CREDIT SAISON

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INTEGRATED REPORT 2022

Credit Saison's New Challenges

Transforming ourselves into a comprehensive life services group with financial services at the core that helps to resolve customers' problems

Consumer values are becoming ever more diversified due to changes in social structure, such as the declining birthrate and aging population as well as the advancement of women, and changes in awareness and values, for instance, regarding the environment and gender. To meet the diverse needs of our customers, we have taken steps to become a comprehensive life services group that goes beyond being a finance company.

Intending to solve the issues and problems that have newly arisen in people's daily lives, we aim to provide products that offer not only convenience and value for the money but also good experiences and positive values. In a rapidly changing business environment leveraging the business foundation and customer base that we had previously cultivated through financial services, we will co-create innovations with our stakeholders while contributing to a sustainable society.

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.

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
- 1988 Developed an international credit card with no annual membership fees through a tie-up with Visa and Mastercard
- 1990 Started the first cards in Japan to support signature-less transactions
- 2002 Started Eikyufumetsu Points, a program for points that never expire
- 2003 2004 Established a business model that provides capital, human resources, and know-how through mergers with companies such as Idemitsu Kosan, Resona HD, Takashimaya, etc.
- 2006 Launched the points exchange website Eikyufumetsu.com (currently Saison Point Mall)
- 2010 Issued the world's first Centurion design card with American Express

永久不滅ポイント

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 credit-card 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.

Vision

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.

Our Image of Society

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

Customers

Employees

Value co-creation with stakeholders

Partners

Shareholders

Regions/communities

Resolving customer problems centered on financial services

Transforming into a comprehensive life services group

Realization of financial inclusion*

Changing society/
Global environment

- Declining birthrate, aging population
- Climate change
- Digitalization
- Promoting conversion to cashless operations
- Growing needs for asset formation

*Financial inclusion: Ensuring that everyone has access to and benefits from financial services.
Financial inclusion is recognized as an important theme for achieving the SDGs.

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	5,562
Non-consolidated number of employees	4,084 (of whom 3,058 are women)

*Excluding part-time employees

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	More than 150,000 companies

Sound financial base

Diverse financing based on high creditworthiness	
Consolidated total assets	¥3,610.7 billion
Interest-bearing debt	¥2,569.0 billion
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

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

Taking on the challenge of financial inclusion through financial services

Five Businesses > P7

- Payment Business
- Lease Business
- Finance Business
- Real Estate-related Business
- Entertainment Business

Materialities for Sustainability

- Enriching our customers' lives and enabling them to live happily and true to themselves
- Creating a better society through co-creation with partners
- Achieving sustainable growth and improving corporate value through sound corporate management
- Creating human resources and an 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

Sustainability of the Credit Saison Group > P22

Value Created in Collaboration with Stakeholders

Customers / Partners / Regions/communities / Shareholders / Employees

Realization of a resilient organization

Progress in social and environmental initiatives by establishing the Sustainability Promotion Committee	
Number of committee meetings/working groups held Committee: Seven times; WG: Climate change 10 times; DE&I: Nine times	26 in total
Number of dialogues held with shareholders/investors	196
Number of security incidents	0

Fostering motivation and diverse values

Ratio of female employees	74.9%
Ratio of female managers*2	24.5%
No. of human resources with digital technology backgrounds	Approx. 260
Paid leave take-up rate	73.5%

New business/Product development

Number of new product releases	Approx. 40*1
Number of SWITCH SAISON proposals and number of commercialization projects	Approx. 1,000 proposals; four commercialization projects

Strengthening ability to resolve social and environmental issues

Business alliances aimed at building a carbon-neutral and recycling-oriented society	
Environmental protection activities (operation of Akagi Nature Park)	About 74,000 visitors
Reducing paper consumption by digitizing recruitment operations	
Financial inclusion for the underserved class, especially in Asia	

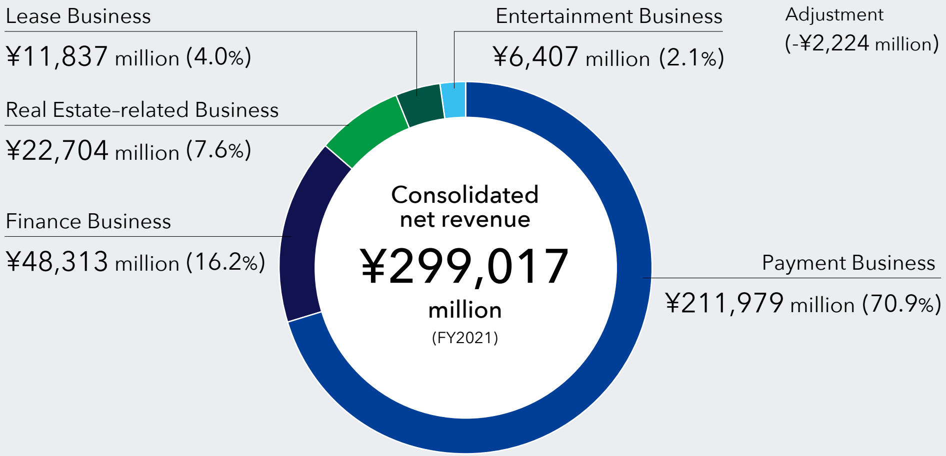
Financial results

Return on equity (ROE)	6.5% (previous fiscal year: 7.1%)
Shareholders' equity ratio (equity ratio attributable to owners of parent)	15.6% (previous fiscal year: 15.6%)
Improvement of Group business profit	¥52.3 billion (8.2% increase from the previous fiscal year)
Total dividends	¥8.6 billion (¥7.0 billion in the previous fiscal year)
Total shareholder return (non-consolidated)	76.9% (75.4% in the previous fiscal year)

Note: The standard is as of the end of March 2022, but some as of November 2022 also included.
*1 Total aggregated number of products and services from April 2021 to March 2022
*2 General manager and manager

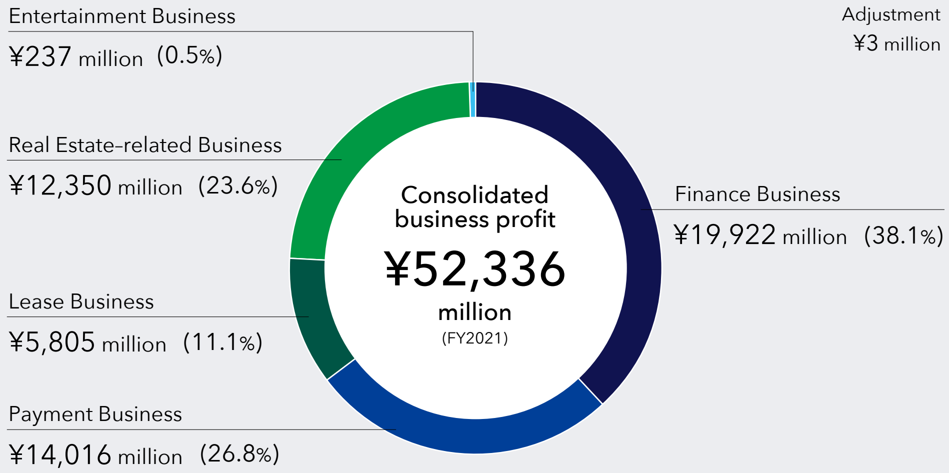
The Five Businesses

Net revenue by segment



Note: Amount in parentheses ( ) indicates share of total.

Business profit by segment



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.

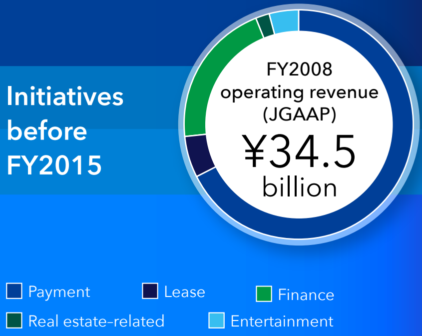
Including the credit guarantee business and the finance business, we develop lifestyle creation financial services ranging from home purchases to rentals, with a focus on Saison's Flat 35, Saison Asset Formation Loans, and Credit Saison's Rent Guarantee service Rent Quick.

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

Includes the amusement business, among others.

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

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

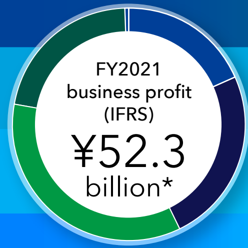
Responsive to diverse customer needs

- Payment platform enhancement/Finance business expansion

Expanded the Global Business into more countries

FY2019–FY2021

Medium-term Management Vision
Neo Finance Company in Asia



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)
2. Expand shopping transaction volume (BtoB field)
3. Expand the card shopping revolving balance/cash advance business
4. Create new businesses and enhance digital marketing

Ⅱ Further expand the Finance Business as a non-bank — Lease & Finance Segments
1. Strengthen relationships with partners and expand new alliances — Finance Business

Ⅲ Expand the earnings base of the Global Business with a view to the future — Global Business
1. Transition from the sowing stage to the harvesting stage in countries where we have operations — Global Business

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.

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

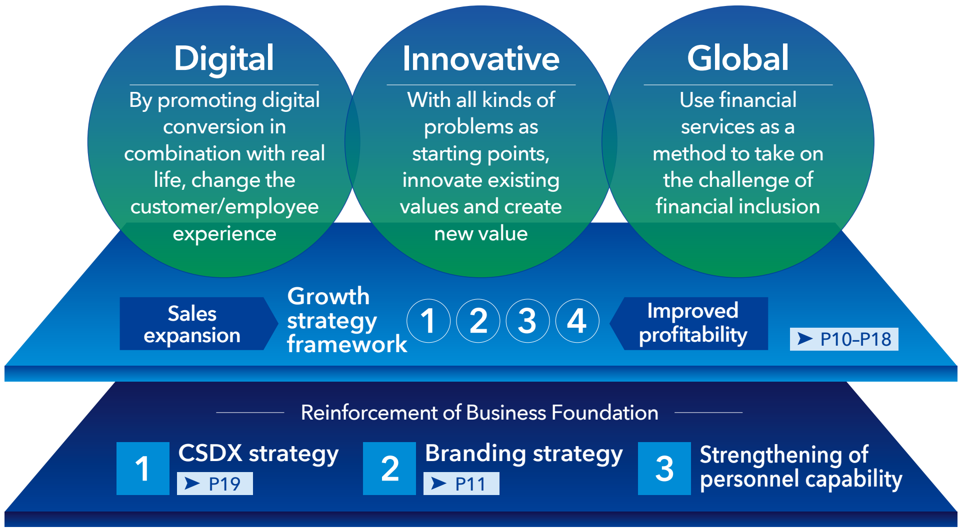
Transformation into a comprehensive life services group

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.

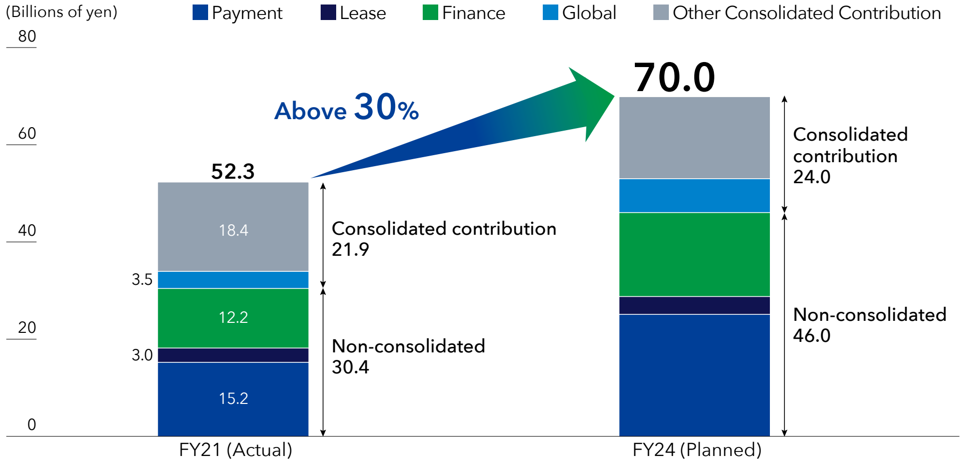
Basic Concept

Continue with the three concepts, accelerating their penetration and drive within each business



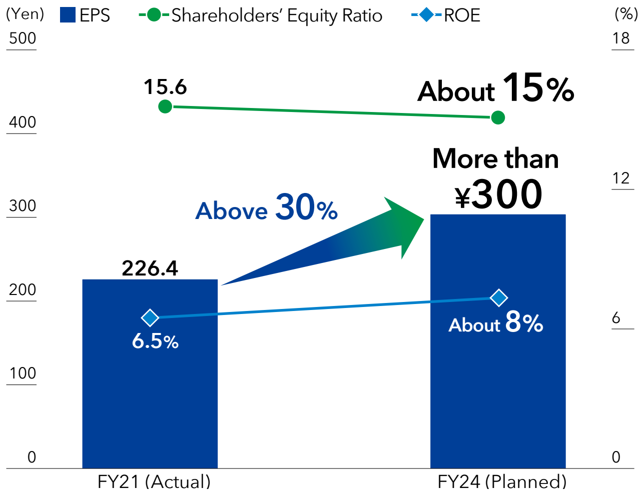
Management indicators

Business profit targets



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



Medium- to Long-term Management Goals

Shareholders' Equity Ratio: About 15%

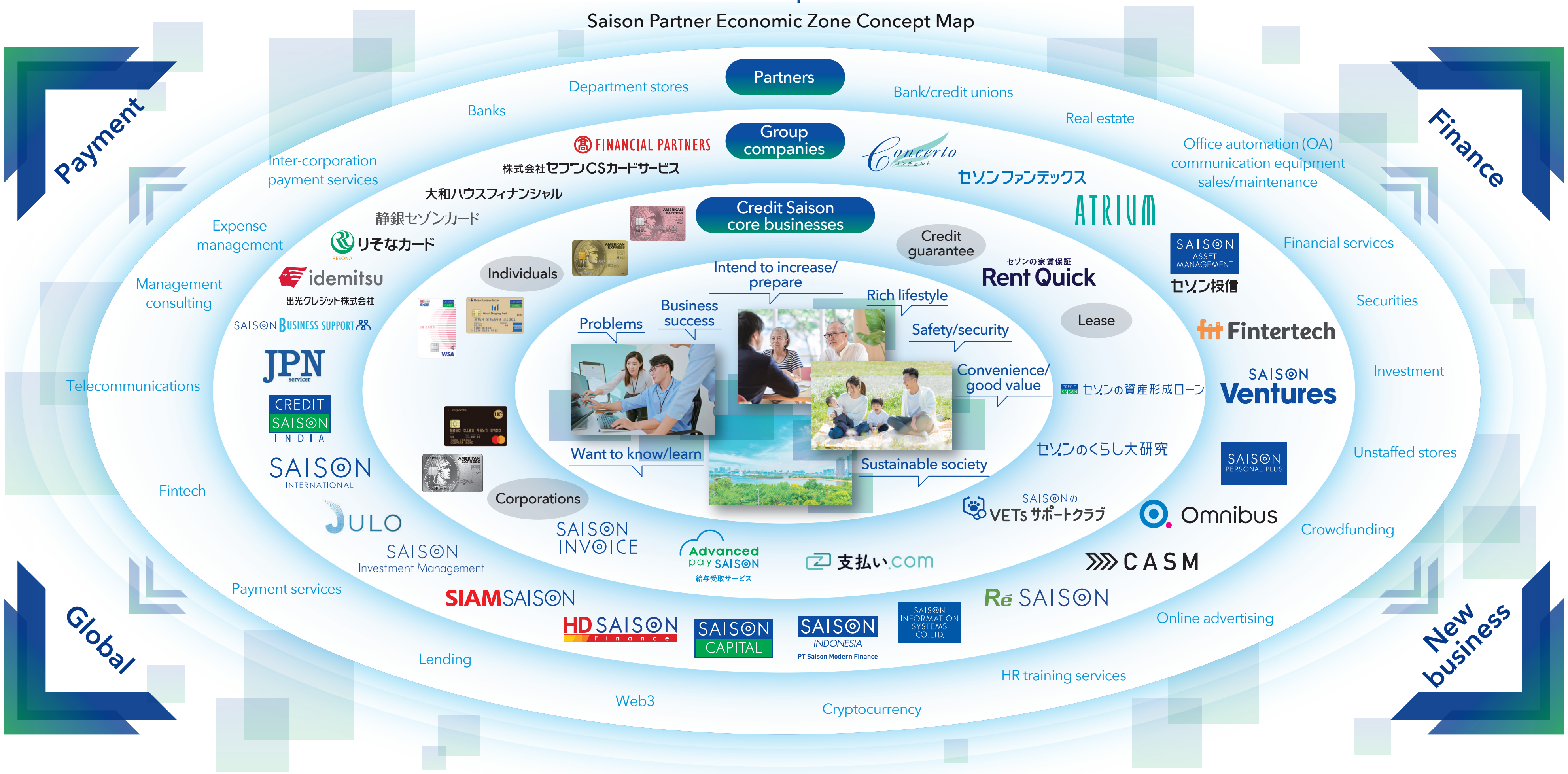
Progress in line with benchmark

ROE: Above 10%

Goal in current medium-term plan (up to FY24) is around 8%
Aiming to achieve in the next medium-term plan or later (from FY25 onward)

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

Saison Partner Economic Zone Concept Map



Establish the Saison partner economic zone

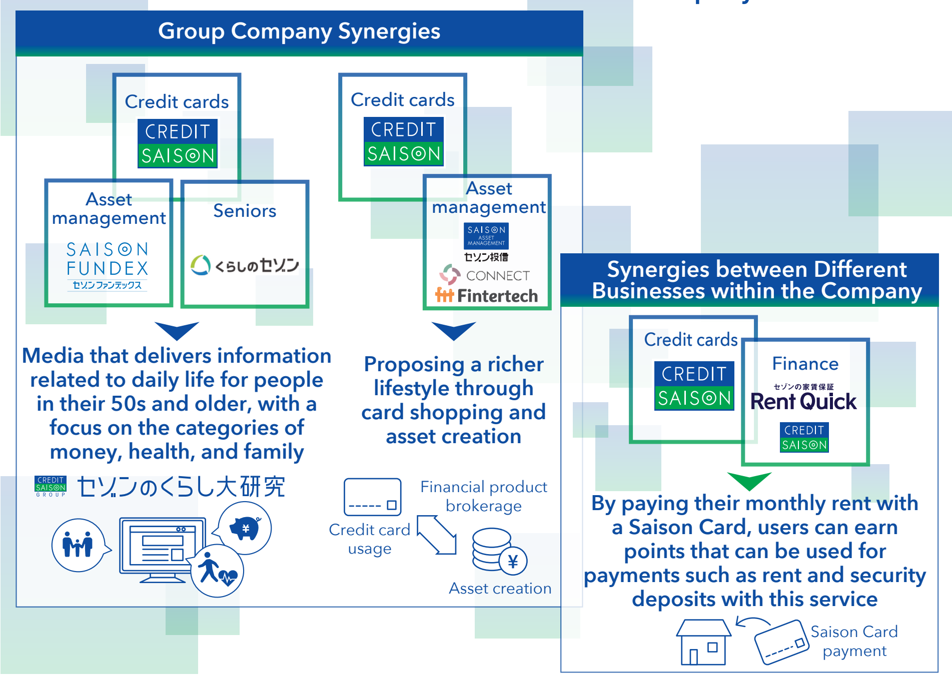
We will pursue synergies with Group companies in addition to our existing business partners to establish the Saison partner economic zone with the aim of becoming a non-bank with a strong presence in each financial business: Payment, Finance, and Real Estate-related. Specifically, we will actively promote 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.

➤ For details on major affiliates, please see page 24.

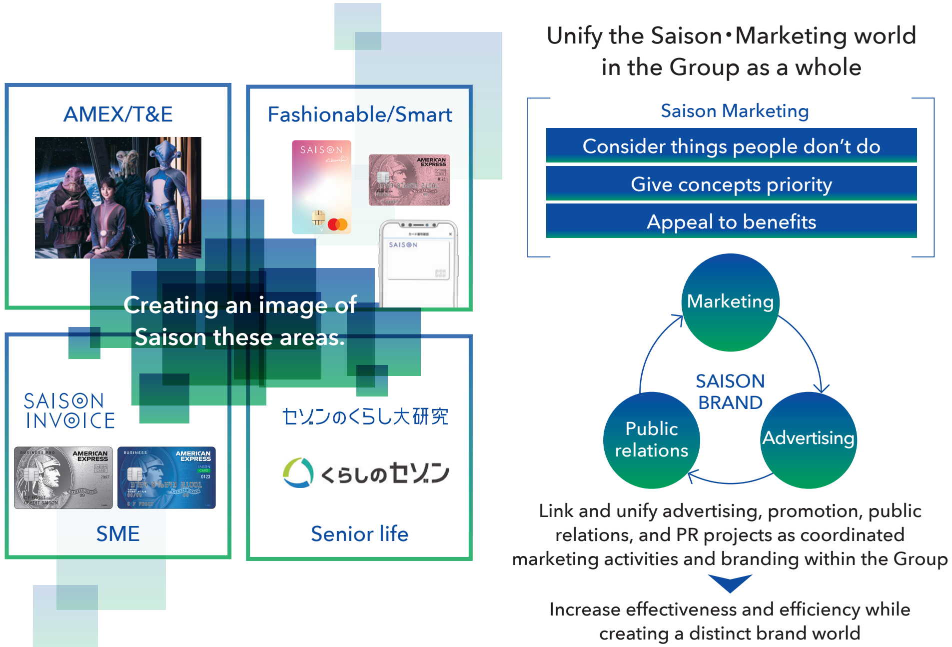
Creating value by demonstrating synergies between Group companies and different businesses within the Company



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

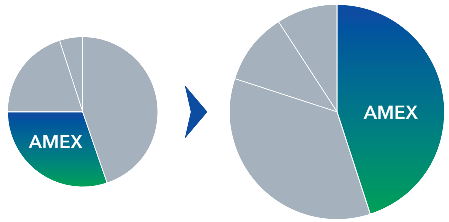


Growth Strategy (2): Revitalization of the Payment Business

AMEX Strategy

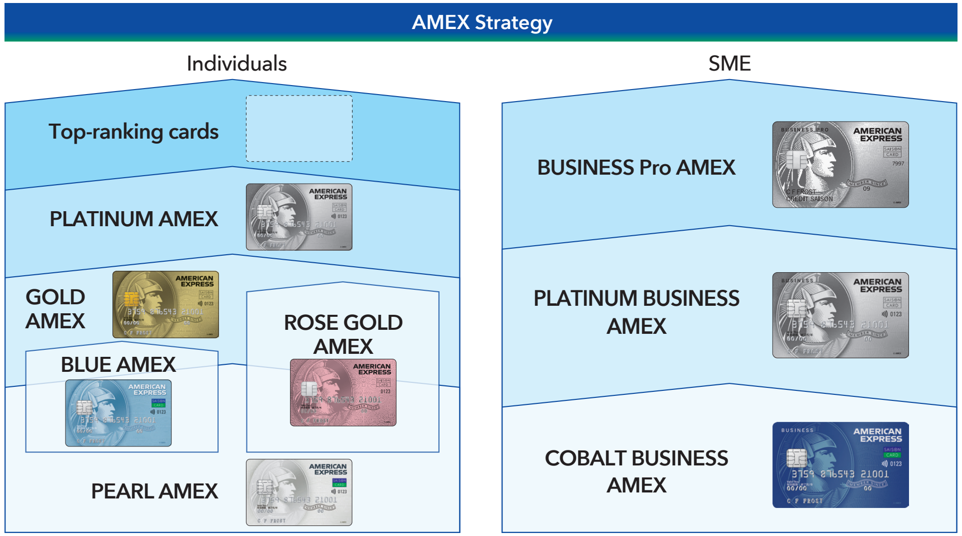
To revitalize the Payment Business, we will further promote the effective use of the AMEX brand. We have been affiliated with AMEX for about 25 years, and since 2022 the AMEX brand has become the No. 1 brand among other international brands in terms of our transaction volume at the Company. By working to make SAISON AMEX a top-ranking 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.

Credit Saison Shopping Transaction Volume Share by Brand



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

Product

Entry into the non-card payment field

Business card and commercial product cross-sales

Channel

Expansion of alliance businesses and strengthening of coordination

Expansion of sales channels through alliance businesses

Sales

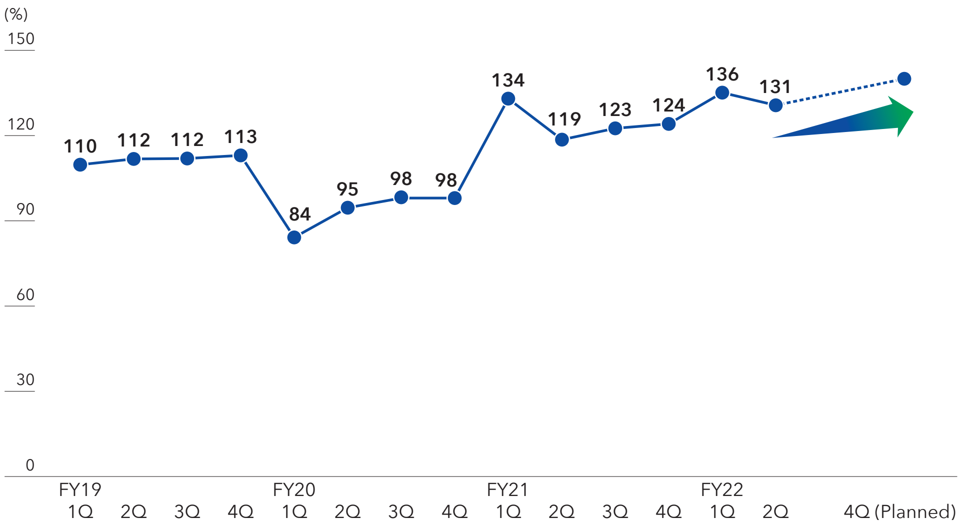
Enhancement of customer communication

- Inside SalesTeams strengthening
- CustomerSuccess strengthening
- WEB, Marketing strengthening

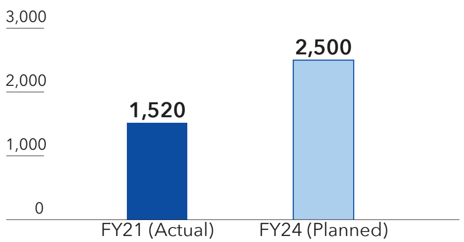
Main Indices of the Payment Business

BtoB shopping transaction volume YoY

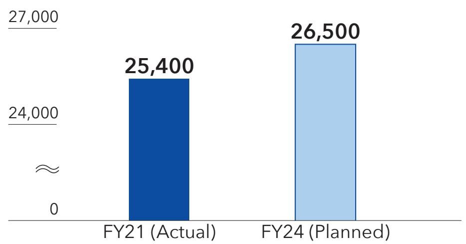
BtoB transaction volume remained high during COVID-19



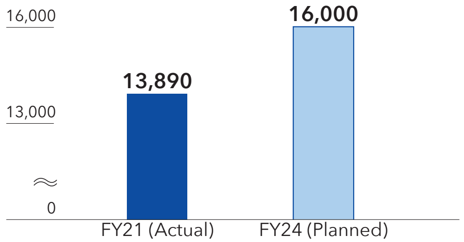
New card issuances



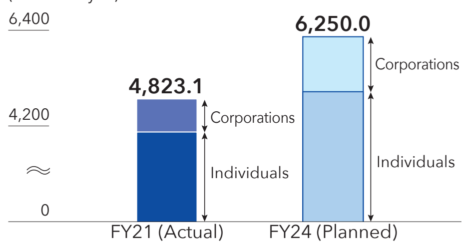
Total cardholders



Active cardholders



Shopping transaction volume



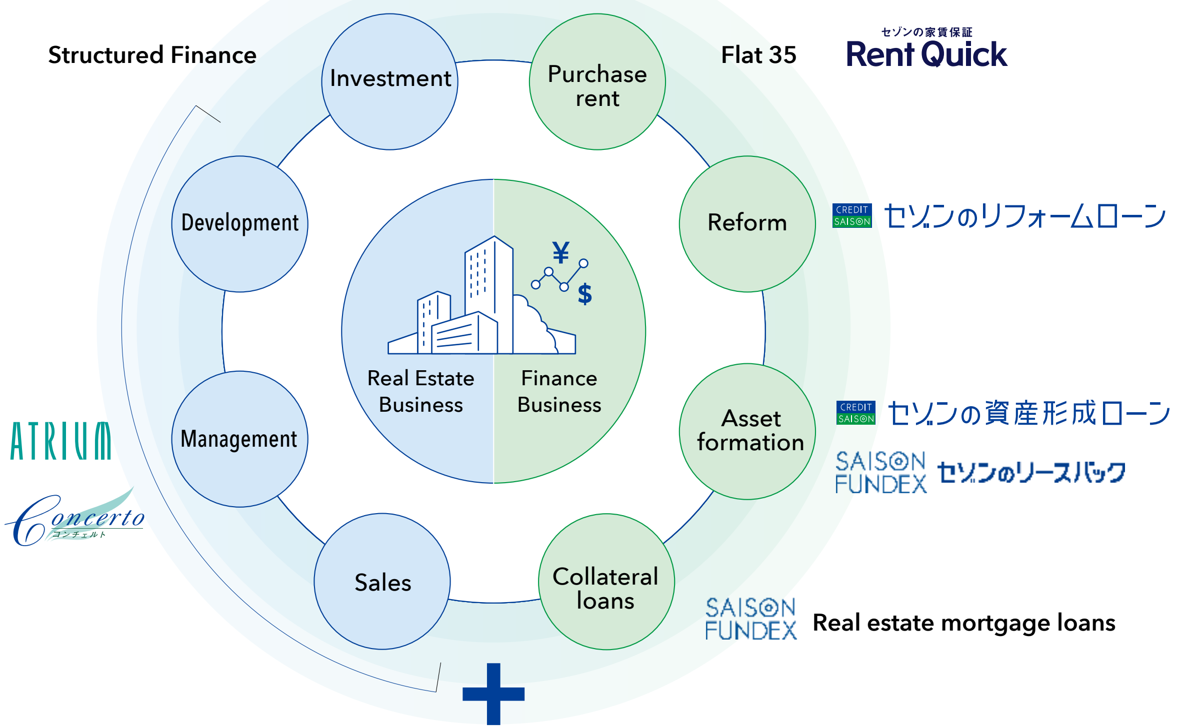
Growth Strategy (3): Promotion of Healthy Growth and Expansion into New Fields for the Finance Business

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



Taking on the challenge of developing products targeting wealthy demographics utilizing the assets of the Company and its alliances

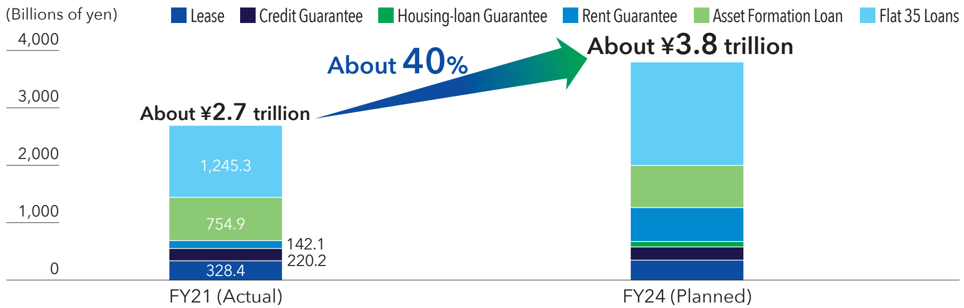
Five Major Layers of Structural Reform

1. Improving investment efficiency: Taking on the challenge of selling asset formation loans and bonds, and launching businesses targeting wealthy demographics
2. Strengthening corporate sales ability: Sales promotion at more than 300,000 lessees
3. Strengthening structured finance
4. Promoting digital transformation: Reduced costs and improved productivity
5. 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.

Lease/Finance-related business product balance target (including off-balance)



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.

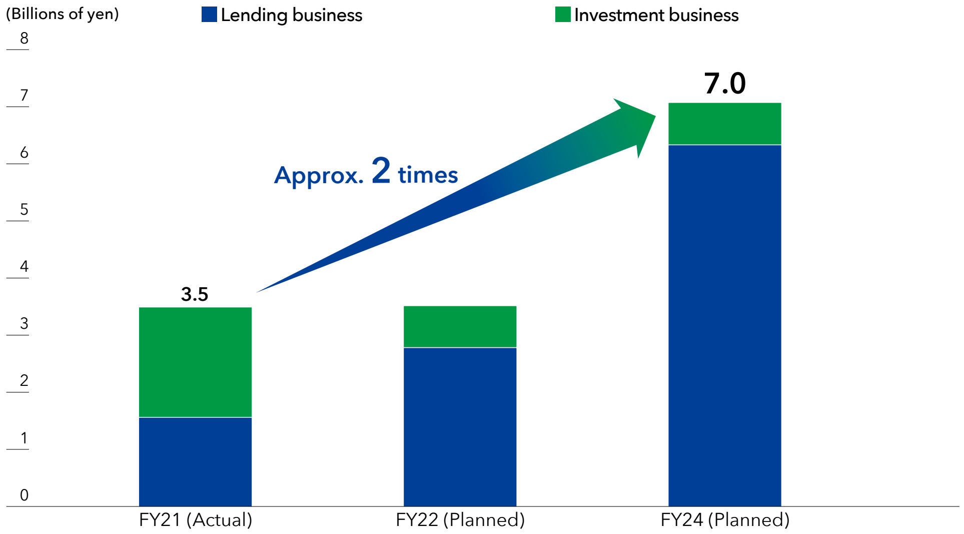
Through these initiatives, we will promote our business to underpin a third pillar of growth in the Group and to contribute to efforts to realize a sustainable society on a global scale.

Lending Business	India	Kisetsu Saison Finance (India) Pvt. Ltd.	Digital lending focused on BtoBtoC
	Vietnam	HD Saison Finance Co., Ltd.	Individual installments, cash loans, etc.
	Indonesia	PT. Saison Modern Finance	Lending to SMEs via P2P platforms
		Julo Holdings Pte.Ltd.	Offering virtual credit cards to individuals
	Singapore	Saison Investment Management Pte. Ltd.	Impact investment business
	Thailand	Siam Saison Co., Ltd.	Supply chain finance within the commercial distribution of Group companies
Investment Business	Singapore	Saison Capital Pte. Ltd.	Overseas CVC

Construction of Foundations for Business Expansion

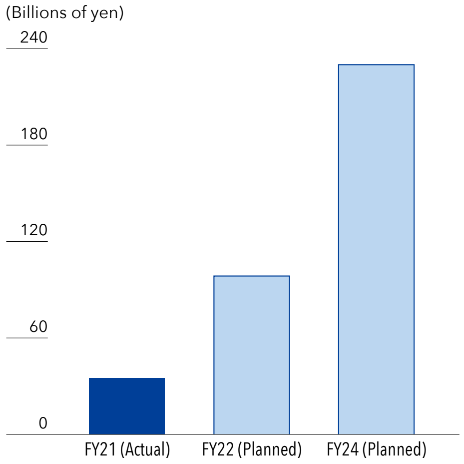
Singapore	Saison International Pte. Ltd.	International Headquarters (IHQ)

Business profit target (accumulated profit for each country's business)

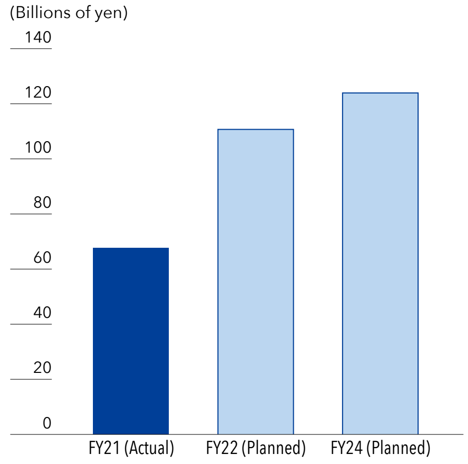


Main indices of the global business

Kisetsu Saison Finance (India) outstanding loans



HD Saison Finance (Vietnam) outstanding loans



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

Q 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.

Q 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 FinTech-affiliated 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

CVC investments (examples)

Web3 domain investments (examples)

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 decision-making and designing a cross-functional organization, we will transition to a structure that can compete globally.

*Corporate name changed from Credit Saison Asia Pacific Pte. Ltd.

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

The CSDX Strategy as the Platform for Supporting the Entire Group

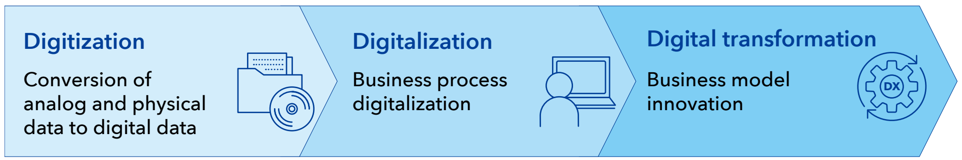
Three steps of digitalization

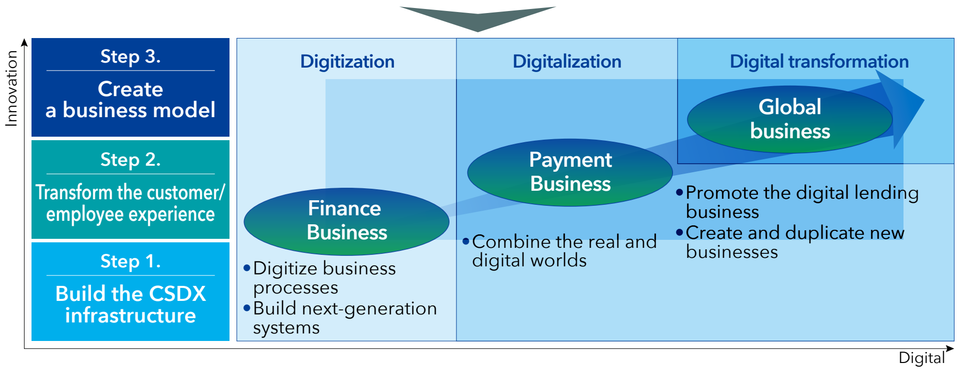
Today's world is one in which companies that can offer "new experiences" via digital technologies come out on top, whereas those that cannot fail to survive.

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.



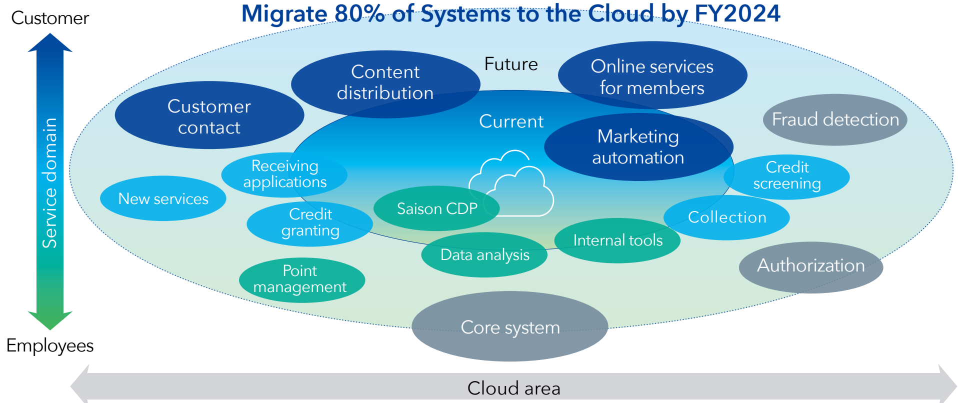


Digital platforms

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.

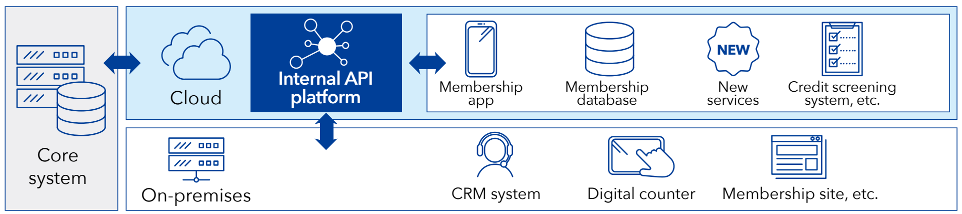
Moreover, we migrated our internal API platform, which links our core and peripheral systems, to the cloud through in-house development. As a result, we have been able to migrate functions that previously relied on core systems to the internal API platform, thereby reducing the load on the core system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

Migrate 80% of Systems to the Cloud by FY2024



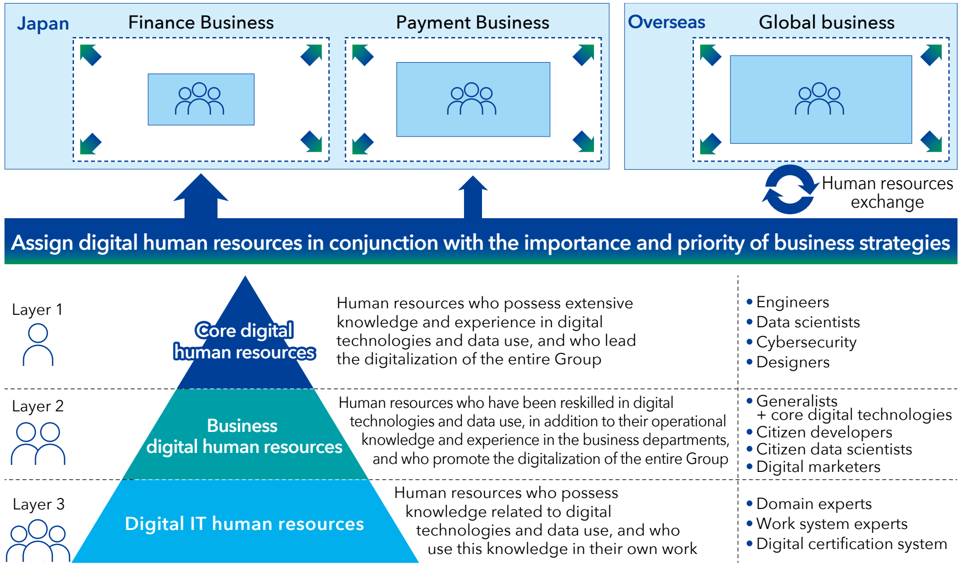
Migrating the internal API platform that connects core and peripheral systems

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.

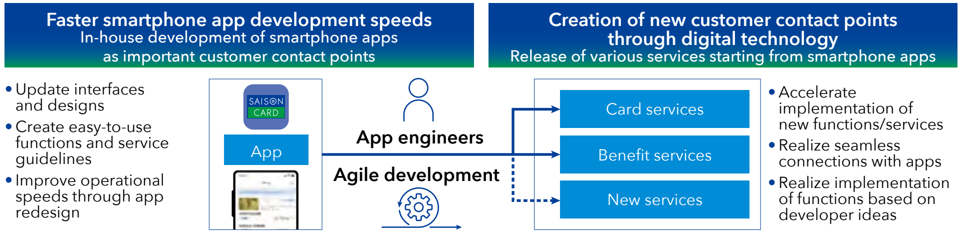


Core digital human resources who possess digital skills will work together with business digital human resources who possess operational knowledge and digital IT human resources to promote digitalization throughout the Group. Moreover, Credit Saison has established a personnel system (open challenge)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

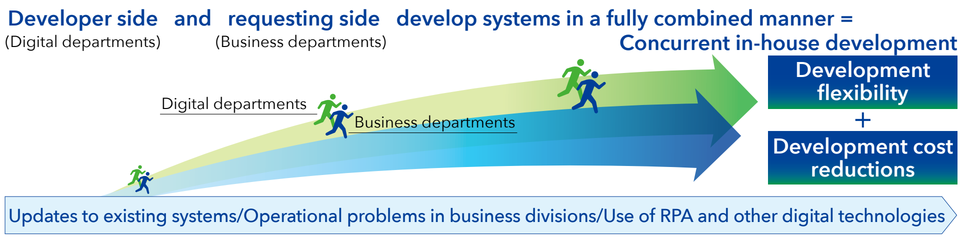
In-house development

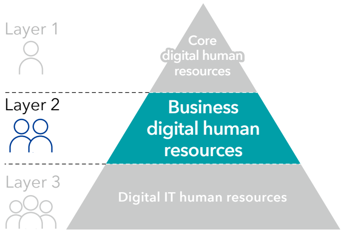
Credit Saison is building an in-house development system that allows us to undertake some aspects of IT system development that we had previously outsourced to different external vendors.

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.





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.

* BI tools: Software that analyzes and visualizes various data for management and business purposes.

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.

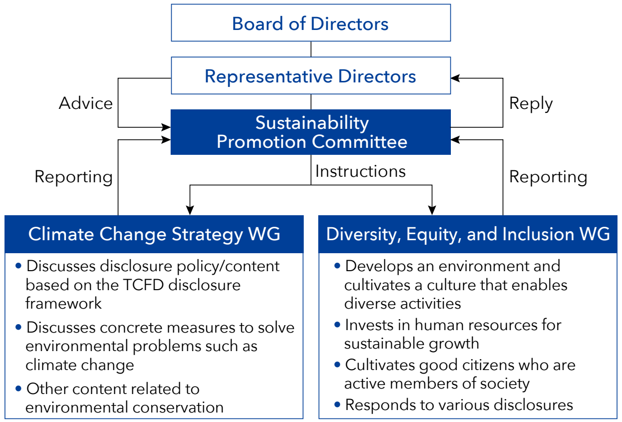
Sustainability promotion system

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
Members	Director and Senior Managing Executive Officer Kosuke Mori
	Senior Managing Executive Officer Kazue Yasumori
	Executive Officer Kaori Shimada
	Outside Director Nana Otsuki

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

Materialities for sustainability and initiatives

Materialities	Contents
Enriching our customers lives, and enabling them to live happily and true to themselves	• Creating a safe, secure, and convenient society • Resolving problems for individuals and corporations with financial services at the core
Creating a better society through co-creation with partners	• Providing new value with business partners, collaborating partners, etc. • Realizing financial inclusion including Asia
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
Protecting the rich natural environment and culture that enriches life, and energizing people in the region and community	• Showing consideration for the global environment, supporting cultural and sports activities • Engaging in co-creation with governments, regional societies, and communities
Achieving sustainable growth and improving corporate value through sound corporate management	• Strengthening corporate governance • Strengthening the integration of Group growth strategy and sustainability activities

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

Main consolidated subsidiaries

Atrium Co., Ltd.	Comprehensive real estate business, servicing business
Omnibus K.K.	Internet advertisement agency business, marketing consulting business
CASALAGO CO., LTD.	Import and sales of lifestyle goods
KURASHINO SAISON Co.,Ltd.	Cleaning, security, property maintenance services
Concerto Inc.	Amusement services, amusement business, real estate rental business
SAISON ASSET MANAGEMENT CO., LTD.	Asset management
Saison Personalplus Co., Ltd.	Temporary staffing business and contracting business
SAISON PARTNERS CO.,LTD. Major operating companies: JPN COLLECTION SERVICE CO.,LTD.	Management of subsidiaries such as debt collection agencies, and other related operations
Saison Fundex Corporation	Real estate financing business, credit guarantee business, and personal loan business
Saison Ventures Co., Ltd.	Identification and investment in startups
Saison Insurance Service Inc.	Life/non-life insurance agency business
Research Institute of Brain Activation	Development and provision of the Brain Assessment
Motionpicture Co.,Ltd.	Provision of online ticket system and payment services associated with the system
Wine&Wine Culture Co.,Ltd.	Operation of the SAKURA Japan Women's Wine Awards and provision of training for popularizing wine
Kisetsu Saison Finance (India) Pvt. Ltd.	Digital lending operations in India
PT. Saison Modern Finance	Digital lending and lease business in Indonesia
Saison Capital Pte. Ltd.	Financing of and investment in overseas startups
Saison International Pte. Ltd.	Overseas business development and regional headquarters
Saison Investment Management Pte. Ltd.	Impact investment business overseas

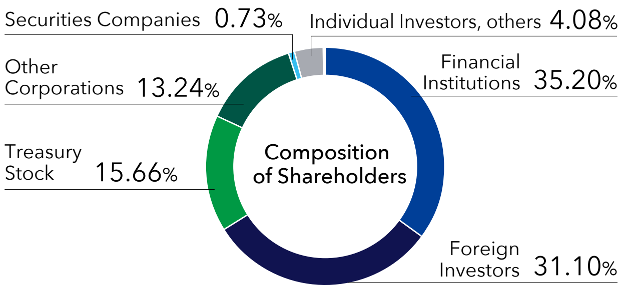
Major equity-method affiliates

Eplus Inc.	Tickets sale
Idemitsu Credit Co., Ltd.	Credit card business, prepaid card business, finance business
Shizugin Saison Card Co., Ltd.	Credit cards and credit guarantees, prepaid card business
Saison Information Systems Co., Ltd.	Information processing services
Saison Business Support,Inc.	Sales agent for payment and finance products and sale of information security and office disaster prevention related services, etc.
Seven CS Card Service Co., LTD.	Credit card business
Daiwa House Financial Co., Ltd.	Credit card business, loaning business, and cashless payments promotion business
Takashimaya Financial Partners Co., Ltd.	Credit card business, insurance business, investment trust business, and trust business
Yamada Financial Co., Ltd.	Credit card business
ReSAISON Co., Ltd.	Recirculation and recycling through repatriation and sale of assets and material recycling
Resona Card Co., Ltd.	Credit cards and credit guarantees
CASM, Inc.	Marketing business utilizing credit card payment data, etc.
Fintertech Co.,Ltd.	Loaning business (crypto-assets and mortgage collateral), cloud funding business, and Nagesen (online tipping) SaaS business
STOCK POINT, Inc.	System development and services related to stock-price-linked bonus point management
HD SAISON Finance Company Ltd.	Finance business in Vietnam
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)

Institution	Equity stake: Number of shares (thousands)	Equity stake: 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.
2.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).

Credit Saison Co., Ltd.

52F Sunshine 60 Bldg., 1-1 Higashi-Ikebukuro 3-chome,
Toshima-ku, Tokyo 170-6073, Japan
https://corporate.saisoncard.co.jp/en/

CREDIT SAISON

FINANCIAL SECTION 2022

For the Year Ended March 31, 2022

CREDIT SAISON

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.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	FY2021 (As of March 31, 2022) Millions of yen	FY2021 (As of March 31, 2022) 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
Total assets	¥3,610,778	$29,497,418

	FY2021 (As of March 31, 2022) Millions of yen	FY2021 (As of March 31, 2022) Thousands of U.S. dollars
Liabilities and equity		
Liabilities		
Trade and other payables	¥244,349	$1,996,157
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

CONSOLIDATED STATEMENT OF INCOME

	FY2021 (April 1, 2021 to March 31, 2022) Millions of yen	FY2021 (April 1, 2021 to March 31, 2022) 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	268,495
Finance income	989	8,085
Total	362,955	2,965,076
Of interest income	108,337	885,041
Cost of sales		
Cost of sales for the real estate-related business	37,478	306,174
Cost of sales for the entertainment business	26,459	216,151
Total	63,937	522,325
Net revenue	299,017	2,442,751
Selling, general, and administrative expenses	222,541	1,817,997
Impairment losses on financial assets	24,575	200,765
Finance costs	11,461	93,633
Share of profit of investments accounted for using equity method	4,588	37,484
Other income	6,259	51,132
Other expenses	1,349	11,023
Profit before tax	49,936	407,947
Income tax expense	14,343	117,171
Profit	¥35,593	$290,775
Profit attributable to		
Owners of parent	¥35,375	$288,994
Non-controlling interests	218	1,781
Profit	¥35,593	$290,775

RECONCILIATION FROM PROFIT BEFORE TAX TO BUSINESS PROFIT

	FY2021 (April 1, 2021 to March 31, 2022) Millions of yen	FY2021 (April 1, 2021 to March 31, 2022) 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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

	Millions of yen							
	Equity attributable to owners of parent						Non-controlling interests	Total
	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity	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	－	－	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

	Thousands of U.S. dollars							
	Equity attributable to owners of parent						Non-controllin g interests	Total
	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity	Total		
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	36
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 for using equity method	40
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:

1) The amount of allowance for doubtful accounts calculated in accordance with the section above titled “Impairment of financial assets”

2) 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 cash-generating 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 post-employment 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.

⑾ 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.

⑿ 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 interest rate index in the context of IBOR reform
IFRS 9	financial instruments	

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

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)

1. 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 Millions of yen	411,156 Thousands of U.S. dollars
Other financial assets	9 Millions of yen	77 Thousands of U.S. dollars

3. ASSETS PLEDGED AS COLLATERAL AND LIABILITIES RELATED TO COLLATERAL

Assets pledged 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

"Long-term loans payable under securitized borrowings" are liabilities arising from the securitization of instalment receivables and finance lease receivables.
"Guarantee deposits" are deposited as guarantee money for issuance, etc., in accordance with Article 14-1 of the Law Concerning Funds Settlement.

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	Thousands of U.S. 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

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

*1 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.

*2 Mainly reversal of effective interest rate adjustments, such as loan administration fees and transaction costs.

(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	Dividends per share (Yen) *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

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.

⑶ 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 creditworthiness.

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 ¥7 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 ¥7 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.

⑷ 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: Quoted 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

⑴ 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 ¥499,550 million (U.S. $4,080,963 thousand). The liability amount recognized in the consolidated statement of financial position is ¥8,884 million (U.S. $72,579 thousand) and the fair value is ¥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 as follows:

(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 comparable companies	price-earnings ratio(PER)	14.0 – 22.8
				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 stocks.
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 period

The reconciliation of financial instruments measured at fair value classified as Level 3 is as follows:

(Millions of yen)

	Financial assets measured at fair value through profit or loss	Financial assets measured at fair value through other comprehensive income	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)

	Financial assets measured at fair value through profit or loss	Financial assets measured at fair value through other comprehensive income	Total
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 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)

	Total fair value	Impact on profit or loss		Impact on other comprehensive income	
		Favorable changes	Unfavorable changes	Favorable changes	Unfavorable changes
Measured at fair value through profit or loss					
Operational investment securities	¥11,545	¥3,451	¥ (2,732)	¥–	¥–
Investment securities	7,317	1,298	(980)	–	–

(Thousands of U.S. dollars)

	Total fair value	Impact on profit or loss		Impact on other comprehensive income	
		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 amount
	Level 1	Level 2	Level 3	Total	
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 amount
	Level 1	Level 2	Level 3	Total	
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	–	20,988,382	–	20,988,382	20,987,180
Total	$–	$20,988,382	$(224,258)	$20,764,123	$21,059,759

(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)

	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 ¥5,765 million (U.S. $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 OWNERS OF PARENT PER SHARE	(Yen)	¥3,598.22
	*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.

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.

- 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.

<u>Notes to the Readers of Independent Auditor's Report</u>

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.