through fast-paced decision-making centered at the International Headquarters (IHQ) established this year in Singapore. Moreover, CVC has strengthened and expanded its teams at a rapid pace and aims to explore investment targets on a worldwide basis.

### Tell us about your image for the Company five and 10 years from now.

In terms of the balance for the medium- to long-term business portfolio, we envision a 3:3:3:1 ratio structure for the Payment, Finance, global, and new businesses, respectively. In FY2021, overly robust real estate business profits led the Company, which brought the ratio to 7:2:1 for the Finance, Payment, and global businesses, respectively. The ratio accounted for by the global business has shown more rapid expansion than expected, however, and the Payment Business has emerged in a form that soundly and stably produces profits at a steady level. So, I feel that the future 3:3:3:1 ratio structure has become a viable reality.

Regarding new businesses, in August 2022 we established ReSAISON Co., Ltd., which aims to increase waste recycling rates and realize a recycling-oriented society. In September 2022, we launched Saison's VETs Support Club, which enables remote diagnosis and consultation services for pets by using video calls to connect pet owners and veterinarians online. Through a collaboration with the Japan Veterinary Medical Association, we built a network covering approximately one-third of all veterinary clinics in Japan. We will continue to offer this service as a new business while we work to spin it off as a new company.

Although I mentioned that we have entered a period when we will go on the offensive, looking at the current growth momentum in the global business and the professional knowhow and skills of members involved in the global business, we have even seen indications that we will emerge as a company that 10 years from now will earn more than half of its business profits overseas. When I was in charge of the global business and would visit



### Interview with the COO

different countries, we were still at the stage of gathering human resources and building the network from scratch, which is in part why we adopted a management style centered on Japanese personnel. Today, however, our foreign national employees lead the global business. As a country that has achieved remarkable economic growth, India presents robust capital demand, and we currently operate offices in 16 locations throughout the country. A female entrepreneur from Malaysia in her 30s serves as CEO, leading a local staff of around 300 as she works to steadily expand operations. The business in India is already profiting, and we expect to see the balance scale grow to ¥100 billion in the near future, which has led us to debate the format of future business growth in India with an eye to an IPO. Similarly, the business in Vietnam and at Julo, the entity conducting P2P lending in Indonesia, are both driving business growth under the leadership of local staff. By implementing measures for the Credit Saison business foundation based on expectations for growth in the global business, we envision the Company itself undergoing a major transformation into an international company. And we intend to grow the Company by expanding the Finance Business and Payment Business in a way that places them into a friendly rivalry with the global business.

### O

### What are some of the challenges in promoting growth?

The key to the Company's ongoing transformation is human resources, and the diversity of the people that gather at the Company has made quite a bit of progress. Our open corporate culture that accepts diversity and our management stance of actively delegating authority by preparing positions for younger employees have become aspects that attract human resources with a rich spirit of challenge. In fact, the Company has drawn many individuals that profess their desire to accomplish something when they join the Company. To ensure that these individuals undertake new challenges, I intend to steadily advocate a culture that allows for failure. Although we revised the personnel system in September 2022, the goal of this move was in part to prepare a route for those who want to undertake challenges and an opportunity to do so upon first fully considering what it is that they want to accomplish. This is important for advancing our work-style reforms. Building an organization in which individuals can engage in their work with a sense of joy and motivation is a core element of corporate vitality. And building a resilient organization requires each employee to be both physically and mentally healthy; in other words, this also requires health management.

Now that we have entered a period where we will go on the offensive, we intend to undertake new challenges in the global, finance, and payment businesses, while skillfully

controlling failure to some degree. Meanwhile, detecting the changes in the times naturally requires us to directly visit the frontlines. Which is why I will lead by example as part of a management style where we fully experience the atmosphere of what is occurring at our clients, business partners, and frontlines, and listen to their respective challenges as raw feedback. Most important, however, we will confront issues of sustainability head on to ensure business continuity.

### 0

### Finally, please provide a message to the stakeholders.

First, we increased the dividend this year for our shareholders. Although we will continue to consider increasing the dividend, acquiring shareholders' equity, and other forms of shareholder returns as necessary, the mainstay of shareholder returns is without question based on improving performance by ensuring our initiatives organically function with our customers, business partners, employees, and other stakeholders, as well as on increasing corporate value by discovering growth potential.

Therefore, we will work to solve the different problems of our customers in a tailored fashion by approaching our customers of our own initiative and by deploying services with a human touch, an approach that has served us well thus far. Moreover, we have previously advanced initiatives together with our business partners that aim to expand our customer base. Within the loosely bound economic zone concept centered on our customers, as we solve the problems of our customers, we will undertake initiatives that offer advantages for our business partners, such as sending customers from our customer base to our business partners. Because the capabilities of employees are the very essence of vitality for companies, we are considering approaches to expand returns to our employees, such as introducing a performance-based remuneration system. At the same time, we will create an environment that allows our employees to continue undertaking various challenges as they enjoy the changes that the Company steadily implements and see these changes in the Company as growth opportunities for themselves.

Through these initiatives that organically link customers, business partners, employees, and other stakeholders, we intend to achieve sustainable growth as a company that is also attractive in terms of performance and growth potential, so we humbly ask for your continued support.



## Retrospective Overviews of Past Medium-term Management Plans

**Initiatives** before FY2015



### **Basic Management Policy for FY2015**

Change the business model to one that combines five businesses via stronger corporate marketing

Face the challenge of becoming a peerless new finance company in Asia able to overwhelm the competition

### **Basic Management Policy for FY2014**

Face the challenge of changing the business model by strengthening corporate marketing

Evolve into a non-bank capable of responding to change

### **Basic Management Policy for FY2013**

Establish a multiple core earnings source structure through collaboration management using strategic resources to become the No. 1 consolidated issuer, accelerate the shift to non-banking, and crystallize Asian strategies

FY2016-FY2018

Medium-term **Management Plans** 



FY2019-FY2021

**Medium-term Management Vision Neo Finance Company** in Asia



Further acceleration of revival of the card business and transformation to a general non-bank

### **Basic Policy**

Realize innovation and changing business models

Face the challenge of new business models Expand the stock business and the fee business

### Strategies/Measures

- 1 Face the challenge of changing the card business model
- 2 Collaborate strategically via open innovation
- 3 Enter multilateral alliances centered on the finance business
- 4 Develop diverse business throughout Asia

### Results

### Full migration to the Associated Core System

Completed a foundation capable of alliance expansion and product development

### Responsive to diverse customer needs

Payment platform enhancement/Finance business expansion

**Expanded the Global Business into more countries** 

### MISSION STATEMENT

Become a finance company advancing with customers for 50 years Provide peace of mind and discover the potential in money

### Strategies/Measures

- I Growth strategies and structural reforms in the Payment Business
  - Payment Business
- 1 Expand shopping transaction volume (BtoC field)
- Expand shopping transaction volume (BtoB field)

new alliances

- 3 Expand the card shopping revolving balance/cash advance business
- 4 Create new businesses and enhance digital marketing
- Lease & Finance Segments 1 Strengthen relationships with partners and expand **Finance Business**
- III Expand the earnings base of the Global Business with
- a view to the future 1 Transition from the sowing stage to the harvesting
- **Global Business** Global Business

stage in countries where we have operations

### Results

The Payment Business was in the process of recovery from the effects of shortened business hours and people having refrained from going out. In contrast, the Company had the definite prospect of business diversification, the Finance Business having expanded steadily as the second pillar, and the Global Business being expected to contribute more to profits as the third pillar.

For details, please see pages 30-33.

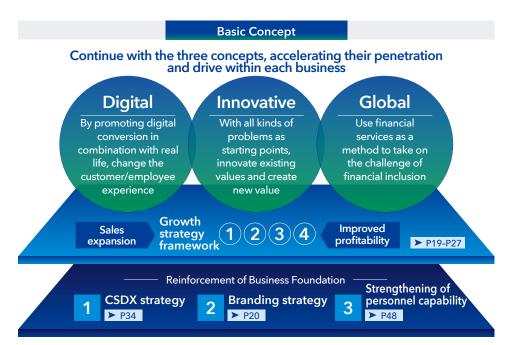
Note: With a view to the future, in FY2021 the Company recorded provision for loss on interest repayment of ¥13.6 billion. Excluding the impact of this one-time factor, actual business profit was more than ¥65 billion, thereby achieving the business profit target of ¥60 billion adopted for the Medium-term Management Plan.

# Overview of the New Medium-term Management Plan

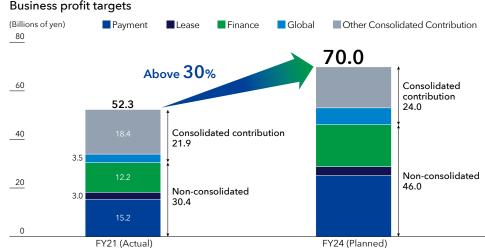
### **Basic Policy**

# Transformation into a comprehensive life services group Achieving customer success through the fusion of the real and digital worlds

Having adopted transformation into a comprehensive life services group as its medium-term management vision, under the basic concept of innovative, digital, and global, the Company formulated a Medium-term Management Plan to cover the period from FY2022 to FY2024 with the mission statement of "achieving customer success through the fusion of the real and digital worlds." As a NEO Finance Company that is unfettered by the limitations of a standard finance company, we will help resolve all the kinds of problems that arise in mature societies toward the realization of the Medium-term Management Plan. The entire Group will work to resolve issues in a more friendly, appropriate, and quick manner than anywhere else; increase customer satisfaction; and create new value. Through these efforts, we aim to achieve consolidated business profit of ¥70 billion in FY2024, the final year of the plan.

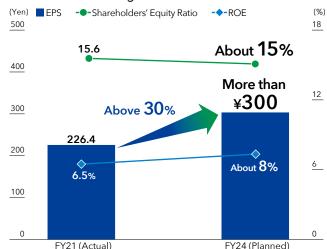


### **Management indicators**



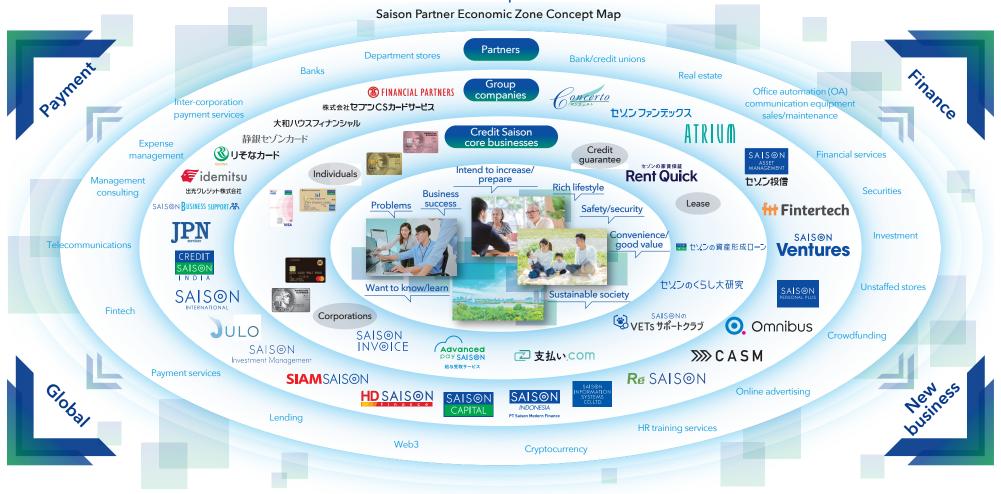
Notes: 1. Included in the Payment Business, aside from payment/leasing/finance 2. Non-operating profit and loss included in the Payment Business

### Main indices of management indicators





# Growth Strategy (1): Establish the Saison Partner Economic Zone and Reinforce Business Coordination within the Group



### Establish the Saison partner economic zone

We will pursue synergies with Group companies in addition to our existing business partners to establish the Saison partner economic zone with the aim of becoming a non-bank with a strong presence in each financial business: Payment, Finance, and Real Estate-related. Specifically, we will actively promote initiatives that allow our existing alliance partners to utilize the Group's base of approximately 36 million customers, and we will work

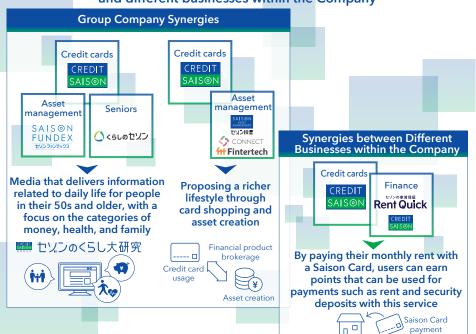
to expand our share of corporate transactions through Group collaboration. In addition to developing new products in the fields of payment, asset management, and real estate, we will create value suited to individual customers by combining resources of Saison partners through the diversification of coordinated relationships and services.

# Establish the Saison partner economic zone and reinforce business coordination within the Group

Group company management teams have adopted a fiercely independent style, without being hemmed in by brands or capital relationships. While maintaining the management independence of each Group company, we will continue to develop and expand the Saison partner economic zone, a loosely connected horizontal economic sphere. Against this backdrop, we aim to differentiate ourselves from our competitors by further strengthening Group product coordination based on each customer, as well as establish Saison as a comprehensive life services group that offers the greatest convenience to our customers. To this end, we will further promote the creation of synergies among Group companies and different businesses within the Company, including initiatives to date shown below.

# Creating value by demonstrating synergies between Group companies and different businesses within the Company

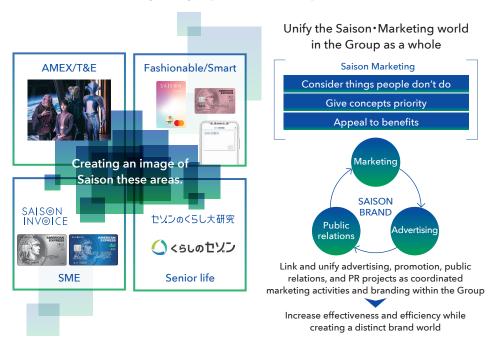
➤ For details on major affiliates, please see page 68.



### **Branding strategy**

In our branding strategy, we will again return to the former Saison Group concept, namely, to promote a distribution revolution by expanding business in all areas related to daily life while taking the lead in consumption activities and culture by anticipating new consumer needs. In so doing, we will position the Saison brand more than ever at the forefront of our strategy. As we pursue this alliance strategy, the Saison brand, which until now has been linked as a sub-brand, will be positioned under the concept of Saison Marketing. Based on this concept, the Group will work together to develop the Saison brand into a brand that catches the attention of customers everywhere.

# By raising customer recollection rates, promote mutual use of Group company services among customers



# Growth Strategy (2): Revitalization of the Payment Business

### **AMEX Strategy**

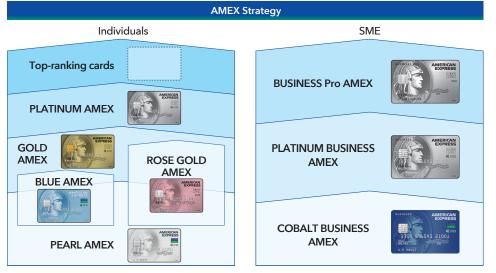
To revitalize the Payment Business, we will further promote the effective use of the AMEX brand. We have been affiliated with AMEX for about 25 years, and since 2022 the AMEX brand has become the No. 1 brand among other international brands in terms of our

transaction volume at the Company. By working to make SAISON AMEX a topranking AMEX brand and pursuing the AMEX Strategy to establish products, the Company aims for a total transaction volume of more than ¥3 trillion by FY2026 for Credit Saison's proprietary AMEX brand. Furthermore, we will strive to acquire new members among individuals, SMEs, and wealthy demographics, as well as to invigorate the use of AMEX cards.



AMEX brand became No. 1 in Credit Saison's monthly transaction volume
Penetration of SAISON=AMEX as people's perception of the brand

### Establish a new model centered on the AMEX Strategy and the New GOLD Card Strategy



### **New GOLD Card Strategy**

Promote cards to be used as a main card with the new royalty service SAISON GOLD Premium Card



Another core strategy for revitalization of the Payment Business is the New GOLD Card Strategy. Targeting the broad customer base we have expanded to date, we have released a new GOLD card, SAISON GOLD Premium, which grants benefits based on the amount spent as a new royalty program starting in July 2022, and we are working to make this the main card for our customers. For good customers who own a proper card, customer spending tripled after switching to GOLD AMEX compared to standard memberships. In addition, customer spending among SAISON GOLD Premium members has also been growing continuously since the card was issued, indicating that measures to acquire GOLD members are already showing results.

### Expansion of business in the BtoB field

To revitalize the Payment Business, we will also expand business in the BtoB field. In FY2021, we worked to significantly shift our nationwide sales structure from traditional sales to individuals to sales to corporations, and we have established a human resource structure to strategically capture the BtoB market. Starting in FY2022, we will strive to expand our share of the BtoB payment market as we strengthen our non-card payment products, SME channels, and customer communication in sales, while collaborating not only with Fintech companies centered on the AMEX brand but also with SaaS providers that promote BtoB payments among Fintech companies.

Invest in the BtoB field with a focus on non-card payment, SME channel strengthening, and enhancement of customer communication themes, striving for expanded market share

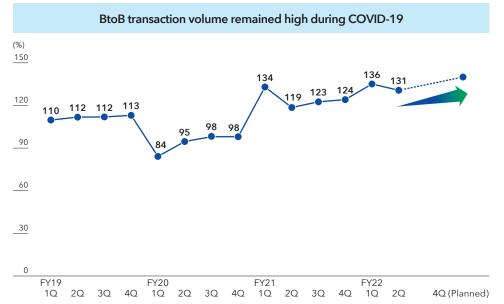


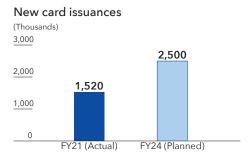


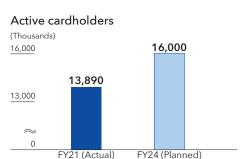


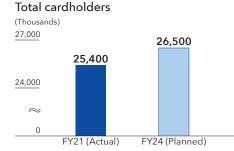
### **Main Indices of the Payment Business**

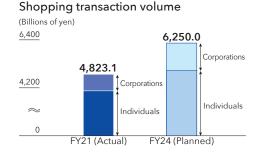
BtoB shopping transaction volume YoY











# Growth Strategy (3): Promotion of Healthy Growth and Expansion into New Fields for the Finance Business

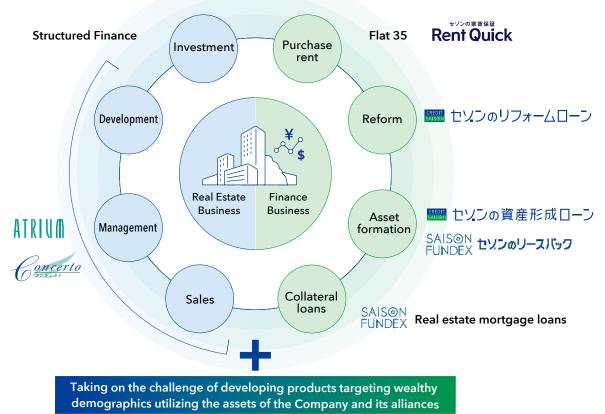
### Five major layers of structural reform

In the Finance Business, we will work to further improve asset efficiency without allowing currently favorable market conditions to make us complacent. We will clarify the division of roles that leverage the strengths of Group companies with real estate-related businesses. In addition, we will further deepen cooperation with our business partners while pursuing structural reforms centered on five key areas: improving investment efficiency, strengthening corporate sales

ability, strengthening structured finance, promoting digital transformation, and developing new products targeting wealthy demographics.

Furthermore, we will closely monitor risks while furthering strengthening cooperation with Group companies such as Atrium, Concerto, and Saison Fundex, along with our partners, to ensure the sound growth of the Finance Business Group-wide.

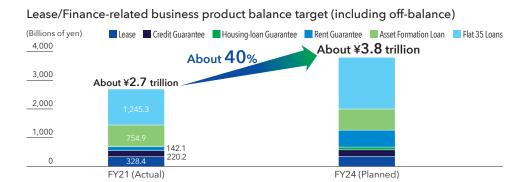
# Using division of roles that leverages the strengths of Group companies with real estate-related businesses, cover the market Active promotion of a balance of opportunity and risk in real estate financing



# Improving investment efficiency: Taking on the challenge of selling asset formation loans and bonds, and launching businesses targeting wealthy demographics Strengthening corporate sales ability: Sales promotion at more than 300,000 lessees Strengthening structured finance Promoting digital transformation: Reduced costs and improved productivity Developing new products targeting wealthy demographics: Initiatives based around real estate investment

### Growth strategies that identify opportunities and risk

To improve asset efficiency, we will take on the challenge of developing new product channels targeting wealthy demographics based on asset formation loans, bond sales, and real estate loans, as well as developing and planning of the products themselves. To strengthen our corporate sales ability, we will promote sales to more than 300,000 lessees. To promote structured finance and digital transformation associated with these measures, we will work to create systems focused on productivity improvement to ensure the development of low-cost, diversified businesses. We will actively expand into new business areas while promoting a balance of opportunities and risks in real estate financing.



### Payment Business + Finance Business Integration

### Expand sales of payment-related products to individual customers and corporate customers in the Finance Business



# Growth Strategy (4): Acceleration of Global Business Expansion

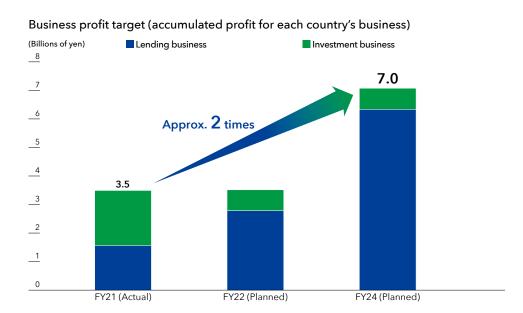
We have established operating companies in India and four Southeast Asian nations and are accelerating the development of our lending business in the Asian region. Despite the impact of the COVID-19 pandemic, the Company continues to steadily expand its business, particularly in India and Vietnam, with locally driven, robust risk management.

In addition, through investments in FinTech business operators and cutting-edge areas made through our overseas corporate venture capital (CVC) business, we are focusing on creating synergies with existing businesses while exploring potential new business opportunities.

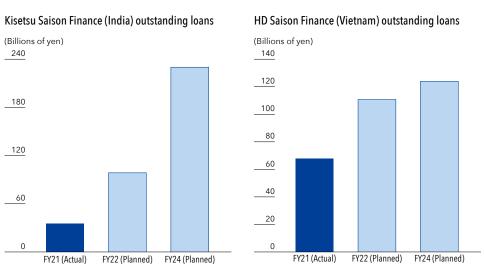
Through these initiatives, we will promote our business to underpin a third pillar of growth in the Group and to contribute to efforts to realize a sustainable society on a global scale.







### Main indices of the global business



**Lending Business** 

### Breakthrough in the India Business

# Three years since business commenced, firm growth has been achieved through our unique strategy

In India, Kisetsu Saison Finance (India) Pvt. Ltd. provides loans to the local underserved population.

Since its launch in 2019, both its business and organization have steadily expanded in scale, growing to become one of the mainstays of our global business in about three years, with a loan balance of more than ¥60 billion as of the end of September in FY2022, and a consolidated contribution profit of ¥860 million in the first half of the fiscal year, second only to Vietnam.

Lending by Kisetsu Saison Finance (India) consists primarily of financing to local non-banks (wholesale lending) and financing to individuals and SMEs through partnerships with FinTech business operators. By working with local non-bank partners and leveraging FinTech know-how, we have found solutions to the problems of credit and collection, which are major financing issues in developing countries, and have steadily increased the number of partners and customers by securing human resources and fortifying the foundation for system development at this company.

### ■ Strategy for success in India

Kisetsu Saison Finance (India)'s loans are positioned as so-called senior loans, which are loans that have a high reimbursement ranking in the event of a customer's default or the bankruptcy of a partner. This allows this company to successfully enter the market with less risk. In addition, at the end of FY2021 we launched a proprietary lending business (BtoC model) that leverages our accumulated expertise and customer base to develop into a more profitable business model.

Underpinning these growth strategies is the local appointment of excellent human resources. The CEO and nearly all the more than 300 employees are local staff, allowing for a swift response to rapidly evolving local trends and regulatory developments.

### Kisetsu Saison Finance (India) CEO Interview

### Setting Our Sites on Becoming the Lending Giant of India



What kind of contribution is Kisetsu Saison Finance (India) Pvt. Ltd. considering vis-à-vis India's underserved population and lending market?

India offers huge business opportunities, and we aim to satisfy the needs of our customers in a variety of ways as a stable, long-term lender. With a core focus on helping small and medium-sized enterprises (SMEs) and customers who are unable to obtain loans from banks to acquire adequate financing, both directly and indirectly, we hope to achieve our vision of building India's first neo-lending conglomerate through a partnership and technology-driven approach.



What are the strengths that make Kisetsu Saison Finance (India) Pvt. Ltd. stand out among all the other lending business operators? Also, please tell us about your future growth strategy that will utilize those strengths.

The monthly lending volume of our FinTechaffiliated lending business has grown by approximately tenfold over the past year. We've achieved major differentiation from our competitors through financing cost advantages gained from our AAA rating and system integration with our partners, and this has made us a lender of choice among our industry peers. Our current loan balance is just above ¥60 billion, but we are already looking down the road at ¥100 billion in the future. For now, we will focus on continuing to expand the BtoB model, and to become India's Lending Giant, we will use the profits to build a foundation for the BtoC model while further growing the scale of our operations.



Kisetsu Saison Finance (India) Pvt. Ltd. CEO Presha Paragash (Right)

### Investment Business Overseas CVC Business

Saison Capital Pte. Ltd. invests in start-up companies and funds with a focus on Southeast Asian FinTech business operators. In FY2021, the company achieved its first exit, and moreover, in 2022, it was selected as a CVC TOP10\* company by CB Insights. In this way, we are raising both our profile and business track record.

In addition to existing investment areas, we are actively investing in the web3 domain with the aim of further developing our investment business and creating the next pillar of our business, and we will seek to integrate it with existing businesses in the future as we pursue returns.

\*A top 10 ranking of the world's most exceptional venture capital partners





### **Building a Foundation for Business Expansion**

■ Established an international headquarters (IHQ) in Singapore as a foundation for the acceleration of business expansion

To support future business expansion, we established our IHQ in Saison International Pte. Ltd.\* in Singapore. We will steadily transfer the shares of each overseas affiliate to Saison International, and by accelerating the pace of decisionmaking and designing a cross-functional organization, we will transition to a structure that can compete globally.



### Sustainability

### Issuance of our first social bond Allocated to loans for underserved populations, primarily in Asia

In June 2022, we issued our first social bond (bonds issued by companies, local governments, etc., to raise funds for projects that help solve social issues).

The procured financing will be used for a capital increase and loans to Kisetsu Saison Finance (India) Pvt. Ltd. in India and to Saison Capital Pte. Ltd. in Singapore. The issuance of such corporate bonds will allow us to contribute to social development and the resolution of issues facing society by diversifying funding sources and accelerating financial inclusion for the underserved population that does not have access to existing financial services.

### ■ Supporting the activities of diverse human resources

Currently, we have more than 7,000 employees at our overseas locations (including joint ventures), most of whom are locally hired and of diverse nationalities.

We are also promoting locally led business operations by actively appointing talented local personnel to our management team.





The SAISON GLOBAL SUMMIT 2022 held in July 2022

<sup>\*</sup>Corporate name changed from Credit Saison Asia Pacific Pte. Ltd.

# Global Strategy: Interview with the Director in Charge

# Promoting business growth based on financial inclusion, an important prerequisite in achieving the SDGs, in a bid to create greater social value



Looking back on the Group's global business in FY2021, what were the outcomes and challenges?

By ensuring that our stance toward business and risk management was in line with conditions under COVID-19, we were able to substantially accelerate the pace of renewed lending business growth in FY2021. In India, we were also successful in improving technological accessibility through the development of systems in-house and promoting smooth operations while gaining support as the partner of choice from affiliated FinTech business operators. As a result, we were able to take advantage of the overwhelming scale of demand in India and achieve a significant leap forward, with a nearly fivefold increase in the balance of outstanding loans compared with the previous fiscal year. In Vietnam, we took positive steps to promote sound operations while managing risks despite the major wave of COVID-19 infections entering 2021. Another major development worth mentioning in FY2021 was the launch

of the impact investment business in practical terms. Here, we put in place a framework for providing much needed funds to such underserved groups as micro businesses and individuals, who are unable to obtain adequate financing services from banks and other institutions, in collaboration with FinTech business operators, emerging lenders, and microfinance institutions. In this regard, FY2021 was a year during which we saw clear signs of what will become a core pillar of our lending business in the future.

New activity in the investment business was temporarily suspended in FY2020 due to the impact of COVID-19. With the resumption of activities in FY2021, energies were directed toward accelerating the pace of theme-specific new investments in such areas as embedded finance\*1 and BtoB supply chain finance while strengthening our presence in the region. As far as the sourcing of investment projects is concerned, we also undertook various measures to put in place a sourcing system. This included steps to foster a community to share know-how through various initiatives including the creation of FinTech knowledge content while capturing human resources through the use of social networking services. These endeavors led to the improvement of Saison Capital's branding.

\*1 Embedded finance: Also referred to as plug-in finance, embedded finance is the integration of financial services or tools within the products or services provided by non-financial organizations.

Please tell us about the business environment and competition in Southeast Asia and India and how it affects your business.

In addition to the various restrictions imposed following the outbreak and spread of COVID-19, many foreign players, including Chinese companies that had engaged in transactions under favorable short-term terms and conditions,

withdrew or scaled back their operations amid changes in the geopolitical environment and growing global concerns toward China and Russia. In terms of the Group's global expansion, Credit Saison has continued to place considerable importance on the long-term development of the countries and regions in which it operates. Against this backdrop, I sense that each market is increasingly welcoming partners like us who are able to build relationships with this longterm perspective. Amid the sharp decline in stock markets, inflation, and the incidence of interest rate hikes since the end of 2021, we have witnessed a change in the FinTech funding environment in the lending business. Signs of a change in the balance of power between the Company and FinTech business operators have also emerged as, for example, startups that cannot demonstrate profitability find it more difficult to raise funds amid the decline in the number of fund providers. Taking the aforementioned into consideration, we recognize that recent changes in the business environment are providing a tailwind for the Company.

Credit Saison has identified acceleration of global business expansion as a growth strategy under its new Medium-term Management Plan. How is the global business positioned within the Group as a whole?

Amid the innovative, digital, and global themes raised Group-wide, our goal is to develop the Group as a third pillar that can firmly support growth from a quantitative performance perspective. As I mentioned earlier, there are indications that a lending business framework for providing much needed funds to the underserved through alliances with FinTech business operators and emerging lenders is beginning to emerge in various countries. There are also signs of an improvement in organizational capabilities that encompass the human resources, know-how, and systems necessary to expand horizontally into other new markets over the medium to long term based on this framework. In

this sense, I would offer that the global business is becoming one of the Group's three pillars both in name and in reality.

### Q

# What do you see are the challenges for the global business?

Every aspect of our global business is new. In addition to differences with the Group's existing activities, the global business is an initiative that we are undertaking completely from scratch. This includes establishing diverse regulations and systems depending on the country and region. Taking the aforementioned into consideration, we recognize that human resources will determine the success or failure of every aspect of our global business. Human resources in this instance comprise local front-office staff, personnel who are responsible for the corporate functions of each country's business at the IHQ in Singapore, and employees who support our global business from Tokyo.

While recognizing that the front-office staff in charge of launching new businesses are distinguished by their entrepreneurial spirit, my challenge is to create an environment that allows them to maximize their strengths and excel. At the SAISON GLOBAL SUMMIT 2022 meeting of team members from each country held in July 2022, I was convinced that the Company's vision and mission had attracted the best human resources. Looking ahead, we will draw on our track record in Japan to realize financial inclusion and innovation in each country with a greater sense of urgency. As I mentioned just a moment ago, this mission is attracting the best and the brightest. The growth of each individual directly translates to further business expansion. And, as business expands, individuals are afforded greater responsibilities and perspectives thereby expanding the arena in which they can excel. We are aware that this virtuous cycle of human resources and business growth will allow us to acquire and further strengthen our human resources base.



# Please tell us about the impact and changes that the IHQ in Singapore has had since its establishment in April 2022.

This is now my ninth year working in Singapore. Throughout this period, I have worked closely with the Company's Head Office in Tokyo and promoted teamwork when conducting business and undertaking investments in each country. Singapore has positioned efforts to become a hub for global human resources as a national strategy. Against this backdrop, we recognize the critical need to put in place an Achilles' heel function in Singapore at a time when our global business is growing more rapidly than ever. This is precisely the accelerator that will help ramp up the pace of growth of our global business into one of the Group's three pillars. Moreover, we recognize the importance of a global business strategy that is not led by a team comprised largely of Japanese and controlled by Japan. Rather, we envision that an international lineup based in Singapore will oversee the overseas market. For this reason, we have dubbed the newly established structure as an international as opposed to a regional headquarters. Moving forward, we will gradually delegate more authority to the IHQ to accelerate growth through timely decision-making.



# How does the global business contribute to its ongoing sustainability as well as the sustainability of society?

Credit Saison has continued to adopt an innovative approach when promoting financial inclusion in Japan through products and services that banks cannot provide. Positioned at the heart of efforts to achieve the SDGs, Credit Saison is committed to funding the financial inclusion and innovation endeavors driven by FinTech business operators and emerging lenders through its global business.

Over and above impact investment, the wide-ranging financial inclusion that is being realized also in India and

Vietnam plays an important role in shining a light on the Group's sustainability activities. Kicking off these activities, Credit Saison procured funds for the purpose of financial inclusion overseas through the issuance of social bonds in June 2022. Next year, one year after the issuance of social bonds, we hope to publish an impact report on the effects of our global financial inclusion business. In publishing this report, we will internally measure and analyze both quantitatively and qualitatively the scope and income range of the people we have reached and the areas in which we have contributed.



# In closing, what message do you have for stakeholders?

I joined the Company with the aim of serving as a bridge between Japanese companies and the global market. Currently responsible for the Group's financial inclusion business, which stands directly at the center of our efforts to achieve the SDGs and helps create substantial social value, I find my work today extremely rewarding. Looking around the world, there is a large number of such underserved groups as micro businesses and individuals as well as a host of problems to solve. Against this backdrop, we will first work with FinTech business operators and emerging lenders to laterally expand our business in Asia and other markets with large FinTech ecosystems\*2. We will then use the know-how and resources gained from this business growth as the driving force to further develop financial inclusion in emerging markets. Moving forward, Credit Saison will continue to ensure that the Company's economic value leads to the creation of further social value. As we work to achieve our established goals, we ask for the continued support and understanding of all stakeholders.

\*2 FinTech ecosystem: An industrial ecosystem comprised of a diverse range of participants, including companies, financial institutions, government agencies, lawyers, investors, technology developers, and others involved in FinTech.

Strategy

Financial Capital Strategy: Interview with the Executive Officer in Charge

Continuing stable financial operations while strengthening risk capital management

### Shingo Baba

Managing Executive Officer and CFO Financial & capital strategy, IR, M&A Head of Public Relations Office, Corporate Risk Management Dept., Treasury & Accounting Dept.



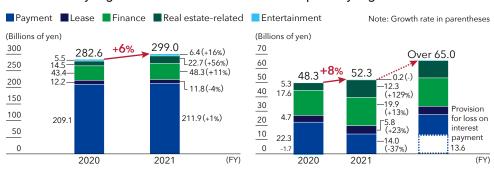
As a company that enjoys many partnerships with brick-andmortar stores, Credit Saison experienced particularly strong headwinds during the COVID-19 pandemic when consumers refrained from going out, making for continued severity in the business environment throughout FY2021. Despite this situation, the business results for FY2021 saw increased sales among all business segments, except the Lease Business, as net revenue totaled ¥299.0 billion, up 6% year on year. With profits increasing in every segment except the Payment Business, for which we recorded a provision for loss on interest payments, business profit ultimately amounted to ¥52.3 billion, up 8% year on year. If we exclude the temporary overpayment portion in the Payment Business, our assessment shows that in practice we achieved our ¥60 billion business profit target for the final fiscal year of the previous Medium-term Management Plan. Regarding the Payment Business, we are aware of issues including the need to strengthen initiatives intended to capture new cardholders, which will have an impact over the medium to long term, and to expand transaction volumes for the high-yield shopping revolving balance and cash advances. In the Finance Business, despite the COVID-19 pandemic, we diversified operations by decidedly expanding the top line for asset formation loans, Flat 35 loans, and rent guarantees. The Real Estate-related Business also experienced stable growth in real estate prices due to the low interest rate environment, while Atrium contributed significantly to profits as the operating company and the Entertainment Business returned to positive territory.

### Now that the previous Medium-term Management Plan has ended, what is your overall assessment?

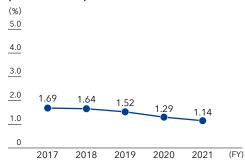
Although the pandemic's complete transformation of the business environment after we initially formulated the Mediumterm Management Plan had an impact on the Company, we worked to revise the business composition in line with this changing environment, for which we made steady progress in both the Payment Business and the Finance Business. For example, we transitioned from business development centered on the real world as usual to expanding digital services using SAISON CARD Digital. Although we cannot deny that areas of

Net revenue by segment

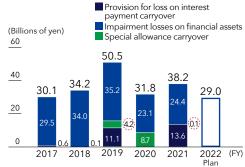
### Business profit by segment



### Credit risk delinquency over 90 days (consolidated)



### Credit risk bad debt costs (consolidated)



- Utilized macroeconomic variables as future forecast information and recorded
- additional provisions from the future forecast numbers • Due to the ratio of unpaid receivables and the status of deferred payment receivables special allowances were recorded to prepare for future increases in such accounting

### Financial Capital Strategy: Interview with the Executive Officer in Charge

the global business experienced delays in terms of the pace of the Plan compared to our initial expectations due in part to restrictions on movement, we did manage to successfully strengthen its functions as a business entity, including system building and governance enhancements. Now that we are living with COVID-19, we expect to see further activity in the payment, finance, and global businesses.



### Tell us about the current credit risk situation.

Credit Saison has been able to maintain credit risk at a low level in terms of delinquency over 90 days. In general, credit risk increases in the event of emergencies, during which bad debt costs also tend to balloon, so we braced ourselves when the world first entered the COVID-19 pandemic. Looking back, however, our credit quality actually improved during this time. Along with macroeconomic elements such as generous support in the form of government subsidies and unsecured and interest-free loans, as well as the Bank of Japan's ongoing negative interest rate policy, our improved credit quality stemmed in part from a higher deposit rate corresponding to the degree to which consumption fell as people refrained from going out. Our analysis also shows that our Al-based fraud detection system and efforts to strengthen credit controls were effective in improving credit quality. Although we did accumulate provisions for loss on interest payments in anticipation of future trends, in FY2022 this effort enabled us to build up allowances equivalent to more than 3.6 years of losses, even if we assume a drawdown at the same level as FY2021. As of November 2022, we do not plan to make any broad additional allocations, but we will continue to keep a close eye on future trends.



# Please tell us about the basic policy behind the financial strategy.

Considering the Company's business model, we manage the Company with an awareness of financial soundness (credit

rating A+). For more than 10 years, we have measured the confidence level, which represents the amount of risk suited to this rating, as 99.75%, and have engaged in risk capital management in a way that allocates the minimum required capital by quantifying this level for each business and affiliated company. The ALM\*1 Committee deliberates risk quantification, risk capital investment policies, and WACC\*2 and ROIC\*3 targets for each business, from which we derive the investment allowance for implementing aggressive growth investments and shareholder returns. Calculating these enables us to prioritize the maintenance and enhancement of financial soundness while executing agile decision-making for matters that fall within the scope of the investment allowance, even in the case of high-risk overseas investment and financing projects or share repurchases.

In terms of individual investment proposals, members of the Investment Strategy Committee with expertise in financial, digital, and global matters, as well as those involved in finance, accounting, legal affairs, and risk oversight, deliberate on matters from a multifaceted perspective to first identify risk. Following this, we make the actual investment decisions through requests for approval and at meetings of the Board of Directors. In terms of high-value investment and overseas investment proposals, we employ the capabilities of outside experts to help identify potential risks and deliberate the countermeasures for these at Board of Directors' meetings.

As of the end of March 2022, consolidated interest-bearing debt (including lease debt of ¥15.3 billion) amounted to ¥2,569.0 billion, of which debt accounted for 54.5%, corporate bonds for 20.7%, CP for 18.1%, and securitizations for 6.7%. Of the assets owned by the Group, 68.6% consist of installment accounts receivable, mainly in the Payment Business. With the turnover rate averaging more than three times a year, however, we have been able to maintain a high level of liquidity.

- \*1 Asset Liability Management (ALM): Comprehensive management of assets and liabilities
- \*2 Weighted Average Cost of Capital (WACC): The interest expected to be paid by a company on average to all right holders as compensation for financing
- \*3 Return on Invested Capital (ROIC)



### Please tell us your thoughts on fund procurement.

We place importance on stability and cost when procuring funds and endeavor to diversify our procurement methods. In terms of our main funding methods, in addition to relative transactions with banks, financial institutions, life insurance companies, and non-life insurance companies, we conduct indirect financing such as syndicated loans and commitment lines, and direct funding such as issuance of straight bonds and CP. In terms of indirect procurement, in addition to building relationships with existing business partners, we are striving to mitigate refinancing risks and to reduce costs by cultivating partnerships with new financial institutions with which we can expect long-term stable transactions to diversify our procurement sources. For direct financing, in addition to straight bonds and CP, we are working to reduce liquidity risk and costs by diversifying our funding methods, such as with the liquidation of receivables that are not affected by our credit status.

In terms of interest-bearing debt, we will continue to maintain our basic policy of a 70% long-term interest rate ratio and 60% fixed interest rate ratio as part of our ongoing conservative approach to financial operations. Unlike the ongoing negative interest rate situation in Japan, the United States, Europe, and even emerging economies are slowly approaching a period of rising interest rates. Assuming the potential for interest rate increases in Japan, as well, we will maintain our conservative approach to financial operations so that we can continue to procure funds in a stable manner at low interest rates. This will also allow us to gradually benefit from the effects of a shift to long-term fixed interest rates at the time of rollover and new fund procurement.

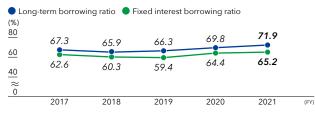
Moreover, in the global business, which is driving business expansion with a focus on Southeast Asia, we must investigate measures to mitigate foreign exchange risks that coincide with lending and investments. Conducting asset management and procurement using the same currency will enable us to hedge foreign exchange risk for the entire Group to some degree, so we will work to procure funds locally in addition to utilizing foreign exchange contracts and currency swaps for yen

procurement in Japan. We have already acquired a local credit rating for our operating company in India and have established a system that enables external procurement from local financial institutions. From the perspective of regulations and business scale, the global business is not necessarily able to procure funds locally for every country and region like we have in India, so we will provide support in the form of guarantees and direct lending from Tokyo as necessary and pursue ideal financing methods throughout the entire Group.

### Balance of interest-bearing debt (non-consolidated)



### Long-term/fixed borrowing ratio (non-consolidated)



# Please tell us about the background to the social bonds issued in June 2022 and your thoughts on this.

In addition to being part of the financing method diversification that the Company is advancing as an important measure, we issued these social bonds as one of our ESG initiatives amid the recent increase in investors that are engaged in ESG finance. Using funds that are stably procured at low interest rates to help

provide financing to underserved demographics in emerging economies, for example, will also serve to fuel business growth for the Company while having an impact on society. Although the scale of this effort is still small, we intend to expand these initiatives in the future in stages.

# Please tell us your thoughts on the shareholders' equity ratio.

To raise corporate value, we have defined three major indicators, namely business profit, ROE (return on equity attributable to owners of the parent) to ensure an awareness of capital efficiency, and shareholders' equity ratio (equity ratio attributable to owners of parent) for maintaining and improving financial soundness. As an independent non-bank company, securing a specific shareholders' equity ratio is a particularly important indicator for us when considering the Company's credit rating and transactions with financial institutions and other creditors. In addition to considering the opinions of rating agencies and market trends, we maintain an awareness of flexibly securing a shareholders' equity ratio of around 15% over the medium to long term as another one of the guidelines. At the same time, in each instance we investigate our stance on the shareholders' equity ratio considering discussions by the ALM Committee and Board of Directors. We are also holding discussions over asset allocation and maintain a policy of strengthening initiatives intended to increase ROIC and reduce WACC for each project. This policy calculates WACC for each project based on quasi-capital derived by applying the risk ratio to the used assets. We also intend to take an approach that allows us to present specific asset allocation policies upon fully investigating the adequate level of asset allocation from the perspective of various stakeholders. In particular, the rapidly growing global business has seen a demand for business assessments that do not rely solely on ROIC indicators but that also consider growth potential. For this reason, we aim for business growth that looks to flexibility and speed from both a quantitative perspective and a qualitative perspective based on a sensibility that is unique to the Company.

### How do you intend to link the Company's mediumand long-term financial capital strategies to value creation?

With an eye to higher interest rates in the future, the central pillar of the financial capital strategy focuses entirely on stable financial operations. I am certain that each business division will fully realize business growth, so my role is to strengthen risk capital management. And I must also provide quantitative yet easy-to-understand explanations to various stakeholders, including investors, creditors, business partners, and employees. The fact that the Company includes sensibility-based management as part of business growth is a point that sets us far apart from our competitors. Founded on our solid financial base, we intend to connect our capital strategies to greater corporate value.

# In November 2022, the Company announced a revision to the risk capital allocation model. Please provide some details on this.

The Company's business composition is transitioning from a business model centered on the Payment Business to one that assumes growth in both the Finance and global businesses. The global business has experienced changes regarding both the quality and quantity of the country risks for each country and region in which we do business, foreign currency risks, and other risks that we consider, which is one of the reasons we revised the risk capital allocation model. The most recent revision continues to use the same confidence level of 99.75% for earnings at risk (EaR)\*4 required to maintain our current credit rating yet reduces the percentage of consolidated shareholders' equity to be secured as the minimum required capital from the conventional 20% to 15%. As a result of revising the risk allocation model for finance-related businesses, real estate-related businesses, and global businesses, the capital surplus calculated as approximately ¥50 billion will continue to be distributed into appropriate shareholder returns and aggressive growth investments. We will continue to revise the allocation model

### Financial Capital Strategy: Interview with the Executive Officer in Charge

on a regular basis in line with business growth as we deepen discussions into further upgrading the model.

\*4 Earnings at Risk (EaR): The maximum variation in earnings value assumed due to changes in the market environment over a specific period and within a specific confidence interval.

# Please tell us your thoughts on the capital policy and shareholder returns.

The Company has defined the basic policy for the capital policy as engaging in efforts to enhance corporate value while fully balancing the three aspects of soundness, growth potential, and shareholder returns. To increase shareholder value, we believe

it is important to take action that strengthens our corporate structure and that continues to expand our business. Meanwhile, our policy on returning profits involves enhancing internal reserves and making appropriate, stable, and continuous dividend payments to our shareholders.

We generally distribute our dividend on earnings retained once per year as a year-end dividend payment, which in FY2021 amounted to ¥55 per share. Moreover, we intend to efficiently invest these internal reserves in growing areas that will contribute to sustainable growth in corporate value. In November 2022, we formulated a policy for purchasing treasury shares as a shareholder return measure and have prepared to

execute this policy in a flexible manner upon comprehensively taking account of investment opportunities, our financial standing, and the stock price level. In working to raise the Company's corporate value, we must also share our perspective through extensive dialogue with as many stakeholders as possible and address this issue while considering the balance between our shareholders and creditors.

### Capital policy (risk capital management)

### Background to Review of the Risk Capital Allocation Model

Implement a review of the surplus risk capital allocation model considering changes in the Company's business environment, including the outlook for contribution to business profit of the finance business, which has grown into the second pillar, and the global business to become the third pillar in a shift from the business model based on the existing payment business

### **Top Priority**

As a non-bank with interest-bearing debt of approximately ¥2.5 trillion, the Company will have sufficient risk capital to maintain an A+ credit rating from R&I.

### Results of review of major items

Confidence level, including EaR required to maintain A+ credit rating

99.75% ➤ No change

Percentage of consolidated shareholders' equity to be secured as minimum required capital

20% ➤ Revised to 15%

Risk allocation model for each business Non-consolidated: finance-related business Consolidated: review of real estate-related business/qlobal

business, etc.

### Basic approach to allocation of surplus capital

Allocation of surplus capital approx. ¥50.0 billion

### Appropriate shareholder returns

In addition to returns through dividends in line with growth, carry out stock buybacks with awareness of capital efficiency

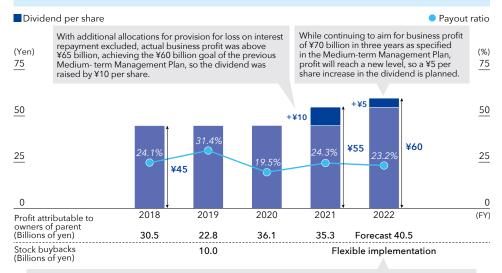
### Investment in growth areas

Investment in new partners (M&A, new alliances) in each business and proactive investment in growth areas inside and outside Japan to create a comprehensive life services group

### Dividend per share and payout ratio

# Stable, continuous dividend

No dividend cuts in the past, even during times of management hardship like the 2008 global financial crisis.



At the meeting of the Board of Directors held on November 10, 2022, the Company formulated and approved a policy for the purchase of treasury shares as a shareholder return measure. The specific details for the purchase of treasury shares will be published after being resolved at a separate meeting of the Company's Board of Directors.

**Special Feature** 

CSDX Strategy | Interview with the Director in Charge

Evolving "Genuine DX" in line with the business portfolio based on the outstanding outcomes of "CSDX"



### Kazutoshi Ono

Director, Senior Managing Executive Officer and CTO, CIO Group-wide promotions of DX strategies, Why SAISON strategy Head of CSDX Development Dept., Customer Success Division, In charge of Full Life Business Dept., General Manager, CSDX Development Dept., Technology Center

Please tell us about the outcomes and challenges of the "CSDX Vision" strategy announced last year.

Although we only announced the details of the "CSDX Vision" in September of last year, we began working on these activities in March 2019. So, I would like to look back at our efforts over the past three and a half years from the two facets of progress in relation to the KPIs and qualitative changes. I will begin with the KPIs. From the perspective of CX, the ratio of procedures and inquiries made by customers through digital channels stood at 76.7% against our target of 80.0%, and NPS stood at +1.7% against our target of +5.0%. Although Likeme ♥by saison card and some of the other new concept cards we have begun issuing have been well-received among young people, we unfortunately missed our targets for these. From the perspective of EX, the ratio of human resources with digital technology backgrounds among all Credit Saison employees on a non-consolidated basis reached 5.6%, just below our target of 6.0%. Although we did increase the employee satisfaction score 2.9 points, we failed to meet our goal of a 10-point

increase because of this effort's extremely challenging nature. By applying digitalization, we reduced the amount of paper we use by 13.7%, exceeding our goal of 10.0%.

Having engaged in full-scale DX since 2019, including establishing the Technology Center, our efforts to shift development in-house have reduced the costs of in-house developed systems by 61.8% compared to those developed externally, and have produced other outcomes such as solving the difficulties faced by those on the frontlines and enhancing the experience value of our customers. Meanwhile, our application of AI to detect unauthorized credit card use in the Payment Business has improved the unauthorized use prevention rate from 81.4% in 2019 to 92.5% today, an increase of more than 10 percentage points. Amid increasing unauthorized credit card use in the industry as a whole, we positively note the significant emerging benefits of DX in this area. In addition, we automated 730,000 hours of manual tasks from FY2019 to FY2022 using RPA systems, data linkage systems, and other types of software. Moreover, by enriching services and campaigns through digital channels, we nearly

doubled the total number of app downloads from 5.5 million in FY2019 to 10.6 million, and we increased the number of followers of our official accounts (Twitter, Instagram) from 12,000 three years ago to 295,000 today. Our digital counters, which we installed focusing solely on pilot sites, are now at 66 locations. Although we have utilized the "Slack" digital communication platform for the past three years, the number of active users over this time increased from 178 to 3,199, with users now hailing from nearly every part of the Group. In FY2022, we even received the "Country-Specific (Japan) Digital HQ Award for Excellence" as part of the customer "SLACK SPOTLIGHT AWARDS," during which Slack Technologies, LLC, selects only one company from each country every year.

The CSDX Strategy also emphasizes EX along with CX. Tell us about the background to this emphasis, as well as about the progress toward the target of expanding human resources with digital technology backgrounds to 1,000 by FY2024.

The reason the CSDX Strategy emphasizes both CX and EX is because it is employees alone that create experience value for customers through CX. In short, enhancing EX will connect to enhancing CX by extension, so we have placed a similar level of importance on EX as CX. Moreover, in today's digital era, it is not enough to consider digital strategies at a few departments that promote the use of digital technologies. Instead, today's world requires us to grasp the kinds of difficulties those on the frontlines face when interacting with customers, and to ensure each employee takes ownership of these challenges as they search for solutions while leveraging digital technologies. In this sense, enhancing both core digital human resources and employees who are familiar with digital technologies directly connects to corporate competitiveness. In addition, the solution to enhancing the experience value of customers through CX lies within the response of our customers. When we launch a new service, for example, if the initial outlook and customer response differ, the business departments and the system departments

### CSDX Strategy | Interview with the Director in Charge

must accompany each other along the same vector as they search for a solution in a flexible manner. Which is why we emphasize agile, concurrent in-house development.

Although the number of human resources with digital technology backgrounds reached nearly 150 during the previous fiscal year, we are already certain this number will increase to 260 (51 core digital human resources, 52 business digital human resources, and 157 digital IT human resources) by April 2023. Nearly quadrupling this number to 1,000 will be a challenge, but our internal open recruitment system, which we refer to as open challenge, is also increasing the number of human resources who have volunteered to study programming and data science with the goal of becoming business digital human resources.

# How will the CSDX Strategy evolve under the new Medium-term Management Plan?

Under the new Medium-term Management Plan, we will turn in the direction of achieving a 3:3:3:1 balance for the Payment Business, Finance Business, global business, and new business, respectively, within the business portfolio in aims of "transforming into a comprehensive life services group." Naturally, we will evolve the CSDX Strategy in a manner that aligns with the new Medium-term Management Plan. Specifically, we will distribute human and economic resources in a manner that aligns with this 3:3:3:1 allocation. For example, although we have focused on the Payment Business in designing systems for the call centers that service our customers thus far, we will expand these efforts to address real estate and other parts of the Finance Business as well. And in terms of global developments, instead of assigning human resources with digital technology backgrounds in Japan to the global business, we will gather human resources with digital backgrounds that are well-versed in local business practices, as well as in how to act as a team, in aims of expansion in an independent manner for each country and region. With its particularly remarkable business growth, in India we have

already attracted nearly 100 high-level human resources with experience as CTOs at start-up companies and other types of digital technology backgrounds that are suited to the layer that we refer to as core digital human resources in Japan. These global human resources with digital technology backgrounds are already working to share information with one another as appropriate from the perspective of Group-wide DX. And just as we are doing for Group companies in Japan, in working to "transform into a comprehensive life services group," we are advancing mutual human resource exchanges and investigating Group-wide system architectures. For example, the "NEXT SAISON" project, which is an initiative put forward by the Company's executives, has this year added members from Group companies prompting the start of new interaction.

# Tell us about the points that are emphasized by the CSDX Strategy in working to "transform into a comprehensive life services group."

In the coming age, business strategies and digital technologies will enter an inseparable relationship within every industry. As the roles played by digital technology become ever more important, we will pursue in-house development for each system in a concurrent and agile manner, while reviewing the feedback and reactions of our customers. At the same time, we will leverage the variety of data acquired through these efforts for the purpose of visualizing our various business fields. For example, we have already defined quantitative KPIs such as the ratio of unauthorized credit card use prevented in the Payment Business, whereas in the Finance Business we will evolve in a direction that improves upon the accuracy of credit by leveraging data and that provides personalized services based on fact data to our customers. For this reason, it is important for us to continue focusing our efforts on recruiting and developing data scientists.



# In closing, what message do you have for stakeholders?

At the request of companies that do business globally, in particular, I have recently had an increasing number of opportunities to speak about our DX initiatives as a representative example of a Japanese financial institution that has found success in DX. And as a financial institution of our size, our use of cloud computing services and communication platforms as part of our core business's core systems, not as DX in subsidiaries, new businesses, and other areas separate from our core business, has been introduced as a leading DX initiative from Japan's financial industry. We plan to deploy our "Genuine DX" initiatives in alignment with our business portfolio, from the Payment Business to the Finance and global businesses. I am convinced that these types of initiatives will only take on significance when advancing DX within the core of our business, and we are committed to advancing them with the enthusiasm of serving as a form of proof that they are also possible at a Japanese financial institution. I therefore humbly ask for the continued support of all our stakeholders.

# The CSDX Strategy as the Platform for Supporting the Entire Group

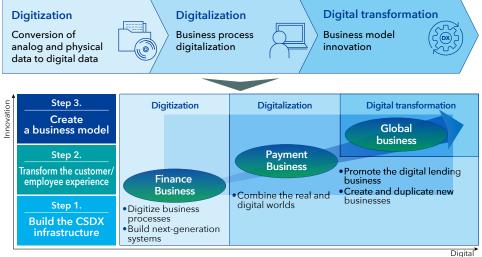
### Three steps of digitalization

Today's world is one in which companies that can offer "new experiences" via digital technologies come out on top, whereas those that cannot fail to survive.

The "CSDX (Credit Saison Digital Transformation) Strategy" raised by the Group does not view DX itself as the end goal. Instead, it sees the very "innovation of experience" that lies beyond as the objective of promoting DX in a way that involves the entire Group.

Credit Saison has organized the utilization status of digital technologies by each business division into one of the three stages defined by the Ministry of Economy, Trade, and Industry as "DX success patterns." Under this organization, we will promote the use of digital technologies in a manner that suits the respective business division with the aim of providing exhilarating experiences that exceed the expectations of our customers and employees.

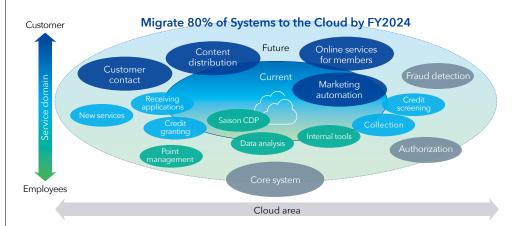
The Finance Business, in particular, maintains a deeply rooted analog culture, where fax machines are still used to transact documents and face-to-face sales remain the mainstay, for example. The emergence of "remote work" and other changes during the COVID-19 pandemic, however, have led to an increasing number of customers who are unable to visit real estate companies in person. This in turn has triggered the spread of Internet-based approaches to attracting customers and has increased the number of voices desiring services based on digital technologies. By introducing digital technologies that align with the changing needs of our customers, we have automated and streamlined our real estate operations, improved customer satisfaction, and allowed ourselves to focus on core operations because of greater productivity.



### **Digital platforms**

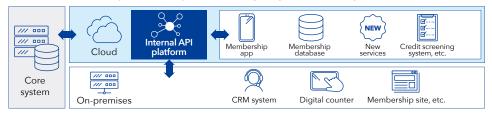
To accelerate the digitalization of the business divisions, Credit Saison requires infrastructure that offers a high degree of flexibility and scalability. For this reason, we actively leverage AWS and other cloud services in driving development that looks to the cloud first when launching new services. We are also systematically migrating existing systems to the cloud in aims of transitioning 80% of our systems by FY2024.

Moreover, we migrated our internal API platform, which links our core and peripheral systems, to the cloud through in-house development. As a result, we have been able to migrate functions that previously relied on core systems to the internal API platform, thereby reducing the load on the core system and optimizing the peripheral application functional layout, for example.



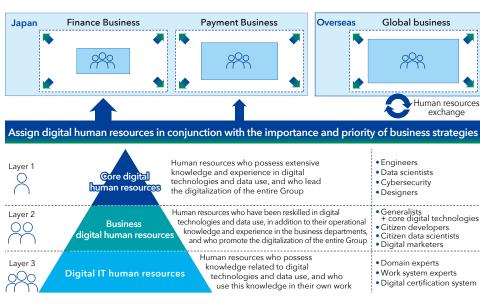
# Migrating the internal API platform that connects core and peripheral systems

Greater flexibility and scalability results from migrating the internal API platform to the cloud



#### Digital human resources

Credit Saison is actively expanding systems designed to train the human resources required to promote digitalization, recruiting mid-career professionals, and assigning these human resources in conjunction with the importance and priority of business strategies. To accelerate digitalization, we will primarily assign digital human resources to the Finance Business, which is expanding in scale. We will also accelerate the development of digital human resources in Japan through the exchange of digital human resources that can leverage cutting-edge digital technologies from India and other parts of the global business.

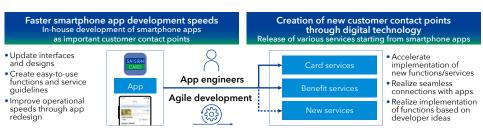


Core digital human resources who possess digital skills will work together with business digital human resources who possess operational knowledge and digital IT human resources to promote digitalization throughout the Group. Moreover, Credit Saison has established a personnel system (open challenge) that enables employees to transfer their assignments to digital departments on a voluntary basis and to participate in new business projects. Under open challenge, we recruit human resources who aspire to retrain as engineers and data scientists and transfer the assignments of those individuals who pass the screening process via an official personnel announcement. Through training and OJT, these transferees acquire digital skills and use these newly acquired skills along with their experience in the business departments to digitalize the entire Group.

### In-house development

Credit Saison is building an in-house development system that allows us to undertake some aspects of IT system development that we had previously outsourced to different external vendors.

Shifting to in-house development has enabled agile development at much lower costs, while at the same time allowing us to accumulate knowledge. We are advancing the shift to in-house development with a focus on smartphone apps as important contact points with customers and on internal systems. In-house development of smartphone apps involves every aspect of the process, including developing functions that are easy to use from the customer's perspective and designing service implementation. Our developers also propose new functions and services, and by involving the business departments in their efforts, they have been able to implement functions based on ideas that had not been conceived of before.



Keeping the development of internal systems in-house aims to enable digital human resources and business side human resources to "accompany" each other as we develop these systems. Specifically, digital human resources travel to the frontlines of the business departments to directly experience the issues faced there as they work to develop systems intended to help solve these challenges. This approach realizes a development system that creates simple prototypes in-house and makes improvements as feedback is received from the business side.



Updates to existing systems/Operational problems in business divisions/Use of RPA and other digital technologies

#### The CSDX Strategy as the Platform for Supporting the Entire Group



Through the open challenge system, Credit Saison is expanding our efforts to train the digital human resources who are indispensable for promoting the CSDX Strategy in each business. Members who have been reassigned as business digital human resources after volunteering in FY2021, the first fiscal year of the CSDX Strategy, are now actively involved in various fields, including internal system and portal app in-house development, as well as dashboard development using BI tools\*.

# Examples of activities by members transferred through open challenge



Ryo Hirata Employed since 2016 Pre-transfer assignment: Finance Division

# What projects have you contributed to in the past?

I developed an internal FAQ system used for back-office operations inquiries. Because I am also an employee, it was easy for me to imagine how this system would be used and the kinds of topics that would be searched, for example. And the user departments and development departments developed this system in a concurrent manner.

# • Why did you apply for open challenge?

I applied because I felt frustrated whenever I was unable to respond to requests from card members and business partners. Although I investigated improving our systems to respond to these requests, I had to give up on the idea because of the hefty vendor development fees. So, I decided to apply because I wanted to become involved in in-house development myself so that I could put aside having to "give up" due to the hefty vendor development fees, and thereby respond to various requests from customers and employees.



Rikako Nagumo Employed since 2015 Pre-transfer assignment: Tokyo Information Center

# What projects have you contributed to in the past?

I was involved in the development of the "COMPASS" knowledge system, which is used to search manuals when providing customer support. We developed the system using the respective experiences of the members, for example, by incorporating opinions from members with work experience at the information centers and processing departments, including myself, into the screen design.

### Tell us what you have done to improve your skill level.

As an open challenge member, I have met with others to review the content that we have studied, ask each other about what we do not understand, and teach each other to ingrain our knowledge. During actual system development, I study using textbooks. The Technology Center also organizes study sessions that introduce IT technologies and the operations of other departments on an irregular basis, where I have also acquired a broad range of information about fields in which I am not involved as part of my regular duties.



Masaya Kinugasa Employed since 2005 Pre-transfer assignment: Core System Development Dept.

# What projects have you contributed to in the past?

I was involved in the development of the internal API platform. Through this project, I learned about modern frameworks, testing methods, and architectures, and used my experience in the Core System Development Dept. as I led the system tests in connection with the internal systems to be linked to the platform, and in coordinating the migration timetable.

# • What kind of role do you want to play going forward?

When I was assigned to the Core System Development Dept., I felt there were problems with the high development costs and the long development times with vendor development, so I wanted to become involved in development as an engineer myself. I hope to contribute in many ways to Credit Saison's business, namely by acquiring skills through my work on many different projects and by working on systems with a greater sense of speed.

# Responses to Risks/Opportunities

The Credit Saison Group's businesses carry with them several risks, including risks related to the external environment as well as financial and business aspects. In this context, in addition to continuing to strengthen our response to the risks common to the industry that we have been dealing with so far, there remains the necessity to evaluate any risks that have emerged due to changes in the external environment from a medium- to long-term perspective and to take countermeasures. Some of the risks that could significantly influence investor decisions are listed below.

### Risks common to the industry

Risks	Details	Responses ►P30 Financial Capital Strategy
Economic Conditions	<ul> <li>Decrease in transaction volumes of credit cards, loans, credit guarantees, and real estate mortgage loans provided by the Group, and decline in the loan collection rate due to deterioration of the domestic and overseas economic environment (employment environment, household disposable income, personal consumption, etc., due to recession)</li> <li>Decrease in capital investment by SMEs, which are the main customers of the Lease Business, and deterioration in corporate earnings</li> <li>Recorded loss on valuation of real estate for sale, etc., due to falling real estate prices in the Real Estate-related Business</li> </ul>	Calculation by risk capital management (RCM) of the risk capital required by our business to maintain ratings and maximize returns within the scope of the risk capital surplus
Fund Procurement	<ul> <li>Among fund procurement methods, such as borrowing from financial institutions and the issuing of corporate bonds and CP, liquidity risk due to the considerable amount of funding with a procurement period of less than one year</li> </ul>	In fund procurement, maintaining a certain percentage of long-term and fixed financing; the setting of liquidity enhancement limits, such as commitment lines; and the reduction of liquidity risk by promoting diversification by executing direct procurement, such as corporate bonds and the liquidation of receivables
Market Risk	<ul> <li>Risk of falling prices of investment assets, such as stocks of listed and unlisted companies, venture investment funds, bonds, real estate, and real estate funds</li> <li>Rise in funding interest rates when interest rates rise</li> </ul>	Appropriate management of market risk by introduction and utilization of RCM and ALM
Impairment of Financial Instruments (Allowance for Doubtful Accounts)	<ul> <li>Risk of non-repayment of receivables by large numbers of customers due to changes in the domestic and overseas economic environment (employment environment, household disposable income, personal consumption, etc., due to recession)</li> </ul>	Ongoing soundness of claims and appropriate allowance for doubtful accounts by strengthening credit management systems, such as establishment and operation of credit management systems relating to credit limits, credit information management, and internal ratings, as well as monitoring of credit status
Provision for Loss on Interest Payment	<ul> <li>Risk of increase in the amount of reimbursement claims from customers regarding the portion of interest that was higher than the interest rate ceiling set by the Interest Rate Restriction Act, interest that within the Group in Japan was repaid before the revision of the Act</li> </ul>	The amount of allowance required at the present time is recorded in consideration of the past reimbursement record and trends in interest reimbursement claims
Various Regulatory and Legal System Changes	<ul> <li>Revisions, changes in interpretation, and increasing strictness of general laws and regulations pertaining to company management, and adoption of new legal regulations</li> <li>Risk of having to cease certain services due to regulatory changes, etc.</li> </ul>	<ul> <li>Internal systems, rules, and operations are reviewed, maintained, etc., in accordance with the changes</li> <li>While complying with laws and regulations, prompt responses to service developments in accordance with new regulations</li> </ul>

# Risks and opportunities that need to be addressed over the medium to long term

Risks		Details	Responses			
Occurrences	Risks	<ul> <li>Physical damage to owned assets and human damage to employees due to large-scale natural disasters (e.g., earthquakes) in various regions in Japan and overseas</li> </ul>	Formulating a BCP plan and regularly confirming its effectiveness; implementing BCP education and training			
of Large-Scale Disasters	Opportunities	<ul> <li>Securing human resources through BCP formulation and education, building trust with other corporations, and improving corporate value</li> <li>Continuously developing services as social infrastructure by preparing for unexpected circumstances</li> </ul>	• Improving the credit card usage environment by decentralizing authorization systems to the Kanto and Kansai regi  ▶ P43 Response to Climate C			
Impact of the	Risks	<ul> <li>Economic downturn, corporate bankruptcies, and prolonged decline in personal consumption due to continued uncertain future restrictions on behavior and pandemic trends</li> <li>Decreasing acquisition of new members due to intensifying competition caused by factors such as diversification of payment methods through promotion of cashless payment and entry from companies in other industries</li> </ul>	• Response to changes in the business environment by transforming the business portfolio from management based on the Payment Business to a comprehensive life services group  • Expand services targeting new customer segments by building new remote-type member capture models using			
COVID-19 Pandemic	Opportunities	<ul> <li>Improving customer satisfaction through Group-wide efforts to appropriately and quickly resolve all kinds of problems that arise in a mature society</li> <li>Initiated business structure transformation based on changes in customer psychology and behavior caused by the COVID-19 pandemic</li> </ul>	SAISON Card Digital     Thoroughly implement employee health management and infection countermeasures			
Impact of Climate Change	Decreasing transaction volume and increasing financing cost associated with deterioration of Group creditworthine and brand due to factors such as a delay in responding to climate change and serious impact on the global environment and economy resulting from factors such as intensification of natural disasters and changes in		In August 2021, we established the Sustainability Promotion Committee (chaired by the Representative, Executive President and COO) to strengthen initiatives for sustainable business operations  Express support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and promote information disclosure on governance, strategy, risk management, and indicators/targets related to responding to climate change  Promote CO2 reduction by reducing paper consumption by changing to online statements and application, reducing the			
	Opportunities	<ul> <li>Improving corporate value through recognition of climate change countermeasures and CO2 reduction activities</li> <li>Securing human resources by improving corporate value and name recognition, improving employee motivation, and gaining the trust of various stakeholders by increasing recognition from investors who have a high interest in ESG</li> </ul>	issuance of plastic cards through SAISON CARD Digital, and use of recyclable materials in the envelope windows of statements Online statements: As of August 2021, 44% reduction compared to total members / Reduction of 500 grams of CO2 per envelope Online applications: 95% of face-to-face card applications are accepted on tablet devices  P43 Response to Climate Change			
Competitive Environment	Risks	Intensifying competition due to new entrants from other industries into the payment industry as the result of deregulation and technological advancement     Presenting favorable transaction conditions and services to customers without regard to profitability by competitors in the real estate finance market	• In addition to issuing credit cards, prepaid cards, and other plastic cards, working to provide a wide variety of payment platforms aimed at improving customer convenience in a bid to realize a cashless society, including smartphone payments, QR code payments linked to partner apps, and SAISON Opportunities CARD Digital • Increasing screening speed for the purpose of improving customer convenience, strendthening relationships with real			
	Opportunities	Developing new business domains and new products/services through collaboration with other industries     Expanding market share by improving convenience and strengthening relationships with affiliated companies	estate-related companies, and achieving differentiation by providing products and services unavailable from other companies  P34 CSDX Strategy			
Relationships with Major	Risks	<ul> <li>Deterioration of business performance of business alliances that form important strategies and business partners with whom we have a capital relationship, changes of business alliance conditions, and cancellation of alliances with partners</li> </ul>	Strengthening relationships with existing partners     Building a business model that does not depend on a specific partner by promoting new alliances with partners in			
Partners	Opportunities	<ul> <li>Business development utilizing the acquisition of memberships through alliances with partner companies and organizations, expansion and diversification of services, product sales channels, and customer bases of both parties</li> </ul>	diverse industries and sectors  P19 Growth Strategy (1): Establish the Saison Partner Economic Zone and Reinforce Business Coordination within the Group			
Overseas Business	Risks	• Market trends in the countries in which the Company develops its business, the presence of competitors, politics, the economy, law, culture, religion, customs, foreign exchange rates, and various other country risks	• Dispersing country risks by expanding into multiple countries/regions; reducing risks through regular risk analysis of the countries where we are located; establishment of a detailed monitoring system for local affiliates			
Development	Opportunities	<ul> <li>Development of existing and new services in countries/regions where there are many people who do not possess a bank account and are unable to receive financial services</li> </ul>	► P25 Growth Strategy (4): Acceleration of Global Business Expansion ► P28 Global Strategy			
System Risk and	Risks	System failures due to malfunction of computer systems, communication line disruptions, etc.     Decreasing reliability due to the emergence of risks and leakage/unauthorized use of personal information (member information) or confidential information due to cyberattacks, etc.	• Development of contingency plans, such as ensuring the backup of important systems • Improving employee awareness of information security and developing countermeasures against cyberattacks, such as			
Cyberattack Risk	Opportunities	External sales of core systems in which the Company has been accumulating know-how for many years     In collaboration with external partners, external sales of secure payment systems in which use is made of fraud prevention technology	minimizing damage through the introduction of systems capable of detecting advanced cyberattacks  • Appropriate protection measures and system development of personal information, as stipulated Opportunities under the Personal Information Protection Law, acquisition of Privacy Mark  • P54 Information/Cybersecurity			
Actualization of	Risks	• Risk of negligence and inappropriate handling of administrative tasks due to a large amount of manual paperwork	Creating an administrative work manual, regular inspection of administrative work status, prevention of employee errors and fraud, development and operation of a whistleblowing system for early detection of any illegal activity			
Administrative Risks	Opportunities	• Expanding demand for administrative process agencies at affiliated cards and partners	Promoting automation of administrative work by the systematization and introduction of robotic process automation (RPA)			
Risks Securing and	Risks	• Risk of being unable to secure diverse, talented human resources to provide high-level services to customers and develop advanced products and services; risk of human resources leaving the Company	Providing equal opportunities by developing work systems and common employment patterns that meet employees' needs, the securing of excellent human resources by adopting personnel systems that can utilize the abilities and			
Developing Human Resources	Opportunities	New service/product development by securing talent with expertise in digital technology	characteristics of employees, such as the executive officer and specialist/expert systems  Introducing support systems such as a new business proposal system, a voluntary selective training program, and career development seminars by age group; creating a culture of taking on challenges through the development of an environment that allows for long-term/multifaceted training and career development, for example, personnel allocation based on employee requests centered on open recruitment  P48 Human Resource Strategy			

# Sustainability of the Credit Saison Group



**Basic Approach** 

Based on our "leading-edge service company" management philosophy, we contribute though the everyday operation of our businesses to resolve problems and move society forward in ways only Credit Saison can by leveraging our unique know-how, management resources, and the experiences of each of our employees. We will create a sustainable society that is even more convenient and prosperous than today's.

#### Value co-creation with stakeholders

To remain as a company on which society depends, it is important to understand what stakeholders demand and to reflect these demands in business activities. We will always seriously consider the opinions of our stakeholders and use those opinions to improve our corporate value and achieve sustainable growth.

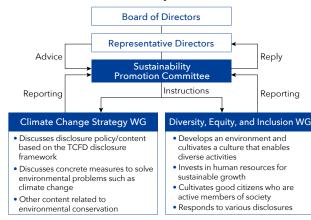
# Sustainability promotion system

In August 2021, we established the Sustainability Promotion Committee as an advisory body to the Representative Director regarding sustainability activities. To realize a sustainable society, our entire Group is strengthening its efforts to solve social and environmental issues through our business.

With the Representative, Executive President and COO serving as its chair, the Committee comprises globally minded male and female members who hail from within and outside the Company and are thus able to promote the exchange of various opinions.

The Committee met seven times in FY2021, presenting its findings regularly to the Representative Director regarding Group-wide sustainability strategy and measures. On the basis of such findings, the Committee submits reports to the Board of Directors as necessary (it did so in December 2021 and June 2022).

#### Structure of the Sustainability Promotion Committee



# Rules for members of the Sustainability Promotion Committee

- The chairperson of the committee must be the Representative, Executive President and COO
- Executive officer or higher in charge of various departments, including the Corporate Planning Dept., Corporate Risk Management Dept., Treasury & Accounting Dept., Strategic Human Resources Dept., Sales Development Division, and Global Business Division
- The ratio of men to women should be approximately 50:50
- Outside directors should also be Committee members so that they can receive opinions from an objective and neutral standpoint
- Engage third-party institutions to provide advice and recommendations in their areas of expertise

Members of the Sustainability Promotion Committee						
Chairperson Representative, Executive President and COO Katsumi Mizuno						
Vice-chair Managing Executive Officer and CFO Shingo Baba						
	Director and Senior Managing Executive Officer Kosuke Mori					
Members	Senior Managing Executive Officer Kazue Yasumori					
	Executive Officer Kaori Shimada					
	Outside Director Nana Otsuki					

# Sustainability of the Credit Saison Group

# A sustainable society that is even more convenient and prosperous than today's

Contribution to achieving the SDGs

















Expectations and needs of stakeholders

Efforts to address important issues

Customers



Enriching our customers lives, and enabling them to live happily and true to themselves

Creating human resources and an organization where each person can fulfill an active role in their own way

Creating a better society through co-creation with partners



**Partners** 

Sustainability Promotion Committee

Achieving sustainable growth and improving corporate value through sound corporate management

Protecting the rich natural environment and culture that enriches life, and energizing people in the region and

Shareholders Changing society/





Regions/communities

Declining birthrate, aging population

Global environment

Employees

Climate change

Digitalization

Promoting conversion to cashless operations

Growing needs for asset formation





#### Materialities for sustainability and initiatives

Materialities	Contents	Related Pages
Enriching our customers lives, and enabling them to live happily and true to themselves	<ul> <li>Creating a safe, secure, and convenient society</li> <li>Resolving problems for individuals and corporations with financial services at the core</li> </ul>	Contributing to a Safe, Secure, and Convenient Cashless Society ➤ P53 Information/Cybersecurity ➤ P54
Creating a better society through co-creation with partners	<ul> <li>Providing new value with business partners, collaborating partners, etc.</li> <li>Realizing financial inclusion including Asia</li> </ul>	Acceleration of Global Business Expansion  > P25 Coexistence with Local Communities > P55
Creating human resources and an organization where each person can fulfill an active role in their own way	Developing an environment and fostering a culture that enables diverse activities, and investing in human resources     Cultivating good citizens who are active members of society	Human Resource Strategy  ▶ P48  Human Resources ▶ P50
Protecting the rich natural environment and culture that enriches life, and energizing people in the region and community	<ul> <li>Showing consideration for the global environment, supporting cultural and sports activities</li> <li>Engaging in co-creation with governments, regional societies, and communities</li> </ul>	Response to Climate Change (Information Disclosure Based on the TCFD Recommendations) > P43 Environment > P45 Human Rights > P47 Coexistence with Local Communities > P55
Achieving sustainable growth and improving corporate value through sound corporate management	Strengthening corporate governance     Strengthening the integration of Group growth strategy and sustainability activities	Corporate Governance ▶ P59









#### Disclosure in line with the TCFD Recommendations

The Company expressed its support for the Task Force on Climate-related Financial Disclosures (TCFD) recommendations in 2022 and is involved in the TCFD consortium, a discussion forum for the companies and financial institutes supporting the recommendations.

Based on the TCFD recommendations, we will continue to disclose information about governance, strategies, risk management, metrics, and targets regarding our actions to address climate change in pursuit of a sustainable society.





#### Governance

We recognize response to climate change and other global environmental issues as important management themes that reduce risk and lead to earnings opportunities.

➤ Please refer to page 41 for the structure of the Sustainability Promotion Committee. The Committee debates the direction of activities related to sustainability strategy and answers to the Representative Directors.

# **Strategy**

We predicted changes in the external environment and analyzed the impact of climate change on our operations in the future, in accordance with the TCFD framework and using a scenario analysis method.

It is important for us to pursue sustainable growth by mitigating climate change and adapting to it through our business activities. Based on this understanding, we believe that actions to address climate change are important in the management of our business. We identify and assess its impact on us by forecasting changes in the external environment and our operating environment accompanying the manifestation of climate-related risks and by identifying risk events. In the scenario analysis, we referenced multiple existing scenarios published by organizations such as the International Energy Agency (IEA) and the Intergovernmental Panel on Climate Change (IPCC).

➤ Details of the strategy (scenario analysis) can be viewed at the following URL: https://corporate.saisoncard.co.jp/en/sustainability/environment/tcfd/

Types of risks and opportunities		Risks and opportunities	Business impacts	Indicators of impact on business operations Financial impact		Extent of impact	Time span
Risks	Transition risks	Policies and legal restrictions	Increased anti-global warming taxes, etc.	Impact on SG&A expenses	Approx. ¥0.07 billion	Low	Short term to long term
	Transiti	Market	Rising energy prices	Impact on SG&A expenses	Approx. ¥0.3 billion	Low	Short term to long term
		Acute physical risks	Damage to buildings due to the intensification of wind and flood damage	Impact on head office, sales divisions, data centers, etc.	Approx. ¥0.1 billion	Low	Short term to long term
	Physical risks		Worsening of the macro economy due to the impact of rising temperatures on agriculture, water resources, health, etc.	Impact on doubtful account costs	Approx. ¥4.3 billion	Low	Short term to long term
	Ph	E Chronic physical risks	Frequent occurrence of heatstroke due to a rise in the average temperature and an increase in electric power costs due to the use of air conditioners	Impact on SG&A expenses	Approx. ¥0.03 billion	Low	Short term to long term
Opportunities	Energy sources	Zero GHG emissions	Exemption from a carbon tax through the achievement of zero GHG emissions	Impact on SG&A expenses	Approx. ¥0.07 billion	Low	Short term to long term
	Market	Impact of an increase of sustainability- oriented subscribers on our sales indicators	In pursuit of Japan's 2050 ca the achievement of a decarb co-creation with enterprises issuing Saison Card for beco neutrality perspective, the fir The CO2 emissions of the car category using the cardhold within becoz (which means "linc. application platform. This change behavior to achieve The issuance of the credit car conscious future generations card's initiatives for the decar increases the number of carc card, and changes their behavior eases the reduction of CC to our revenue long term thr. The calculation of the impact depends on the outcome of attributes and trend of credit assessment is performed at the contract of the contract of the cardinal seasons.	onized society thro and individuals, we z, a credit card with z, t of its kind in Japardholder are visualizer's card payment of the CO2 zero"), a DA is motivates the sub decarbonization. The connect with the connect connect with the connect connect with the connect card using our dependent of the connect card use. It is no our business of the initiative (custous card use). No profit	ugh started a carbon an. zed by lata ATAFLUCT scriber to ainability-e credit etd to ntribute e. ocrations mer	Low	Short term Issuance began in June 2022

### Risk management

The Risk Management Committee and the Corporate Risk Management Dept. are leading the efforts to mitigate risk and minimize the impact of risks should they occur. To this end, our employees regularly receive in-house training and endeavor to maintain our risk management system in accordance with the Risk Management Regulations, Regulations on Management of Risks of Losses, and Crisis Management Regulations. Regarding the issues underlying the Credit Saison Group or governance-related matters accompanied by serious risks, the Group Strategic Management Office, Corporate Planning Dept., leads the supervision of the companies of the Credit Saison Group's execution of business and shares information with the supervisory divisions of the Credit Saison Group companies.

For climate change risks, the Sustainability Promotion Committee leads the formulation of policies and strategies for minimizing risks and seizing opportunities and structurally monitors related efforts.

The Corporate Planning Office of the Corporate Planning Dept., the Public Relations Office, and the Corporate Risk Management Dept., which collectively are the administrative body supporting the Sustainability Promotion Committee, lead the regular review of risks and opportunities relating to climate change.

The Climate Change Strategy WG met more than 10 times to deepen its discussions in FY2021 while in September the Sustainability Promotion Committee began to meet once a month to advance the discussion of climate change (a report was submitted to the Board of Directors in December 2021 and June 2022).

### Metrics and targets

The consolidated companies of the Credit Saison Group are within the scope of measurement.

The impact of the SIX companies that are collectively responsible for more than 95% of net revenue in FY2020 is measured.













	Result	ılt Target		
(Tons of CO <sub>2</sub> )		FY2020	FY2030	
Scope 1	Direct greenhouse gas emissions from the business operator itself	1,023	593	
Scope 2 (market standard)	Indirect greenhouse gas emissions	17,540	10,173	Compared with
Scope 2 (location standard)	from the use of electricity, heat, and steam, which are supplied from other companies	17,856	10,356	FY2020 42%
Scope 1 + 2 (market standard) subtotal			10,767	reduction
Scope 1 + 2 (location standard) subtotal			10,950	
Category 1	Purchased products and services	81,712	61,284	
Category 2	Capital goods	323,542	242,657	
Category 3	Fuel and energy-related activities that do not fall under Scope 1 and 2	3,071	2,303	
Category 4	Transportation and distribution (upstream)	-	-	
Category 5	Waste generated by operations	132	99	
Category 6	Business travel	781	586	
Category 7	Employee commute	1,587	1,190	
Category 8	Leased assets (upstream)	-	-	Compared
Category 9	Transportation and distribution (downstream)	-	-	with FY2020
Category 10	Fabrication of sold products	-	-	25% reduction
Category 11	Use of sold products	47,510	35,633	
Category 12	End-of-life treatment of sold products	9,355	7,016	
Category 13	Leased assets (downstream)	262,955	197,216	
Category 14	Franchises	-	-	
Category 15	Investment	-	-	
Scope 3	Indirect greenhouse gas emissions that do not fall under Scope 1 and 2 (emissions from other companies associated with the activities of the reporting company)	730,645	547,984	

#### Notes

- C4: Relevant activities have been included in other categories
- 2. C8: Relevant activities have been included in Scope 1 and 2
- 3. C9, 10, 14: No relevant activity

- 4. C15: We will consider calculating it in the future
- 5. Targets set by referring to SBT (Science Based Targets)
- The initiatives based on the calculation of Scope 1, 2, and 3 emissions and the TCFD disclosure framework have gained the cooperation of WasteBox Co., Ltd.

# Environment







◀ Related Stakeholders

-

**Basic Approach** 

Corporations around the world are responsible for taking action to solve environmental problems. We will strive to reduce the environmental impact of our business and actively work to reduce the environmental impact of society through means such as financial products. We also promote environmental conservation activities through the management of Akagi Nature Park.

# Issuance of SAISON CARD Digital for becoz, which visualizes CO2 emissions

We have partnered with Datafluct, Inc., which uses data science to solve corporate and social issues, to launch SAISON CARD Digital for becoz (hereinafter, "becoz card") from June 2022. This is the first credit card in Japan\* that can visualize CO2 emissions based on payment data.

The becoz card is equipped with a function that automatically links credit card payment data with the becoz wallet, which is a service that enables visualization and offsetting of CO<sub>2</sub> emissions by individuals. The becoz card uses an algorithm that calculates consumer CO<sub>2</sub> emissions from financial transactions. The algorithm was developed by Doconomy, a Swedish company working to address climate change. becoz card members can see a numerical value representing CO<sub>2</sub> emissions based on their daily credit card usage history. Users can also compare their CO<sub>2</sub> emissions with the previous month and can check the categories that account for most of their emissions the difference from the previous

check the categories that account for most of their emissions, the difference from the previous month, and the emissions for each statement item.

Based on the vision that "a day will surely come when every one of us will have to be aware of CO<sub>2</sub> emissions," we provide support so that people can understand environmental issues from the perspective of their daily lives and take the initiative in solving social issues. For example, we enable people to understand how CO<sub>2</sub> emissions will change by replacing the payment of public utility bills with clean energy.

\*According to research by Credit Saison





# Fintertech provides KASSAI with charity crowdfunding for the 50th anniversary of WWF Japan

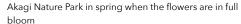


Upon the challenge of crowdfunding conducted by the World Wide Fund for Nature Japan (hereinafter, "WWF Japan"), Fintertech Co., Ltd., which promotes the creation of next-generation financial services using cutting-edge technology, provided WWF Japan with KASSAI, a service that enables anyone to easily create and publish charity websites. Credit Saison provided its own advertising space for this project.



### Management of Akagi Nature Park based on the philosophy of "Preserving a Lush Forest for the Children of the Future"







Forest de Retreat-refreshes visitors through the power of Development and management of Zone D, which was the forest



previously an unmanaged forest



Children touching insects

We operate Akagi Nature Park with the cooperation of official sponsors and cooperating organizations. As a forest that possesses the beauty of the four seasons, which are the origin of the human spirit and our culture, we offer special experiences that will remain in the memories of park visitors.

Akagi Nature Park is a vast forest of 120 hectares (of which 60 hectares are open to the public) at an altitude of approximately 600-700 meters at the foot of Mount Akagi. Approximately 500 species of seasonal mountain grasses and flowers grow in the park. Visitors can enjoy more than 1,800 species of insects and more than 70 species of birds that inhabit the northern Kanto region in a habitat closely resembling true nature.

The forest of Akagi Nature Park has been certified as a "forest therapy site" with a scientifically verified healing effect. We are developing various programs that take advantage of this geographical advantage. For example, in FY2022, as the impact of COVID-19 drew attention to the importance of immunity, we leveraged the benefits of outdoor facilities and the effects of forest therapy to hold a variety of initiatives such as health promotion programs, environmental learning for experiencing nature, and art programs. "Forest de Retreat" is a program in which a

forest therapy guide instructs participants on how to use their five senses to fully enjoy the healing power of the forest. "Forest Therapy Bus Tour with Physicians" allows participants to experience forest therapy under the guidance of a physician. The "Insect Observation in the Children's Forest" is held for elementary school students. The "Transplanting Experience" allows visitors to learn about the forest life cycle, and to dig up young trees grown from seedlings and plant them in suitable locations. Through this diverse lineup of programs, we convey the appeal of the forest to visitors.

Furthermore, Zone D, which had been left unmanaged, was regenerated as the "Experience Forest." In addition to transforming the zone into a base for activities to conserve biodiversity, we are improving the carbon dioxide fixation function by thinning trees that cannot fixate carbon for a long time and replacing them with long-lived tree species.

Furthermore, in August 2022, the "Summer Vacation Rhinoceros Beetle and Stag Beetle Exhibition" was held at the Akagi Nature Park exhibition building. To nurture children's sensibilities and creativity, we actively provide them with various opportunities to experience nature and stimulate their curiosity.

Under the theme of "enriching life for visitors," Akagi Nature Park provides opportunities to experience nature. We have built a system in which the park is supported by many corporations and individuals. The park also functions as a locally rooted operating model for maintaining sustainable forests. In December 2021, the operation model of Akagi Nature Park won the Excellence Award in the Business Case Division of the Gunma Forest Business Contest, which is sponsored by Gunma Prefecture.



Award Certificate, Gunma Forest Business Contest

# **Human Rights**

Basic Approach

To embody our management philosophy of being a leading-edge service company, together with our stakeholders, we will create a sustainable society that respects human rights through our "Action Declaration" and "Behavioral Standards," which are the values and conduct policy that we expect all officers and employees to share.

### **Human rights policy**

We respect basic human rights by complying with various relevant laws and regulations related to human rights in each one of the countries where we operate, and by understanding and supporting international norms such as the Universal Declaration of Human Rights, the International Bill of Human Rights, and the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work. Furthermore, we conduct our business activities based on the UN Guiding Principles on Business and Human Rights.

#### Respect for human rights in business activities

We respect basic human rights by understanding and supporting various international norms related to human rights in each of the countries where we operate. We strive to respect human rights by establishing policies such as prohibition of discrimination, respect for freedom of association and collective bargaining rights, prohibition of harassment, prohibition of child labor and forced labor, and payment of wages.

➤ Human rights: Policy/main initiatives https://corporate.saisoncard.co.jp/en/sustainability/esg2/esg\_policy.html#esg2-01

# Initiatives for respecting human rights

#### ■ Prohibition of harassment

We have defined harassment items (subject to disciplinary action) in our rules of employment. We also conduct harassment education through compliance training via management classes for executive employees (including heads of departments and offices) and new managers. We also appoint compliance officers in each department and implement department-led education programs.

#### ■ Universal Manners Test/LGBT Manners Training

We encourage employees to take the Universal Manners Test to learn the ways of thinking and behaviors that enable them to act from the perspective of someone different from themselves, such as the elderly and people with disabilities. Our employees also participate in LGBT Manners Training to learn how to interact with diverse people.

➤ Universal Manners Test/LGBT Manners Training https://corporate.saisoncard.co.jp/en/sustainability/csr/

### ■ Initiatives on children's rights

In addition to eliminating child labor in Japan and other countries, we take initiatives to address problems faced by children in the aspects of education, the environment, and others. To create a prosperous future for the next generation, we respect and support children's rights through initiatives such as the "School Visit: SAISON TEACHER" financial education program and nature education through hands-on classes for parents and children at Akagi Nature Park (certified for forest therapy).

- ➤ School Visit: SAISON TEACHER https://corporate.saisoncard.co.jp/sustainability/csr/teacher/ (Japanese only)
- Akagi Nature Park https://corporate.saisoncard.co.jp/en/sustainability/environment/

### ■ Initiatives for correction and remedy (establishment of internal reporting system)

At the Credit Saison Group, we have set up an internal reporting system that can be used by all Group employees, in accordance with the Whistleblower Protection Act. Organized by our department responsible for compliance, this system permits employees to blow the whistle to an internal reporting desk by e-mail, mail, or other means. In December 2020, we set up an overseas hotline, which enables internal reporting from Group companies located outside Japan. The hotline accepts consultations about misconduct against laws, internal rules, general social norms, or corporate ethics, harassment including sexual harassment and abuse of power, and issues in the workplace environment, among other matters. Feedback from customers and other parties outside the Company is received at customer support desks such as the Information Center and Saison Counter, where we aggregate and analyze requests, suggestions, and compliments.

We share customer feedback and needs throughout the Company through means such as important in-house meetings and the intranet. We then respond in ways that include making internal adjustments, developing new products, improving services, supporting a more user-friendly Internet environment, and improving the quality of customer service.

- ➤ Internal reporting system (for employees) https://corporate.saisoncard.co.jp/en/sustainability/esg2/esg\_policy.html#esg2-10
- ➤ Customer support (for supply chain) https://www.saisoncard.co.jp/customer-support/ (Japanese only)
- ➤ Customer feedback: Main improvement examples https://www.saisoncard.co.jp/topic/list/voice/ (Japanase only)

# Human Resource Strategy | Interview with the Executive Officer in Charge

We will increase our pool of human resources who can contribute to corporate value creation as members of a "comprehensive life services group."



Kazue Yasumori Managing Executive Officer Head of Strategic Human Resources Dept., Processing Business Division, General Manager, Processing Business Division

Please tell us about the specific details of the human resource strategy in the new Medium-term Management Plan, which is aimed at achieving the goal of "transforming into a comprehensive life services group."

While realizing the revision of our HR system to increase our pool of professional human resources, we are focusing on the establishment of internal recruitment for autonomous career development and the reskilling of existing employees and on the external recruitment of personnel with specialized skills. Until now, we have not paid much attention to the intentions of individuals joining the Company in a general position capacity. Regardless of their plans, they were simply placed in various departments including sales, operations, and planning. To encourage the development of professional human resources, I now believe that it is necessary to create a system so that people possess an awareness of themselves as professional human resources and to have forums at which to listen to their aptitudes and intentions.

First, regarding internal recruitment, we will prioritize recruitment for departments and businesses that are positioned as priority management strategies under the Medium-term Management Plan. In the past, targeted departments have recruited in writing, but from this year the heads of the relevant departments will be recruiting by making videos of their thoughts and information. The number of applicants was about 100, the same as last year, but their application forms described in detail the content of and thoughts on what their experience could contribute, and their presentations at interviews for the second screening were also impassioned. As they had applied voluntarily, I feel that they are highly motivated to learn a variety of things to achieve results, even when transferred to a different department.

Also, regarding the recruitment of personnel with specialized skills, as Credit Saison falls into the financial category, we do not have a strong presence when it comes to acquiring people such as data scientists and web marketers in the general human resource market. Therefore, Director of the Technology Center and Director, Senior Managing Executive Officer, CTO, and CIO Ono gave a series of lectures on the scope of human resource activities after joining the Company at IT-related industry seminars and other venues, as a result of which we reached the stage of being able to see an increasing number of people searching our website and applying. Regardless of whether they are new graduates or mid-career hires, to avoid having newly joined employees from having "It wasn't supposed to be like this" thoughts, we do not adhere to the concept that recruitment equals human resources and have the personnel departments and the departments in charge work in concert to recruit and train personnel.

# Please tell us about the background to and the reasons for this revision of the HR system.

To create a new HR system, in FY2021 we collected a wide range of information from inside and outside the Company, including interviews with employees from all bases and job levels, and conducted a series of studies to establish a system that would lend itself well to Credit Saison. A few years ago, the Company had made the decision to make all its personnel full-time employees and at the same time delegated the authority for rises in rank or promotions to a higher status to the frontline. However, the standards and judgments varied from workplace to workplace, and there were some issues regarding the understanding and fairness of promotion decisions.

After a series of management-level discussions, we concluded that we would introduce a uniform promotion standard and a standardized assessment program for this revision of the HR system. Based on the premise of fairness of opportunity and clarification of promotion criteria, we are aiming to create job content and role definitions suitable for each job grade within a department in a visual form. Rather than

providing justification for a higher job grade, this is intended to give individuals freedom of choice in how they work.

Most important is to set hurdles suitable for the job grade with the superior and the person seeking promotion; for that person to learn, think, and act daily to overcome those hurdles through OJT; for the results to lead to personal growth; and to know whether they were able to contribute to the growth of the Company. OFF-JT is sometimes necessary on the path from human resource to human asset, but I believe that the main axis is the continuous solving of questions with no correct answer, and promotion criteria that emphasize learning and action in OJT, success and failure. I would like to discuss human resource development using this HR system with managers, correct any necessary points, and for it to permeate throughout the Company. I would also like to pay particular attention to whether people receive feedback on the evaluation of their results, and whether that feedback was appropriate and acceptable.

# Please tell us about some points and specific details for strengthening the new HR system.

The first point is that, alongside the lowest managerial position, manager, we have created the position of dedicated manager, who as a professional in a specialized field takes direct responsibility and directs decisions. In recent years, both hiring and evaluation have been shifting toward becoming more job based, and an increasing number of people want to dig deep into their own strengths and aptitudes to build their careers. Recognizing the need for ways of working that contribute



to the Company by giving them the right to speak and take responsibility so that they can fully demonstrate their specialized knowledge, we will see if they can demonstrate their abilities as professional human resources.

Second, we have incorporated an assessment program for both managers and dedicated managers to get to the position of manager. With the assistance of external institutions, we will look at individual abilities from all aspects, especially problem-finding and interpersonal collaboration. For example, it is a multifaceted measure of whether a person excels in the ability to lead subordinates as a manager, or whether they excel in the ability to pursue their own area of specialization and promote business. Although the content is different, the assessment program is used not only for promotion to manager but also for promotion to job grades equivalent to the position of section manager. I am sending messages that can be taken as an opportunity for both to ask themselves questions about their own careers. We have also added social issues and understanding of our company to our assessment program. In these days of high uncertainty, I believe that it is necessary to at least have an interest in domestic and international finance and the environment.

In addition, we are continuing to actively engage in personnel exchanges outside the Company. Compared with 2019, before the spread of COVID-19 infections, the number of assigned employees and bases has increased by 20%. Many employees say that by encountering new perspectives outside the Company, they have broadened their horizons and raised their perspectives. Depending on where they have been assigned, some employees might have to handle multiple tasks such as planning, sales, and clerical work on their own, but there are also employees who enjoy creating their own work. It is necessary to reskill the necessary skills in anticipation of the assignment period, but as the method has not yet been established, we will consider the realization of this while talking with those who have experience of being on assignment. In addition, from the perspective of personnel exchanges with companies within the Group, we started advertising positions from FY2022. By having our employees experience being assigned outside the Company, where they will come up against increasingly sophisticated and complex business issues while gaining an overview of the entire Credit Saison Group, I believe will lead to the creation of corporate value as a "comprehensive life services group."

Amid the emphasis that is being placed on investment in human capital, please tell us about your human resource strategy initiatives.

The most important thing is to ensure that employees continue to work in good mental and physical condition. Instead of being busy with work every day, I want them to be able to take an interest in all sorts of things, put their energy into their work with a positive attitude, and feel that their work is rewarding. To that end, we aim to improve the specific health guidance consultation rate and cancer screening consultation rate on the physical side combined with announcements for all employees and individual announcements, and the holding of Femtech seminars on women's health issues. On the mental side, we hold communication training using case studies and a return-to-work program that includes career support. We are also focusing on building a foundation that allows us to work positively. We will then hurry to realize the fostering of a culture in which employees are motivated to reskill, such as "learning from Credit Saison" practical educational training sessions among employees and selective training at external companies, and the building up of learning, such as financial knowledge and data analysis that is not limited to occupations.

Finally, in an era in which living to 100 years of age is becoming commonplace, there are various stages in a long life. I would like to raise the willingness of employees to take on challenges while improving the environment so that they can spend fulfilling days without anxiety doing not just "either" but "both" work and childcare, work and nursing care, work and learning, and work and play. Toward the fostering of a corporate culture in which all Credit Saison employees hope to continue working at the Company and do not hesitate to take a step toward challenges in their particular circumstances, I would like to continue dialogue with organizations and individuals to instill the idea of "life, work, and fulfillment."

# **Human Resources**





**Basic Approach** 

As one of the management bases that support the realization of the Medium-term Management Plan, to form a group of professional human resources, we aim to create systems that allow diverse human resources to fully demonstrate their abilities and aptitude, and to foster an organizational culture.

# History of support for diverse human resources

We have developed systems that allow diverse employees with different genders, educational backgrounds, nationalities, backgrounds, etc., to independently form their careers while leveraging their individuality, and have worked to accelerate reforms with innovative human resources.

Since the 1980s, we have actively recruited women, ensured the performance by women in various occupations and positions, and expanded various systems so that female employees do not have to quit their jobs or abandon their careers due to life events. Most recently, in 2017 and in September 2022, we partially renewed our human resources systems. Through these efforts, we seek to become a corporation where all employees can work comfortably and feel fulfillment.

- '82 Initiated proactive hiring of women for both new graduates and mid-career
   '89 Introduced work location courses
- '89 Introduced work location courses (country-wide and regional types)
- 07 Expanded reduced working hour system (up to April 15 of the year that the child reaches fourth grade of elementary school)
- '07 Expanded scope of counter-restricted positions to all sales'07 Introduced spouse childbirth leave system
- 20 Expanded telework application coverage amid the corona pandemic
- Promoted employment of people with disabilities through establishing an administrative team
- 21 Introduced a nursery school matching service operated by the Company
- '21 Launch of Sustainability Promotion Committee and DE&I Promotion Working Group
- '22 Conducted resilience training for officers

1980 1990 2000 2010 2020

- '92 Introduced childcare leave system
- '93 Introduced nursing care leave system
- '97 Introduced childcare and nursing care reduced working hour system
- '12 Extended nursing care leave period and expanded reduced working hours system
- '13 Expanded reduced working hour system
- (resumption of reduced working hours after returning to regular working hours)
- '16 Tested introduction of remote work system
- '17 Introduced a common personnel system for all employees to realize equal pay for equal work
- '17 Improved the flexibility of work styles through revision of various systems
- (e.g., hourly paid leave, reduced working hours without restrictions, telework, flextime system)

  18 Promotion of employment of people with disabilities
- through the establishment of a farm called "Saison Farm Toda"
- '19 Initiatives to reform work styles through office renewal

Digital human Ratio of female Seconding to Rate of resources officers employees who Group/affiliated Last year: 150 have undergone companies: employees a stress check Approx. **5**60 260 92.6% employees 24.5% 71.5% employees All employees Global human Average years of Ratio of male resources employment 4,084 employees Total of six consolidated companies: taking childcare 13.3 years persons leave Note: Credit Saison non-consolidated Women Men (as of March 31, 2022) Men Women employees 48.7%\*1 1,026 3,058 14.0 13.1 \*1 Includes leave taken for childbirth and childcare years persons persons

Themes of our human resource strategy that are management bases for achieving the Medium-term Management Plan

We aim to be a group of professional human resources who continue to create new value by taking on challenges without fear of failure, thereby solving problems and worries in the world.

#### ➤ Three points of focus

- Creation of mechanisms that enable diverse human resources to engage in diverse performance (career development) by leveraging their individual characteristics and strengths
- Fostering of an organizational climate that enables anyone to take on challenges without fear of failure and allows failure
- Educational support and investment in human resources who act autonomously and learn/grow independently

# Transformation into a comprehensive life services group



#### Respect for diverse values

In an era where customer needs are rapidly diversifying and changing, it is necessary to break down the homogeneity of employees and transform diversity into a force for achieving organizational change. Based on this sense of values, we aim to create an environment in which everyone can work energetically regardless of gender, age, or disability.

Furthermore, to revitalize our initiatives, we are promoting diversity logos created from employee ideas through internal recruitment.

Measures for DE&I and achieving a balance with work (FY2021)

Support for balancing long-term care and work

Universal/LGBT Manners

Health issues unique to women

Childcare seminars for fathers

# ■ Promoting the advancement of women

While achieving diverse career development, we aim to foster a corporate culture in which female employees, who account for about 70% of our employees, contribute to the organization and company through a role in which they have a powerful voice. We have set a KPI for achieving a female manager ratio of 25% by the end of FY2025. As one measure, we are selecting female employees who are around 30 years old and who are expected to become next-generation managers, and holding seminars to foster a leadership mindset.

Furthermore, in parallel with the development of Femtech, a product and service that uses technology to solve women's health issues and that was proposed and adopted by female employees as a new business, we conduct internal awareness-raising activities such as seminars based on the concept of "aiming to create a workplace where female employees of Credit Saison can work in a healthy manner both mentally and physically."

### ■ Promotion of hiring people with disabilities and creating a comfortable working environment

CREDIT SAISON DIVERSITY

We are promoting the creation of an environment in which every employee with disabilities can fully utilize their abilities and aptitude, and where they can work with peace of mind. We also conduct interviews to support their retention.

In addition, we hold study sessions for employees who work with people with disabilities to learn about daily interaction while exchanging opinions.



Study sessions held by human resources staff

# ■ Promotion of career development

To achieve the Medium-term Management Plan, we are promoting the strategic allocation of human resources by actively recruiting highly specialized human resources from outside

our Company for key posts such as specialized positions. We will also be hiring engineering students in FY2023.

Description	Unit	FY2019	FY2020	FY2021
Hiring ratio for people with disabilities	%	2.16	2.33	2.31
Ratio of female managers (General managers and managers)	%	21.0	24.3	24.5
Ratio of mid-career hiring among all hires	%	28.0	59.3	62.1

### Support for autonomous career development

When expanding into new business fields, simply increasing expertise is not enough. Instead, we must also cultivate diverse experiences and perspectives beyond the boundaries of the current affiliation and company. We encourage employees to engage in learning to acquire the necessary abilities and skills for their own careers, and support employees in taking the next step while leveraging their own strengths.

#### Providing opportunities for autonomous learning

We have introduced choice-based training as a system that allows employees to freely attend training that matches the competencies they want to acquire. We hope that this will lead to the growth of both employees and the Company by establishing the habit of demonstrating behavior that meets the expected role and engaging in autonomous learning.

Furthermore, starting in 2022, employees who have volunteered design their own course content based on their own specializations and areas of expertise, and serve as lecturers for Saison's Learning.

# ■ Second job

Employees who meet the requirements can take on a sideline. We support any arrangement that can lead to career advancement and where the experience gained externally can benefit the main work in the Company.

### **■** Career Design Program

We provide support to our employees in considering their autonomous career according to the expected roles by age and issues in their personal career development.

#### ■ NEXT SAISON

With the aim of "leading by example," executives select themes for solving various issues both inside and outside the Company. Together with general

employees, executives play a central role in everything from policy planning to new business development. Interacting with executives also enables employees to learn how to think from a management perspective.

#### ■ Open challenge

To support career autonomous human resources, we are revitalizing internal recruitment to a higher level than ever before. In the spring of FY2021, we formulated a human resources portfolio based on our management strategy and developed internal recruitment targeting focus business fields, new businesses, and Group companies. We received 300 applicants in FY2021. As a result, we transferred 72 employees, which was three times as many as in the previous fiscal year.

# ■ Career Development Sheet

Declaration of past experience and orientation and future career and growth plans. The contents of the declaration will be used as a reference for human resource development planning and optimal job placement.

#### ■ SWITCH SAISON

SWITCH SAISON is an internal venture program for commercializing employee ideas. The program has been held since 2019, and we adopted commercialization proposals from approximately 1,000 applications.

# Improving the well-being for each employee and as an organization

We have positioned the maintenance and promotion of health as an important management theme. We have also built an organizational structure and are implementing various initiatives to promote health management. In preparation for our third founding, to create "people" and "organizations" that are resistant to change, we have implemented a resilience program for officers. The program emphasizes the ability to strongly lead the organization in the face of adversity (resilience). Our officers lead by example; acquire the habit of enhancing the four vitalities of physical power, emotional power, thinking power, and mental power; and spread those vitalities throughout the organization. By doing so, officers aim to enable employees to continue working with even greater energy and happiness. We will continue these activities in the future.

#### External evaluation



We have been recognized as an Excellent Health Management Corporation 2022.



We were awarded "Gold" in the "Gan Ally Award."



In 2020, we were recognized as a company with excellent performance in the promotion of cancer control in the corporate action for promoting cancer control.



In August 2022, we acquired the Silver certification, recognized as a company with excellent health management initiatives.

# Promotion of diverse work styles

To ensure that all employees do not have to worry about balancing work and private life, and that motivated employees can continue to play an active role, we are working to enhance systems and foster a workplace culture that understands and supports a work-life balance.

➤ Systems and initiatives for supporting diverse work styles https://corporate.saisoncard.co.jp/en/sustainability/diversity/gender/



# ■ Promotion of taking childcare leave and support for returning to work

In addition to introducing a childcare leave system that exceeds legal standards, we have prepared a variety of training programs and systems with the aim of creating a workplace culture in which everyone can actively participate in childcare regardless of gender. Moreover, to support a smooth return to work and career development, seminars for working mothers are held every year with two courses: a Work-Life Balance Course

with the theme of balancing work and childcare, and a Career Design Course where employees can design their own career vision for the medium term.

#### ■ Flextime without core time

Within the range of the total number of hours worked in a month, employees can decide at their own discretion the number of hours that they work on working days. This achieves the optimal work style according to the characteristics of the department.

# Contributing to a Safe, Secure, and Convenient Cashless Society



Basic Approach

Cashless payments in Japan are progressing significantly in conjunction with the growth of digitalization and the spread of COVID-19. As a company that provides financial services such as credit cards, we aim to create a safe, secure, and convenient cashless society. We are working to manage personal information and build security infrastructure against new forms of unauthorized use.



### Construction of diverse payment schemes

To achieve a cashless society, we are working to realize a wide variety of payment platforms with the aim of improving customer convenience.

In addition to issuing plastic cards such as credit cards and prepaid cards, we provide various schemes such as smartphone payments and QR code payments linked to partner apps.

# Proper management of personal information

We recognize that the management of personal information is our most important responsibility, and we have published the "Declaration on the Handling of Personal Information." In addition to complying with laws, regulations, guidelines, industry rules, etc., we strive to foster and permeate management awareness by establishing internal regulations, conducting internal training and compliance education, and essentially requiring employees to acquire the qualification of the "Personal Information Handling Chief" from the Japan Consumer Credit Association. Furthermore, regarding the handling of personal information, we are working to strengthen security through measures such as the use of dedicated lines, restrictions on people with access privileges, encryption of information, and entry/exit management of information terminal installation locations. In May 2006, we acquired the Privacy Mark, which is given to businesses that handle personal information appropriately. We are working to maintain and improve the level of personal information protection.

➤ Privacy Policy https://www.saisoncard.co.jp/info/privacy-policy/ (Japanese only)

# Support for multiple loans

We recognize the priority issue of pursuing a balance between preventing the occurrence of people with multiple loans due to overuse and enriching the lives of customers while contributing to economic development. We strive to properly manage personal information and prevent the occurrence of multiple loans through prudent credit and appropriate follow-up after credit is granted.

### Improved accuracy of detecting unauthorized use

We have built an even stronger security foundation by combining the know-how and experience in credit card screening that we have cultivated over the 70 years since our founding with new systems created in collaboration with partner companies.

Specifically, we are working to eliminate unauthorized use in cashless payments in three directions: Al-based automation of unauthorized credit card use detection, prevention of identity fraud by means of face recognition technology, and fraud prevention by means of device identification technology. Through these initiatives, we provide customers with a safe and secure payment environment and contribute to the spread of timely and contactless payment methods in the new era.

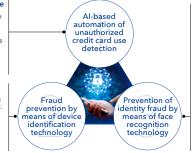
#### Secure payment environments in the cashless era

# System for detecting unauthorized credit card use A system for the discriminant analysis of transactions with high

A system for the discriminant analysis of transactions with night fraud risk using a fraud risk scoring model that utilizes AI (machine learning) to prevent fraudulent use by third parties. The automatic learning of sophisticated fraudulent techniques and the ascertaining of the latest trends at an early stage enable the quick and highly accurate detection of unauthorized credit card use from a huge amount of transaction data.

#### Rogue device detection

A service that detects fraudulent activity on the Internet using technology that identifies every device used by the customer By detecting and preventing fraudulent online card applications and the use of cards for shopping by impersonating the cardholder, the service makes it possible to eliminate anxiety about Internet transactions and provide safe and secure Internet services.



#### eKYC

LIQUID eKYC is a new online identity verification service, provided by Liquid Inc., which possesses identity verification technology based on biometric authentication. The service completes the application procedure online simply by taking a picture of the identity verification documents and face image. Combining LIQUID eKYC with Saison Connect, which links our card information to API, enables its mmediate use on smartphones (mobile payments) after an examination is completed without waiting for the receipt of a plastic

# Information/Cybersecurity







Relevant stakeholders

Basic Approach

We have positioned cybersecurity measures as a management theme to respond to threats such as cyberattacks that have become increasingly advanced and sophisticated in recent years. As a company that provides financial services, we have established an Information Security Policy and strive to conduct appropriate information management.

We also work to appropriately protect and manage information assets such as hardware and software, and continuously maintain and improve information security.

### **Policy**

Based on our understanding that the appropriate management of information assets we own is an important task for businesses, we have established basic policies that our directors, executive officers, and employees should observe.

➤ Click here for details on information security https://corporate.saisoncard.co.jp/en/sustainability/esg2/esg\_policy.html#esg2-03



#### Management systems

We have established and comply with various regulations related to information security, including information management regulations, and continuously review our internal regulations to heighten our security level. Furthermore, we appoint the head of each department as a compliance officer and build and promote a system for promoting information security.

To respond to cyberattack incidents, we have set up a Cybersecurity Response Team as an organization within the Crisis Management Committee under the supervision of the Board of Directors. The Team formulates response policies and procedures based on collecting information on security vulnerabilities, and on collecting information and monitoring cyberattacks and other forms of trouble. The Team is working to establish systems that minimize the damage caused by an incident and then restore the situation.

### Cybersecurity Diagram



# Information/Cybersecurity initiatives

In systems such as our shared core system that handles important data such as customer credit card information, we comply with PCI DSS, the global security standard in the credit card industry.

Furthermore, in terms of security measures, we are implementing measures to block unauthorized access from the outside through entrance measures based on network multiple defenses.

We also periodically conduct system risk assessments to detect and improve system vulnerabilities. As a response to cyberattacks such as targeted attack e-mails, we continuously take measures to prepare for cyberattacks, such as conducting simulated e-mail drills to improve employee awareness of information security.

To further heighten the level of security in the future, we have formulated a road map classified into four themes. We use this road map to examine and implement various security measures.



# Coexistence with Local Communities





**Basic Approach** 

We conduct social contribution activities based on the following approach: "A corporation should not only fulfill its responsibilities as a social entity, such as compliance with laws and regulations and contribution to profits, but also develop its business using methods and contents that satisfy or exceed the actual and latent demands of citizens, communities, and society."

# Issuing social bonds with the aim of solving global social issues

In June 2022, we issued Credit Saison Co., Ltd. No. 91
Unsecured Straight Bonds (with Inter-bond Pari Passu Clause; hereinafter, "the Bonds"). These bonds are social bonds that are issued by corporations, local governments, and other organizations to raise funds for projects aimed at providing solutions to social issues. The Bonds are offered only to institutional investors and are Credit Saison's first social bonds.

The funds raised through the issue of the Bonds will be applied to the following two projects: 1) capital increase or loans for Kisetsu Saison Finance (India) Pvt. Ltd., an Indian subsidiary of Credit Saison, and 2) loans to Saison Capital Pte. Ltd., a Singaporean subsidiary of Credit Saison. The purpose of the two projects is to provide solutions to the social challenges confronted by the MSMEs or individuals within underserved segments in emerging countries such as India and those in Southeast Asia that have difficulty obtaining sufficient financial services.

Under our management philosophy as a leading-edge service company, Credit Saison aims to fulfill its social responsibilities to all stakeholders. The issue of the Bonds was made under the theme of financial inclusion and the realization of diversification of fundraising. Credit Saison will continue to accelerate its global business development from Asia to the world stage and contribute to social development and the solution of social challenges.

# Promoting next-generation education and financial education through industry-academia collaboration

We actively provide opportunities for next-generation education and financial education to children who will lead the future. One example is the financial education program "School Visit: SAISON TEACHER," which we have been conducting since March 2019. Through this program, we have been providing onsite classes at schools nationwide so that children who will lead the next generation can acquire correct financial knowledge and become independent consumers. SAISON TEACHER is held for all grades of junior high school and high school. Classes are taught by Credit Saison employees who possess extensive financial knowledge and know-how, thereby enabling children

to make appropriate decisions in the future. We have already held the class 200 times since the program's inception, and about 9,900 students have taken the classes\*. SAISON TEACHER is free, and classes can be conducted online as well as on-site.



Students participate in "School Visit: SAISON TEACHER"

In August 2022, we signed an TEACHER" educational partnership agreement with Reitaku University, which is part of the Hiroike Institute. We utilize resources such as human resources, knowledge, and information possessed by both universities and corporations, such as participation and cooperation by our employees in open college courses

and project planning/management experiences. We aim to further improve industry-academia collaboration in terms of contributing to the local economy and developing human resources that contribute to said development.

\*As of the end of August 2022



University President Tokunaga (left) and Managing Executive Officer Okamoto

### Aiming for humanitarian assistance in Ukraine, Started donations through point exchanges and card payments

From March 2022, to provide support for the serious humanitarian crisis currently occurring in Ukraine, in addition to accepting donations through our point program Eikyufumetsu Points for Saison Card members, we have started accepting donations via payments by credit cards eligible for Eikyufumetsu Points on the general online store "STOREE SAISON." Donations can be made using Saison Cards eligible for Eikyufumetsu Points, and donations are accepted in units of ¥500 (100 Eikyufumetsu Points = ¥500 donation). As a result of continuing until July 31, 2022, we received ¥52.54 million in donations. In

September 2022, we reported the donation amount directly to the Ambassador Extraordinary and Plenipotentiary of Ukraine to Japan Sergiy Korsunsky at the Ukrainian Embassy in Japan.



Fundraiser for Ukraine

# Tax compliance

We comply with the tax-related laws and regulations of the countries and regions in which we operate and pay taxes appropriately. We will work to further improve our tax governance in the future. Please see the following link for information on our tax policy.

 $https://corporate.saisoncard.co.jp/en/sustainability/esg2/esg\_policy. \\ html\#esg2-08$ 

# Three-way Discussion on Sustainability Governance



In aiming to "transform ourselves into a comprehensive life services group," we would like to discuss stakeholder-related matters broadly and comprehensively while passing on our corporate DNA of "overturning common sense."

# What was the background to the establishment of the Sustainability Promotion Committee?

**Mizuno:** For example, our operation center is also entrusted with other companies' information centers, so even if there is a typhoon in the Tokyo metropolitan area that makes it difficult to go to work, if the operation center in the Kansai region can operate as usual, we can answer inquiries from customers and companies. Not confined to environmental issues, it can be said that a range of social issues, such as the spread of COVID-19 infections, have had an extremely significant impact on our business. The safety and health management of our employees are, of course, inextricably linked to business. To make our business sustainable, we believe that tackling these issues head-on will lead to closer cooperation not only with our customers but also with other stakeholders, including our employees. We would like to have a broad and wide-ranging discussion on issues related to stakeholders. It was with this in mind that we established the Sustainability Promotion Committee.

# When you look back at the Sustainability Promotion Committee in FY2021, what were the highlight discussions and developments?

**Mizuno:** The committee has formed two task forces, the Climate Change Strategy Promotion Working Group (WG) and the DE&I (Diversity, Equity, & Inclusion) Promotion WG.

Regarding diversity, we have been working to promote the active participation of women since the 1980s and, rather than evaluating people based on their educational background, gender, and age, it has become commonplace to judge people based on their abilities. For example, this year, a 32-year-old employee became the president of a joint venture called ReSAISON, which is working on the realization of a circular economy. Also, in the second half of FY2022, three people from other companies became general managers. This is because we believe it is important to create new services based on diverse values. I believe that these ideas are hard-wired in Credit Saison's DNA.

In addition, we have been utilizing CO<sub>2</sub> emissions visualization technology provided by Doconomy AB, a Swedish company, since June 2022. We have also started issuing SAISON CARD Digital for becoz, which can visualize CO<sub>2</sub> emissions based on card usage data, with the theme of climate change countermeasures, and these developments arose from discussions in our committee. I think it will take time to become profitable, but it is important to understand changes in customers who are greatly interested in environmental issues and that we act accordingly.

#### Three-way Discussion on Sustainability Governance

**Yasumori:** Seven Sustainability Promotion Committee meetings were held in FY2021. There were many discussions on information disclosure in line with the TCFD recommendations, and we were able to accumulate knowledge from many experts on environmental issues. In the years to come, I hope that our employees will take the Company's approach to the environment, which has been decided through these discussions, as their own.

Otsuka: I believe that Credit Saison's business is of a highly social nature. My parents once told me to flee in the event of an earthquake or other disaster, taking my credit card with me. A credit card guarantees your identity, so you can stay overnight and purchase food. From this point of view, the social nature of the Company itself is high. I therefore think that the areas that will need further strengthening in the years ahead will probably be the environment and DE&I.



In this year's Climate Change
Strategy Promotion WG, we collaborated with Wastebox. To be honest, I was surprised that the TCFD information disclosure was promoted in such a short period of time, overcoming differences of opinion. The recognition of Akagi Nature Park, which conducts wonderful activities, is also limited, and there was the problem that the current TCFD standards could not be evaluated well. Nevertheless, I think it was a fruitful result that we were able to share with everyone and have a positive discussion on how to change things.

What kind of people are participating as members of the Sustainability Promotion Committee? Also, please tell us about their roles.

**Mizuno:** I serve as the chairperson of the committee, and the committee is composed of members, men and women, who possess both internal and external perspectives, and global perspectives, so discussions are held from diverse perspectives. As one of the members, my priority is to listen to what the others have to say.

**Otsuka:** A director (and senior managing executive officer) from Singapore participates in the committee online, which is rare among other companies. Diversity is, of course, important, but it is also important to secure a perspective from overseas. As an outside

director, what I am trying to do is talk from the perspective of comparisons with other companies. I feel that the committee is a lively forum, with plenty of comments and questions from internal committee members in each area of responsibility.

# What are the distinctive features of Credit Saison's sustainability?

**Mizuno:** I believe that the most important aspect of sustainability for the Company is to take on challenges that defy conventional assumptions to help resolve the problems of our customers in a customer-focused manner. In the 1980s and 1990s, when the Company was founded, Credit Saison overturned the regulation concept that credit cards were a payment tool for male managers and above at listed companies. Issuing credit cards to women who are active consumers was a credit revolution. Currently, in our overseas business, we are adhering to the principle of good nature, while adhering to certain standards, and providing funds and credit to people who do not have bank accounts to cover their living expenses. This is extremely difficult, but facing difficulties is a manifestation of Credit Saison's social nature and is truly our "founding business."

**Yasumori:** Sustainability is meaningless if it merely takes place in a box called a company. I believe that it is all about ensuring that our employees are healthy both physically and mentally and that they want to continue working for us.

In addition, considering how much our credit cards can help our customers in the event of a disaster, we believe that, for example, it is necessary to continue to make decisions on our own, such as the temporary suspension of collection of receivables, before being instructed to by the government.

Otsuka: Speaking from the perspective of diversity, Credit Saison has several unique employees, and the Company is supportive of their outside activities. There are not many companies that find employees with edgy personalities interesting and listen to them. I think that Credit Saison's corporate culture, which emphasizes individuality, is unique and good from an outside perspective.

#### Three-way Discussion on Sustainability Governance

What are the issues for the future and your plans for Sustainability Promotion Committee activities? Also, do you have any messages you would like to convey to your stakeholders?

Yasumori: At a Sustainability Promotion Committee meeting, we discussed the results of a survey that showed that about 80% of new female employees join the Company with the intention of becoming a manager, but after a few years the ratio reverses to those who no longer want to work. The ratio of female managers in our company is just under 25%, which is high in the financial industry, but after joining the Company, I think that leads to the reversal and a certain sense of unease. I would like us to deepen our discussion on measures to address these issues at next year's committee meetings.

In addition, regarding climate change, I think the challenge for the discussions within this committee is how to connect climate change to the work employees are doing now. To cite one example, when a natural disaster occurs, we must enclose a letter of sympathy in the payment reminders to customers in the affected area, and everything must be done by hand. Communicating to employees by familiar examples such as "this activity was caused by climate change," I would like to strengthen our activities to bring home the reasons for tackling climate change. By grassroots movements in which the president himself visits each site and ascertains the actual situation of employees, we are continuing our activities to instill the significance of sustainability. I would like the executive officers to visit the front lines more often and make sustainability a big movement that touches the hearts of all of our approximately 4,000 employees. I would like to take this opportunity to seek the understanding and cooperation of all stakeholders in this regard.





Otsuka: I too think it is important to involve all employees. It was good that many departments were involved in the work for TCFD disclosure. In the past, many people might have thought that environmental issues had nothing to do with their departments, but I think it was an important step that they were able to start to have an awareness of the problem and say that "Maybe this is an issue that will have a bearing on my work after all."

Also, people are moved by stories. If we can improve our storytelling and communicate our sustainability initiatives, I believe that progress will be made in gaining the understanding of more stakeholders inside and outside the Company. I would like to ask all our stakeholders to expect great things from Credit Saison.

**Mizuno:** As part of our global business development, members in Singapore have planned and started impact investment. I would like local employees who are involved in impact investment to talk at this committee about the financial inclusion in which the Company should be involved, and at the same time I would like to take on new challenges.

Our employees, customers, and investors alike recognize the significance of our future-oriented existence or, in other words, we are increasingly being expected to contribute to society through our business while clarifying our purpose. To live up to their expectations, we would like to move forward toward the future. I ask for the ongoing support of our stakeholders.

# Corporate Governance



#### Our basic view on corporate governance

To realize our basic management policy of obtaining the understanding and consent of our shareholders by continuously improving corporate value over time and creating innovative services, the Credit Saison Group is implementing a variety of initiatives to improve and strengthen our corporate governance in recognition of the enormous importance of bolstering management supervisory functions to attain business objectives and enhance management transparency.

➤ For details, please see our Corporate Governance Report.

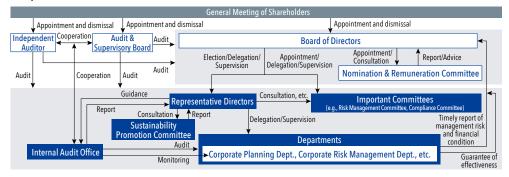
https://corporate.saisoncard.co.jp/en/sustainability/governance/pdf/governance\_report\_202209EG.pdf



# Matters concerning composition of governing bodies and organization management

Governance System	Company with Audit & Supervisory Board Members
Number of directors stipulated by the Articles	25
Term of office for directors stipulated by the Articles	1 year
Chairman of the Board of Directors	President
Number of directors (of which are outside Directors)	9 (3)
Outside directors on the Board	Appointed
Of outside directors, the number who are "independent directors"	3
Number of Audit & Supervisory Board members stipulated by the Articles	5
Number of Audit & Supervisory Board members (of which are outside Audit & Supervisory Board members)	4 (3)
Number of outside Audit & Supervisory Board members who are "independent directors"	3

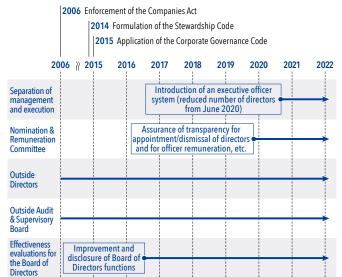
#### Corporate Governance Structure



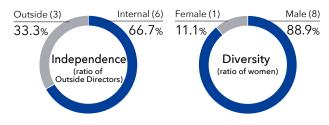
### Management/Executive system

Credit Saison (the Company) has adopted the Audit & Supervisory Board (ASB) model, with ASB members, for its corporate governance system. To ensure that we retain the confidence of our shareholders and other investors, we strive to improve and strengthen corporate governance by nominating outside directors and outside ASB members. The Board of Directors and Nomination & Remuneration Committee receive advice and recommendations from outside directors to ensure the appropriateness of business decision-making. This enables directors, who are well versed in business matters, to maintain and improve management efficiency. In addition, the ASB is strengthening its management oversight function by coordinating with directors, executive officers, and others from the Internal Audit Office and the unit responsible for the supervision of internal controls. Since March 2020, we have reviewed the director composition of our Board of Directors and introduced our executive officer system, to strengthen our corporate governance system through separation between operational execution and management supervision. With these changes, we aim to exercise more appropriate management supervision functions while developing an efficient business execution system.

### Changes in the Governance Structure



### **Composition of the Directors**



#### **Nomination & Remuneration Committee**

As an advisory body to the Board of Directors, the Nomination & Remuneration Committee has five members, the majority of whom are outside directors. The Committee is chaired by the Company's Representative Chairman and CEO, and its members are appointed by resolution of the Board of Directors. The Committee consults with the Board of Directors about matters related to the appointment and dismissal of directors and the formulation of remuneration policies for directors, deliberates them, and submits reports about such matters to the Board of Directors.

# Skill matrix of Directors, Audit & Supervisory Board Members, and Executive Officers

Credit Saison visualizes the management skills of our directors, Audit & Supervisory Board members, and executive officers as a skill matrix. To conduct flexible management in uncertain times, management composes members with diverse skills and expertise.

Position	Name	Corporate management	Global	Financial affairs/ Accounting	Human resources/ Labor affairs	Legal affairs/ Risk management	Sales/ Marketing	Digital/IT	M&A/New business	Real estate	Finance/ Loans	ESG
Representative, Chairman and CEO	Hiroshi Rinno	•	•		•		•		•			•
Representative, Executive President and COO	Katsumi Mizuno	•	•				•		•			•
Representative, Executive Vice President and CHO	Naoki Takahashi	•		•	•				•		•	•
Director, Senior Managing Executive Officer	Yoshiaki Miura	•					•	•	•			
Director, Senior Managing Executive Officer and CTO, CIO	Kazutoshi Ono	•	•					•	•			
Director, Senior Managing Executive Officer	Kosuke Mori	•	•	•					•			•
Outside Director	Naoki Togashi	•	•				•	•			•	
Outside Director	Nana Otsuki		•	•		•				•		•
Outside Director	Hitoshi Yokokura			•		•						
Standing Audit & Supervisory Board Member	Haruhisa Kaneko	•	•				•		•	•	•	
Standing Audit & Supervisory Board Member	Munehiro Harada	•			•	•						•
Standing Audit & Supervisory Board Member	Hiroaki Igawa			•		•				•	•	•
Audit & Supervisory Board Member	Chie Kasahara		•			•	•	•	•			
Managing Executive Officer	Tatsunari Okamoto	•					•				•	
Managing Executive Officer and CFO	Shingo Baba			•		•			•		•	•
Managing Executive Officer	Shunji Ashikaga	•					•		•		•	
Managing Executive Officer	Kazue Yasumori				•							•
Managing Executive Officer	Naoki Nakayama						•			•	•	
Managing Executive Officer	Masaki Negishi		•				•		•		•	
Executive Officer	Yasuyuki Isobe						•	•			•	
Executive Officer	Kaori Shimada						•				•	•
Executive Officer	Ryuki Tabata						•				•	
Executive Officer	Yuichi Kawahara						•	•	•			
Executive Officer	Naoki Misaka						•		•		•	

#### Notes:

- 1. The data presented in this table do not reflect all the skills possessed by the Board of Directors, Audit & Supervisory Board members, and executive officers. Up to six of the major skills and other attributes are marked.
- 2. To transform into a comprehensive life services group, we are placing particular focus on global, digital/IT, and new businesses/M&A skills for our business strategy.

#### Effectiveness of the Board of Directors

Implementation Summary	With the goal of improving the effectiveness of the Board of Directors, the Company implements a self-evaluation-based annual assessment and analysis for all directors and Audit & Supervisory Board members (including retirees before the expiration of their term of office) elected in the previous year. A questionnaire is given to each director and Audit & Supervisory Board member covering the following items, with the Board of Directors conducting discussions based on feedback from the results.
Assessment Items	Composition of the Board of Directors     Management of the Board of Directors     Roles and Responsibilities of the Board of Directors
Summary of Assessment Results	We have confirmed that the Board of Directors is operating at a generally proper level and that the effectiveness of the Board of Directors has been secured. When discussing the direction in which Credit Saison should proceed (formulating the Medium-term Management Plan and corporate strategy), by creating opportunities for executive officers to participate in discussions at management meetings attended by directors and Audit & Supervisory Board members, we seek to create diverse opinions and cultivate recognition for the Company's direction. By providing advance explanations (including individual projects) and including the details of discussions in the preliminary deliberations of the Executive Officers Committee in the composition of materials for the Board of Directors meetings, we share various opinions within our Company and strive to enhance information, thereby enabling the Board of Directors to make more substantive decisions.  Based on the recognition of issues to further revitalize discussions at Board of Directors meetings aimed at enhancing corporate value, the Company will continue to improve operations to further improve the effectiveness of the Board of Directors.

#### **About Director remuneration**

### ■ Basic policy on Director remuneration

As the Credit Saison policy for determining the amount for director remuneration, etc., and the calculation method thereof, at its meeting on February 25, 2021, the Board of Directors deliberated the policy for determining the content of Individual Directors' Compensation following consultation and a report by the Nomination & Remuneration Committee regarding the details to be deliberated in advance. This policy is intended to ensure that remuneration sufficiently functions as an incentive for Directors to sustainably improve corporate value and to build a remuneration structure that is linked to shareholder profits. The basic policy for determining the individual remuneration package of directors, etc., is to consider the level of companies/industries of similar size and the balance with employee remuneration for the system of director remuneration and individual remuneration. At the same time, we set the remuneration level according to position, presence, or absence of representation rights, etc.

#### ■ Remuneration structure

The remuneration structure for executive directors is composed of basic remuneration, performance-based remuneration (bonus), and restricted stock compensation. For outside directors and Audit & Supervisory Board members, remuneration is basic remuneration only.

Furthermore, the Nomination & Remuneration Committee considers the ratio of remuneration by type for executive directors based on the remuneration levels of companies, industries, etc., of similar size to Credit Saison. The ratio of each type of remuneration, etc., is based on a 7:2:1 ratio of basic remuneration: performance-based remuneration, etc. (bonuses): non-monetary remuneration, etc. (restricted stock compensation).

Eligible officers	Basic remuneration (monetary remuneration)	Performance-based remuneration, etc. (bonuses)	Non-monetary remuneration, etc.
Executive directors	Amount calculated as fixed monthly remuneration after setting annual remuneration levels for each position and considering the presence or absence of representation rights, etc.	Amount calculated by multiplying the amount of the basic bonus by position, etc., considering the retention rate, etc., by the performance-based coefficient*2 for quantitative indicators*1 and the performance-based coefficient for qualitative evaluation*3	Amount calculated as restricted stock compensation*4 after setting annual remuneration levels for each position and considering the presence or absence of representation rights, etc.
Outside directors	Fixed remuneration only	_	_
ASB members	Fixed remuneration only*5	_	_

- \*1 Quantitative indicators: Non-consolidated ordinary income (excluding temporary factors, etc.) growth rate and plan
- \*2 Performance-based coefficient: Based on a 50:50 ratio between the quantitative performance indicator growth rate and the plan achievement rate, while comprehensively considering the occurrence of large-scale disasters, pandemics, etc.
- \*3 Qualitative evaluation: This is the result of evaluating each degree of contribution to improving the Company's business performance and corporate value by all directors, including the relevant director.
- \*4 Restricted stock compensation: Please refer to the Securities Report for details of the conditions.
- \*5 Audit & Supervisory Board member remuneration: The amount of remuneration for each Audit & Supervisory Board member is determined through deliberations by the Audit & Supervisory Board within the total amount resolved at the General Meeting of Shareholders.

#### Remuneration coefficient of executive directors

Basic remuneration [approx. 70%]			ce-based tion, etc. us) . 20%]	Non-mone remunerat etc. [approx. 10	ion,
Set according to position and management responsibility level	Business performance for and degree of contribution to business	,		ted Stock ensation	

In calculating the planned amount of performance-based remuneration (bonuses) for FY2021, we comprehensively considered the impact of factors such as COVID-19 and set the expected performance-based coefficient for quantitative indicators at 100% and the expected performance-based coefficient for qualitative indicators of each director to 80%-120%.

The amount of remuneration for each individual can be entrusted to the Chairman of the Board based on a resolution of the Board of Directors. The scope or remuneration is the amount of basic remuneration for each director, the evaluation allocation of performance-based remuneration (bonuses) for each director, and the allocated amount of monetary remuneration claims related

to the acquisition of restricted shares. As a measure for the Chairman of the Board to properly exercise this authority, the Nomination & Remuneration Committee has established standards for the remuneration received by directors. Based on these standards, the Chairman of the Board makes decisions within the scope delegated by the Board of Directors.

In determining the actual issued amount of remuneration for individual directors in FY2021, the Board of Directors determined that it would be possible to make an appropriate evaluation while taking a bird's-eye view of the performance of the Company as a whole. Representative, Chairman and CEO Hiroshi Rinno will be entrusted with the determination of the amount of basic remuneration for each director and the allocation amount of monetary remuneration claims related to the acquisition of restricted stock. He will also be entrusted with the evaluation allocation of performance-based remuneration (bonuses) for each director.

# ■ Total amount of remuneration, etc., for each officer category, total amount of remuneration, etc., by type, and number of eligible officers

The total amount of remuneration, etc., for each officer category of the Company, the total amount of remuneration, etc., by type, and the number of eligible officers in FY2021 are as follows.

Classification	Total remuneration	Total amount of remuneration by type (Millions of yen)					
Classification	(Millions of yen)	Basic remuneration	Performance-based remuneration, etc.	Non-monetary remuneration, etc.	people		
Directors (excluding outside directors)	293	196	70	27	6		
ASB members (excluding outside ASB members)	16	16	_	_	1		
Outside directors	24	24	_	_	3		
Outside ASB members	36	36	-	-	3		

#### Notes

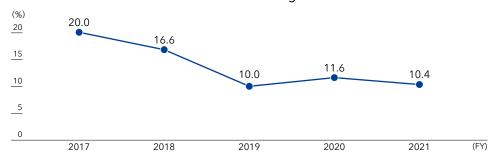
- The total amount of remuneration paid to directors does not include employee salaries in the case of employees who serve concurrently as executive directors.
- 2. The numbers above include the eight directors (of which, one outside director) who retired.
- 3. Performance-based remuneration, etc., lists the planned payment amount of performance-based remuneration (bonuses) for the current fiscal year.
- 4. The content of non-monetary remuneration, etc., is the common stock of the Company, and the conditions for allotment are as described in i through vi on page 58.
- 5. As of March 31, 2021, there were eight directors and four Audit & Supervisory Board members.

### **Cross-shareholdings**

Regarding cross-shareholdings, Credit Saison only holds shares of companies that are transaction (investment) partners necessary for our Group's business strategy and that are rational to hold. When verifying the rationality of holdings, we properly ascertain the risks and costs associated with holdings and the returns from holdings, including from a medium- to long-term perspective, and comprehensively verify profitability and other matters at the Board of Directors and other committees. As a result of verification, while considering factors such as the impact of the market, we promptly sell stocks that are judged to have little rationality to hold.

#### Corporate Governance

#### Consolidated net assets ratio for cross-shareholdings



#### Strengthening the compliance and risk management systems

To achieve sustainable improvement of corporate value, we position the enhancement of corporate governance as a key management initiative. To this end, we are improving internal control systems, strengthening risk management systems, ensuring thorough compliance, and creating mechanisms based on diversity, equity, and inclusion.

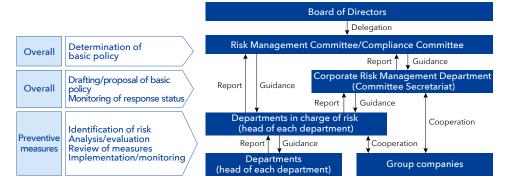
In establishing internal control systems, the Board of Directors decides on basic policies for such, with the aim of building systems that ensure appropriate and efficient operations mainly in the Corporate Planning Department, which is the unit responsible for overseeing internal controls. As for internal controls on financial reports, the Corporate Risk Management Department leads the way in promoting the establishment of internal controls in the Company and at our consolidated Group companies, while the Internal Audit Office carries out independent monitoring.

Regarding risk management, the Risk Management Committee and the Corporate Risk Management Department lead the way in preventing risks from materializing and in working to minimize the effects on the Company when they do arise. Accordingly, we strive to maintain our risk management framework by holding regular internal training sessions for employees in accordance with "risk management rules," "rules concerning loss risk management," and "crisis management rules." With respect to various issues within the Group and matters of control that pose serious risks, the Group Strategy Office of the Corporate Planning Department leads the way in monitoring business execution at Group companies and sharing information with the management departments of Group companies.

As for our compliance system, we have established a Compliance Committee to ensure legal compliance, fairness, and ethical standards in our corporate activities. In addition to assigning compliance responsibilities to employees in each department, we issued a

declaration on how the Company should conduct its activities and organized the ways in which officers and employees should conduct themselves as standards of conduct. As a further means of strengthening our compliance system, we have disclosed this declaration and standards of conduct on the Company's employee website, inform employees about our compliance help desk, and hold compliance training sessions to ensure rigorous adherence to these standards.

#### Risk management system/compliance system



# Dialogue with shareholders and investors (IR activities)

Credit Saison endeavors to convey corporate information to all shareholders and investors in a prompt, fair, and easy-to-understand manner, and actively discloses business results, financial conditions, strategies, and other matters that the Company believes to be effective in providing a better understanding of the Company. We also actively disclose sustainability initiatives that can only be implemented by Credit Saison aimed at achieving a sustainable society. In addition to continuing to participate in results briefings, conferences hosted by

securities companies, and briefings for individual investors, we are actively engaging in dialogue with shareholders and investors, such as by holding business strategy briefings on our global business and CSDX strategy, which attracted a lot of attention during discussions.

The Company will continue to promote IR activities with an awareness of shareholder and investor needs

#### Results of IR Activities in FY2021

Financial Results Briefing	2
Securities company organized conferences	2
Individual meetings with sell-side analysts/institutional investors	196
Investor briefing for individuals	1

# Messages from Outside Directors

# The Roles of Outside Directors and Their Efforts in Further Strengthening Governance



Outside Director (Independent) Representative Director Partner, TG Partners Inc. Director, NAGAHORI CORPORATION Trustee, Japan Association of Corporate Executives

Naoki Togashi

I can draw on more than 40 years of experience and knowledge that have included the monitoring of risk regulation and financial institution management at the Bank of Japan, a wide range of consulting on strategy, governance, and IT for various domestic and foreign financial companies, and serving as an outside director at a global financial institution. I have proactively made proposals from a "governance in conformity with business strategy" perspective at venues that have included meetings of boards of directors and various committee meetings.

At the present time, Credit Saison is stepping on the accelerator toward growth with the aim of becoming a "comprehensive life services group." Its activities are revolving around the evolution of its card payment business, the development of a finance business that meets the needs of the times, and the development of an Asiacentric global finance and payment business.

In cases such as this, I recognize three areas as forming important issues in terms of governance: the effective allocation and proper management of risk capital; the enhancement of human capital, including external recruitment, integrated management and evaluation, and the verification of the appropriateness of the remuneration system; and the increased sophistication of all forms of risk management in overseas business.

I will monitor business execution from these three perspectives, while exchanging opinions more closely than ever not only with the members of the Board of Directors and the Nomination and Remuneration Committee but also with each operational department and Audit & Supervisory Board member.



Outside Director (Independent)
Professor, Nagoya University of
Commerce and Business Graduate
School
Audit & Supervisory Board Member,
Tokio Marine Holdings, Inc.
Trustee, Nishogakusha
Director, Mochida Pharmaceutical
Co., Ltd.
Senior Fellow, Pictet Asset
Management (Japan) Ltd.

Nana Otsuki

Credit Saison's Board of Directors is made up of officers from extremely diverse backgrounds, from both inside and outside the Company. The discussions often get heated, merely because there are so many different points of view and ways of thinking. I don't think I have ever attended a Board meeting where every agenda item has ended with a simple chorus of "No objection."

As I was originally an analyst, I am used to putting questions to companies. By asking multifaceted questions, I try to act as a catalyst for such lively discussions. For executive officers, it might sometimes take them time to do some research. However, I do feel that unexpected risks can come to light through that kind of process.

The problems will arise from now on. People's payment methods and lifestyles are undergoing drastic changes, and the Company is also being required to boldly take on challenges in uncharted fields. How can the Board of Directors, including myself, encourage, oversee, and sometimes advise on these kinds of challenges? Bearing in mind that this is a critical juncture, I would like to contribute to the creation of the best business model in Credit Saison's history by engaging in discussions that are more heated than ever before.



Outside Director (Independent) Attorney at Law of Waseda Legal Commons, LPC (Partner) Audit & Supervisory Board Member. ITO EN. LTD.

Hitoshi Yokokura

The Company has started its new Medium-term Management Plan from FY2022. In aiming to achieve further growth by transforming each business portfolio, the Company is making headway by strengthening its management base, such as the digital technology, branding, and human resources that will underpin that aim. While looking at the direction at which the Company is aiming, active discussions are held at Board of Directors' meetings with an awareness of how each topic is positioned in relation to strategies, medium-term management plans, budgets, etc., and how the topic will be developed. We outside directors receive detailed explanations about the proposals in advance, but at that time we work out any unclarified issues from each of our standpoints and hold frank discussions with the executives of each department. As a lawyer and certified public accountant, I have been seeing many companies. What I have cultivated there are the skills and mindset to see things from perspectives that include what is truly important from among the many facts, whether it is supported by high-quality evidence and a proper review process has been followed, and whether the content of the discussion is ethical. I would like to continue to engage in further strengthening governance and contribute to the sound and sustainable growth of Credit Saison.

# Board of Directors/Audit & Supervisory Board Members/Executive Officers (As of October 1, 2022)



Back row (from left): Nana Otsuki, Naoki Togashi, Hitoshi Yokokura

# **Board of Directors**

Board of Directors			
Hiroshi Rinno Born in 1942	Katsumi Mizuno Born in 1969		
Representative, Chairman and CEO Corporate strategy, branding, comprehensive life services group strategy	Representative, Executive President and COO Overall management execution, global strategy Head of Branding Strategy Dept.,		
Mar. 1982 Joined Credit Saison Co., Ltd. General Manager, Credit Business Planning Dept.	Corporate Planning Dept., Payment Business Division		
Apr. 1983 Director June 2000 President and CEO Mar. 2019 Representative, Chairman and CEO  Naoki Takahashi Born in 1950	Apr. 1992 Joined Credit Saison Co., Ltd. June 2013 Director June 2020 Director, Senior Managing Executive Officer Mar. 2021 Representative, Executive President and COO		
Representative, Executive Vice President and CHO	Yoshiaki Miura Born in 1966		
Promotions of strategies, new business management, Head of Audit Office, Finance Division  Apr. 2005 Joined Credit Saison Co., Ltd. Advisor	Director, Senior Managing Executive Officer Operation business management Head of Credit Division		
June 2005 Managing Director  Mar. 2016 Representative, Executive Vice President  Mar. 2020 Representative, Executive Vice President and CHO	Apr. 1990 Joined Credit Saison Co., Ltd. June 2016 Director June 2020 Director, Senior Managing Executive Officer		
Kazutoshi Ono Born in 1976	Kosuke Mori Born in 197		
Director, Senior Managing Executive Officer and CTO, CIO Group-wide promotions of DX strategies, Why SAISON strategy,	Director, Senior Managing Executive Officer Head of Global Business Division		
Head of CSDX Development Dept., Customer Success Division, In charge of Full Life Business Dept., General Manager, CSDX Development Dept.,	July 2013 Joined Credit Saison Co., Ltd. June 2022 Director, Senior Managing Executive Officer		
Technology Center	Naoki Togashi Born in 1960		
Mar. 2019 Joined Credit Saison Co., Ltd. as CTO, General Manager, Technology Center	Outside Director (Independent)		
June 2019 Director Mar. 2020 Director, Managing Executive Officer June 2021 Director, Senior Managing Executive Officer and CTO, CIO	Apr. 2007 Trustee, Japan Association of Corporate Executives June 2014 Director, NAGAHORI CORPORATION June 2017 Outside Director, Credit Saison Co., Ltd. Representative Director Partner, TG Partners Inc.		
Nana Otsuki Born in 1964	Hitoshi Yokokura Born in 196		
Outside Director (Independent)	Outside Director (Independent)		
June 2017 Outside Director, Credit Saison Co., Ltd.  Apr. 2018 Professor, Nagoya University of Commerce and Business Graduate School  June 2018 Audit and Supervisory Board Member, Tokio Marine Holdings, Inc.	Mar. 1995 Registered as certified public accountant Dec. 2007 Admitted to Japanese Bar, Tokyo Bar Association Apr. 2014 Attorney at law of Waseda Legal Commons,		
Sept. 2019 Trustee, Nishogakusha June 2021 Director, Mochida Pharmaceutical Co., Ltd. Sept. 2022 Senior Fellow, Pictet Asset Management (Japan) Ltd.	June 2020 Outside Director, Credit Saison Co., Ltd.  July 2021 Audit & Supervisory Board Member, ITO EN, LTD.		

#### Board of Directors/Audit & Supervisory Board Members/Executive Officers





Middle row (from left): Kaori Shimada, Yuichi Kawahara, Yasuyuki Isobe, Naoki Nakayama

Back row (from left): Masaki Negishi, Ryuki Tabata, Naoki Misaka

# **Audit & Supervisory Board Members**

Haruhisa Kaneko Born in 1956

Standing Audit & Supervisory **Board Member** 

Jan. 1990 Joined Credit Saison Co., Ltd.

June 2008 Director

Mar. 2010 Managing Director

Mar. 2015 President, Qubitous Co., Ltd. (Merged with Credit Saison Co.. Ltd. in April 2020)

June 2019 Standing Audit & Supervisory Board Member of Credit Saison Co., Ltd.

Chie Kasahara

Born in 1968

Audit & Supervisory Board Member (Outside/Independent) Munehiro Harada Born in 1954

Standing Audit & Supervisory Board Member (Outside/ Independent)

Apr. 1978 Entered National Police Agency

Apr. 2012 Director General, Kanto Regional Police Bureau

June 2013 Managing Director, Nichidenkyo June 2019 Standing Audit & Supervisory Board Member of Credit Saison

Hiroaki Igawa

Born in 1958

Standing Audit & Supervisory Board Member (Outside/ Independent)

Apr. 1982 Entered Ministry of Finance

June 2013 Director-General, Nagoya Customs

June 2014 Auditor (Regular Employee), East Nippon Expressway Company Limited

June 2019 Standing Audit & Supervisory Board Member of Credit Saison Co., Ltd.

Apr. 2000 Registered as an attorney at law, Dai-Ichi Tokyo Bar Association June 2015 Audit & Supervisory Board Member (Outside), Credit Saison

Jan. 2019 Senior Partner, Atsumi & Partners (Present Atsumi & Sakai) Dec. 2020 Audit & Supervisory Board Member of MTI Ltd. June 2022 Director (Audit Committee Member) of Achilles Corporation

# **Executive Officers**

#### Tatsunari Okamoto Born in 1967

Managing Executive Officer Head of General Affairs Dept., In charge of Leasing Business Dept., MF Business Development Dept.

Kazue Yasumori

Born in 1973

Managing Executive Officer Head of Strategic Human Resources Dept., Processing Business Division, General Manager, **Processing Business Division** 

Yasuyuki Isobe

Born in 1969

Born in 1975

**Executive Officer** Collection & Research Business strategy General Manager, Credit Division

Yuichi Kawahara

**Executive Officer** General Manager, Customer

Success Division, Digital Marketing Dept. Shingo Baba

Born in 1971

Managing Executive Officer and CFO Financial & capital strategy, IR, M&A Head of Public Relations Office, Corporate Risk Management Dept., Treasury & Accounting Dept.

Naoki Nakayama Born in 1965

Managing Executive Officer General Manager, Finance Division

Kaori Shimada

Born in 1966

**Executive Officer** Head of CS Planning Dept., In charge of New Business Development Dept., General Manager, CS Planning Dept.

Naoki Misaka

Born in 1975

**Executive Officer** In charge of Strategic Planning Dept., General Manager, Strategic Planning Dept.

Shunji Ashikaga

Born in 1971

Managing Executive Officer Company-wide Corporate Sales Head of Saison AMEX Division, General Manager, Saison AMEX Division, In charge of Credit Guarantee Dept.

Masaki Negishi Born in 1972

Managing Executive Officer General Manager, Global Business Division. In charge of Corporate Planning Dept., Processing Sales Dept., Processing Planning Dept.

Ryuki Tabata

Born in 1967

**Executive Officer** Credit card joint ventures affairs management General Manager, Payment Business Division, In charge of Processing Development Dept., General Manager, Card Joint Venture Planning Dept.

# 11-Year Summary of Selected Financial Data

JGAAP*1/IFRS*2		FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	(Millions of yer FY2021
Financial Data												
Consolidated												
	Operating revenues/Net revenue	244,009	244,405	247,577	259,076	269,919	278,944	292,183	304,855	311,410	282,625	299,017
	Selling, general and administrative expenses	192,184	187,170	197,852	206,192	221,553	236,661	241,740	220,974	236,910	202,380	222,541
	Impairment losses on financial assets	_	_	_	_	_	_	_	34,088	39,376	31,867	24,575
For the year	Financial costs	19,958	14,922	13,388	12,722	11,772	11,069	9,671	9,878	10,471	11,266	11,461
	Operating income	31,865	42,312	36,336	40,161	36,593	31,213	40,771	_	_	_	_
	Ordinary income/Business profit	38,590	53,214	44,408	43,687	43,802	53,065	56,717	52,233	36,184	48,352	52,336
	Net income attributable to owners of the parent/ Profit attributable to owners of the parent	9,453	32,770	25,552	12,628	26,163	42,253	38,329	30,517	22,863	36,132	35,375
	Total equity	355,727	394,868	422,829	447,082	418,988	446,882	480,669	491,741	485,476	532,057	563,738
At year-end	Total assets	2,155,906	2,141,802	2,285,943	2,373,299	2,550,990	2,720,051	2,940,022	3,212,465	3,357,229	3,409,247	3,610,778
	Interest-bearing debt	1,409,802	1,359,856	1,468,740	1,557,836	1,729,066	1,857,477	1,957,244	2,203,818	2,413,565	2,429,488	2,569,040
Per share data	Net income per share/Basic net income per share	51	178	139	69	147	259	235	187	143	231	226
(yen)	Equity per share/Equity attributable to owners of the parent per share	1,921	2,132	2,283	2,424	2,564	2,725	2,933	3,006	3,102	3,397	3,598
	Return on equity (ROE)	2.7	8.8	6.3	2.9	6.1	9.8	8.3	6.2	4.7	7.1	6.5
Key financial ratios (%)	Return on assets (ROA)	0.4	1.5	1.2	0.5	1.1	1.6	1.4	1.0	0.7	1.1	1.0
(70)	Equity ratio	16.4	18.3	18.3	18.8	16.4	16.4	16.3	15.3	14.4	15.6	15.6
Non-Consolidated	d											
	Operating revenues	210,207	204,121	205,873	219,336	228,713	238,637	249,865	259,018	268,020	251,307	252,416
	Selling, general and administrative expenses	153,505	149,844	160,927	169,899	186,492	203,038	207,093	215,726	235,794	208,269	219,371
For the year	Financial costs	18,809	16,882	15,119	14,066	12,620	11,282	9,872	9,748	10,535	11,530	11,381
For the year	Operating income	37,893	37,394	29,826	35,370	29,599	24,316	32,900	33,543	21,690	31,507	21,663
	Ordinary income	41,001	41,529	34,872	38,449	32,614	28,210	38,871	39,634	28,348	38,026	30,421
	Net income	5,613	24,147	18,637	11,315	25,570	21,045	22,190	25,875	33,391	29,931	21,909
	Total equity	322,502	349,202	367,808	388,470	359,428	374,477	396,831	407,533	404,809	441,683	456,739
At year-end	Total assets	2,059,435	2,051,908	2,200,459	2,287,986	2,468,797	2,623,644	2,831,296	3,107,284	3,210,925	3,280,302	3,444,915
	Interest-bearing debt	1,368,154	1,337,201	1,457,001	1,551,189	1,725,891	1,852,551	1,953,740	2,202,839	2,378,701	2,413,154	2,536,247
к с	Return on equity (ROE)	1.8	7.2	5.2	3.0	6.8	5.7	5.8	6.4	8.2	7.1	4.9
Key financial ratios (%)	Return on assets (ROA)	0.3	1.2	0.9	0.5	1.1	0.8	0.8	0.9	1.1	0.9	0.7
	Equity ratio	15.7	17.0	16.7	17.0	14.6	14.3	14.0	13.1	12.6	13.5	13.3
	Credit card business	3,402,494	3,547,050	3,852,980	4,089,389	4,258,284	4,476,608	4,683,038	4,788,537	4,946,908	4,500,366	4,823,174
	Credit card cash advance	266,904	260,089	264,092	277,025	267,723	253,837	248,156	242,980	237,555	155,004	160,622
	Business agency	2,112,431	2,166,062	2,303,998	2,434,824	2,522,242	2,671,710	2,873,183	3,014,831	2,985,255	2,609,412	2,737,512
<b>-</b> .:	Lease business total	96,852	105,356	114,694	106,801	106,000	108,101	114,569	115,589	127,178	114,885	113,159
Transaction volume	Credit guarantee	92,837	115,297	126,281	137,335	150,101	159,914	131,922	114,277	101,510	70,283	84,586
	Real estate mortgage loans	11,144	11,571	46,780	50,459	82,420	125,629	160,762	207,779	175,621	141,698	124,417
	Other (finance business)	49,604	48,201	75,969	80,633	114,043	180,286	241,949	287,830	341,131	322,366	332,180
	Other	27,625	28,040	33,633	37,737	37,907	35,883	32,119	27,351	30,260	26,696	26,788
	Total volume of new contracts	6,059,891	6,281,666	6,818,427	7,214,203	7,538,720	8,011,968	8,485,698	8,799,174	8,945,420	7,940,715	8,402,442

<sup>\*1</sup> Japanese standards were applied until FY2017.

<sup>\*2</sup> International Financial Reporting Standards (IFRS) are applied from FY2018 onward.

# Segment Highlights/5-Year Non-financial Data (As of March 31, 2022)

					(Millions of yen)
JGAAP*1/IFRS*2*3	FY2017	FY2018	FY2019	FY2020	FY2021
Operating revenues/Net revenue					
Payment Segment	220,320	228,518	232,441	209,130	211,979
Lease Segment	12,885	12,586	12,269	12,290	11,837
Finance Segment	35,417	39,231	43,112	43,412	48,313
Real Estate-related Business Segment	15,472	18,113	17,227	14,595	22,704
Entertainment Business Segment	9,288	8,761	8,822	5,536	6,407
Adjustment	(1,200)	(2,357)	(2,462)	(2,340)	(2,224)
Total net revenue	292,183	304,855	311,410	282,625	299,017
Operating income/Business profit					
Payment Segment	12,719	16,915	6,297	22,332	14,016
Lease Segment	4,349	5,720	2,951	4,706	5,805
Finance Segment	16,213	19,209	18,004	17,664	19,922
Real Estate-related Business Segment	6,401	8,305	6,957	5,390	12,350
Entertainment Business Segment	1,082	2,078	1,969	(1,745)	237
Adjustment	3	3	3	3	3
Total business profit	40,771	52,233	36,184	48,352	52,336
Breakdown of income from paymen	nt business se	gment			
Card shopping	131,827	136,464	140,579	131,029	132,081
Cash advances	34,745	33,084	32,932	28,882	26,106
Loans on deeds	1,329	1,071	844	654	517
Processing/transactions handled on behalf of other companies' cards	27,034	28,227	31,014	27,402	27,437
Agency services	15,045	15,896	12,491	5,069	5,061
Payment-related income	8,969	11,507	12,297	13,684	18,403
Finance income	208	852	767	1,024	987
Intersegment revenue or transfers	1,158	1,415	1,512	1,384	1,383
Total credit service business income	220,320	228,518	232,441	209,130	211,979
Main card indices (non-consolidate	d)				
New cards issued (thousands)	2,440	2,110	1,800	1,250	1,520
Total membership (thousands of members)	26,950	26,790	26,390	25,700	25,400
Active membership (thousands of members)	14,980	14,900	14,960	13,950	13,890
Transaction volume (billions of yen)	4,931.1	5,031.5	5,184.4	4,655.3	4,983.7
Shopping	4,683.0	4,788.5	4,946.9	4,500.3	4,823.1
Cashing	248.1	242.9	237.5	155.0	160.6
Balance (billons of yen)	631.3	640.5	645.7	573.0	557.3
Card shopping revolving credit balance	414.2	422.5	426.8	388.8	383.3
Cashing	217.1	218.0	218.8	1,842	173.9

	FY2017	FY2018	FY2019	FY2020	FY2021
E: Environment					
Total CO <sub>2</sub> emissions (tons of CO <sub>2</sub> )					
Subtotal of Scope 1 + Scope 2 (market base)	_	_	_	18,563	Currently being calculated
Subtotal of Scope 1 + Scope 2 (location base)	-	-	-	18,879	Currently being calculated
Scope 3	_	_	_	730,645	Currently being calculated
Energy usage amount (power consumption) (kwh)	_	_	8,807,000	8,557,000	8,296,000
Paper usage (CSDX Strategy Index)	_	_	_	160,368,120	138,400,569
S: Society					
Number of employees (persons)	3,297	3,239	2,981	4,319	4,084
(number of women)	2,483	2,424	2,169	3,250	3,058
(number of men)	814	815	812	1,069	1,026
Ratio of female managers (%, department head positions)	21.2	20.8	21.0	24.3	24.5
Number of overseas employees*4	11	39	89	126	272
Employment ratio of persons with disabilities	1.71	2.04	2.16	2.33	2.31
Average length of service (years, total of men and women)	10.4	10.9	11.8	12.4	13.3
(length of service by women)	10.0	10.6	11.6	12.1	13.1
(length of service by men)	11.6	11.7	12.2	13.4	14.0
Ratio of men taking childcare leave (%)	0.0	3.0	0.0	4.9	10.3
Number of people taking long-term care leave	5	27	24	36	26
(persons, total of men and women)	3	21	24	30	20
(number of women taking long-term care leave)	5	26	23	35	23
(number of men taking long-term care leave)	0	1	1	1	3
Average annual salary (thousand of yen, total)	5,040	5,180	5,340	5,170	5,190
(for managers)	1054	1056	1051	1026	1016
(for non-managers)	475	481	487	472	477
(for women)	440	457	467	457	458
(for men)	711	722	728	709	707
Monthly average overtime working hours (hours)	11.1	10.2	10.8	9.3	10.1
Amount invested in human resource development (thousand of yen)	_	460,610	445,560	483,300	514,130
Training/challenge system					
LGBT Manners Training Number of people/number of times	_	_	_	12/4	19/4
Universal Manners Training Number of people/number of times	_	_	13/4	26/7	25/5
SWITCH SAISON Number of projects	_	_	308	489	182
Dementia Supporter Training Workshop Number of people/number of times	_	_	_	496/15	307/14
Average days of paid leave taken (days)	10.0	13.4	15.0	13.1	14.0
Acquisition rate (%)	56.8	75.7	82.5	72.4	73.5
Turnover (%)	4.1	7.6	3.3	3.6	7.8
(by women)	4.4	8.0	5.6	4.4	7.4
(by men)	3.0	6.4	5.9	3.3	6.6
Number of visitors to Akagi Nature Park (persons)	73,368	89,780	70,345	59,173	74,161
Total amount of point donations (thousand yen)	20,543	57,523	37,312	37,782	17,889
G: Governance					
Number of meetings of the Board of Directors	21	18	19	19	19
Attendance rate of outside directors (%)	82.3	90.7	98.2	100.0	100.0
Number of directors	16	15	9	9	9
(number/ratio of outside directors)	3/18.8	3/20.0	3/33.3	3/33.3	3/33.3
(number/ratio of independent outside directors)	2/12.5	3/20.0	3/33.3	3/33.3	3/33.3
(number/ratio of female directors)	1/6.3	2/13.3	1/11.1	1/11.1	1/11.1
Number of executive officers	-	-	10	10	11
(number/ratio of female executive officers)	_	-	2/20.0	2/20.0	2/18.2
Number of Audit & Supervisory Board members	3	4	4	4	4
(number/ratio of female Audit & Supervisory Board members)	1/33.3	1/25.0	1/25.0	1/25.0	1/25.0
Number of serious legal violations	0	0	0	0	0

<sup>\*1</sup> Japanese standards were applied until FY2017.

<sup>\*2</sup> International Financial Reporting Standards (IFRS) are applied from FY2018 onward.

<sup>\*3</sup> Figures for net revenue and business profit represent the amounts before appropriation of inter-segment transactions.

<sup>\*4</sup> Total of six consolidated subsidiaries

# List of Affiliated Companies (As of October 1, 2022) Note: In the order of the Japanese syllabary

# Main consolidated subsidiaries

ATRIUM	Atrium Co., Ltd.	Comprehensive real estate business, servicing business	
<ul><li>Omnibus</li></ul>	Omnibus K.K.	Internet advertisement agency business, marketing consulting business	
CASALAGO	CASALAGO CO., LTD.	Import and sales of lifestyle goods	
< 5しのセソン	KURASHINO SAISON Co.,Ltd.	Cleaning, security, property maintenance services	
Concerto	Concerto Inc.	Amusement services, amusement business, real estate rental business	
SAIS®N MANAGEMENT セソン技信	SAISON ASSET MANAGEMENT CO., LTD.	Asset management	
SAIS N PERSONAL PLUS	Saison Personalplus Co., Ltd.	Temporary staffing business and contracting business	
SAIS ON PARTNERS collection & research	SAISON PARTNERS CO.,LTD. Major operating companies: JPN COLLECTION SERVICE CO.,LTD.	Management of subsidiaries such as debt collection agencies, and other related operations	
SAIS ® N FUNDEX ttxにファンテックス	Saison Fundex Corporation	Real estate financing business, credit guarantee business, and personal loan business	
Ventures	Saison Ventures Co., Ltd.	Identification and investment in startups	
株式会社セゾン保険サービス	Saison Insurance Service Inc.	Life/non-life insurance agency business	
₩活性総合研究所	Research Institute of Brain Activation	Development and provision of the Brain Assessment	
Motion Picture	Motionpicture Co.,Ltd.	Provision of online ticket system and payment services associated with the system	
Vine Vine Culture	Wine&Wine Culture Co.,Ltd.	Operation of the SAKURA Japan Women's Wine Awards and provision of training for popularizing wine	
CREDIT SAIS®N	Kisetsu Saison Finance (India) Pvt. Ltd.	Digital lending operations in India	
SAIS ON INDONESIA PT Saison Modern Finance	PT. Saison Modern Finance	Digital lending and lease business in Indonesia	
SAIS@N CAPITAL	Saison Capital Pte. Ltd.	Financing of and investment in overseas startups	
SAISON	Saison International Pte. Ltd.	Overseas business development and regional headquarters	
SAIS®N Investment Management	Saison Investment Management Pte. Ltd.	Impact investment business overseas	

# Major equity-method affiliates

<b>e</b> +	Eplus Inc.	Tickets sale
<b>でidemitsu</b> 出光クレジット株式会社	Idemitsu Credit Co., Ltd.	Credit card business, prepaid card business, finance business
静銀セゾンカード株式会社	Shizugin Saison Card Co., Ltd.	Credit cards and credit guarantees, prepaid card business
SAIS®N INFORMATION SYSTEMS CQ.LTD.	Saison Information Systems Co., Ltd.	Information processing services
SAIS@N BUSINESS SUPPORT A	Saison Business Support,Inc.	Sales agent for payment and finance products and sale of information security and office disaster prevention related services, etc.
株式会社セプンCSカードサービス	Seven CS Card Service Co., LTD.	Credit card business
大和ハウスフィナンシャル Oaiwa House Group。	Daiwa House Financial Co., Ltd.	Credit card business, loaning business, and cashless payments promotion business
高島屋ファイナンシャル・バートナーズ株式会社	Takashimaya Financial Partners Co., Ltd.	Credit card business, insurance business, investment trust business, and trust business
Y/M/D/ Financial	Yamada Financial Co., Ltd.	Credit card business
<b>R</b> SAIS  N	ReSAISON Co., Ltd.	Recirculation and recycling through repatriation and sale of assets and material recycling
<b>ジ</b> リそなカード	Resona Card Co., Ltd.	Credit cards and credit guarantees
>>>> C A S M	CASM, Inc.	Marketing business utilizing credit card payment data, etc.
fit Fintertech	Fintertech Co.,Ltd.	Loaning business (crypto-assets and mortgage collateral), cloud funding business, and Nagesen (online tipping) SaaS business
STOCK POINT	STOCK POINT, Inc.	System development and services related to stock-price-linked bonus point management
HD SAIS ON	HD SAISON Finance Company Ltd.	Finance business in Vietnam
SIAMSAIS®N	Siam Saison Co., Ltd.	Provision of digital credit and settlement services in Thailand

# Corporate Information/Investor Relations Information (As of September 30,2022)

#### Stock information

Common Stock Authorized	300,000 thousand shares
Common Stock Outstanding	185,444 thousand shares
Number of Shareholders	19,039



#### Major shareholders (Top 10)

	Equity stake		
Institution	Number of shares (thousands)	Ownership percentage (%)	
The Master Trust Bank of Japan Ltd. (trust account)	37,555	24.01	
Custody Bank of Japan, Ltd. (trust account)	18,071	11.55	
Daiwa Securities Group Inc.	8,050	5.15	
City Index Eleventh Co., Ltd.	7,543	4.82	
HSBC BANK PLC A/C M AND G (ACS)	6,679	4.27	
BNYMSANV AS AGENT/CLIENTS LUX UCITS NON TREATY 1	6,381	4.08	
Mizuho Bank, Ltd.	3,000	1.92	
STATE STREET BANK AND TRUST COMPANY 505103	2,514	1.61	
JP MORGAN CHASE BANK 385781	2,069	1.32	
Seven & i Holdings Co., Ltd.	2,050	1.31	

Notes: 1.The 29,037,748 treasury shares held by Credit Saison are not included in the above list of major shareholders.

Ownership percentages are based on the number of outstanding shares excluding treasury shares.

#### Shareholders memo

Fiscal Year	Period beginning on April 1 and ending on March 31 of the following year
Ordinary General Meeting of Shareholders	Convened each year in June
Record Date	Ordinary general meeting of shareholders and year-end dividend payments - March 31 Should any other record date be required, a public notice will be issued in advance.
Transfer Agent and Administrator of Special Accounts	Sumitomo Mitsui Trust Bank Limited, 1-4-1, Marunouchi, Chiyoda-ku, Tokyo, Japan
Administrative Office of Transfer Agent	Stock Transfer Agency Business Department, Sumitomo Mitsui Trust Bank Limited, 1-4-1, Marunouchi, Chiyoda-ku, Tokyo, Japan
Mailing Address	Stock Transfer Agency Business Department, Sumitomo Mitsui Trust Bank Limited, 2-8-4, Izumi, Suginami-ku, Tokyo 168-0063, Japan
Telephone Inquiries	(9:00-17:00 excluding weekends and holidays)
URL	https://www.smtb.jp/personal/procedure/agency/
Method of Public Notice	Electronic notice (Credit Saison website) https://corporate.saisoncard.co.jp/en/public_ announcement/
Stock Listing	Tokyo Stock Exchange (Prime)
Securities Code	8253

[Notice of Address Change, etc., and Inquiries Relating to Shares] Shareholders who have an account with a securities company are asked to contact the relevant securities company regarding address change and other notices, as well as inquiries. Shareholders who do not have an account with a securities company are asked to call the number indicated above for telephone inquiries.

[Special Accounts] For shareholders who were not using the "Hofuri" system (Japan Securities Depository Center, Inc.) prior to the introduction of the electronic share certificate system, an account (special account) has been opened at Sumitomo Mitsui Trust Bank Limited above as the transfer agent. Inquiries on special accounts should be directed to the transfer agent at the number indicated above for telephone inquiries. [Information on Additional Purchase System/Buy Back System for Shares Less Than One Unit] Our Company has established a system in which shareholders who own shares less than one unit (100 shares) can purchase additional shares at the market price (Additional Purchase System) and a system in which shareholders can sell shares less than one unit back to our Company (Buy Back System). For shares less than one unit recorded in a special account, please contact the telephone inquiry number listed above. For shares less than one unit deposited with a financial securities firm, please contact the financial securities firm where you have an account.

### Corporate profile

Name	Credit Saison Co., Ltd.
Incorporated	May 1, 1951
Head Office	52F, Sunshine 60 Bldg., 1-1 Higashi-Ikebukuro 3-chome, Toshima-ku, Tokyo 170-6073, Japan
Representative	Hiroshi Rinno, Representative, Chairman and CEO Katsumi Mizuno, Representative, Executive President and COO Naoki Takahashi, Representative, Executive Vice President and CHO
Business	1. Payment Segment (credit card business, servicing (loan collection agency) business, etc.) 2. Lease Segment (lease business) 3. Finance Segment (credit guarantee business and finance-related business) 4. Real Estate-related Segment (real estate business, real estate leasing business, and servicing (loan collection agency) business, etc.) 5. Entertainment Segment (amusement business, etc.)
Paid-in Capital	¥75,929 million
Number of Regular Employees	4,066

Note: In addition to our regular employees, we employ temporary and part-time employees, with the average number of non-regular employees per term at 1,692 (based on conversion to a 7.5-hour workday).

# Responsible Officer's Guarantee/Editor's Postscript

## Responsible officer's guarantee

### On Publishing the Credit Saison Integrated Report 2022

As a leading-edge service company, the term adopted in our Management Philosophy, the Credit Saison Group is aiming for a sustainable society that is even more convenient and prosperous than today's. We will help to achieve this by leveraging our unique know-how, management resources, and the experience of our employees to contribute to solving social issues through our businesses in ways that only Credit Saison can.

All involved have again worked hard to produce Credit Saison Integrated Report 2022, the fourth we have published since March 2020, in a reader-friendly format. We thus divided the sections in accordance with the elements that we wanted to convey, such as the deeply rooted philosophy in our Group and answering the question "What are Credit Saison's strengths and unique characteristics?"

My hope is that this report will help readers to gain an understanding of the initiatives advanced by the Sustainability Promotion Committee, which was established in August 2021, and the Group's efforts toward its third founding period, as exemplified by the New Medium-term Management Plan that we launched in FY2022.

As the executive officer responsible for editing, I hereby declare that the preparation process was properly carried out and that the details listed herein are accurate.

Despite the impact of COVID-19, global affairs, and other factors, we will continue to value dialogue with our stakeholders, including our shareholders and investors, and would like to devise ways to enhance disclosure and transparency while working on improvements to make the report even better. We would thus definitely appreciate receiving your unreserved opinions.

Finally, I would like to take this opportunity to express my heartfelt gratitude to all the readers who have obtained a copy of this report and to all those persons involved in its production and publication.



Shingo Baba

Managing Executive Officer and CFO Financial & capital strategy, IR, M&A Head of Public Relations Office, Corporate Risk Management Dept., Treasury & Accounting Dept.

#### Information disclosure tools

Credit Saison discloses various types of information for our shareholders, investors, and all other stakeholders on our website.

# Corporate Information https://corporate.saisoncard. co.jp/en/company/



#### Business https://corporate.saisoncard. co.jp/en/business/



#### Sustainability

https://corporate.saisoncard.co.jp/en/sustainability/



#### IR Information

https://corporate.saisoncard.co.jp/en/ir/



### Editor's postscript

Thank you for reading Credit Saison Integrated Report 2022 to the end.

This, the fourth edition of our integrated report, was created with a greater emphasis on two points: our New Medium-term Management Plan and sustainability. Particularly in the case of sustainability, as information disclosure relating to human capital is gaining widespread attention, we expanded non-financial information and content. We also devised ways to communicate the kind of value that we are trying to create.

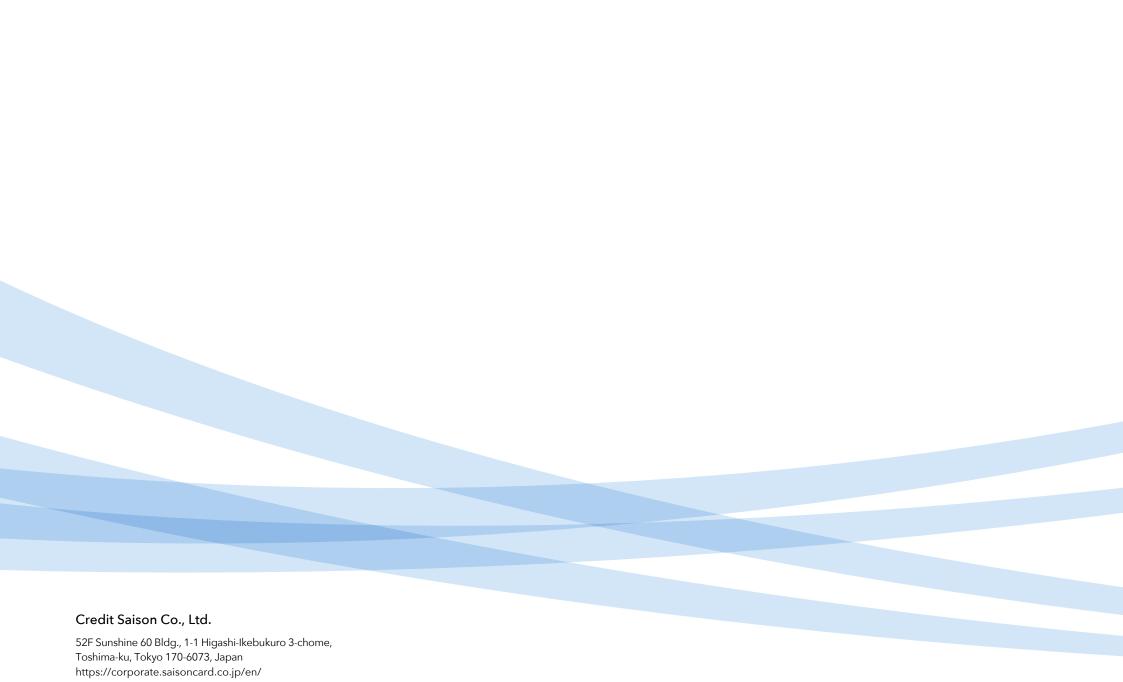
To further deepen communications with our stakeholders in the years to come, we will continue to appreciate receiving frank opinions from our readers while making further enhancements to the report's content.



Having won awards at the International ARC Awards, an annual report competition in the United States, the Credit Saison Integrated Report 2021 even received high acclaim overseas.



International ARC Awards Summary/Annual Report Review category/Honors award PDF Version Annual Report category/Silver award



# **CREDIT SAISON**

# **FINANCIAL SECTION 2022**

For the Year Ended March 31, 2022



The accompanying consolidated financial statements expressed in Japanese yen are the translation of those issued domestically. The amounts expressed in U.S. dollars are not included in the original audited consolidated financial statements. Such U.S. dollar amounts are translated in accordance with the basis stated in "Basis of Presentation" on the next page and are additionally presented herein solely for the convenience of readers outside Japan, and are not subject to audit.

## Basis of Presentation

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of \$122.41 to \$1, the approximate rate of exchange at March 31, 2022. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

-1-

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		FY20 (As of March	
		Millions of yen	Thousands of U.S. dollars
Assets			
	Cash and cash equivalents	¥108,970	\$890,207
	Trade and other receivables	2,794,545	22,829,389
	Inventories	128,462	1,049,448
	Operational investment securities	52,992	432,906
	Investment securities	72,431	591,711
	Other financial assets	14,597	119,250
	Property, plant, and equipment	30,342	247,875
	Right-of-use assets	12,364	101,011
	Intangible assets	162,317	1,326,016
	Investment property	94,763	774,151
	Investments accounted for using equity method	86,914	710,031
	Deferred tax assets	41,377	338,027
	Other assets	10,697	87,390
Tota	l assets	¥3,610,778	\$29,497,418

	FY2021		
	(As of March Millions of yen	Thousands of	
Liabilities and equity	•	U.S. dollars	
Liabilities Liabilities			
Zidollideo	V244.240	\$1,996,157	
Trade and other payables	¥244,349		
Financial guarantee liabilities	8,884	72,579	
Bonds and borrowings	2,569,040	20,987,180	
Other financial liabilities	19,373	158,271	
Income taxes payable	13,038	106,513	
Provision for point card certificates	118,368	966,983	
Provision for loss on interest repayments	24,066	196,609	
Other provisions	1,574	12,865	
Deferred tax liabilities	974	7,962	
Other liabilities	47,368	386,963	
Total liabilities	3,047,040	24,892,086	
Equity			
Equity attributable to owners of parent	562,387	4,594,292	
Share capital	75,929	620,287	
Capital surplus	85,152	695,629	
Retained earnings	442,550	3,615,315	
Treasury shares	△62,737	△512,521	
Other components of equity	21,492	175,581	
Non-controlling interests	1,351	11,039	
Total equity	563,738	4,605,331	
Total liabilities and equity	¥3,610,778	\$29,497,418	

-3-

# CONSOLIDATED STATEMENT OF INCOME

	FY2021 (April 1, 2021 to March 31, 2022)	
_	Millions of yen	Thousands of U.S. dollars
Revenues		
Income from the payment business	¥209,608	\$1,712,345
Income from the lease business	11,835	96,684
Income from the finance business	48,313	394,684
Revenue from the real estate-related business	59,341	484,780
Revenue from the entertainment business	32,866	268,49
Finance income	989	8,085
Total	362,955	2,965,076
Of interest income	108,337	885,04
Cost of sales		
Cost of sales for the real estate-related business	37,478	306,17
Cost of sales for the entertainment business	26,459	216,15
Total	63,937	522,32
Net revenue	299,017	2,442,75
Selling, general, and administrative expenses	222,541	1,817,99
Impairment losses on financial assets	24,575	200,76
Finance costs	11,461	93,63
Share of profit of investments accounted for using equity method	4,588	37,48
Other income	6,259	51,13
Other expenses	1,349	11,02
Profit before tax	49,936	407,94
Income tax expense	14,343	117,17
Profit	¥35,593	\$290,77
Profit attributable to		
Owners of parent	¥35,375	\$288,99
Non-controlling interests	218	1,78
Profit	¥35,593	\$290,77

	FY2021 (April 1, 2021 to March 31, 2022)		
_	Millions of yen	Thousands of U.S. dollars	
Profit before tax	¥49,936	\$407,947	
Reconciliations (Impairment losses on financial assets)	1,364	11,150	
Reconciliations (Other income)	△228	△1,866	
Reconciliations (Other expenses)	1,068	8,730	
Adjustments for the application of the effective interest method to financial assets	194	1,586	
Subtotal	2,399	19,599	
Business profit	¥52,336	\$427,547	

RECONCILIATION FROM PROFIT BEFORE TAX TO BUSINESS PROFIT

-5-

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FY2021 (April 1, 2021 to March 31, 2022)

	Millions of yen							
		Equity	attributable	to owners of			Non-	
	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity	Total	controlling interests	Total
Balance as of April 1, 2021	¥75,929	¥85,198	¥414,260	¥△62,808	¥18,392	¥530,971	¥1,086	¥532,057
Profit			35,375			35,375	218	35,593
Other comprehensive income					3,051	3,051	10	3,061
Comprehensive income	-	1	35,375	-	3,051	38,426	228	38,655
Purchase of treasury shares				△0		△0		△0
Disposal of treasury shares		△0		0		0		0
Share-based payment transactions		125		71		197	1	198
Dividends			△7,035			△7,035		△7,035
Transfer from other components of equity to retained earnings			△49		49	=		=
Obtaining of control of subsidiaries		△172				△172	38	△133
Other						_	△3	△3
Total transactions with owners	_	△46	△7,085	70	49	△7,010	36	△6,974
Balance as of March 31, 2022	¥75,929	¥85,152	¥442,550	¥△62,737	¥21,492	¥562,387	¥1,351	¥563,738

				m				
		Thousands of U.S. dollars  Equity attributable to owners of parent						
	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity	Total	Non- controllin g interests	
Balance as of April 1, 2021	\$620,287	\$696,007	\$3,384,200	\$△513,101	\$150,249	\$4,337,644	\$8,872	\$4,346,516
Profit			288,994			288,994	1,781	290,775
Other comprehensive income					24,925	24,925	86	25,012
Comprehensive income	_	_	288,994	_	24,925	313,920	1,868	315,788
Purchase of treasury shares				△3		△3		△3
Disposal of treasury shares		△0		1		0		0
Share-based payment transactions		1,027		581		1,609	11	1,620
Dividends			△57,473			△57,473		△57,473
Transfer from other components of equity to retained earnings			△406		406	_		_
Obtaining of control of subsidiaries		△1,405				△1,405	317	△1,087
Other						_	△29	△29
Total transactions with owners	-	△378	△57,880	579	406	△57,272	299	△56,973
Balance as of March 31, 2022	\$620,287	\$695,629	\$3,615,315	\$△512,521	\$175,581	\$4,594,292	\$11,039	\$4,605,331

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Notes on important matters forming the basis for preparation of consolidated financial statements)

## 1. BASIS FOR PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of Credit Saison Co., Ltd. (the "Company") and its subsidiaries (the "Group") are prepared in accordance with International Financial Reporting Standards (IFRS) pursuant to the provisions of Article 120-1 of Regulations for Companies Accounting Regulation. In accordance with the second sentence of the same paragraph, some of the disclosure items required by IFRS have been omitted from the consolidated financial statements. Statements of comprehensive income and cash flows are not required as a part of the basic financial statements under the Companies Act of Japan and applicable regulations and, accordingly, are not presented herein.

#### 2. SCOPE OF CONSOLIDATION

Number of consolidated

subsidiaries

Names of principal consolidated subsidiary · SAISON FUNDEX CORPORATION

JPN COLLECTION SERVICE CO.,LTD.

· SAISON ASSET MANAGEMENT CO., LTD.

· Atrium Servicing Co., Ltd.

· Saison Personalplus Co., Ltd.

· Atrium Co., Ltd.

· Concerto Inc.

· L-BLUE

· Kisetsu Saison Finance(India)Pvt. Ltd

· Credit Saison Asia Pasific Pte. Ltd.

· Saison Capital Pte. Ltd.

· PT Saison Modern Finance

## 3. ACCOUNTED FOR USING EQUITY METHOD

Number of companies accounted 40

for using equity method

Names of principal companies

· Saison Information Systems Co., Ltd.

· IDEMITSU CREDIT CO..LTD.

· Resona Card Co., Ltd.

· Shizugin Saison Card Co., Ltd.

· Daiwa House Financial Co., Ltd.

· Takashimaya Financial Partners Co., Ltd.

· Seven CS Card Service Co., Ltd.

· eplus inc.

· HD SAISON Finance Company Limited

#### 4. FISCAL YEAR OF CONSOLIDATED SUBSIDIARIES

When the reporting date of a subsidiary is different from that of the Company, the subsidiary prepares, for consolidation purposes, additional financial information as of the reporting date of the consolidated financial statements.

## 5. ACCOUNTING POLICIES

(1) Valuation standards and methods for financial assets

#### (a) Financial assets

#### 1) Initial recognition and measurement

The Group classifies financial assets into financial assets measured at amortized cost, at fair value through profit or loss, or at fair value through other comprehensive income. The Group determines such classification at the time of initial recognition.

The Group recognizes financial assets on the transaction date when it becomes a party to the contract on such financial instruments.

All financial assets are measured at fair value plus any transaction costs, except for those classified as financial assets measured at fair value through profit or loss.

Financial assets that meet both of the following conditions are classified as financial assets measured at amortized cost:

- The assets are held within a business model whose objective is to hold the assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets other than those measured at amortized cost are classified as financial assets measured at fair value.

Equity instruments measured at fair value are individually designated as measured at fair value through profit or loss or at fair value through other comprehensive income, and such designation is applied consistently after the initial recognition.

Debt instruments measured at fair value that meet both of the following conditions are classified as debt instruments measured at fair value through other comprehensive income:

- The financial assets are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Operational investment securities include stocks, investment trusts, and investments in partnerships, which are held solely for the purpose of investment. Investment securities include stocks, investment trusts, investments in partnerships held for the purpose of promoting business primarily through business, and capital alliances.

## 2) Subsequent measurement

After initial recognition, financial assets are measured as follows, depending on their classifications:

(i) Financial assets measured at amortized cost

Financial assets are measured at amortized cost using the effective interest method.

(ii) Debt instruments measured at fair value through other comprehensive income

A gain or loss on debt instruments measured at fair value through other comprehensive income is recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the debt instrument is derecognized or reclassified. When the financial asset is derecognized, cumulative gain or loss previously recognized in

other comprehensive income is reclassified to profit or loss.

(iii) Financial assets measured at fair value through profit or loss

A gain or loss on financial assets measured at fair value through profit or loss is recognized in profit or loss.

(iv) Equity instruments measured at fair value through other comprehensive income

A gain or loss on equity instruments designated as those measured at fair value through other comprehensive income is recognized in other comprehensive income.

Dividends received from such financial assets are recorded in profit or loss under "Other income."

#### 3) Derecognition of financial assets

Financial assets are derecognized if the contractual rights to receive cash flows from the financial assets expire or if the Group has transferred substantially all the risks and rewards of ownership of the financial assets. If the Group retains control of a transferred asset, the asset and any liability associated with the asset are recognized to the extent of their continuing involvement.

## 4) Impairment of financial assets

Allowance for doubtful accounts is recognized for expected credit losses on financial assets measured at amortized cost and debt instruments measured at fair value through other comprehensive income.

If the credit risk on financial assets at the end of the reporting period has not increased significantly since initial recognition, allowance for doubtful accounts is measured at an amount equal to the amount of expected credit losses from possible defaults in the next 12 months after the end of the reporting period (12-month expected credit losses). In this case, 12-month expected credit losses are collectively estimated to measure the allowance for doubtful accounts based on information such as the probability of default, subsequent collection rates, and other reasonable and supportable information, including forward-looking data.

Conversely, if the credit risk on financial assets at the end of the reporting period has increased significantly since initial recognition, allowance for doubtful accounts is measured at an amount equal to the expected credit losses that result from all possible default events over the expected life of such financial assets (lifetime expected credit losses). In this case, allowance for doubtful accounts is determined by estimating the lifetime expected credit losses related to the collection of such financial assets based on information such as the probability of default, future recoverable amounts, and other reasonable and supportable information, including forward-looking data. In principle, it is presumed that the credit risk on financial assets has increased significantly when contractual payments are more than 30 days past due. In assessing whether the credit risk has increased significantly, the Group considers reasonably available and supportable information in addition to past due information.

However, for trade receivables that result from transactions that are within the scope of IFRS 15, "Revenue from Contracts with Customers," (IFRS15) and that do not contain a significant financing component, allowance for doubtful accounts is always recognized at an amount equal to the lifetime expected credit losses, regardless of whether or not the credit risk has increased significantly since initial recognition.

As a general rule, the Group determines that a default has occurred when the contractual payment of a receivable is 90 days or more past due. When it is determined that there is a default of a receivable, such receivable is deemed to be a credit-impaired receivable.

The Group directly reduces the gross carrying amount of a financial asset when it has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

## (b) Financial liabilities

#### 1) Initial recognition and measurement

The Group classifies financial liabilities as subsequently measured at amortized cost, except for

derivatives and financial guarantee liabilities. The classification is made at the time of initial recognition.

Debt securities issued by the Group are initially recognized at the date of issuance. All other financial liabilities are recognized on the transaction date when the Group becomes a party to the contract of such financial liabilities.

Financial liabilities measured at amortized cost are recognized at an amount after deducting transaction costs directly attributable to the issuance of the liabilities.

### 2) Subsequent measurement

After initial recognition, financial liabilities are measured at amortized cost using the effective interest method, except for derivatives and financial guarantee liabilities.

Amortization using the effective interest method as well as gains and losses arising from derecognition are recognized as "Finance costs" in profit or loss of the period.

#### 3) Derecognition of financial liabilities

The Group derecognizes financial liabilities when they are extinguished (i.e., when the obligation specified in the contract is discharged), canceled, or expired.

## (c) Presentation of financial assets and financial liabilities

Financial assets and financial liabilities offset each other with the net amount presented in the consolidated statement of financial position only if the Group has a legal right to offset and has the intention to either settle amounts on a net basis or realize the assets and settle the liabilities simultaneously.

#### (d) Derivatives and hedge accounting

The Group utilizes derivatives, such as interest rate swaps, for the purpose of hedging interest rate risk and foreign currency risk. These derivatives are initially recognized at fair value at the date when the contracts are entered into and subsequently remeasured at fair value.

At the inception of the hedging relationship, there is formal designation and documentation of the hedging relationship to which the Group plans to apply hedge accounting as well as the Group's risk management objective and strategy for undertaking the hedge. That documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged, and the description on how the Group will assess the effectiveness of changes in fair value of the hedging instruments used in offsetting its exposures to changes in the fair value or cash flows of the hedged items arising from the hedged risk.

A hedging relationship is considered to be effective when it meets all the following requirements:

- There is an economic relationship between the hedged item and the hedging instrument.
- The effect of credit risk does not dominate the value changes that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

The Group prospectively assesses whether the hedging relationships will be effective on an ongoing basis. Hedge ineffectiveness may arise when the fair value change on the hedging instrument exceeds or falls below that of the hedged item.

Hedge ratio is appropriately determined based on an economic relationship between the hedged item and hedging instrument, as well as the Group's risk management strategies.

If a hedging relationship ceases to meet the hedging effectiveness requirement, but the risk management objective remains the same, the Group adjusts the hedge ratio so that the hedging relationship becomes effective again. The Group terminates the hedge accounting if the risk management objective for the designated hedge relationship is changed.

Hedges that qualify for hedge accounting are classified and accounted for as follows:

## 1) Fair value hedges

Fair value changes on derivatives are recognized in profit or loss of the consolidated statement of income. Fair value changes on hedged items attributable to hedged risks are recognized in profit or loss in the consolidated statement of income with the carrying amounts of the hedged items being adjusted.

#### 2) Cash flow hedges

The effective portion of gains or losses on hedging instruments is recognized in other comprehensive income in the consolidated statement of comprehensive income, while the ineffective portion is immediately recognized in profit or loss in the consolidated statement of income.

The amount posted in other comprehensive income is reclassified to profit or loss when the hedged transaction affects profit or loss.

If a forecast transaction or a firm commitment is no longer expected to occur, cumulative gains or losses previously recognized in equity through other comprehensive income are reclassified to profit or loss. If a hedged future cash flow is still expected to occur, the amount previously recognized in equity through other comprehensive income remains in equity until the future cash flow occurs

## (e) Financial guarantee liabilities

A financial guarantee contract is a contract that requires a contract issuer to make specified payments to reimburse the holder of a guarantee contract for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Revenue is recognized by multiplying the balance of guarantee by the guarantee fee rate.

Financial guarantee liability is measured at fair value when the contract is initially signed. After initial recognition, the amount is measured at the higher of the following:

- The amount of allowance for doubtful accounts calculated in accordance with the section above titled "Impairment of financial assets"
- The initially measured amount, less the cumulative amount of revenue recognized in accordance with IFRS 15

#### (2) Valuation standards and methods for inventories

Inventories are measured at the lower of cost or net realizable value. Net realizable value is determined at the estimated selling price in the ordinary course of business, less estimated costs for completion and estimated selling expenses. Cost is calculated mainly based on the specific identification method.

(3) Valuation standards and methods for property, plant, and equipment, and depreciation methods

# (a) Recognition and measurement

Property, plant, and equipment are measured by using the cost model and are stated at acquisition cost less accumulated depreciation and accumulated impairment losses. Acquisition cost includes costs directly attributable to the acquisition of assets and costs involved in dismantling, removing and restoring. Gain or loss on disposal of an item of property, plant and equipment represents the net amount of proceeds from disposal less carrying amount, which is recognized in profit or loss.

## (b) Depreciation

Depreciation is calculated based on the depreciable amount. The depreciable amount is calculated by deducting the residual value from the acquisition cost of the asset. Depreciation is recognized in profit or loss by mainly using the straight-line method over the estimated useful life of each

component of property, plant and equipment. Land and construction in progress are not subject to depreciation.

The estimated useful lives of main assets are as follows:

Buildings 39 to 50 years
Other 5 to 6 years

Depreciation methods, estimated useful lives, and residual values are reviewed at the end of each reporting period. Any change is applied prospectively as a change in accounting estimates.

#### (4) Depreciation method for investment property

Investment property is property (including property under construction) held to earn rental income or capital gains, or both. Investment property is measured under the cost model, and is measured at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is calculated based on the depreciable amount. The depreciable amount is calculated by deducting the residual value from the acquisition cost or the amount equivalent to the acquisition cost. Depreciation is recognized in profit or loss over the estimated useful life of each asset, other than land, by mainly using the straight-line method.

The estimated useful lives of main assets are as follows:

Investment property 19 to 50 years

An investment property is derecognized on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Gains or losses arising from the derecognition are calculated as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss at the time of derecognition.

(5) Valuation standards and methods for intangible assets (excluded goodwill), and amortization methods

Intangible assets acquired individually are measured under the cost model. Intangible assets are stated at cost, less accumulated amortization and accumulated impairment losses. These intangible assets include borrowing costs to be capitalized.

After initial recognition, intangible assets other than goodwill and software in progress are amortized over their estimated useful lives under the straight-line method and are recognized in profit or loss, except for intangible assets with indefinite useful lives.

The estimated useful lives of main assets are as follows:

Software 5 to 15 years
Other 5 to 20 years

Amortization methods, estimated useful lives, and residual values are reviewed at the end of each reporting period, and any change is applied prospectively as a change in accounting estimates.

## (6) Leases

#### (a) Leases as a lessee

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

If a contract is, or contains, a lease, the Group recognizes a right-of-use asset and a lease liability at the commencement date. The lease liability is measured at the present value of the lease payments that are not paid at the commencement date. The right-of-use asset is measured at cost, which is the amount of the initial measurement of the lease liability, adjusted for any lease payments made at or before the commencement date, any initial direct costs incurred by the lessee, and any other costs such as obligations to restore the leased assets to their original condition as required under lease

## agreements.

After initial recognition, the right-of-use asset is depreciated over the shorter of the useful life or the lease term under the straight-line method.

Lease payments are allocated to finance costs and repayments of lease liabilities based on the interest method. Finance costs are recognized in the consolidated statement of income.

However, for short-term leases within a lease term of 12 months or leases for which the underlying asset is of low value, the right-of-use asset and lease liability are not recognized. The lease payments are recognized as expenses over the lease term under the straight-line method.

## (b) Leases as a lessor

The Group classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

For the finance lease, the Group recognizes assets held under a finance lease in its consolidated statement of financial position at the commencement date and presents them as a receivable at an amount equal to the net investment in the lease.

For the operating lease, the Group presents assets subject to operating leases in its consolidated statement of financial position and recognizes lease payments to be received as income over the lease term under the straight-line method in the consolidated statement of income.

#### (7) Goodwill

The Group measures goodwill as the excess of the aggregate of the consideration transferred and the amount of any non-controlling interests in the acquiree measured at the acquisition date over the net of acquisition-date amounts of identifiable assets acquired and liabilities assumed (ordinarily in their fair value).

Goodwill is not amortized but is tested for impairment in each reporting period or each time when there is an indication of impairment.

Impairment losses of goodwill are recognized in the consolidated statement of income and not reversed subsequently.

Goodwill is stated at cost less accumulated impairment losses in the consolidated statement of financial position.

#### (8) Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amount of non-financial assets to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated. Recoverable amounts of goodwill and intangible assets with indefinite useful lives or those not yet available for use are estimated at the same time each year, regardless of whether or not there is an indication of impairment.

The recoverable amount of an asset or a cash-generating unit is the higher of value in use or fair value less costs of disposal. In calculating the value in use, the estimated future cash flows are discounted to their present value by using a pretax discount rate that reflects the time value of money and risks specific to the asset. Assets that are not tested individually for impairment are integrated into the smallest cash-generating unit that generates cash inflows through continuing use that are largely independent of those from other assets or groups of assets. At the time of goodwill impairment testing, cash-generating units to which goodwill is allocated are integrated so that impairment testing is conducted in a manner that reflects the smallest unit with which goodwill can be associated. Goodwill acquired in a business combination is allocated to each cash-generating unit that is expected to benefit from synergies of the combination.

Impairment losses are recognized in profit or loss when the carrying amount of an asset or a cashgenerating unit exceeds its recoverable amount. Impairment loss recognized for a cash-generating unit is first allocated to reduce the carrying amount of goodwill allocated to the unit and subsequently allocated to reduce other assets of the unit on a pro -rata basis, based on the carrying amount of each asset in the unit.

Impairment losses recognized for goodwill are not reversed. Impairment loss recognized in prior periods for other assets is assessed at the end of each reporting period to determine whether there is any indication that such impairment losses may no longer exist or may have decreased. If any change has been made to the estimate used to determine the recoverable amount of an asset, an impairment loss for the asset is reversed up to the carrying amount of the asset that would have been determined had no impairment loss been recognized for the asset in prior years (net of any associated depreciation and amortization expenses).

#### (9) Accounting policy for significant provisions

A provision is recognized when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. When the time value of money is significant, the estimated future cash flows are discounted to their present value by using a pretax discount rate that reflects the time value of money and risks specific to the liability. Unwinding of the discounted amount arising from the passage of time is recognized in profit or loss.

## (a) Provision for point card certificates

The Group offers a rewards program to its card holders (members) as the major benefit of holding the credit card. Under the program, card holders can exchange points earned based on the amount of credit card purchases for a variety of items. Points granted to members have no expiry date.

The Group recognizes a provision for point card certificates as a liability by estimating costs to be incurred through the exchange of points in the future. To measure liability, the Group determines the estimated points to be exchanged in the future out of the outstanding number of points at the end of the period, which is multiplied by a point unit value. The use of points by members involves uncertainty.

## (b) Provision for loss on interest repayments

The Group recognizes a provision for loss on interest repayments at an amount required in preparation for future claims for interest repayments, considering historical data on repayments and other information.

## (c) Other provisions

Other provisions include asset retirement obligations, provision for loss on collecting gift tickets, and allowance for losses on warranty of defects, all of which are individually immaterial.

## (10) Employee benefits

## (a) Defined contribution pension plans

The Group adopts defined contribution pension plans. Defined contribution pension plans are postemployment benefit plans under which an employer pays fixed contributions to an independent entity and has no legal or constructive obligation to pay further contributions. Contributions under the defined contribution pension plans are recognized in profit or loss in the period in which employees render the related services.

#### (b) Short-term employee benefits

Undiscounted amount of short-term employee benefits is recognized as an expense in the period in which the employees render related services.

Expenses for bonuses and paid absences are recognized as a liability at an amount estimated to be paid based on applicable policies for the bonuses and paid absences when the Group has a legal or constructive obligation for the payment and a reliable estimate can be made for the amount.

#### (11) Revenue

Centering on the card business, the Group engages in multiple business domains, such as the Internet business, lease business, and finance business. For the purpose of segment reporting, the Group's businesses are divided into five reportable segments: Payment business, Lease business, Finance business, Real estate-related business, and Entertainment business. Revenue recognition criteria by segment are as follows:

#### (a) Payment business

The payment business provides services such as credit card shopping, credit card cash advance, term loans, and processing/agency for other companies' credit cards and business agency. Revenue recognition criteria by service are as follows:

## 1) Credit card shopping

#### (i) Affiliated store fees

Revenue is recognized at the time when a credit card is used, which is when service is completed and the performance obligation is satisfied under the contracts with affiliated stores, who are customers of the Group.

#### (ii) Customer fees

Customer fees mainly represent fees received from cardholders for using revolving payments and other services. As stated in Note "5. ACCOUNTING POLICIES, (1) Financial instruments, (a) Financial assets, 2) Subsequent measurement," revenue is recognized under IFRS 9, "Financial Instruments" ("IFRS 9"), using the effective interest method.

## (iii) Annual membership fees, etc.

Revenue is recognized over a certain period determined under the contracts with cardholders to which performance obligation arises for the membership fees received.

#### 2) Credit card cash advance

Revenue from cash advance services represents fees received from cardholders for using credit card cash advance via credit cards or loan cards issued by the Group. As stated in Note "5. ACCOUNTING POLICIES, (1) Financial instruments, (a) Financial assets, 2) Subsequent measurement," revenue is recognized under IFRS 9 using the effective interest method.

#### 3) Term loans

Revenue from term loan services represents fees received from cardholders or customers who obtain loans directly from the Group in forms other than credit card cash advance. As stated in Note "5. ACCOUNTING POLICIES, (1) Financial instruments, (a) Financial assets, 2) Subsequent measurement," revenue is recognized under IFRS 9 using the effective interest method.

#### 4) Processing/agency for other companies' credit cards and business agency

Processing/agency for other companies' credit cards is a service provided on a contractual basis for processing and use of the Company's ATMs, for which the Company receives fees from its partner companies. Business agency refers to receivables collection businesses and temporary staffing businesses, which receive fees from their partner companies. Revenue is recognized when service is rendered, and the performance obligation is satisfied on a contractual basis.

## (b) Lease business

Revenue is recognized under IFRS 16, "Leases." ("IFRS 16"). For details, see Note "5. ACCOUNTING POLICIES, (6) Leases."

# (c) Finance business

#### 1) Credit guarantees

Fees are received when the Group guarantee loans provided by their partner financial institutions. Revenue is recognized under IFRS 9. For details, see Note "5 ACCOUNTING POLICIES, (1)

Financial instruments, (e) Financial guarantee liabilities."

#### 2) Finance-related business

Fees are directly received from customers who obtain loans directly from the Group. As stated in Note "5. ACCOUNTING POLICIES, (1) Financial instruments, (a) Financial assets, 2) Subsequent measurement," revenue is recognized under IFRS 9 using the effective interest method.

#### (d) Real estate-related business

For real estate sales, revenue is recognized when property is delivered to customers, which is when a performance obligation is satisfied. For real estate rentals, revenue is recognized under IFRS 16.

## (e) Entertainment business

Revenue is recognized primarily when services are rendered at stores engaged in amusement business, which is when a performance obligation is satisfied.

Revenues from the above businesses are recognized at an amount reflecting the amount of consideration to which the Group expects to be entitled in exchange for transferring the goods or services to the customer based on the following five-step approach in accordance with IFRS 15, except for interest and dividend income received under IFRS 9 and income from lease arrangements under IFRS 16:

- Step 1: Identify contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to performance obligations in the contract
- Step 5: Recognize revenue when (or as) the performance obligation is satisfied

Revenue recognized under IFRS 15 is based on contracts with customers, and the amount of revenue containing variable consideration is immaterial. No significant financing component is included in the amount of promised consideration.

## (12) Foreign currency translation

#### (a) Foreign currency transactions

Foreign currency transactions are translated into the functional currency of each entity of the Group by using the spot exchange rate at the date of the transaction.

Foreign currency monetary assets and liabilities at the end of the reporting period are translated into the functional currency using the spot exchange rate at the end of the reporting period.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency using the exchange rate at the date when the fair value was measured

Exchange differences arising from translations or settlements are recognized in profit or loss. Exchange differences arising from the translation of equity instruments measured at fair value through other comprehensive income are recognized in other comprehensive income.

# (b) Foreign operations

Assets and liabilities of foreign operations, including any goodwill arising on the acquisition of a foreign operation and any fair value adjustments, are translated into Japanese yen using the spot exchange rate at the end of the reporting period, while income and expenses are translated into Japanese yen using average exchange rates during the period.

Exchange differences arising from the translation of financial statements of foreign operations are recognized in other comprehensive income.

Upon the disposal of a foreign operation, exchange differences relating to the foreign operation are reclassified to profit or loss as part of the gain or loss on disposal.

(Notes on changes in accounting policies)

The Group started applying the following standards from the current fiscal year.

Standards	Standard name	Description of new standard and amendments
IFRS 7	financial instruments: disclosure	Revised to address the financial reporting implications that arise when replacing an existing interest rate index with an alternative
IFRS 9	financial instruments	interest rate index in the context of IBOR reform

The adoption of the above standards did not have a material impact on the Group's consolidated financial statements.

## (Notes on accounting estimates)

The items that are included in the consolidated financial statements for the current fiscal year as a result of accounting estimates and which may have a significant impact on the consolidated financial statements for the following fiscal year are as follows:

	Millions of yen	Thousands of U.S. dollars
Trade and other receivables	¥2,794,545	\$22,829,389
Other financial assets	4,200	34,317
Property, plant, and equipment	30,342	247,875
Right-of-use assets	12,364	101,011
Intangible assets	162,317	1,326,016
Investment property	94,763	774,151
Deferred tax assets	41,377	338,027
Financial guarantee liabilities	8,884	72,579
Other financial liabilities	2,726	22,271
Provision for point card certificates	118,368	966,983
Provision for loss on interest repayments	¥24,066	\$196,609

The above amounts for "Trade and other receivables" and "Other financial assets" are net of the allowance for doubtful debts; the amounts are ¥50,329 million (U.S. \$411,156 thousand) and ¥9 million (U.S. \$77 thousand), respectively.

#### 1. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The Group makes estimates and assumptions on future events in preparing the consolidated financial statements in compliance with IFRS. Results of accounting estimates may differ from the related actual results by nature. Estimates and assumptions with risks of significantly affecting the carrying amounts of assets and liabilities in the following fiscal year are as follows:

Although the outbreak of the novel coronavirus disease (COVID-19) has started over 2 years ago, the infection is spreading in different forms, including epidemics of mutant strains. Currently, the government and others continue to implement various supporting measures; however, the uncertainty remains as to when the impact on the economy will be resolved. Under these circumstances, depending on the situation of the spread of the disease, deterioration in the economic situation, such as a slump in personal consumption or corporate bankruptcies caused by the spread of COVID-19, could have a significant impact on the Group's performance and financial position. COVID-19 has various impacts, particularly with regard to the credit risk on receivables held by the Group and the risk of impairment of non-financial assets. In calculating the impact of these two risks on the Group's consolidated financial statements, the Group uses macroeconomic variables, such as the unemployment rate

- 19 -

announced by think tanks. The calculation methodology is based on the deterioration of macroeconomic variables that correlate with credit risk and the reduction in future cash flows from the cash-generating units. In most think-tank scenarios, macroeconomic variables are not expected to recover in March 2023, but gradually recover from March 2024 onward. Therefore, the Group calculates the expected negative impacts on its operating performance under such scenarios. The Group adjusts accounting estimates, such as the allowance for doubtful accounts and impairment of nonfinancial assets, if the expected negative impacts relate to those estimates. Although the Group believes that these estimates are best available at the time of preparation of the consolidated financial statements, there is a high degree of uncertainty in the assumptions used in the estimates. In the event that COVID-19 spreads or accompanying changes in the economic situation occur in the future, the estimates may be revised in the consolidated financial statements from the next fiscal year.

(a) Impairment of financial assets measured at amortized cost and debt instruments measured at fair value through other comprehensive income (Allowance for doubtful accounts and financial guarantee liabilities)

The Group recognizes expected credit losses for financial assets measured at amortized cost and debt instruments measured at fair value through other comprehensive income as the present value of differences between contractual future cash flows that it will receive in accordance with the contract and future cash flows that it expects to receive.

In estimating future cash flows, the Group takes into account not only historical information, such as the possibility of default and the collection rate of receivables after default, but also reasonably expected future events and other factors. Specifically, when various macroeconomic variables are expected to deteriorate in the future and the probability of default of the Group's receivables is expected to increase, the Group adjusts the probability of default by using macroeconomic variables, such as GDP and unemployment rate, which are correlated with expected credit losses. At each reporting date, the Group obtains the most recent future forecast values for macroeconomic variables and considers whether the estimate needs to be changed.

Regarding the probability of default, collection rate of receivables after default, forecast of economic environment using macroeconomic variables, evaluation of correlation between macroeconomic variables and expected credit losses, and the amount of impairment losses recognized for the financial assets may substantially differ if assumed circumstances change.

### (b) Provision for point card certificates

The Group offers a rewards program to its card holders (members) as the major benefit of holding the credit card. Under the program, card holders can exchange points earned based on the amount of credit card purchases for a variety of items. Points granted to members have no expiry date.

The Group recognizes a provision for point card certificates as a liability by estimating costs to be incurred through the exchange of points in the future. To measure liability, the Group determines the estimated points to be exchanged in the future out of the outstanding number of points at the end of the period, which is multiplied by a point unit value. The use of points by members involves uncertainty. These estimates and assumptions may significantly affect provision amounts if assumed circumstances change.

#### (c) Provision for loss on interest repayments

The Group recognizes a provision for loss on interest repayments at an amount required for future claims by considering historical data on interest repayments. If such claims for interest repayments unexpectedly increase or decrease due to a change in legal regulations or other reasons, the actual amount of repayments may differ from the initial estimate, resulting in the over- or understatement of provision for loss on interest repayments.

## (d) Impairment of non-financial assets

The Group conducts impairment testing for property, plant and equipment, intangible assets including goodwill and investment property. In determining recoverable amounts through the impairment test, the Group makes certain assumptions on useful lives of assets, future cash flows, pretax discount rate, long-term growth rate, and other factors. These assumptions are determined

based on management's best estimates and judgments; however, the assumptions may be affected by results of changes in uncertain economic conditions in the future. If the assumptions need to be reviewed, this may significantly affect amounts recognized in consolidated financial statements in the following fiscal years.

## (e) Financial instruments measured at fair value, including derivatives

The Group determines the value of financial assets and liabilities measured at fair value, including derivatives, using the following: quoted prices in an active market for identical assets or liabilities; fair values determined by using inputs other than the abovementioned quoted prices that are observable for the assets and liabilities, either directly or indirectly; or fair values determined by using valuation techniques that incorporate unobservable inputs. Among others, fair values determined using valuation techniques that incorporate unobservable inputs are based on management judgments and assumptions, including appropriate actuarial assumptions and calculation models. These estimates and assumptions may significantly affect the fair values of financial instruments if assumed circumstances change.

The details and amounts of fair values of financial instruments are stated in the note of financial instruments.

## (f) Recoverability of deferred tax assets

Deferred tax assets and liabilities are recognized for temporary differences between the carrying amounts of assets and liabilities in the consolidated statement of financial position and their tax bases. Deferred tax assets and deferred tax liabilities are calculated using the tax rates expected to be applicable at the time when the relevant deferred tax assets are realized or deferred tax liabilities are settled in accordance with laws and regulations enacted or substantially enacted at the end of the reporting period. Deferred tax assets are recognized for all of the deductible temporary differences, unused tax losses, and unused tax credits to the extent that it is probable that the Group will earn sufficient future taxable profit. Estimates of future taxable profit are based on subjective judgments and assumptions made by the Group's management, which are supported primarily by business plans approved by management. The changes in assumed circumstances or amendment to tax laws in the future may significantly affect the amounts of deferred tax assets and deferred tax liabilities.

## (NOTES TO CONSOLIDATED FINANCIAL STATEMENTS)

## ACCUMULATED DEPRECIATION AND ACCUMULATED IMPAIRMENT LOSSES OF PROPERTY, PLANT, AND EQUIPMENT

31,764 259,494 Millions of yen Thousands of U.S. dollars

#### 2. ALLOWANCE FOR DOUBTFUL ACCOUNTS DEDUCTED DIRECTLY FROM ASSETS

Trade and other receivables	50,329	411,156
	Millions of yen	Thousands of U.S. dollars
Other financial assets	9	77
	Millions of yen	Thousands of U.S. dollars

#### 3. ASSETS PLEDGED AS COLLATERAL AND LIABILITIES RELATED TO COLLATERAL

Assets pledged a	as collateral	Liabilities related to collateral		
Type	Ending Balance	Type	Ending Balance	
Trade and other receivables (Accounts receivable – installment) (Finance lease receivables)	177,992 Millions of yen 1,454,071 Thousands of U.S. dollars	Bonds and borrowings (Long-term borrowings) (Long-term loans payable under securitized borrowings)	175,869 Millions of yen 1,436,728 Thousands of U.S. dollars	
Other financial assets (Guarantee deposits)	1,511 Millions of yen 12,343 Thousands of U.S. dollars	Other financial liabilities (Deposits received)	1,604 Millions of yen 13,106 Thousands of U.S. dollars	
Total	179,503 Millions of yen 1,466,415 Thousands of U.S. dollars	Total	177,474 Millions of yen 1,449,835 Thousands of U.S. dollars	

<sup>&</sup>quot;Long-term loans payable under securitized borrowings" are liabilities arising from the securitization of instalment receivables and finance lease receivables.

## 4. INVESTMENT SECURITIES

Investment securities of ¥1,431 million (U.S. \$11,690 thousand) are subject to stock lending agreements.

## 5. CONTINGENCIES

## Debt guarantee

	Millions of yen	dollars
Customers related to retail loans provided by partner financial institutions	¥210,589	\$1,720,358
Customers related to loans with pictures pledged as collateral provided by partner financial institutions	33	271
Customers related to rent guarantee business	140,478	1,147,603
Customers related to mortgage loans provided by partner financial institutions	138,604	1,132,297
Customers related to housing loans provided by partner financial institutions	961	7,853
Total	¥490,666	\$4,008,384
<u> </u>		

<sup>&</sup>quot;Guarantee deposits" are deposited as guarantee money for issuance, etc., in accordance with Article 14-1 of the Law Concerning Funds Settlement.

#### 6. COMMITMENTS

#### (Lender)

The Group provide cash advance and card loan services that accompany their credit card operations in the Payment business. The amount of undrawn loans equivalent to loan commitments in the line of credit facility for the operations as well as for unconsolidated subsidiaries and associates is as follows:

	Millions of yen	Thousands of U.S. dollars
Total loan commitments	¥4,034,559	\$32,959,392
Balance of loans taken out	176,369	1,440,813
Net amount	¥3.858.189	\$31,518,578

Regarding the contracts equivalent to loan commitments above, the majority are for cash advance services that accompany credit card services furnished to the Company's cardholders, and thus, not all loan commitments will be taken out.

#### (Borrower)

The Company enters into loan commitment contracts with five banks to finance working capital efficiently.

The unused portion of the loan commitment under these contracts is as follows:

	Millions of yen	Thousands of U.S. dollars
Total amount of commitments	¥300,000	\$2,450,780
Borrowings made under the commitment	_	_
Net amount	¥300,000	\$2,450,780

## (NOTES TO CONSOLIDATED STATEMENT OF INCOME)

#### 1. BUSINESS PROFIT

Business profit is determined by adding or subtracting certain reconciliation items to or from profit before tax

Given the nature and frequency of income and expenses, reconciliations are determined based on a judgement of whether they can help provide effective comparative information on the Group's performance and appropriately reflect how the businesses are managed.

The breakdown of reconciliations is as follows:

	Millions of yen	Thousands of U.S. dollars
Reconciliations (Impairment losses on financial assets)	¥1,364	\$11,150
Allowance for doubtful accounts accumulated due to malfeasance by business partners (*1)	1,364	11,150
Reconciliations (Other income)	△228	△1,866
Gain on sale of fixed assets	△137	△1,123
Gain on change in equity	△64	△525
Other	△26	△216
Reconciliations (Other expenses)	1,068	8,730
Loss on disposal of fixed assets	418	3,420
Loss on sale of fixed assets	365	2,987
Impairment losses on non-financial assets	201	1,644
Loss on valuation of investment securities (stocks, etc.)	23	188
Other	59	489
Adjustments for the application of the effective interest method to financial assets(*2)	194	1,586
Total	¥2,399	\$19,599

<sup>\*1</sup> As a result of the fraudulent acts of a business partner, there was doubt about the collectability of a portion of the Company's receivables, and the Company recorded an allowance for doubtful accounts for the estimated uncollectible amount. The amount of the impairment of financial assets incurred as a result of this is considered as an adjustment item to business profit.

## (NOTES TO CONSOLIDATED STATEMENT OF CHANGES IN EQUITY)

#### 1. TYPE AND NUMBER OF SHARES ISSUED AS OF MARCH 31, 2022

Common stock

185,444,772 shares

#### 2 DIVIDENDS

## (1) Dividends paid

Resolution	Class of shares	Total amount of dividends (Millions of yen) *Thousands of U.S. dollars	Dividends per share (Yen) *U.S. dollars	Record date	Effective date
Ordinary general meeting of shareholders held on June 23, 2021	Common stock	¥7,035 *\$57,473	¥45 *\$0.36	March 31, 2021	June 24, 2021

## (2) Dividends with an effective date falling in the following fiscal year are as follows:

Resolution (planned)	Class of shares	Resource of dividends	Total amount of dividends (Millions of yen) *Thousands of U.S. dollars		Record date	Effective date
Ordinary general meeting of shareholders held on June 22, 2022	Common stock	Retained earnings	¥8,600 *\$70,260	¥55 *\$0.44	March 31, 2022	June 23, 2022

#### (NOTES TO FINANCIAL INSTRUMENTS)

#### 1. STATUS OF FINANCIAL INSTRUMENTS

## (1) Policy on financial instruments

The Group is engaged in the Payment business, Lease business, Finance business, Real estate-related business, and Entertainment business. While considering market forces and the balance of short-term and long-term borrowings, the Group utilizes both indirect financing through bank borrowings and direct financing through the issuance of bonds and commercial papers as well as securitization of receivables to operate businesses in each segment. As the Group is significantly affected by interest rate fluctuations, the Group mitigates interest rate risks by promoting the use of Asset-Liability Management("ALM"), which is the practice of managing assets and liabilities in a comprehensive manner. For the same purpose, the Group also enters into derivative transactions, such as interest rate swaps.

## (2) Description of financial instruments and risks

Financial assets of the Group are mainly composed of accounts receivable – installment from its card members. The Group is exposed to credit risks mainly when the repayment ability of credit card members deteriorates. The majority of accounts receivable – installment as of March 31, 2022, resulted from the Payment business. Changes in economic environment surrounding the business, such as labor conditions, household disposable income, and consumer spending due to recession, may hinder card members in fulfilling their obligations in accordance with contract terms and conditions.

The Group's (operational) investment securities mainly consist of stocks, investment trusts, and investments in partnerships, which are held for the purpose of pure investment and business promotion.

The Group is exposed to liquidity risk, which represents the risk that it cannot fulfil the repayment obligation when due for interest-bearing debts, such as borrowings, bonds and commercial papers, under certain circumstances. For example, a greater-than-expected change might be seen in financial markets or the Group might not be able to participate in markets due to a downgrade of the Group's credit rating. In addition, the Group has borrowings with floating interest rates, which expose it to

<sup>\*2</sup> Mainly reversal of effective interest rate adjustments, such as loan administration fees and transaction costs.

the risk of interest rate fluctuations, but some of these borrowings are hedged against this risk by interest rate swap transactions.

Derivative transactions include interest rate swap transactions conducted as a part of ALM. The Group applies hedge accounting to these hedging instruments for interest rate fluctuation risks associated with borrowings that are hedged items.

## (3) Risk management system for financial instruments

## (1) Credit risk management

The Group strives for continuous improvement in the quality of receivables and develops and operates a system related to credit control, such as credit limits, credit information control, and internal ratings, in accordance with the Company's internal rules for credit risk management. The Group periodically holds Board of Directors and other relevant meetings to discuss and report the status of credit controls. The ALM Committee is responsible for the management of (operational) investment securities by regularly obtaining credit and fair value information. Long-term loans receivable are regularly monitored at the level of each department for borrowers' credit risk and other risks. In dealing with counterparty risk in derivative transactions, in order to avoid credit risk that arises from default, the Group contracts with domestic and foreign banks and securities companies with high credityorthiness.

## 2 Market risk management

## (i) Interest rate risks management

The Group manages interest rate fluctuation risks through ALM. Methods and procedures for risk management are stated under internal rules for ALM. Based on the policy determined by the ALM Committee, the Board of Directors understands the implementation status and discusses matters to be addressed. The relevant departments regularly review the overall status of interest rates and terms of financial assets and liabilities and monitor them through sensitivity (gap) analysis and other measures. Through ALM, the Group also enters into derivative transactions for interest rate swaps to hedge interest rate fluctuation risks.

## (ii) Price fluctuation risks management

Based on the ALM policy, the Group mitigates price fluctuation risks of investment products, including (operational)investment securities by implementing preliminary investigations, setting a cap on investment amounts, and also implementing ongoing monitoring for potential investments. Additionally, stocks held for the purpose of promoting business through business or capital alliances are monitored by relevant departments of the Group for issuers' market environments, financial conditions, and other risk factors.

Relevant departments are responsible for regularly reporting to the ALM Committee and other management.

## (iii) Derivative transactions

Regarding the derivative transactions, relevant departments are responsible for executing derivative transactions in accordance with procedures specified in internal control regulations stipulated by the Board of Directors, and the total transaction limit and the range of the hedge ratios are authorized by the Board of Directors in advance. The status of major derivative transactions is reported to the Board of Directors on a quarterly basis.

Consolidated subsidiaries enter into derivative transactions in accordance with control regulations stipulated by each subsidiary. Subsidiaries are required to report to the Company on a quarterly basis regarding the hedging relationships between derivatives and corresponding receivables/payables, counterparties, transaction amounts, remaining periods, and the fair values of transactions.

## (iv) Quantitative information about market risk

Financial instruments affected by interest rate risk, the main risk variable of the Group, mainly consist of trade and other receivables, bonds and borrowings, and interest rate swap transactions. Quantitative analysis for the management of interest rate fluctuation risks for such financial assets and liabilities is conducted by reasonably estimating changes in interest rates over the next year or so after the end of the reporting period and the effect on profit or loss for the year due to the change. To determine the effect on profit or loss, the Group classifies financial assets and

liabilities into those with fixed interest rates and those with floating interest rates and takes the difference between floating rate assets and floating rate liabilities to calculate an interest rate gap. Assuming that all risk variables other than interest rates remain constant, when the benchmark interest rate as of March 31, 2022, rises by one basis point (0.01%), profit before tax for the fiscal year ended March 31, 2022, would increase by \(\frac{1}{2}\) million (U.S. \$57 thousand), and conversely, when the benchmark interest rate falls by one basis point (0.01%), profit before tax for the fiscal year ended March 31, 2022, would decrease by \(\frac{1}{2}\) million (U.S. \$57 thousand). The effect assumes that risk variables other than interest rates remain constant and that there are no correlations between interest rates and other risk variables. When actual interest rates go beyond the reasonably estimated range, it could have a greater impact on profit or loss compared to the estimated amount.

## 3 Liquidity risk management related to financing

The Group manages liquidity risks through ALM to implement timely cash management, diversify financing methods, obtain commitment lines from multiple financial institutions, and balance short-term and long-term borrowings in consideration of market forces.

(4) Supplementary explanation of matters concerning fair value of financial instruments

The fair values of financial instruments include values based on quoted market prices and also include reasonably estimated values in case there are no quoted market prices. Since certain assumptions are used in the calculation of such values, the values may differ if different assumptions are used. In addition, the contract amounts of derivative transactions in "2. Fair Value of Financial Instruments" do not indicate the market risk associated with derivative transactions.

#### 2. MATTERS RELATED TO THE FAIR VALUE OF FINANCIAL INSTRUMENTS

Classification based on fair value hierarchy

The Group analyses financial assets and financial liabilities measured at fair value or those whose fair value is disclosed in the notes. The following shows the classification of fair value from Level 1 to Level 3 based on the fair value hierarchy.

The levels under the fair value hierarchy are defined as follows:

- Level 1: Ouoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: Fair value, other than Level 1, that is determined by directly or indirectly using the observable price
- Level 3: Fair value determined by using valuation techniques that incorporate unobservable inputs

## (1) Fair Value Calculation Methodology

The fair value of financial instruments is calculated as follows:

#### Assets

#### 1) Trade and other receivables

## (a) Accounts receivable - installment

Accounts receivable – installment with variable interest rates reflect market interest rates in the short term and are stated at carrying amount given that the carrying amount approximates the fair value, unless the credit status of debtors changes significantly in later periods. In contrast, the fair value is determined for accounts receivable – installment with fixed interest rates by discounting credit risk-adjusted future cash flows from the group of financial assets classified by the type of loans and maturity terms, using a risk-free market interest rate. The fair value of certain delinquent receivables is measured by deducting the estimated amount of loss allowance from the carrying amount of receivables at the end of the reporting period, assuming that the calculated amount approximates the fair value.

The fair value of certain receivables without a due date but with other limitations, such as limiting

the loan amount to the value of collateralized asset, is measured at the carrying amount, assuming that the carrying amount approximates the fair value based on expected repayment periods and interest rate terms.

The fair value calculation does not incorporate future interest repayments.

#### (b) Finance lease receivables

The fair value of finance lease receivables is determined by estimating future cash flows of the principal and interests arising from respective lease periods and subtracting debtor's credit risk, which is then discounted using a risk-free market rate.

## 2) Operational investment securities and investment securities

The fair value of operational investment securities and investment securities is determined as follows: listed stocks are valued at prices on the stock exchanges; bonds are valued at prices on the exchange markets or information provided by counterpart financial institutions, or at prices that are reasonably calculated based on the value of underlying assets; and investment trusts are based on the disclosed net asset value. The fair value of investments in limited liability investment partnerships and similar partnerships is deemed to be the amount proportionate to the Group's share of equity interests, which is determined based on the fair value of assets belonging to the partnership as long as they can be fair valued. The fair value of unlisted stocks is calculated by using valuation techniques based on discounted cash flow, transactions and the market price of comparable companies. When determining the fair value of unlisted stocks, unobservable inputs, such as weighted-average cost of capital, price-earnings ratio, and price-book value ratio, are used.

#### 3) Other financial assets

Since these are settled in a short period of time, the carrying amount approximates the fair value, and is therefore stated at that carrying amount.

## Liabilities

## 1) Trade and other payables

Trade and other payables are stated at carrying amount as the carrying amount approximates the fair value due to the short settlement period.

#### 2) Bonds and borrowings

## (a) Short-term loans payable

Short-term loans payable are stated at the carrying amount as the carrying amount approximates the fair value due to the short settlement period.

## (b) Commercial papers

Commercial papers are stated at the carrying amount as the carrying amount approximates the fair value due to the short settlement period.

## (c) Long-term loans payable

Long-term loans payable with variable interest rates only take a change in credit spread into account as variable interest rates reflect market interest rates in a short period. The current credit spread is determined by referring to a credit spread that would be offered by financial institutions if the Group was to newly obtain finance with similar terms and conditions for the average remaining maturity for the outstanding borrowings. To calculate the difference between the carrying amount and the fair value, the Group calculates the fair value by first compartmentalizing the differences of interest arising from fluctuation of the credit spread by certain period of time, and then discounting them at risk-free market interest rates corresponding to each period of time. The fair value of long-term loans payable with fixed interest rates is determined by discounting the aggregate amount of principal and interest of the long-term loans compartmentalized by certain periods of time at interest rates that would be offered for similar borrowings.

#### (d) Bonds

The fair value of public offering bonds issued by the Company is measured based on the market price, which is the Reference Statistical Prices (Yields) for Over-the-Counter Bond Transactions issued by the Japan Securities Dealers Association. As private placement bonds issued by the Company are those subscribed privately by its main banks, the fair value is calculated in the same way as described in "(c) Long-term loans payable."

#### (e) Long-term loans payable under securitized borrowings

Long-term loans payable under securitized borrowings will not be affected by ups and downs in the Company's creditworthiness; therefore, the fair value measurement of such payables only takes into account changes in market interest rates. The fair value of Long-term loans payable under securitized borrowings is determined by discounting the aggregate amount of principal and interests of the borrowings compartmentalized by certain periods of time at interest rates that would be offered for similar borrowings.

#### 3) Other financial liabilities

Since these are settled in a short period of time, the carrying amount approximates the fair value, and is therefore stated at that carrying amount.

#### 4) Financial guarantee liabilities

The fair value of financial guarantee liabilities is determined by discounting future cash outflows for guarantees to be provided under financial guarantee contracts, which is adjusted by debtor's credit risk.

The amount of financial guarantee contracts classified as contingent liabilities is  $\frac{1}{4}$ 99,550 million (U.S. \$4,080,963 thousand). The liability amount recognized in the consolidated statement of financial position is  $\frac{1}{4}$ 8,884 million (U.S. \$72,579 thousand) and the fair value is  $\frac{1}{4}$ 27,451 million (U.S. \$224,258 thousand) (asset).

# (2) Financial instruments measured at fair value

Financial instruments measured at fair value and the breakdown by level of the fair value hierarchy are

(Millions of ven)

(Millions of yen)					
	Level 1	Level 2	Level 3	Total	
Assets					
Measured at fair value through profit					
or loss					
Trade and other receivables	¥	¥19,657	¥	¥19,657	
Operational investment securities	-	_	52,992	52,992	
Investment securities	-	3,261	16,503	19,764	
Other financial assets	-	1,191	. –	1,191	
Equity instruments measured at fair					
value through other comprehensive					
income					
Investment securities	47,917	4,149	599	52,666	
Debt instruments measured at fair					
value through other comprehensive					
income					
Trade and other receivables	-	_	2,839	2,839	
Total	47,917	28,259	72,935	149,112	
Liabilities					
Measured at fair value through profit					
or loss					
Other financial liabilities	-	2,726	-	2,726	
Total	¥	¥2,726	¥_	¥2,726	

(Thousands of U.S. dollars)

	Level 1	Level 2	Level 3	Total
Assets				
Measured at fair value through profit				
or loss				
Trade and other receivables	\$-	\$160,588	\$-	\$160,588
Operational investment securities	_	-	432,906	432,906
Investment securities	_	26,642	134,821	161,464
Other financial assets	_	9,730	_	9,730
Equity instruments measured at fair				
value through other comprehensive				
income				
Investment securities	391,454	33,894	4,897	430,246
Debt instruments measured at fair				
value through other comprehensive				
income				
Trade and other receivables	-	_	23,199	23,199
Total	391,454	230,856	595,825	1,218,137
Liabilities				
Measured at fair value through				
profit or loss				
Other financial liabilities	_	22,271	_	22,271
Total	\$-	\$22,271	\$-	\$22,271

## (3) Quantitative information on financial instruments classified as Level 3

Significant unobservable inputs used to measure the fair value of financial instruments classified as Level 3 are as follows:

	Fair value (Millions of yen)	Fair value (Thousands of U.S. dollars)	Valuation techniques	Unobservable inputs	Range
Measured at fair value through profit or loss					
Operational investment securities	¥47,350	\$386,817	Capitalization method	Capitalization rate	3.4% – 5.3%
			Net asset value	-	-
			Discounted cash flow	weighted average cost of capital(WACC)	3.45% – 12.38%
Investment securities	15,656	127,900	Market prices of	price-earnings ratio(PER)	14.0 – 22.8
			comparable companies	price book- value ratio (PBR)	1.1 – 2.3
			Net asset value		_
Measured at fair value through other comprehensive income					
Trade and other receivables	2,839	23,199	Discounted cash flow	Discount rate	2.98% – 12.17%
Investment securities	599	4,897	Net asset value	_	_
Total	¥66,446	\$542,815			

- (Notes) 1. Operational investment securities are mainly composed of investments in funds for real estate.

  2. Investment securities are mainly composed of unlisted stocks and investments in funds for unlisted
  - 3. In addition to the valuation techniques in the table above, some issues are measured by the transaction case method.

# (4) Reconciliation of financial instruments classified as Level 3 from the beginning to the end of the

The reconciliation of financial instruments measured at fair value classified as Level 3 is as follows:

(Millions of ven)

			(Millions of yell)
	Financial assets measured at fair value through profit or loss		Total
Balance at beginning of period	¥65,474	¥7,651	¥73,125
Total gains and losses	6,560	2,149	8,709
Profit or loss (Note 1)	6,560	195	6,755
Other comprehensive income	-	1,953	1,953
Purchases	8,943	682	9,625
Sales	(9,593)	(351)	(9,945)
Transfer from Level 3 (Note 2)	(2,346)	(6,692)	(9,038)
Others	457	_	457
Balance at end of period	69,495	3,439	72,935
Change in unrealised gains or losses for the period included in profit or loss for assets held at the end of the reporting period (Note 1)	1,770	(75)	1,694

(Thousands of U.S. dollars)	)
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		Financial assets measured		
	at fair value through profit	at fair value through other	Total	
	or loss	comprehensive income		
Balance at beginning of period	\$534,879	\$62,504	\$597,384	
Total gains and losses	53,592	17,559	71,151	
Profit or loss (Note 1)	53,592	1,597	55,190	
Other comprehensive income	-	15,961	15,961	
Purchases	73,057	5,577	78,635	
Sales	(78,375)	(2,868)	(81,244)	
Transfer from Level 3 (Note 2)	(19,165)	(54,675)	(73,840)	
Other	3,739	-	3,739	
Balance at end of period	567,728	28,097	595,825	
Change in unrealised gains or losses for the period included	14.464	(610)	12.045	
in profit or loss for assets held at the end of the reporting period (Note 1)	14,464	(619)	13,845	

(Notes) 1. The amounts are included in "Revenue from the payment business," "Revenue from the finance business," "Revenue from the real estate-related business," "Other income," as well as "Impairment losses on financial assets" and "Other expenses" per the consolidated statement of income.

2. The transfer from Level 3 is due to the availability of observable data as a result of the listing.

#### (5) Valuation processes

Valuations and procedures to determine the fair value of financial instruments classified as Level 3 are undertaken by the Group's independent administrative division, which is responsible for regularly checking the details of investees' businesses, the availability of their business plans, and comparable listed companies to determine whether fair value measurements, including valuation models, are appropriate.

## (6) Sensitivity analysis of fair value measurement classified as Level 3

Fair value measurements classified as Level 3 are conducted using valuation techniques based on inputs, such as prices and rates, whose fair values are not observable in the market. The following sensitivity analysis shows the effect on profit or loss and other comprehensive income for changes in unobservable inputs within a reasonably possible range, which are used to measure the fair value of financial assets classified as Level 3 in the consolidated statement of financial position. Sensitivity analysis is conducted by taking account of the type of financial instruments and market conditions at the time of analysis. Changes in significant assumptions for each valuation technique are set as follows:

- · Capitalization method: Capitalization rate changes within the range of plus/minus 0.5%
- · Discounted cash flow method: WACC changes within the range of plus/minus 1%
- Market price of comparable companies: PBR and PER change within the range of plus/minus 0.1 and plus/minus 1.0, respectively

When fair values of operational investment securities, investment securities, and trade and other receivables classified as Level 3 are measured through a valuation technique other than the above using reasonably possible alternative assumptions for unobservable inputs, such fair values would not be included in the table below if the change in fair value is not material.

(Millions of yen) Impact on other comprehensive Impact on profit or loss Total fair value Favorable Unfavorable Favorable Unfavorable changes changes changes changes Measured at fair value through profit or loss Operational investment ¥11,545 ¥. ¥-¥3,451 ¥ (2,732) securities Investment securities 7,317 1,298 (980)

(Thousand	ls of U	.S. dol	lars)
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	Total fair value	Impact on I	profit or loss	l * .	comprehensive ome
		Favorable changes	Unfavorable changes	Favorable changes	Unfavorable changes
Measured at fair value through profit or loss					
Operational investment securities	\$94,316	\$28,194	\$(22,320)	\$-	\$-
Investment securities	59,781	10,604	(8,007)	_	_

#### (7) Financial instruments that are not measured at fair value

Fair value of financial instruments that are not measured at fair value and the fair value hierarchy by level is as follows. Financial instruments whose carrying amounts approximate fair value are not included in the table below.

(Millions of yen	,

	Fair value				Total carrying
	Level 1	Level 2	Level 3	Total	amount
Assets					
Trade and other receivables	¥	¥1,799,417	¥1,029,067	¥2,828,485	¥2,772,047
Total	-	1,799,417	1,029,067	2,828,485	2,772,047
Liabilities					
Financial guarantee liabilities (assets)	-	_	(27,451)	(27,451)	8,884
Bonds and borrowings	_	2,569,187	-	2,569,187	2,569,040
Total	¥	¥2,569,187	¥ (27,451)	¥2,541,736	¥2,577,925

(Thousands of U.S. dollars)

	Fair value				Total carrying
	Level 1	Level 2	Level 3	Total	amount
Assets					
Trade and other receivables	\$-	\$14,699,924	\$8,406,726	\$23,106,650	\$22,645,600
Total	=	14,699,924	8,406,726	23,106,650	22,645,600
Liabilities					
Financial guarantee liabilities (assets)	=	-	(224,258)	(224,258)	72,579
Bonds and borrowings	I	20,988,382	-	20,988,382	20,987,180
Total	\$-	\$20,988,382	\$(224,258)	\$20,764,123	\$21,059,759

- 31 -

## (NOTES TO INVESTMENT PROPERTY)

## 1. STATUS OF INVESTMENT PROPERTY

The Company and some of its consolidated subsidiaries have investment property in Tokyo and other areas.

## 2. FAIR VALUE OF INVESTMENT PROPERTY

	Millions of yen	Thousands of U.S. dollars	
Carrying amount	¥94,763	\$774,151	
Fair value	¥124,481	\$1,016,925	

(Note) 1.The carrying amount recorded in the consolidated statement of financial position is acquisition cost less accumulated depreciation and accumulated impairment losses.

2. Fair value at the end of the period is mainly determined by the Group, which refers to the Real Estate Appraisal Standard (and the appraisal value is adjusted using indicators as necessary).

## (NOTES TO REVENUE RECOGNITION)

## 1. BREAKDOWN OF REVENUE

The breakdown of revenue recognized from contracts with customers and other sources is as follows:

			(Millions of yen)
	Revenue recognized from contracts with customers	Revenue recognized from other sources	Total
Income from the payment business	¥128,180	¥81,427	¥209,608
Income from the lease business	-	11,835	11,835
Income from the finance business	_	48,313	48,313
Revenue from the real estate-related business	53,607	5,734	59,341
Revenue from the entertainment business	32,866	=	32,866
Finance income	=	989	989
Total	¥214,654	¥148,300	¥362,955

(Thousands of U.S. dollars)

		(1110	usands of U.S. donars)
	Revenue recognized from contracts with customers	Revenue recognized from other sources	Total
Income from the payment business	\$1,047,141	\$665,203	\$1,712,345
Income from the lease business	_	96,684	96,684
Income from the finance business	-	394,684	394,684
Revenue from the real estate-related business	437,935	46,845	484,780
Revenue from the entertainment business	268,495	-	268,495
Finance income	-	8,085	8,085
Total	\$1,753,572	\$1,211,504	\$2,965,076

Revenue recognized from other sources includes interest and dividend income based on IFRS 9 and lease income based on IFRS 16.

Interest and dividend income is recognized as revenue in accordance with IFRS 9, and income from the Lease business, and also from real estate rentals in the Real estate-related business, is recognized as revenue in accordance with IFRS 16. Revenue recognized in accordance with IFRS 9 amounted to ¥133,622 million (U.S. \$1,091,601 thousand) for FY2021. Revenue recognized in accordance with IFRS 16 amounted to ¥14,677 million (U.S. \$119,902 thousand) for FY2021.

## 2. CONTRACT BALANCE

The breakdown of contract balances is as follows:

	Millions of yen		Thousands of U.S. dollars	
	Beginning of period (April 1, 2021)	End of period (March 31, 2022)	Beginning of period (April 1, 2021)	End of period (March 31, 2022)
Receivables arising from contracts with customers				
Trade and other receivables	¥97,528	¥103,824	\$796,735	\$848,166
Contract liabilities	7,809	8,437	63,799	68,929

Contract liabilities mainly represent a deferred portion of annual membership fees. The amounts of revenue recognized in FY2021 that was included in the beginning balance of contract liabilities were \(\xi\)5,765 million (U.S. \(\xi\)47,100 thousand).

None of the revenue recognized in FY2021 arose from performance obligations satisfied (or partially satisfied) in previous periods.

#### 3. TRANSACTION PRICE ALLOCATED TO REMAINING PERFORMANCE OBLIGATIONS

The Group has adopted a practical expedient and omitted information on remaining performance obligations, given that there were no significant transactions for which an individual estimated contract period exceeds one year.

## (NOTES TO EARNINGS PER SHARE)

1. EQUITY ATTRIBUTABLE TO OWNER	RS (Yen)	¥3,598.22
OF PARENT PER SHARE	*U.S. dollars	\$29.39
2. BASIC EARNINGS PER SHARE	(Yen)	¥226.35
	*U.S. dollars	\$1.85

## (NOTES TO SIGNIFICANT SUBSEQUENT EVENTS)

There are no pertinent items.

#### INDEPENDENT AUDITOR'S REPORT

May 12, 2022

To the Board of Directors of Credit Saison Co., Ltd.:

Deloitte Touche Tohmatsu LLC Tokyo office

Designated Engagement Partner, Certified Public Accountant:

Mitsuo Kimura

Designated Engagement Partner, Certified Public Accountant:

Takeshi Ishisaka

#### Opinion

Pursuant to the fourth paragraph of Article 444 of the Companies Act, we have audited the consolidated financial statements of Credit Saison Co., Ltd. and its consolidated subsidiaries (the "Group"), namely, the consolidated statement of financial position as of March 31, 2022, and the consolidated statement of income and consolidated statement of changes in equity for the fiscal year from April 1, 2021 to March 31, 2022, and the related notes.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2022, and its consolidated financial performance for the year then ended in accordance with accounting standards prescribed pursuant to the provisions of the second sentence of the first paragraph of Article 120 of the Ordinance on Company Accounting that omit a part of the disclosures required under International Financial Reporting Standards.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Other Information

Management is responsible for the other information. Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the other information. The other information comprises the information included in the Business Report and the accompanying supplemental schedules.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

#### (TRANSLATION)

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

# Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting standards prescribed pursuant to the provisions of the second sentence of the first paragraph of Article 120 of the Ordinance on Company Accounting that omit a part of the disclosures required under International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting standards prescribed pursuant to the provisions of the second sentence of the first paragraph of Article 120 of the Ordinance on Company Accounting that omit a part of the disclosures required under International Financial Reporting Standards.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether
  due to fraud or error, design and perform audit procedures responsive to those risks. The procedures
  selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and
  appropriate to provide a basis for our opinion.
- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

## (TRANSLATION)

- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in
  accordance with accounting standards prescribed pursuant to the provisions of the second sentence of
  the first paragraph of Article 120 of the Ordinance on Company Accounting that omit a part of the
  disclosures required under International Financial Reporting Standards, as well as the overall
  presentation, structure and content of the consolidated financial statements, including the disclosures,
  and whether the consolidated financial statements represent the underlying transactions and events in a
  manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business
  activities within the Group to express an opinion on the consolidated financial statements. We are
  responsible for the direction, supervision and performance of the group audit. We remain solely
  responsible for our audit opinion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

## Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

## Notes to the Readers of Independent Auditor's Report

This is an English translation of the independent auditor's report as required by the Companies Act of Japan for the conveniences of the reader.