

CSDX Strategy | Interview with the Director in Charge

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



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Q 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.

Q 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

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.

Q 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.

Q 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.



Q 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

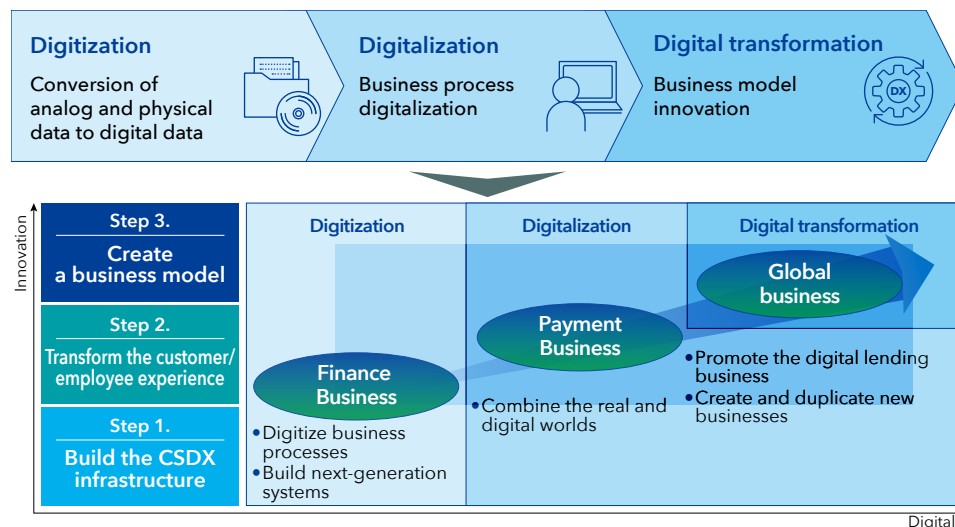
Three steps of digitalization

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.

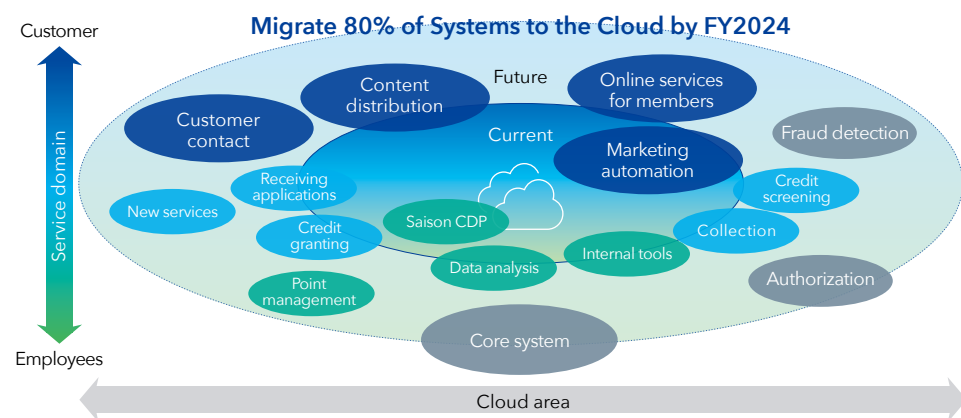
The Finance Business, in particular, maintains a deeply rooted analog culture, where fax machines are still used to transact documents and face-to-face sales remain the mainstay, for example. The emergence of "remote work" and other changes during the COVID-19 pandemic, however, have led to an increasing 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

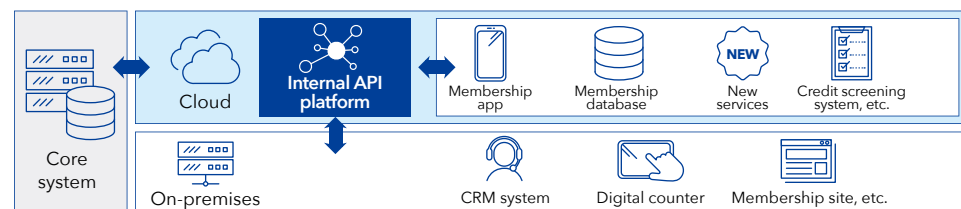
To accelerate the digitalization of the business divisions, Credit Saison requires infrastructure that offers a high degree of flexibility and scalability. For this reason, we actively leverage AWS and other cloud services in driving development that looks to the cloud first when launching new services. 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.



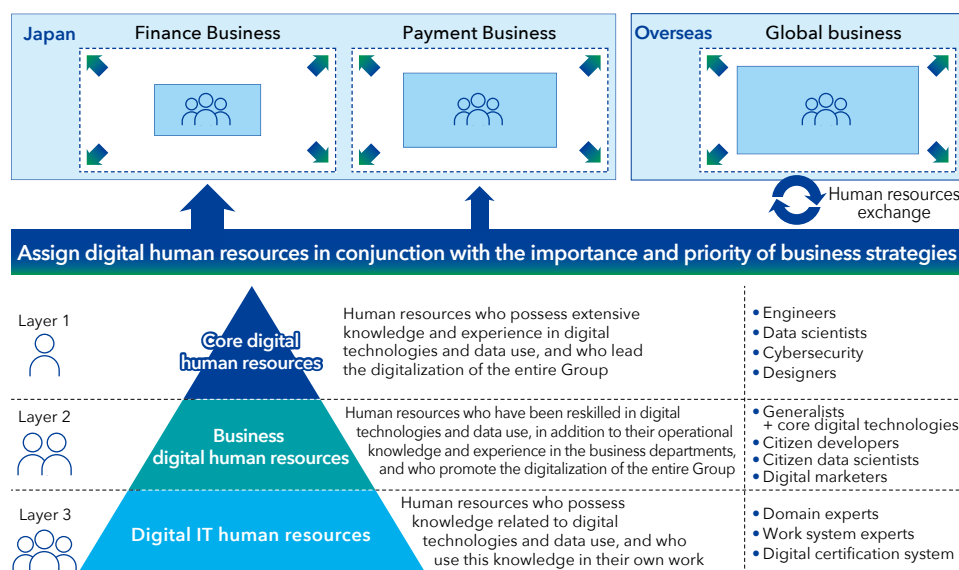
Migrating the internal API platform that connects core and peripheral systems

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.

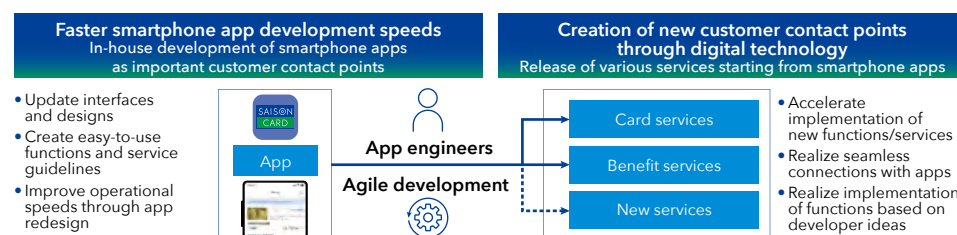


Core digital human resources who possess digital skills will work together with business digital human resources who possess operational knowledge and digital IT human resources to promote digitalization throughout the Group. Moreover, Credit Saison has established a personnel system (open challenge) 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.

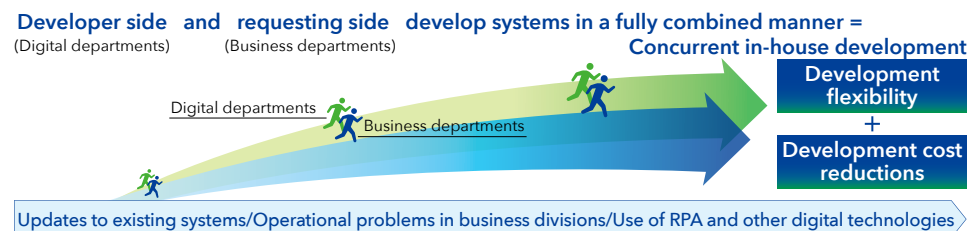
In-house development

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.

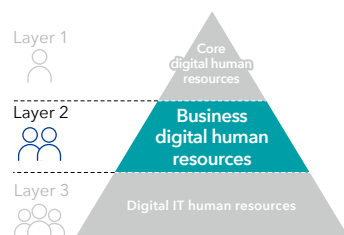
Shifting to in-house development has enabled agile development at much lower costs, while at the same time allowing us to accumulate knowledge. We are advancing the shift to in-house development with a focus on smartphone apps as important contact points with customers and on internal systems. In-house 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.



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

Q 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.

Q 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

Q 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.

Q 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.

Q 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.

Q 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.