



Giving young employees  
a chance and tirelessly  
driving innovation

**Hiroshi Rinno**  
Representative, Chairman and CEO

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## Introduction

We can probably now say that the COVID-19 pandemic as driven by the Delta variant is rapidly approaching its end here in Japan. In 2020, I mentioned that the significant impact on society brought about by the pandemic was also a superb opportunity for companies to drive innovation. Even now that we have lived with COVID-19 for more than a year, I still believe that, as driven by the pandemic, society has had a great opportunity to completely transform itself from where it stood in 2020. Of course, we also face many impasses during such major transformations. The question remains, however, how will we seize upon even greater opportunities and the chance to succeed. As far as Credit Saison is concerned, I feel that we are now embarking upon a second founding.

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## The source of growth is the power to drive innovation

Looking back over the years since our initial founding, it seems to me that Credit Saison has primarily grown because of our tireless drive to innovate in ways that help improve convenience for our customers. During this time, we have released countless new concepts that have received the backing of our customers and that have attracted many card members centered on women, who make up the core of shoppers, including credit cards for which credit screening, issuance, and use are instantaneous, and that are free from annual membership fees, and later Eikyufumetsu Points, which never expire, and signature-less payments. The ability to drive this kind of innovation without being concerned about breaking some taboo of the industry is, even to this day, a major strength of Credit Saison.

During the years between joining Seibu Department Stores in 1965 and my transfer to Credit Saison in 1982,

I observed the management style of Seiji Tsutsumi, who built up Seibu Department Stores to become the No. 1 store of its kind in Japan, from up close. One of the things I will never forget are the details of the talks that Mr. Tsutsumi often made during the executive meetings a few years after I joined the company. Giving off an overwhelming energy like that of the sun, the words that would emerge from his mouth described the management idea of “customer-first,” the organizational concept of “management republicanism,” and the organizational culture of “humanism.” He would then go on to espouse the philosophies of “gender equality,” “the uselessness of educational backgrounds,” “meritocracy,” and “not implementing a seniority system.” For those of you who are familiar with the environment at that time, you can probably imagine just how progressive Mr. Tsutsumi’s speeches were and the vivid impression they left upon me. Despite launching Seibu Department Stores in Ikebukuro, a disadvantageous location for this business at the time, Mr. Tsutsumi transformed this experience of adversity into an advantage, and later went on to drive innovations that formed the core of a “culture,” to create a new “culture” in Ikebukuro, and to significantly change the world. Even before the term “creative destruction” came into being, Mr. Tsutsumi served as a manager who took the initiative in putting this concept into practice. I have learned much from this management style of Mr. Tsutsumi, and as a manager, I have pioneered a path that has enabled Credit Saison to grow while replaying this process of creative destruction in the credit card industry.

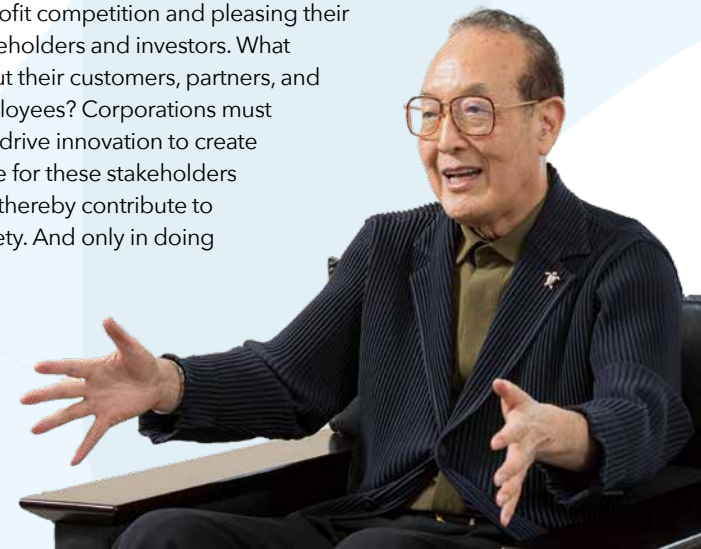
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## As just one of many members of society, companies must maintain a sense of impending crisis

As part of our second founding, Credit Saison must continue to achieve growth by leveraging our ability to drive innovation. To do so, we will continue to hold a sense

of impending crisis and not become bound by the many successful experiences of our past. Lacking a sense of impending crisis weakens the competitive fervor that is critical for companies and drains them of their strength to drive innovation. What waits beyond is only defeat, caused by overlooking those opportunities and the chance to be victorious that were before their very eyes. Coming out on top is the essence of a company, so defeat is something we can never accept.

The world is now starting to shift its way of thinking from “shareholder capitalism” to “stakeholder capitalism.” In other words, the very essence of competition—for whom and how we compete—is changing. One might want to think that in the pursuit of economic gains, corporations are the most important presence in society. But society is made up of many different organizations beyond just corporations, including educational institutions and local governments, and we must never forget that corporations are not some kind of special presence among these. As a member of society, an organization must fulfill its responsibilities and obligations in the same way as other entities. Based on this way of thinking, it is clear that it is a mistake for corporations to prioritize greater profits for shareholders and to be satisfied with simply triumphing in profit competition and pleasing their shareholders and investors. What about their customers, partners, and employees? Corporations must also drive innovation to create value for these stakeholders and thereby contribute to society. And only in doing



so should they bring profits to shareholders. I believe this is the form for which corporations should aspire, and we have therefore stated our Management Philosophy as: “We will fulfill our corporate social responsibility by striving to meet the expectations of all of our customers, shareholders, and business partners. We will compete successfully in the market by promoting our three shared values: practical implementation of 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.”

### **Toward transforming ourselves into a comprehensive life service corporate group**

As part of our second founding that we will soon welcome, we have set a new vision of “transforming ourselves into a comprehensive life service corporate group: Achieving customer success through the fusion of the real and digital worlds.” Under this vision, the entire Group will work to raise the level of customer satisfaction by responding more thoughtfully, appropriately, and swiftly than any other company to every problem faced by consumers as part of their lives. This is our vision for the comprehensive life service corporate group to which we aspire.

Amid the COVID-19 pandemic, the shift to e-commerce, delivery services, and other areas of the virtual world accelerated, just as department stores and other real-world

businesses struggled. E-commerce is expected to continue growing and could eventually expand to account for 20% of all consumer spending. Looking at things from a different perspective, however, this also means that the real world will, of course, still account



for the remaining 80%. It is unlikely that people can fully enjoy themselves by only shopping in the virtual world. Credit Saison has beat out our competition by expanding membership centered on house cards for large-scale allied retailers and banks, so in terms of real versus virtual, our strengths currently lie in the real world. Going forward, however, we intend to strengthen our position in the virtual world beyond what it is today, and thereby further expand the economic sphere of the Credit Saison Group.

### **Three basic concepts led by young employees**

To achieve the vision for our second founding, the three basic concepts of “Innovative,” “Digital,” and “Global” will become important. We no longer can tell whether innovation will arise from employees, partners, or customers. Which is why we must collect ideas, opinions, and data from as wide a range as possible and make management decisions based on these. In other words, everyone must be a participant. And all these participants must be flush with diversity. This diversity is so important that you could even say it controls the fate of the Company. For example, those of our employees who enter the Company through regular recruitment and who are trained within the Company establish a strong sense of loyalty to the Company, yet it is difficult for those who have only ever been part of one organization to emerge as mavericks. Therefore, Credit Saison aggressively recruits mid-career professionals who have accumulated experience outside the Company to breathe fresh air into the organization. When these human resources mix with dyed-in-the-wool employees, the organization maintains its potential to easily drive innovation. This is one of the specific ways in which we realize diversity.

In terms of digital, we formulated the “CSDX Strategy” in September 2021. Under the direction of Kazutoshi Ono

as CTO, we are leveraging digital technologies to reform and transform our business and to provide exhilarating experiences that exceed the expectations of our customers and employees. This move is intended to build a company that can lead in the digital era. Moreover, we are turning our sights from Japan, with its unceasing low growth, to the rest of the world, and are placing our energies into expansion in global markets such as Southeast Asia with its young population and high growth potential. In this area, we will focus our efforts under the leadership of Kosuke Mori, senior managing executive officer and person in charge of the overall global business, from our base in Singapore.

This era of low growth for Japan is unlike its high economic growth period, when growth could be expected as long as one applied the right strategies. In addition to the right strategies, today personnel who can act as leaders to implement these strategies possess an extremely important key to growth. Although it is the power of younger employees in their early 40s that will lead these digital and global strategies, we have instilled a meritocracy that does not concern itself with age or length of service in order to expand diversity. Mid-career recruits are also effective in imparting an impending sense of crisis upon management in that we do not know when they will leave for another employer. This is important because an impending sense of crisis is an element that strengthens competitiveness and drives innovation.

### **Developing human resources and expanding the economic sphere through incubation**

In working to expand the Group’s economic sphere, one of the key words is incubation. In the future, we will build more than 100 companies and increasingly leave their management up to young employees who volunteer to take the reins through open recruitment. Even when it is difficult

to launch businesses from scratch, we still have the option of birthing new companies from affiliated companies within the Credit Saison Group, joint ventures, alliances, and M&As as a means of developing young employees throughout the world and expanding our economic sphere. As such, I hope we can be a company that is supportive in enabling employees to choose what they do and where they work entirely on their own and to plan out their own lives. Given that everyone only has the chance to live their life once, we intend to nurture a set of values within them that includes the desire to venture out within a slightly more permissible range. This is another goal of incubation.

Looking back, I forfeited my vacations to transform the monthly installment sales retailer Midoriya into a credit card company and spent my days endlessly thinking about and writing up my ideas for the rebirth of Credit Saison. I believe the “power of dreams” that is exerted when we are totally absorbed with something gives rise to creativity, which ultimately drives innovation and can even evolve us as individuals. This is true whether we are talking about work, study, or play. The source for the “power of dreams” is a curiosity that maintains an interest in different things. Once fully absorbed, studying, working, and playing fuse together and become nearly equal. And this leads to a fulfilling life. It is my hope that those young employees who raise their hands and volunteer will demonstrate this “power of dreams.”

As one of our new businesses, KURASHINO SAISON is a company that emerged with its name change in April 2021 to solve all home-related problems, from house cleaning to building management services and countermeasures against infectious diseases. Another one is the brain health diagnosis test business, in which we invested in 2019. This business offers approaches to the problems of the older generations who are familiar with Saison. This endeavor is already starting to develop in an impressive direction for a new business, including

receiving interest in an alliance from an overseas company, something that was completely unexpected during the COVID-19 pandemic. The success rate of new businesses is not necessarily high, which is why it is okay to fail. If the decision to withdraw can be made with confidence, we can challenge various possibilities through repeated trial-and-error. As a company with this capability, we intend to establish an economic sphere as a comprehensive life service corporate group around which all manner of life industries orbit. At the dawn following the establishment of this economic sphere, we might be able to remove “Credit” from the “Credit Saison Group” name. This would essentially be the revival of the Saison Group that collapsed just 10 years after it was first built by Mr. Tsutsumi. And as the core company of the Saison Group, Credit Saison will provide financial products to the rest of the Group. Perhaps it is my intention to try and achieve what Mr. Tsutsumi was unable to by creating the ultimate ideal that he had in mind. And then our customers would feel they could come to our site for help whenever they have challenges in their lives. It is my hope to emerge as a Group that has earned this kind of backing. To realize this vision—five or 10 years in the future—we will first make repeated improvements based on the portal site that we launched in September 2021.

#### **Producing human resources that can see the true nature with their own eyes**

One area on which I have recently focused is U.S.-China friction and other international political movements. Although global is one of the basic concepts for realizing the vision of our second founding, for the younger generations to increasingly play a role on the global stage in the future, I feel it is extremely important for them to go beyond economics and deepen their understanding of

political, cultural, philosophical, and religious affairs on the ground in countries around the world. They must be able to face the truth of the different events now occurring around the world, without being swayed by the overwhelming amounts of information. They must go to directly understand, experience, and live local cultures and customs, and seek a fitting approach under which they can push forward. This is the path I hope they travel.

In our 2020 integrated report, I mentioned the professional shogi player Sota Fujii, and expressed how excited and impressed I am with the limitless potential possessed by the younger generation. Over the past year, Mr. Fujii became the youngest person in history to capture the shogi triple crown after sweeping the Kisei, Oi, and Eio titles in succession. Even looking abroad, Shohei Ohtani has exhibited remarkable success in the United States as a baseball player. In business, it is difficult to display records in a visualized format, as can be done for shogi players and athletes. At Credit Saison, however, we intend to continue providing opportunities for our younger employees to undertake challenges with the aims of producing the Sota Fujiis and Shohei Ohtanis of the business world.

International society is now being pressured to solve the three major issues of human rights, disparity, and the environment, yet these problems stem from the fact that somewhere along the line democratic nations and capitalist economies became warped. Therefore, we must continually question the true nature, correct distorted value systems, and share the right sets of values. In our second founding and beyond, Credit Saison aims to continue serving as a company that forever travels this path.



September 2021



Promoting digitalization that leverages the Company's real strengths toward becoming a "leading-edge service company 2.0" with a flat organization

**Katsumi Mizuno**

Representative, Executive President and COO

**Q You were appointed executive president and COO in March 2021. First, please tell us your aspirations upon taking the position.**

When the general public hears the name Credit Saison, I think that the impression they have of us as a credit card company remains strong. In fact, the Company's Payment Business has a history dating back more than 30 years, but the same business model will not work for decades. Some 20 years have passed since 2000, when we adopted "a leading-edge service company" in our management philosophy, and now two new waves, called digitalization and globalization, are under way in the Company. Looking at the lifestyles of our customers, they have smartphones on hand, and their lifestyles have changed to the extent that they can now receive a variety of services via those smartphones. Also, the movement of society toward digitalization has been further accelerated since last year by the pandemic.

At a time when both society and the Company are experiencing major changes, I was appointed to the post of president. Regarding from now as Credit Saison's second founding period, I would like to review the ways that companies should be, including their business models, and take on the challenges of changing everything. It is, so to speak, "leading-edge service company 2.0." With the increasing number of senior citizens who possess a high level of digital literacy,



we will further fine tune the strengths of Credit Saison, which has been providing heartfelt services with a human touch, while building a range of new, digital technology-based services during the second founding period. I will bring about major reforms at Credit Saison in the next 5-10 years so that we can reach the stage at which people will say that "Credit Saison used to be a card company."

**Q How do you view the industry environment in which Credit Saison operates?**

The movement toward cashless payments is being accelerated by the COVID-19 pandemic. In addition to the traditional credit card companies, QR code payments and electronic money payment providers, and more recently, deferred payment business operators have appeared, and the industry is in a state of intense rivalry. In terms of the scale of transaction volume, however, the approximately ¥60 trillion of domestic credit card transactions holds an overwhelming lead over the other forms of cashless payment. For example, even in the case of QR code payments, the scale of domestic transactions is said to be ¥4 trillion, but if you look at the other side of the payments, about half of them are tied to credit cards aligned with bank accounts. In that sense, Credit Saison's primary competitors have not changed significantly.

**Q Please tell us your retrospective views on FY2020.**

FY2020 was a difficult year for making predictions due to the repeated issuances of state-of-emergency declarations during the COVID-19 pandemic. Under such circumstances at Credit Saison, the Payment Business especially felt the effects of the pandemic, and the top line in COO messages

decreased. In terms of having to wait for the recovery of the flow of people for the Payment Business to improve, I recognize that the weakness of the current business model is that it is easily influenced by the flow of people.

In contrast, in addition to the factors that reduced operations-related expenses, credit costs decreased due to the portion suppressed by low consumption, the progress made with bad debt costs, and cashing and revolving payments. Although we recorded a special allowance to prepare for future increases in credit costs, in FY2020 overall revenue decreased and income increased. In the coming months, judging from the trends in Europe and the United States, consumption will likely kick-start if vaccinations progress and behavioral restrictions are relaxed to some extent. I therefore see a high possibility of reactionary consumption also occurring.

Globally, business in the three countries that form the focus of the Company's efforts—India, Indonesia, and Vietnam—was significantly affected by the fourth wave of COVID-19, albeit at different times. Having been affected by the fourth wave ahead of the others, stability is already returning to India. Although there are concerns that the country is heading for a fifth wave of COVID-19, if the business environment improves there, I believe that we will be able to steadily expand our global business.

Amid the pandemic, the value of utilizing digital technology has changed significantly on the customer side as well. Naturally, these changes will accelerate the pace of the Company's digitalization process, but at the same time, we have also worked on a review of our sales structure to respond swiftly to changes in the market. To strengthen corporate sales targeting, for example, small and medium-sized enterprises (SMEs), we promoted the consolidation of branches, reviewed the organizational structure under the jurisdiction of the conventional branch offices, and changed to a nationwide network system by which the whole of Japan was divided into

three parts: eastern and western Japan, and Kyushu. For our employees, this has facilitated the promoting of work styles that are not tied to a work system or office, and while increasing the number of business sales bases deeply rooted in each region on a nationwide basis, we have also put in place a system that enables efficient sales activities through horizontal communication.

**Q Please tell us about the management reforms and strategies in FY2021.**

As the second founding period, in FY2021 we will promote the management reforms stated in our management vision of “transforming ourselves into a comprehensive life service corporate group: Achieving customer success through the fusion of the real and digital worlds.” Regarding digital technology, we will work to fuse channels centered on SAISON CARD Digital. In August 2021, we formed an alliance with Jupiter Shop Channel Co., Ltd. (hereinafter Shop Channel), which is engaged in TV shopping. While utilizing digital technology to realize faster payments, we will devise ways to evolve the quality of services in the new TV media venue for shopping. In terms of the real world, at points of contact where we can maximize exciting experiences for our customers, we will further improve customer convenience, that is, achieve customer success, by fusing the human touch services in which we have confidence with the digital.

**Q To realize your vision, you have adopted three basic concepts: “Innovative,” “Digital,” and “Global.” Please outline your innovative strategy.**

The mainstay of our innovative strategy is the Payment Business. Previously, the Payment Business has brought about various innovations that have broken with industry

convention, such as instant credit screening, instant card issuance, and Eikyufumetsu Points. Although there were times when we were affected by, for example, the revision of the Money Lending Business Act, we have finished rebuilding our core system and are now working to utilize digital technology while further evolving our services. The previously mentioned Shop Channel is one example, but we will continue to create innovative services centered on digital technology and promote the shift to digital cards, including cards affiliated with existing issuers. And while creating inspirational experiences for customers with innovative new services, we will also create inspirational experiences for employees by utilizing digital technology to streamline operations.

**Q Please give us an overview of your digital strategy.**

In September 2021, we announced details of our “CSDX Strategy.” We are devising ways to improve the experiences of both our customers and employees by internalizing systems. Specifically, as a financial services provider, we will ensure the stability appropriate for areas where system failures are not an option, while at the same time engaging in parallel developments that emphasize the speed of responding quickly to changes in the times.

One of the purposes of in-house production is to train talented human resources with digital technology expertise in-house. In the process of rebuilding the core system, which was launched in 2018, we have already expanded to about 150 digital technology personnel, but we would like to increase their number to 1,000 by 2024. The Company breaks down the human resources who possess digital technology expertise into three levels according to their knowledge and skills related to digital technology and data. We will develop human resources by

utilizing not only external human resources, including core human resources with digital expertise positioned in the upper echelons, but also in-house recruitment.

Having already overcome what is a rigorous training program, the first batch of internally recruited participants have graduated. In this manner, successful steps have been taken to build a mechanism that started operating from September. Recruitment for a second course attracted nearly 100 applicants, and I feel that a good cycle is under way.

**Q And how about your global strategy?**

Globally, with Singapore serving as a regional headquarters, we have expanded into eight countries, mainly in Southeast Asia, including India, Indonesia, the Philippines, Vietnam, and Thailand. We consider the format through which to pursue entry and the business to be developed in each market, including the financial inclusivity of each market. We then enter the business that is most likely to be commercially viable. As the personnel composition is multinational, the global business is a veritable mass of diversity.

In India, for example, the Company provides financial backing for the small-sum financial needs required for



the construction of school buildings and for the weaving machines to make sari, the native costume. Having a school population of 400 million and a shortage of school buildings, in India many children use huts made of piled-up blocks instead of classrooms. The current situation is that bank loans are not available for the construction cost of a school building, which is equivalent to about ¥700,000. The same applies to a new loom required to weave a sari, which would cost the equivalent of about ¥400,000. Our local employees find financial needs that can provide a clue to solving these social issues in each region, then devise and advance schemes that contribute to the lives of local people. We have experienced some mistakes overseas in the past, but tolerating some mistakes is important. The question is how a failure informs the next project. Thinking about failures in a thorough manner will lead to success. To grow our global business into one of our revenue bases, we are strengthening our business foundation and continuing to take on the challenges of new businesses.

**Q How will the structure of your business portfolio change in the years to come by advancing these strategies?**

Our business portfolio used to be just the Payment Business, but the Finance Business has been growing as the second pillar. In terms of the ratio to business profit in FY2020 (IFRS basis), the Finance Business, which includes the leasing and credit guarantee business, accounted for more than half of the total, followed by the Payment Business. Although it is not segmented at this time and will take some time over the years to come, the global business will grow as the third pillar. Looking even further ahead, as a comprehensive life service corporate group we plan to give rise to many innovative role models through incubation to create the next businesses that will follow on from the global business. If we do not sow the seeds,

nothing will grow. Even if there are shoots that wither and die in the process, I hope in some small way to grow businesses that go on to make large-flowered blooms from the seeds that I have sown. In the years to come, I would like to continue to cherish a corporate culture of taking on challenges without fear of failure.

Five to 10 years from now, I would like Credit Saison, when viewed from a global perspective, to have become a finance company that has a strong presence particularly in Asia. Ideally, I think the business portfolio should be 30% each for payment, finance, and global, and the remaining 10% should come from the next business for which we are now sowing the seeds. The element that will bring that portfolio to fruition is digital capability. As the number of people who feel a sense of antipathy toward digital devices steadily diminishes, we will provide human-touch services, which are our strength in communicating with customers, and which at the same time will lead to our customers being excited and amazed.

**Q Please tell us about your sustainability efforts.**

In terms of how to balance social and environmental issues with economic value, the most important component in the years to come will be climate change countermeasures. Extreme weather, which is described as once every 50-year events, is occurring with greater frequency, and climate change is something that concerns me personally. Even novel coronavirus pandemics might continue to occur as frequently as climate change in the years to come. As a company, if we do not build up our business on the premise of dealing with pandemics and climate change, business risks will manifest themselves. The balancing of our dealings regarding business with social and environmental issues is the sustainability that



we at Credit Saison strive for and something that the Sustainability Committee discusses in a focused manner.

**Q Finally, please provide a message to the stakeholders.**

The overall control of the entire Credit Saison Group, including its basic strategies and policies, rests with Chairman and CEO Hiroshi Rinno. While working hard as the person in charge of the specific implementation of our strategies and policies, I will be doing my utmost to carry out my duties. From the perspective of younger employees, I think it is easier for me, who is closer than Chairman Rinno to them in age, to express my opinion without hesitation. I would like to lead a flat, open, and free form of organizational management, in which the safety of mental health is guaranteed and that each person is entitled to voice his or her own opinions and ideas are not dismissed.

While taking on the challenges of meeting the expectations of our customers, shareholders, and all our business partners, Credit Saison will continue to operate as a company that maintains win-win relationships with all its stakeholders, including society, communities, and employees. We look gratefully forward to your continued support.

September 2021



Our Image of Society

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

Approach to resolving social issues

**Transforming ourselves into a comprehensive life service corporate group centered on financial services**

Social issues that Credit Saison should especially help resolve

**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

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.

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 any age, gender, or educational attainment bias

An organizational culture that allows creative destruction and failures

"CS Style" action guidelines

**Human resources with vitality**

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

Consolidated no. of employees **5,623**

Non-consolidated no. of employees **4,319** (of whom 3,250 are women)

\*Excluding part-time employees

**Innovation creation capabilities**

Credit know-how nurtured over the 71 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. 36 million**

Number of corporate card issuers: **More than 50,000 companies**

Global base network

Domestic: **Three sales departments**

Overseas branches (centered on ASEAN) **in eight countries**

**Sound financial base**

Diverse financing based on high creditworthiness

Consolidated total assets **¥3,409.2 billion**

Interest-bearing debt **¥2,429.4 billion**

Highest level of creditworthiness for independent non-bank

High credit rating

Rating and Investment Information, Inc. (R&I) (Continuously for 25 years since October 1996) **A+**



**Value Created in Collaboration with Stakeholders**

Shareholders Customers Business partners Employees Administrative agencies Regional communities

**Realization of a resilient organization**

Progress in social and environmental initiatives by establishing the Sustainability Promotion Committee (August 2021)

Number of committee meetings/working groups held: **11 in total**

WG: Climate change five times; DE&I: Three times

Committee: Three times

Environmental preservation activities (operation of Akagi Nature Park)

**Approx. 60,000 visitors**

Reduction in paper consumption from the digitalization of recruitment procedures

Number of dialogues held with shareholders/investors: **176**

**Fostering motivation and diverse values**

Ratio of female employees **75.2%**

Ratio of female managers<sup>3</sup> **52.0%**

No. of human resources with digital technology backgrounds **approx. 150**

Paid leave take-up rate **72.4%**

**New business/Product development**

Number of new product releases: **approx. 20\*2**

Number of SWITCH SAISON proposals and number of commercialization projects: **approx. 900 proposals, TWO commercialization projects**

Number of security incidents **0**

**Strengthening ability to resolve social issues**

Alliance through LP investment in domestic and overseas venture funds

Investment in domestic and overseas seed/early-stage companies through CVC subsidiaries (Saison Ventures, Saison Capital)

**Financial results**

Return on equity (ROE) **7.1%** (previous fiscal year: 4.7%)

Shareholders' equity ratio **15.6%** (equity ratio attributable to owners of parent) (previous fiscal year: 14.4%)

Improvement of Group business profit **¥48.3 billion** (33.6% increase from the previous fiscal year)

Total dividends **¥7.0 billion** (¥7.0 billion in the previous fiscal year)

Total shareholder return **78.3%** (non-consolidated) (72.3% in the previous fiscal year)

Notes: \*1 The standard is as of the end of March 2021, but some as of November 2021 also included.  
 \*2 Total aggregated number of products and services from April 2020 to March 2021  
 \*3 General manager, manager, and section manager positions

# Basic Concepts

## Transforming ourselves into a comprehensive life service corporate group

In FY2020, the spread of COVID-19 had a major impact on society and the economy, and we were forced to change our existing business model centered on physical locations, which had until then been our strength. On the other hand, given that our lifestyles and values are undergoing such a drastic change, we are eager to take advantage of this opportune moment to switch to a management style that goes on the offense. In FY2021, we will accelerate our transformation by establishing the themes of Innovative, Digital, and Global as the basic concepts of our management strategy.

### Using M&A, capital participation, business alliances, and other means to create new businesses and expand upon existing businesses

- Developing new products and increasing sales of the AMEX brand as a strategic weapon
- Challenging new markets by developing new products and new businesses
- Providing services that match market needs



### Bolstering the foundation of the global business by promoting financial inclusion in emerging markets

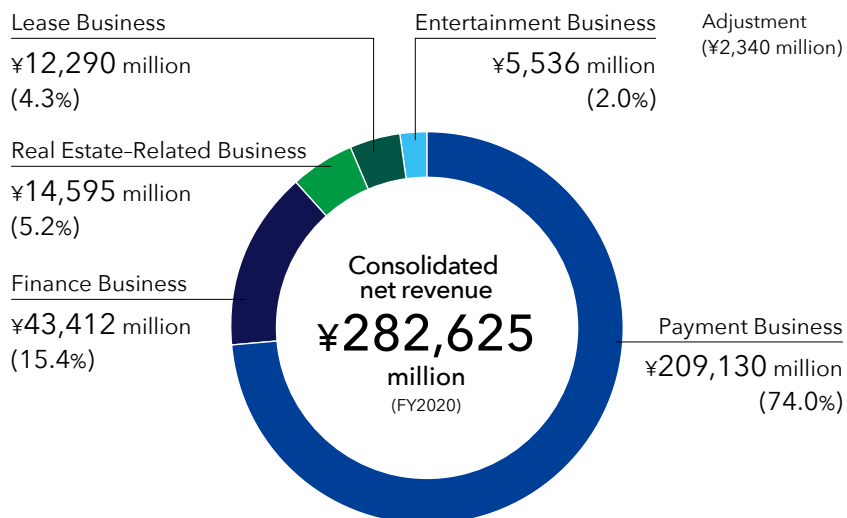
- Establishing a business foundation for dramatic performance
- Concentrated investing of management resources in businesses that contribute to profits
- Creating and diversifying businesses  
(Implementation of the CVC business and the impact business by Saison Capital Pte. Ltd.)

### Promoting digitalization, while valuing real services Achieving customer success by providing services that are close to the customer

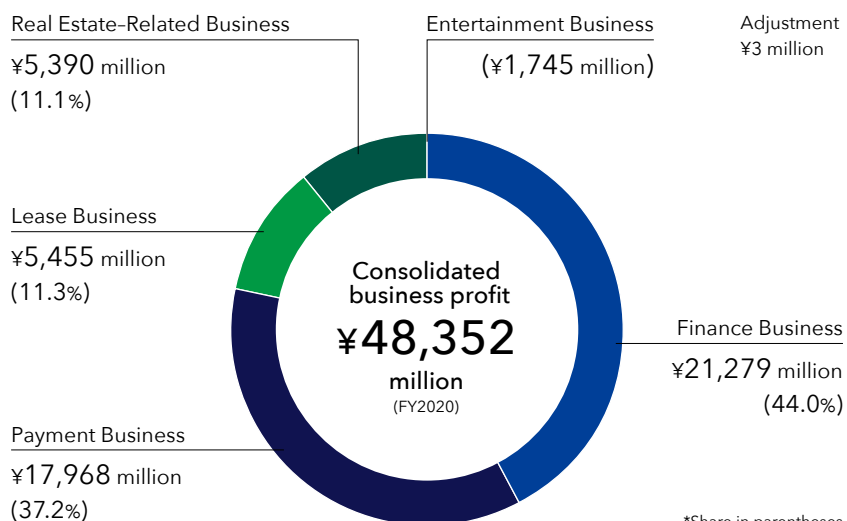
- Promoting a proper card strategy utilizing the smartphone self-contained service "SAISON CARD Digital"
- Expanding the issuer business and the processing business through digitalization and channel diversification
- Utilizing digitalization to fuse the Payment Business and the Finance Business

# The Five Businesses

## Net revenue by segment



## Business profit by segment



\*Share in parentheses



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 also engage in a processing business outsourced to us by credit card companies.



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 are taking on new challenges in 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 Flat 35 and Saison Asset Formation Loans.



Real estate business, real estate leasing business, and servicing (loan collection agency) business, etc.



Including the amusement business, etc.

## Initiatives Prior to FY2016

### 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

## Construction of Foundations FY2016-FY2018

### Previous Medium-term Management Plan

#### Basic Policy

Realize innovation and changing business models  
 Face the challenge of new business models  
 Expand the stock business and the fee business

#### Numerical Targets

Consolidated business profit for FY2018

**¥60.0 billion** (JGAAP)

#### 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

Consolidated ordinary income FY2015

**¥43.8 billion** (JGAAP)

Consolidated ordinary income FY2018

**¥54.1 billion** (JGAAP)

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

Expand the Global Business into more countries

FY2015: Five countries ▶ FY2018: Eight countries

## Transformation and Renewed Growth

FY2019-FY2021

### Medium-term Management Plan

## 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

Provide house card functions integrated with alliance partners' customer strategies, expand the customer base through settlement services

Utilize know-how from Japan, expand financial services in high-potential emerging markets in Asia

#### Management Targets

Regarding FY2019 (consolidated business profit target ¥36.1 billion) as the lowest point, work toward returning to a growth trajectory over the next three years

Consolidated business profit (consolidated ordinary income)

FY2018

**¥52.5 billion** (IFRS)

FY2021

**¥52.0 billion\*** (IFRS)

\*Revised given the impact of COVID-19

Under the Medium-term Management Plan, our vision is to become a Neo Finance Company in Asia, and we are forging ahead on various measures, namely, the three key points of having a growth strategy and structural reform in the Payment Business, the further expansion of the Finance Business as a non-bank, and expanding the revenue base of Credit Saison's global business with a view to the future.

While the spread of COVID-19, which we initially had not anticipated, caused us to revise business profit to ¥52.0 billion, we are making steady progress toward revival of our payment business and transformation to a general non-bank.

## Our Aims for the New Medium-term Management Plan and Key Points

### I Growth strategies and structural reform in the 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

Payment Business

Payment Business/  
Solution Business

Asset Management Business/  
Digital Marketing

### II Further expand the Finance Business as a non-bank

- 1 Strengthen relationships with partners and expand new alliances

Lease & Finance Segments

Finance Business

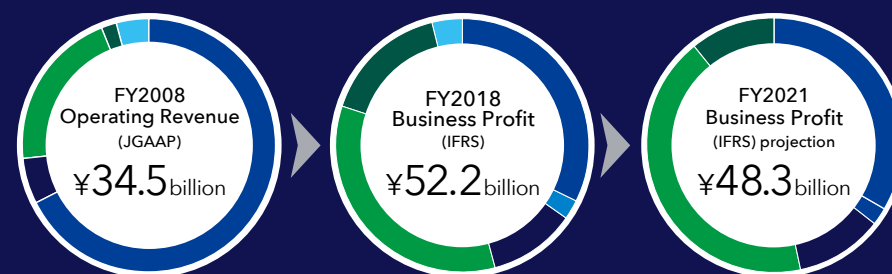
### III Expand the earnings base of the Global Business with a view to the future

- 1 Transition from the "sowing stage" to the "harvesting stage" in countries where we have operations

Global Business

Global Business

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



■ Payment ■ Global □ Lease ■ Finance ■ Real estate-related ■ Entertainment

## Turning adversity into opportunity – Confronting a new normal –

Amid a "new normal" brought about by the spread of COVID-19, we launched SAISON CARD Digital in November 2020 with the intention of turning adversity into opportunity. In the past, we issued plastic affiliate cards for each respective business operator, but through SAISON CARD Digital, a smartphone-based cardless scheme, we are promoting a proprietary card strategy that enables alliances with multiple business operators using a single proprietary card pattern. By leveraging SAISON CARD Digital's advantage of delivering a card number to a customer's smartphone in as little as five minutes after an application has been made, we have secured alliances with more than 150 companies. In addition, from March 2021, we commenced Credit Saison's prepaid service for medical and nursing care fees, etc. (factoring), to support the cash flow of healthcare and nursing care providers, dispensing pharmacies, and others for which business operations have been affected by the decline in outpatient numbers due to coronavirus infections. Within the Group, KURASHINO SAISON Co., Ltd. (formerly AIR Co., Ltd.), is capturing demand for measures to counter pandemic infections and is offering services pertaining to a range of housing troubles, including house cleaning and other disinfecting operations. These and other initiatives represent the strategy we have put in place to seize upon opportunities revealed by changes in the environment.

### Main services



## Transforming ourselves into a comprehensive life service corporate group

I Create new businesses (e.g., M&A, capital participation, business alliances)

II Achieve customer success by combining the real and digital worlds

CSDX Strategy ▶ P24 Global Strategy ▶ P28

- Strengthen approach to Generation Z, women, seniors, and affluent segments
- Strategically utilize the AMEX brand
- Strengthen solutions for SMEs
- Strengthen the global business



▶ P33

- Reconstruct the domestic network
- Integrate the operations of the digital/IT departments
- Innovate our personnel strategy



Financial Capital Strategy

▶ P35

Human Resource Strategy



▶ P27 CSDX Strategy ▶ P24

- Improve customer convenience and management efficiency by promoting digitalization
- Maximize the real strengths of our Company at the point of contact with customers



▶ P32

- Group companies fulfill a role in services and provide comprehensive life services
- Expand business through venture investment, capital alliances, and M&A

## Background and Policy

As a business strategy, we are focusing on strengthening three areas: our approaches to the Generation Z, women, seniors, and affluent segments; our active utilization of the AMEX brand and our solutions for SMEs; and our global business. For individuals, we have been issuing concept-type cards, which are clearly designed to target women, the affluent, young people, and Generation Z, since November 2020. For corporations, in addition to individual, credit-type business cards, we have started offering corporate credit-type business cards and are taking on the challenges of reforming the credit model.

## Issues and Initiatives

In the BtoC field, we issued the Saison Gaming Card for the young segment and Generation Z in 2020 and the Likeme♡ by saison card in 2021. For women, we adopted the rose gold color as the first of its kind in Japan in November 2020, and the Saison Rose Gold American Express® Card, which can only be applied for within a limited time, has been well received. For the affluent class, we began offering the Daiwa Securities Saison Platinum American Express® Card in November 2020.

In the BtoB field, we introduced the Saison Business Pro Card, a corporate card featuring up to 1% cash back and a credit line setting that enables card payment of business expenses, as a solution for SMEs in May 2021. Even amid the COVID-19 pandemic, the results for SMEs have been steadily increasing, and we expect the digital transformation (DX) of corporate procedures for SMEs to be further promoted in the years to come. For the AMEX brand, which boasts high status and customer loyalty, we will promote a brand strategy so that when people speak of AMEX it will be recognized as being equal to "Saison." Tailored to the travel business that has declined due to the COVID-19 pandemic, we are also advancing a review of our product lineup in accordance with changes in the environment, such as updating to a new service based on a change to the incidental use of travel accident insurance.

## Key Performance Indicators (KPIs)

Indicator	FY2018	FY2019	FY2020
Total number of credit cardholders	26.79 million	26.39 million	25.70 million
Number of active card members	14.90 million	14.96 million	13.95 million
Card shopping transaction value	¥4,788.5 billion	¥4,946.9 billion	¥4,500.3 billion
Cash advances transaction volume	¥242.9 billion	¥237.5 billion	¥155.0 billion

## Individuals

### Issue concept-type credit cards with clear targets

#### Female segment

Saison Rose Gold American Express® Card  
(From November 2020)



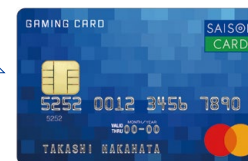
#### Affluent segment

Daiwa Securities Saison Platinum American Express® Card  
(From November 2020)



#### Young segment

Saison Gaming Card  
(From December 2020)



#### Generation Z segment

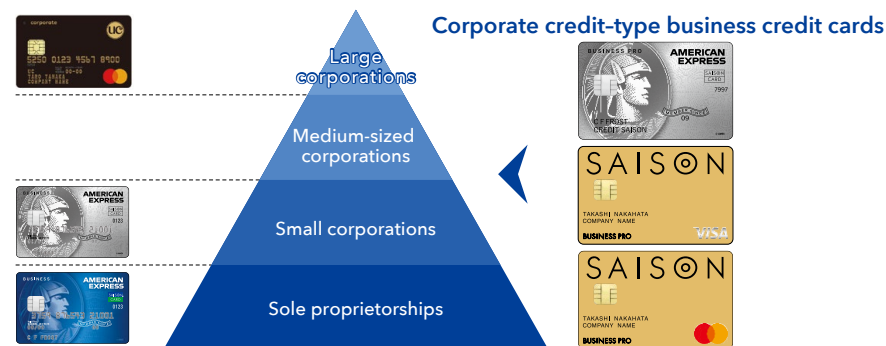
Likeme♡ by saison card  
(From March 2021)



## Corporate Customers

### Challenge to innovate the credit model

Start provision of new corporate credit-type business credit cards in addition to individual credit-type business credit cards  
(Scheduled for May 2021)



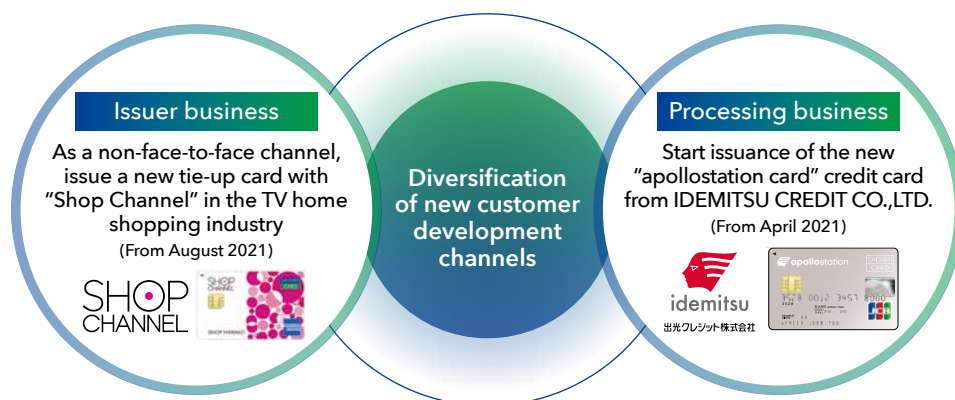


Main Services

Expansion of Issuer Business and Processing Business through Digitalization and Channel Diversification

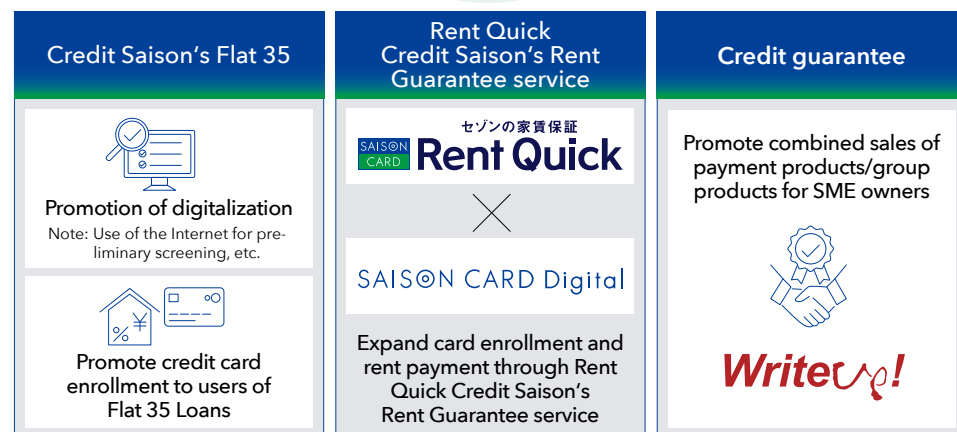
By utilizing the SAISON CARD Digital scheme to develop both existing partner services and new partners, we are encouraging customers to join and make payments via their smartphones while at the same time achieving improvements in the efficiency of our human resources. In the issuer business, we started issuing a new tie-up card with Shop Channel in the TV home shopping industry in August 2021 and, in the processing business, started issuing the new apollostation cards by IDEMITSU CREDIT CO.,LTD., in April 2021.

Digitalization of existing tie-up card issuers



Utilizing Digitalization to Fuse the Payment Business and the Finance Business

With Credit Saison's Flat 35, Loans, we are promoting the digitalization of the application process, including the launch of an electronic contract service and a tablet pre-screening application system. Rent Quick Credit Saison's Rent Guarantee service encourages users to join and use SAISON CARD Digital. We will promote the fusion of both businesses by expanding sales of payment-related products to individual and corporate customers in the Finance Business, such as promoting combined sales of payment products and Group products with Writeup Co., Ltd.'s consulting services for small and medium-sized business owners.





## Bringing about a transformation in both the customer experience and employee experience through a redesign of the Company in a way that fits with the digital era

### Kazutoshi Ono

Director, Senior Managing Executive Officer and CTO, CIO  
 Company-wide promotions of DX strategies  
 Head of Digital Innovation Division  
 In charge of IT Strategy Dept., Strategic Planning Dept.  
 General Manager, IT Strategy Dept., Technology Center

#### Q Please tell us your thoughts regarding DX as the Company's CTO and CIO.

The terms "Before Internet/After Internet" and "Before digital/After digital" literally express the fact that the eras before and after the advent of the Internet and the transition to digital technologies are completely different. Against this backdrop, if a company were able to redesign and update those of its businesses and organizations originally designed in the "before" era in a way that incorporates strengths suited to the "after" era, it would succeed in becoming even stronger and in sustaining growth. This is a belief I have continued to hold for a long time. Amid the transition between these eras, the positioning of IT has transformed from conventional enterprise IT intended to enhance the efficiency of and shorten the time required for internal work into business IT, which goes beyond simply improving work efficiency. As a result, the way in which we now apply IT in the services and products we provide creates a qualitative change in the customer experience itself, which in turn ultimately connects to business competitiveness.

Given this business environment, I believe that it is

extremely important for us to move away from relying on outside vendors for all our IT needs and instead internalize digital technologies within the Company. We also possess the option of handling on our own those aspects of DX that are involved with the customer experience that directly helps to set us apart from our competitors. As we observe the response of our customers, we will develop on our own those aspects of DX that require us to frequently make minor corrections (pivots) without changing our basic footing. If we can drive transformation while firmly grasping this power of digital within our own hands, Credit Saison will make major bounds as one of the few financial companies to have successfully reinvented itself in the digital era. And I believe this will serve as a force that also revitalizes Japan's industry. These are my beliefs under which I have driven DX forward.

#### Q What are your thoughts on how you will separate those aspects of DX that you internalize from those which you do not?

We have named our approach the Bimodal Strategy, under which we consider DX through three different patterns,

namely those aspects for which we will rely on existing vendors, those aspects for which we will transition to in-house development, and those aspects for which we will take a hybrid approach. Emphasizing stability, requiring many different teams, and having aspects that are partially a test of strength, Mode 1 will rely on the cooperation of outside partners. Aspects of DX that require rapid launch and areas where results can be produced through small teams will be internalized as Mode 2. Anything that falls in between these two will be advanced in a hybrid format. Specifically, we will transition to in-house development of the work systems used by the service and business divisions, as well as three of our API platforms.

After I joined the Company in March 2019, we began the development of Saison's Otsukidama completely in-house with eight members recruited from the Technology Center, which had just been formed at that time. During this process, we determined that we could develop business division systems on our own, so in this sense we have already taken steps toward in-house development.

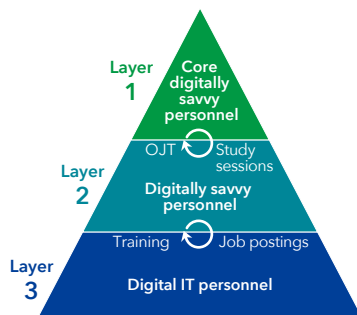
#### Q Please tell us about the CSDX Strategy.

Our approach to DX is ultimately intended to help improve the CX (customer experience) and the EX (employee experience), in other words, ease work for employees. Having established these two goals as the linchpins of DX, we will incorporate approaches that are suited to the digital era, as well as the strengths of in-house development, as a means of realizing DX in ways that contribute to CX or EX, or both at the same time. We can achieve neither CX nor EX without digital human resources, however. In this respect, digital human resources stand at the center of our efforts to drive business creation and business co-creation on the side of CX, and digital development processes and strengthening of digital platforms on the side of EX.

**Q Please tell us about the digital human resources required for DX.**

We view our digital human resources for this purpose in three separate layers. Core digital human resources are specialists who possess digital skills and have found success outside the Company. Business digital human resources are those who have accumulated experience in various departments and have applied through open recruitment. These business digital human resources, who understand business sites with a sense of reality, supplement those areas of business in which core digital human resources on their own would lack an understanding. Likewise, business digital human resources utilize their knowledge and serve as communication contact points with various departments within the Company, thereby enabling the business side and the system side to work together on an equal footing when considering and creating those systems that are truly desired by the frontlines. We believe that this approach is key. In fact, our efforts to secure business digital human resources have progressed smoothly, with nearly 30 employees applying for 12 openings during the first open recruitment in 2020 and nearly 90 applying for more than 20 openings in 2021. Going forward, we will also increase the number of digital IT human resources who already possess knowledge of existing work systems and the credit card industry but intend to acquire digital skills in the future.

Of the nearly 40 employees at the Technology Center, just under 30 are core digital human resources and about 10 are business digital



human resources. We intend to expand the number of business digital human resources to equal that of core digital human resources going forward.

**Q Where does the secret lie for making the CSDX Strategy a success?**

First, one of the clear outcomes we foresee as part of the CSDX Strategy is a significant decrease in application development costs through in-house development. In addition, by accompanying their colleagues within the Company, employees will experience and share each other's difficulties and thereby understand their respective challenges, where considering the optimal solutions for these challenges together and working with each other to develop applications within the Company holds the key to success for the CSDX Strategy. Hybridizing technical contributions by core digital human resources with the in-depth knowledge on business possessed by business digital human resources will create a kind of internal ecosystem in which these two groups influence each other, as well as our digital IT human resources. This is perhaps one of the greatest features and strengths of the CSDX Strategy.

**Q How will you work to retain digital human resources?**

In the world of engineers, a rewarding work experience is not solely about compensation, the development environment, and machine specifications. Indeed, I have seen with my own eyes how the value system of the working environment and the empathy for this environment act as powerful cohesive forces. Since its founding, the Technology Center has recruited engineers, data scientists, designers, and security specialists from outside the Company and has acted as a department that carries out the in-house development functions for DX, in other words, Mode 2,



via teams specialized with core digital human resources. In October 2021, we reorganized the IT Strategy Department as a new arm to oversee the Bimodal Strategy and have put in place a structure wherein the System Planning Department handles Mode 1 DX and the Technology Center takes the lead on Mode 2 DX. Although the same types of engineers are involved in Mode 1, which emphasizes stability, and Mode 2, which emphasizes speed, the cultures are as different as oil and water. Even so, we have established a set of rules so that these different value systems proceed with development under the HRT Principles: Humility, Respect, and Trust. And as a workplace that balances the speed of a start-up company with the scale of many different customers, I believe it serves as an environment that allows engineers to enjoy their work while producing results.

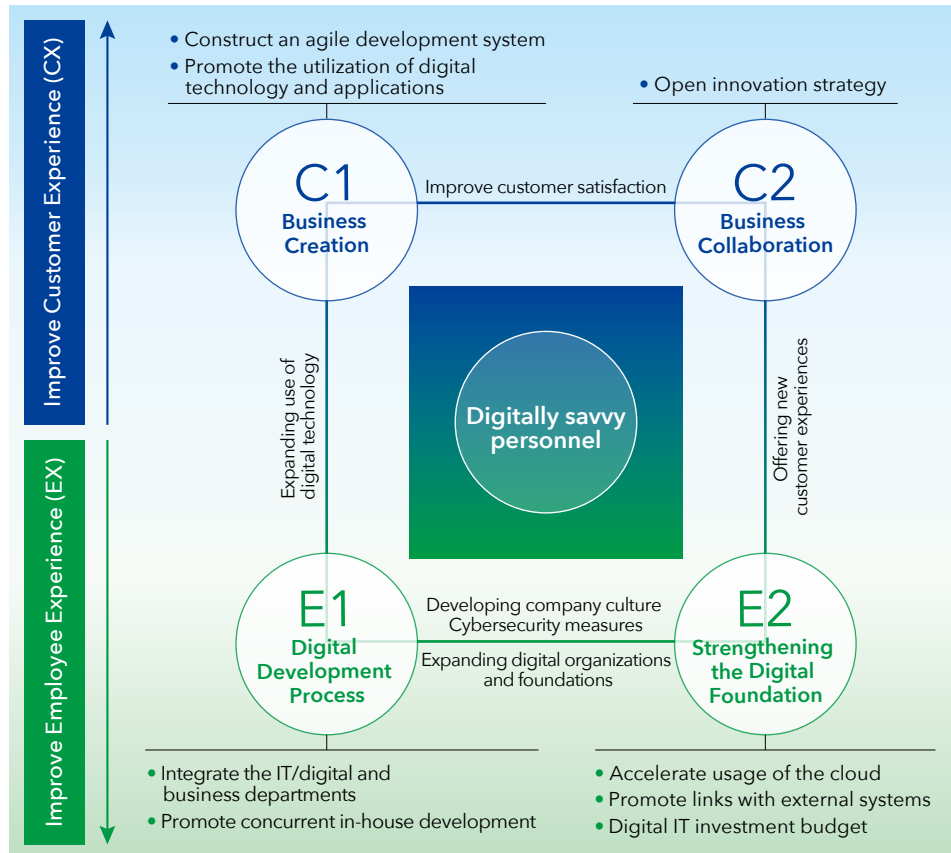
**Q Finally, do you have a message for the readers as the officer in charge of the CSDX strategy?**

Currently, highly capable human resources in the digital arena are gathering at the Company, while at the same time those of our human resources adept in the actual work are steadily acquiring digital skills. Looking 5-10 years down the road, we will embody our Management Philosophy of a leading-edge service company by engaging in business development that fits with the digital era and by continuously creating new and unprecedented services that are received with surprise and delight. With the DNA created by our CEO, Hiroshi Rinno, coursing through our veins, Credit Saison overflows with the potential to incorporate the power of digital in a single stroke and become stronger than ever. And I feel this is an extremely rewarding work experience. For us to be seen as a successful example of a digital redesign that is suited to the times, we will continue to vigorously push forward with this endeavor. So, I hope that our stakeholders look forward to this day.

### Background and Policy

Amid the wave of digitalization that is ever accelerating amid the COVID-19 pandemic, at Credit Saison we are strongly promoting DX in terms of both offensive and defensive DX—through business transformation/conversion beyond digitalization—with the aim of providing thrilling experiences that exceed the expectations of both customers and employees alike. We aim to be a corporation that leads the digital age by realizing both CX, which creates thrilling experiences for customers, and EX, which transforms the experiences of employees.

### CSDX Strategy's Four Columns

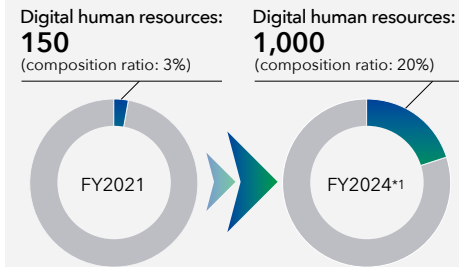


### Issues and Initiatives

In promoting digitalization, at the Technology Center that was established in 2019 we are developing in-house systems under the leadership of the CTO and CIO, who are themselves professional human resources with engineering backgrounds. We are promoting DX in terms of both business creation and business co-creation that contributes to improving the customer experience, digital development processes that lead to improved employee experience, and the strengthening of the digital infrastructure. This we are achieving by means of a bimodal strategy by which we apply Mode 1, which emphasizes stability, to areas where failure cannot be tolerated as a financial business, and Mode 2 to areas where speed is important and it is necessary to respond quickly to changes in the times. For example, in the offensive digitalization that contributes to improvements in CX, we have already realized new products, including SAISON CARD Digital and Otsukidama, by means of in-house system development. In the meantime, regarding the defensive digitalization that contributes to improvements in EX, we are advancing the knowledge system for call centers, the FAQ system for all employees, etc., by means of agile development through in-house production while actively working to improve user interface (UI) and user experience (UX).

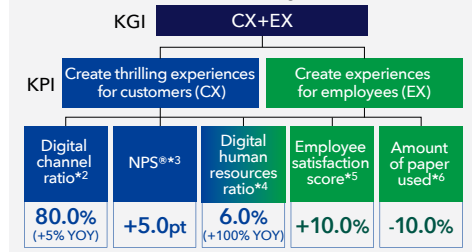
#### Accelerating to Digital Organization

- By 2024, expand the number of digital human resources to 1,000 and accelerate the transition to a digital organization by revitalizing the gradation organization and promoting the cultivation of business digital human resources



#### CSDX Promotion Indices (FY2022)

- Set CSDX promotion indices to create thrilling experiences for customers (CX) and transform employee experiences (EX)
- The achievement status of the CSDX promotion indices is confirmed twice a year (September/March) at the CSDX Promotion Meeting.



\*1 The digital human resources rate in FY2024 is estimated based on the number of employees in FY2020.  
 \*2 Digital channel support ratio in the credit card and finance businesses  
 \*3 NPS® is a registered trademark of Bain & Company, Fred Reichheld, and Satmetrix Systems. Source: NTTCom Online NPS® Benchmark Survey 2021 Credit Card Division, Benchmark Survey 2020 Credit Card Division, etc.  
 \*4 Number of digital human resources (Layer 1 to Layer 3) ÷ Total number of employees  
 \*5 Measure of satisfaction with questions about sense of cooperation, motivation, and information sharing  
 \*6 Paper usage in credit card and finance business operations

For more detailed information, please check our website:  
<https://corporate.saisoncard.co.jp/en/business/csdx/>

## Background and Policy

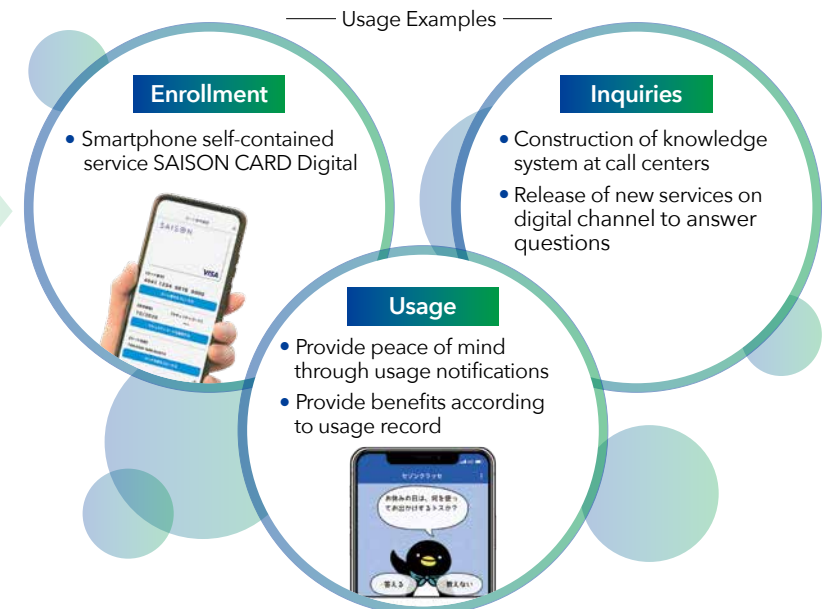
Due to the widespread use of smartphones, it has become possible for customers to carry out a range of transactions. Furthermore, amid the COVID-19 pandemic, digitalization is rapidly expanding because non-face-to-face and non-contact methods can prevent the spread of infection. Under such circumstances, we will work to bring about the fusion of the real and the digital, achieve customer success by providing services that are close to our customers, and switch from a sold-out model to a retention model.

### Promoting Digitalization, while Valuing the Real Services That Are Our Strengths Achieving Customer Success by Providing Services That Are Close to the Customer



## Issues and Initiatives

By means of our customer strategy, we will value the real that is our strength while striving to improve customer convenience and management efficiency through digitalization. To promote digitalization, we are working on in-house system development and operation while building an agile service development system by developing in-house IT. While pursuing effortlessness that eliminates hassle and stress for our customers, we will create CX that can be said to be easy and convenient by improving the UI and UX. For example, by having new customers use the smartphone self-contained service SAISON CARD Digital at the time of enrollment, we will not only be providing a sense of security through digital usage notifications when using the service but also offering benefits according to their usage records. In addition, when customers make inquiries, we plan to provide a digital channel as a new service to resolve questions. On the other hand, instead of digitalizing everything, for customers who want real verbal communication we will continue to offer that service. We will continue to provide services that are close to our customers, such as enrollment, procedures, and inquiries through Saison Counters and call centers.



## Expanding the global business while promoting localization and solving societal issues of financial inclusivity



**Kosuke Mori**

Senior Managing Executive Officer  
Head of Global Business Division,  
General Manager, Global Business Division,  
In charge of India business  
Being assigned to Credit Saison Asia Pacific Pte. Ltd.

### **Q** What is the status of your global strategy?

After the Company entered the Shanghai, China, market in 2005, we established a regional hub in Singapore in 2014 and a presence in eight countries, primarily in Asia, including Vietnam, Cambodia, Indonesia, and Thailand, as well as India, with a view to expanding our business globally. Southeast Asia has the highest growth potential of all overseas regions, not to mention its close geographical proximity to Japan, together with close ties and affinity to our country. It was therefore a natural conclusion for us to focus our efforts on developing our business in Southeast Asia as a priority region among overseas markets. Since joining the company in July 2013, I have been planting the seeds of businesses that could become the next pillars of Credit Saison, with Singapore as the hub of Southeast Asia. Now, some eight years later, promising sprouts have emerged, and we are beginning to see businesses that likely will blossom within the next 2-3 years.

### **Q** Please tell us about the business environment and the competitive situation in Southeast Asia.

Even before the pandemic, the digital infrastructure was advancing rapidly in Southeast Asian countries, but COVID-19 has spurred that momentum; if you cannot tackle digital, you cannot ride this wave. Moreover, in terms of the financial environment, COVID-19 has provided the impetus for attracting an unprecedented amount of funds from around the world to the Southeast Asian region. In such a situation, competition is escalating among various players, from major financial institutions such as banks to start-ups engaged in FinTech as they seek to expand their customer base through digitalization. This is partly because investors from around the world are financially backing start-ups and partly because major local financial

institutions are focusing on digital transformation to survive.

In Southeast Asia and India, an overwhelming segment of the population is underserved in terms of financial services from banks and other such institutions. To provide for this segment of the population, a range of FinTech start-ups are using apps to offer installment payments for EC purchases and financial loans based on payment data from restaurants. We have partnered with these innovative FinTech companies to develop a “BtoBtoC” model that places us at the center of the FinTech ecosystem, and our business is expanding along with the growth of this ecosystem.

### **Q** What kinds of initiatives are you undertaking in countries where you already have a presence?

As we were a late entrant in Southeast Asia, we were feeling our way around the different regulations in each country to figure out how to proceed with our financial business. I think we have been blessed with having a variety of paths before us on what form our presence should take, gained through the repetition of proposing and reexamining options, such as creating our own subsidiaries from scratch, partnering with local companies that possess licenses and customer bases, establishing joint ventures, or investing in or acquiring local companies. For example, the establishment of a joint venture company in Vietnam to engage in our retail finance business and the acquisition of licenses for digital lending operations and other ventures in Indonesia were originally born out of encounters with people in the region, starting with a single business card and by constantly knocking on doors.

While Southeast Asia and South Asia have overwhelming populations of the underserved, their digital infrastructures have developed in a leapfrog fashion, with some areas even more advanced than Japan.

We have a history of making our cards available to women in Japan, which is the very essence of inclusion, and our growth has been thanks to the support we have received from so many people.

In Southeast Asia as well, we are promoting financial inclusiveness by providing services digitally to the huge numbers of underserved populations, and I feel that areas of overlap exist. Given that the underserved have great needs for financial solutions, I would like to ride the digital wave and grow our business with the flexibility and speed that only a non-bank can provide.

### **Q Please tell us about your future global strategy.**

The first step is to nurture the budding business and make it bloom. At the same time, we will continue along a second path to sow more seeds than ever before. The most essential resource for the success of our global strategy is, of course, our human resources. Whether they are hired externally or trained internally, or they are local or from Credit Saison's headquarters, they are all equally important, regardless of nationality.

In the past, the focus has been on creating one from zero, such as sowing the seeds of a business or searching for seeds, but I believe that the process of turning one into 10 and 10 into 100 will present a different level of challenges. With "Set for Scale" as the theme for the current fiscal year, we will continue to build out monetary scale, the number of personnel, and the corporate functions that support them as we take on the challenge of a new dimension.

Regarding the cultivation of new businesses, for example, we have started to finance the supply chain of the Siam Cement Group, the largest



corporate group in Thailand, and we are preparing to enter the Philippines. We will also aggressively pursue new business development in regions outside of Asia.

### **Q What kind of management do you have in place for human resources?**

We place great importance on the localization of human resource management at on-site locations. For example, our local management team in India is made up entirely of local members. This is because right from the start we have been conscious of the need to build an excellent management team made up of local Indian personnel. Less than half a year after the start of our business there, India was forced into a severe lockdown due to the pandemic's spread, and under such circumstances, many foreign nationals dispatched to India, including Japanese, were forced to return to their home countries. However, with a team of local personnel firmly taking care of the business as their own, we have been able to steadily conduct operations in an orderly manner, not only in normal times but also in emergencies.

On the other hand, it is important to have people who fully understand the culture and background of Credit Saison in order to promote internal collaboration. At the regional headquarters in Singapore, the Credit Saison spirit spontaneously comes to life, including among local personnel. I think this has been fostered by hiring young people who are motivated to raise their hands and take on challenges, entrusting them with an ever-greater workload, and encouraging them to take on new challenges. This is similar to the process I went through as an employee hired mid-career. Instilling thinking to the effect of "I can do it, I want to do it," and by knowing that they have support from top management, they will be able to continue to take on challenges without fear of failure. In this way, you will grow and your business will grow as well.

As the business grows, the greater the range of work you will be responsible for. I believe that this kind of human resource management is leading to the development of local human resources, even overseas, who are also in tune with the culture of Credit Saison.

### **Q What kind of role is the global business playing relative to the new vision of "transforming ourselves into a comprehensive life service corporate group"?**

Being engaged in the global business, I often hear the phrases "Everything is FinTech" and "embedded finance." This is because FinTech is embedded in various aspects of people's lives and companies' economic activities, whether you look at EC purchases or payments between corporations. I believe that Credit Saison's goal of becoming a comprehensive life service corporate group is, as the phrase implies, a vision in which the barriers between financial services and other services disappear and become integrated. Ultimately, I think we will arrive at a model that is increasingly prevalent in the lives of consumers and in the economic activities of corporations, both domestically and globally. The current focus of our global business is financial services and FinTech, but I believe that we can establish ourselves as a comprehensive life service corporate group, even overseas, by integrating other services and products in the future.

As the head of global business, I aim to establish the No. 1 local business driven by top-class management teams, even by international standards. This means by Indians in India and Indonesians in Indonesia, and so on. We will also continue to take on the challenge of resolving issues in global society, such as financial inclusion, so that Credit Saison is commonly recognized as a global company that represents Japan.

## Background and Policy

Amid expectations for an ongoing expansion in both population and GDP, we expect significant growth in Asia, although the fact that relatively few people in the region have bank accounts indicates that the current level of financial services being offered might not be sufficient to meet the needs of all the people.

Given these conditions, the spread of smartphones and the rapid progress of digitalization are contributing to new services being developed using the latest in cutting-edge technologies. Credit Saison will realize financial inclusion and, in turn, contribute to the economic development of these regions by leveraging its partnerships with local companies to provide financial products and solutions to underserved segments of the population mainly in Southeast Asia and India where many have insufficient access to financial services from banks and other institutions.

## Issues and Initiatives

Overseas, we are working to improve our business foundation to make our global business a major pillar of the Company's business. At HD SAISON Finance Company Ltd. in Vietnam, in addition to the individual installment business for motorcycles and home appliances, we are developing a credit card business throughout the country. Going forward, we will prepare a system for expanding membership acquisition and will work on such areas as function development.

Saison Capital Pte. Ltd., which invests mainly in overseas early-stage start-ups, will resume new investment while paying close attention to the COVID-19 infection situation. We have also started an impact investment business that provides necessary funds to underserved individuals and small and medium-sized enterprises mainly in Asia. Through these projects, we will continue to take on further challenges by promoting efforts toward financial inclusion and the Sustainable Development Goals (SDGs) set by the United Nations. Despite being affected by COVID-19 infections, demand from our main target demographics, such as the middle layer and underserved layer, has remained strong even during the COVID-19 pandemic. While collaborating with a wide variety of local partners we will develop our global business into a pillar of the Company's business.





Main Services

**Concentrated Investment of Management Resources in Businesses That Contribute to Profits in Order to Make the Global Business a Major Pillar of the Company's Business**

In the global business, we will concentrate our management resources in businesses that contribute to profits. At HD SAISON Finance Company Ltd., our joint venture in Vietnam, we will start full-scale development of the credit card business, which we had soft-launched in August 2020, from 2021. In India, Kisetsu Saison Finance (India) Private Limited has obtained a long-term AA+ rating from the local rating agency CRISIL and will expand the loan amount by raising funds from local financial institutions. In Indonesia, we will strengthen our business foundation centered on P2P lending and consumer finance.



Kisetsu Saison Finance (India) Private Limited

- Aim to increase loan amount by procuring funds from a local financial institution
- Start hybrid lending in addition to wholesale lending and tie-up lending
- Received an AA+ long-term rating from CRISIL, an Indian ratings company that is a subsidiary of S&P Global



HD SAISON Finance Company Ltd.

- Expansion of individual installment payments (e.g., for motorcycles, smartphones)
- Full-scale development of the credit card business



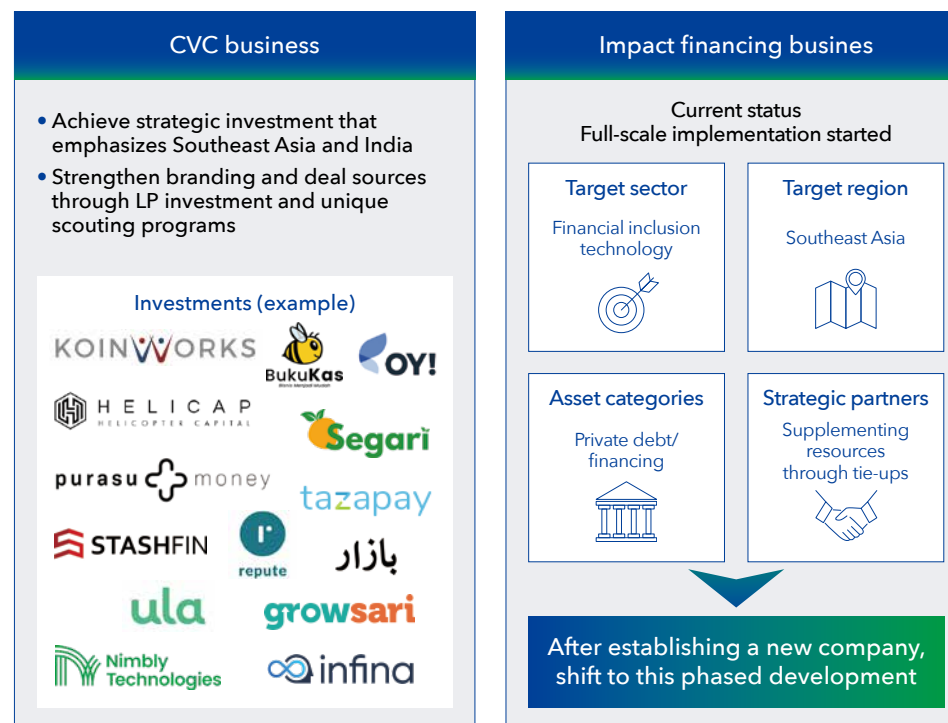
PT. Saison Modern Finance

- Expand the business foundation through P2P lending and consumer finance
- Realize a selection of new strategic partners

**Business Creation and Diversification**

**Implementation of the CVC Business and the Impact Business by Saison Capital Pte. Ltd.**

At Saison Capital Pte. Ltd., we are making strategic investments in Southeast Asia and India as priority regions. We are already investing in multiple projects by discovering next-generation unicorns and promoting investment activities centered on business collaboration. Also, regarding impact investment, currently in Cambodia, Indonesia, and the Philippines, we have started lending utilizing technology in the financial inclusion sector and plan to continue actively investing and lending mainly in Southeast Asia.



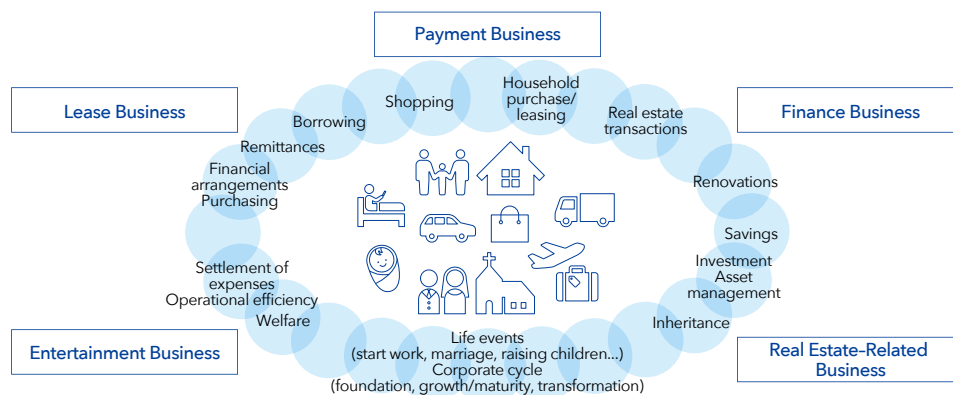
## Background and Policy

Toward the realization of a comprehensive life service corporate group, each Group company is launching a variety of products. Group companies that provide services that meet market needs will continue to develop solution services that enrich the lives of our customers with high quality. At the same time, we aim to provide comprehensive life services by creating new businesses that utilize the networks of each company. We will also utilize venture investment, business alliances, M&A, and other means to further expand our business.

## Issues and Initiatives

We are developing new businesses while exploring various forms, such as business alliances and the formation of joint ventures, toward transforming ourselves into a comprehensive life service corporate group. In particular, we are considering creating new businesses by collaborating with business partners to provide services that are closely related to daily life, such as the advertising, healthcare, and pet businesses. SAISON ASSET MANAGEMENT CO., LTD., which has taken on the needs of customers' asset formation, had total assets under management exceeding ¥400 billion in April 2021. In addition, SAISON FUNDEX CORPORATION has been well received for its Saison leasebacks, which meet the changing times and customer needs, such as products to support retirement funds.

## Providing Comprehensive Life Services Tailored to Customers' Life Events across the Five Businesses and Group Companies



## Main Services

### Launched the "Saison's Lifestyle Research" Website

In September 2021, we launched the "Saison's Lifestyle Research" website, which brings together the collective strengths of the entire Group, with the aim of transforming ourselves into a comprehensive life service corporate group. As a medium that provides tips and triggers information for solving problems and worries related to living from 50 years of age—centered on the categories of money, health, and family—we provide information on how to resolve each concern from a variety of perspectives. Utilizing the big data handled in the Payment Business in the years to come, we will expand the content to match the target generation. As a scientific and distinctive information medium based on marketing data, we will, for example, increase the number of articles on themes of high interest that emerge from the consumption behavior of seniors.



<https://life.saisoncard.co.jp/>

For more details, please check our news releases.  
[https://corporate.saisoncard.co.jp/wr\\_html/news\\_data/avmqks000000bn86-att/20210928\\_Release.pdf](https://corporate.saisoncard.co.jp/wr_html/news_data/avmqks000000bn86-att/20210928_Release.pdf)

## Accelerate reforms by increasing the number of employees who question the conventional wisdom of work and think for themselves

**Q Please tell us what excites you about your role as the person in charge the Strategic Human Resources Dept. as the Company pursues its management vision of “transforming ourselves into a comprehensive life service corporate group.”**

The Credit Saison Group aims to achieve customer success through the fusion of the real and digital worlds based on the basic concepts of “Innovative,” “Digital,” and “Global” to realize its management vision. I believe the innovative concept requires not only “0-to-1 personnel,” who are able to create one from zero, but also those who can turn one into 10 and then 10 into 100, while in some cases dismantling 100 back to zero.

One of the five key phrases of the “CS Style” action guidelines common to all employees is “question conventional wisdom.” Previously, staff departments focused on the creation of new products and services, yet line departments are now revising business processes in a concerted effort to satisfy customers easily and quickly. “Innovative” behavior begins with having a sense of discomfort about one’s own previous work in an unquestioning matter, regardless of the field.

Increasing the number of employees, even by one, who have this sense of discomfort requires training based on internal case studies. While on-the-job training is important, we also focus on training across divisions and departments to enable employees to “question conventional wisdom.”

**Q Please tell us about your initiatives and achievements in FY2020.**

In the past, the Strategic Human Resources Dept. had been deeply colored by the principle of standardization, but now the value of this standardization has faded with the current diversification of business. I feel that we need to pursue training tailored to each individual’s thinking and business needs as much as possible. The first step is to ascertain exactly what is going on, and to this end, it is important to engage in dialogue with employees. We held discussions online with regional offices from Hokkaido to Kyushu, while speaking with head office staff departments both in person and online. From the second half of FY2019 to the middle of the first quarter of FY2021, the Strategic Human Resources Dept. and the Career Development Office comprehensively conducted interviews and roundtable discussions using a combination of approaches.

Regional office employees do not know because the information is not addressed individually to them. In response, we tell them that instead of being passive, they should try to obtain this information. On the other hand, it came to our attention that corporate departments appear to be delivering the information but actually aren’t.

During our roundtable discussions, I pushed back by saying “nothing will change unless you have the desire to step forward.” This prompted employee interest in making proposals to identify “Femtech” needs for the Company’s more than 70% female employees and, in certain cases, provide beneficial products and services to customers, which have resulted in positive spin-offs.

Meanwhile, there were few opportunities to meet global employees directly due to the COVID-19 pandemic, yet online conferences enabled us to connect with overseas staff and showcase fellow employees in other countries and regions who are also working under the Credit Saison umbrella. Although the pandemic



**Kazue Yasumori**

Managing Executive Officer  
General Manager,  
Processing Business Division,  
In charge of the Screening Center,  
Tokyo Risk Management Center,  
Osaka Risk Management Center,  
Strategic Human Resources Dept.

has caused many hardships, it has also prompted us to establish communication methods that transcend domestic and international distances.

**Q Please discuss the types of employees required for “transforming ourselves into a comprehensive life service corporate group.”**

I think the most important thing is our response to diversification. The problems and needs of customers are increasingly diverse. The goal of “transforming ourselves into a comprehensive life service corporate group” is to provide services that satisfy customers. To realize this, it is important that Credit Saison employees are engaged in what is going on around them, regardless of age, gender, nationality, or job rank.

The power to transform the Company from its previous financial business model to a comprehensive life service corporate group does not lie in a single individual or an influential CEO. The key is to ensure that as many employees

as possible can connect their work with social issues. While Company-wide strategies target, to a certain extent, categories such as Generation Z, women, and seniors, employees must propose and realize strategies based on their actual experiences.

### **Q How do your recruitment and training approaches differ from before?**

We are shifting to skill- and job-oriented recruitment. We seek mid-career hires able to fully leverage the skills and experience they have cultivated in the direction Credit Saison is pursuing. We also require them to work as a team while creating synergies with existing employees so that “one plus one equals three or even 10.” Our hiring process for new graduates is evolving with a deeper focus on asking what each new graduate wants to do within the Company’s business and what they are interested in.

Executives and recognized experts conduct training online. For example, we have called on Director, Senior Managing Executive Officer, CTO, and CIO Kazutoshi Ono to talk about the digital domain. In addition, Executive Officer Kaori Shimada, who is in charge of corporate sales, will speak on preparing for corporate sales while Managing Executive Officer in charge of finance Naoki Nakayama will comment on the outlook of the real estate business.

In 2020, I conducted a training program exclusively for female employees to help instill a leadership mindset. This training opened the door to short-time workers and those on childcare leave. As a part of this training program, participants were encouraged to adopt a proactive approach toward obtaining information even when working reduced hours or on paid leave. Emphasis was placed on utilizing in-house Company networks and devoting as much time as possible to recurrently pursuing work that met with each participant’s aspirations. In doing so, participants were comforted that they should never feel guilty about life events

such as childbirth and childcare. In addition, I have always thought it was important for women to make their presence felt in the Company. With that in mind, I had a female person in charge, rather than a manager, discuss the Saison Rose Gold American Express® Card, which was conceived solely by female employees and launched in November 2020. I think I impressed upon them that managers are not the only ones who have a say or presence in the Company and that it is not only management that can bring about reforms.

### **Q Personnel exchanges from outside the Company and internal recruitment are picking up. What has been the effect of this development?**

Yes, the number of temporarily transferred employees has been increasing. For example, one of our employees who is currently working at CASM—a joint venture between CyberAgent and Credit Saison—remarked favorably: “As a new company, it will take some time for results to emerge, but I would like to see as many employees as possible learn about this experience.”

In addition, we have listed about 30 internal and external openings from this fiscal year, with about 400 employees applying. I think the role of human resources is to leverage the principle of internal competition and to provide the opportunity for individuals to grasp their desired jobs and positions. We need to make open recruitment the norm to break free from the seniority system. By clearly expressing their vision and creating a concrete talent portfolio based on workforce planning, departments can create a buzz. As the notion that “a vision can be illuminating” spreads by word of mouth, the number of applicants should increase.

### **Q Please tell us about the challenges going forward.**

In our industry, digitalization is creating synergies, so future labor shortages are not a serious concern. That said, I

think we need to think of ways to improve openness and renewal through promotions and demotions with a clear direction. For employees to be active until the age of 70 or 75, the Company needs to take additional human resources measures to clarify what it can do and what individual employees should think about.

Furthermore, the common personnel system for all employees that we implemented in September 2017 in anticipation of the legalization of equal pay for equal work was positive in that employees with limited work contracts found what they wanted to do and raised their voices. Conversely, I see some negative effects from the elimination of the promotion system. This system has not yet become a company-wide platform, so I think establishing reskilling and recurrent work is counterproductive. We are currently working to build a talent system that can properly manage each employee’s profile so that interviews no longer go unrecorded despite conducting interviews at every opportunity.

In addition, I believe that the true meaning of “Innovative” is found by listening to the voices of employees. With this in mind, I ask department managers to break down the direction of the Company based on what it means to be a comprehensive life service corporate group, and what the department is targeting in an effort to convey to each employee that this is why these jobs exist. Based on this, which jobs you can do as an employee is expressed in a single package. Conveying one’s message to this extent would prompt employees to think about their own careers and would make what their managers have to say more important for them. The Strategic Human Resources Dept. intends to create mechanisms to ensure that reforms are implemented rapidly, while enhancing the psychological safety of employees by eliminating an atmosphere of uncertainty, pressure, and conjecture.

## Achieving Group-wide synergies through the interplay between structural reforms and new businesses

### Shingo Baba

Managing Executive Officer and CFO  
M&A, Group company management  
Head of Corporate Planning Dept., Corporate Risk Management Dept., Treasury & Accounting Dept.



### Please evaluate and analyze the business results for FY2020.

In FY2020, Credit Saison reported a decrease in sales and an increase in profits. In specific terms, net revenue totaled ¥282.6 billion, down 9% year on year, due to the impact of COVID-19. Business profit amounted to ¥48.3 billion, up 34% compared with the previous fiscal year.

In the Payment Business, net revenue declined by 10% year on year due to falling numbers of new cardholders, and less shopping and other transaction volumes and balance, as the Company was unable to take advantage of its strengths in developing and utilization of cards at

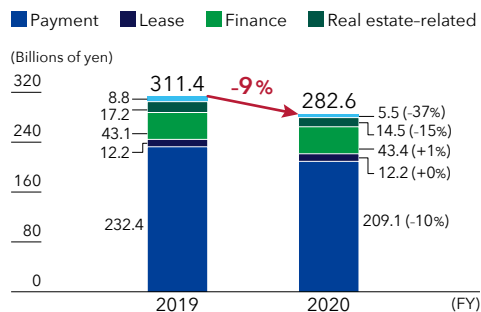
partner stores due to store closures and self-quarantining on account of the COVID-19 pandemic. On the other hand, operating income rose substantially, up 185% year on year, as we kept in check operations-related expenses linked to card transaction volumes and other factors, had lower bad debt costs due to weak capital demand, and there was the absence of a one-time cost increase that occurred in FY2019.

Although the Lease Business was also affected by the voluntary suspension of business by partners due to COVID-19, we held net revenue at +0%, essentially the same level as the previous year, and profit increased by 85% above the previous year due to a decrease in bad debt costs.

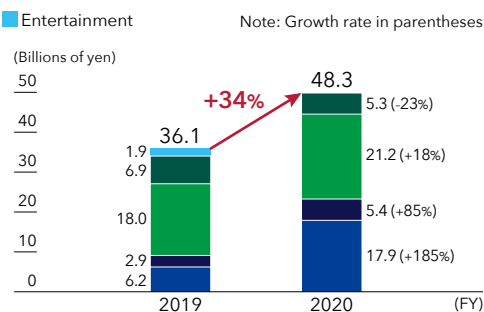
In the Finance Business, credit guarantees balances fell due to the impact of partner financial institutions' focus on government support for business operators in response to the spread of COVID-19. On the other hand, Flat 35 Loans and asset formation loans demonstrated stable sales that were up 1% over the previous year, and profit rose 18% due to the promotion of support for home purchases and a focus on cooperation with partners.

In addition, the Real Estate-Related Business recorded a decrease in sales of 15% from the previous year and a decline in profits of 23% due to self-restraint in business operations and other factors, while the Entertainment Business posted a business loss of ¥1.7 billion due to the

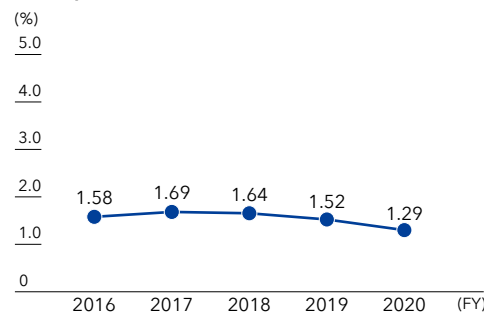
### Net revenue by segment



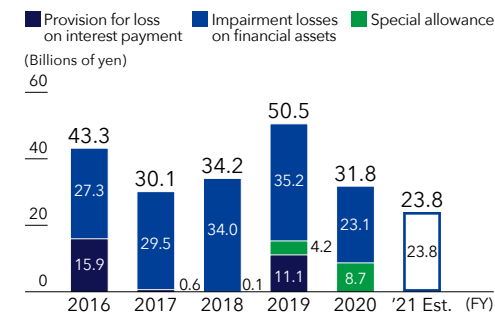
### Business profit by segment



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



### Credit risk Bad debt costs (consolidated)



cancellation of live performances and the closure of facilities.

As shown above, profit rose as an unintended result of lower costs in the COVID-19 pandemic, but from FY2021 onward, we will grow the top line in each domain while expecting a cost reversal as the COVID-19 pandemic abates.

First, in the Payment Business, we will review the conventional human wave tactics approach to customer development and implement business structural reforms, including with the realization of success with customers through the integration of our strengths in the physical domain and digitalization driven by the promotion of digital transformation (DX). For example, the alliance with Shop Channel is going extraordinarily well, and the smartphone self-contained service SAISON CARD Digital, which launched in November 2020, is also expected to be profitable as it can be issued without face-to-face meetings and is non-contact, while being promoted mainly as a proprietary card.

Moreover, the Real Estate-Related Business is expected to perform well in the future due to stable real estate prices. In the Entertainment Business, ticket sales company Eplus Inc. is a joint venture between Sony Music Entertainment (Japan) Inc. and the Company, and its financial base is stable. Given this, the Company is working to differentiate itself from competitors by taking certain risks and acquiring new content with an eye on the post-COVID-19 period.

Taking a medium- to long-term perspective, we will broaden our management base as a comprehensive life service corporate group. In addition to SWITCH SAISON, in which employees develop services based on ideas they come up with themselves, the executive version, Make New SAISON 2.0, has been launched. The Finance Business, which also steadily contributes to profits in the COVID-19 pandemic, is expected to see new business contract needs. By combining measures aimed at improving efficiency through business structural reforms with an array of new businesses, this development will elicit their respective merits and realize synergies across the entire Group.

### **Q Please explain your policy on funds procurement.**

As a non-bank financial institution, our ability to procure funds at low cost and in a stable manner is directly linked to our business activities, which in turn leads to increased profitability. In such a business model, maintaining financial soundness and being aware of credit ratings is a priority. In this regard, our basic policy of preparing for emergencies by securing liquidity on hand and funding commitment lines remains unchanged. We believe that we were able to navigate through the COVID-19 pandemic in a stable manner, and in preparation for the expected tapering (a reduction of quantitative monetary easing measures) and future interest rate hikes, we will diversify the repayment dates of interest-bearing liabilities and continue to maintain a long-term borrowing ratio of about 70% and a fixed ratio of about 60%.

Our main method of financing is through borrowings from banks and other financial institutions, as well as from the financial markets through the issuance of bonds and CP (commercial paper). In this context, we set a goal to raise funds from local financial institutions in FY2020, based on the assumption that we would expand the scale of our overseas business. However, due to the impact of the COVID-19 pandemic, as well as the emphasis on efficient management with low interest rates in Japan, we did not reach the level we had expected. Nonetheless, that our local subsidiary received a long-term rating of AA+ from CRISIL, a rating agency for S&P subsidiaries in India, proved to be one major step forward in accelerating our overseas expansion. In the future, we will continue to diversify our procurement with an emphasis on stability and cost in response to the market trends of the day.

We are also currently in discussions with rating agencies and other parties regarding a social bond for which we will be the issuer, which will be limited to investments and

loans for impact projects in Asia that launched in December 2020. We are forging ahead on initiatives to address the SDGs and aim to help further address environmental, social, and governance (ESG) concerns through the realization of financial inclusion while simultaneously procuring funds.

### **Q What is your focus in terms of risk capital management?**

Risk capital management is one of the pillars that underpins the maintenance of ratings by rating agencies and stable funding. We aim to maintain and improve upon the "A+ (stable)" rating obtained from R&I (Rating and Investment Information, Inc.) through a series of management measures, such as understanding the amount of assumed risk for each business, diversifying risks without relying on specific businesses, improving asset efficiency, and expanding surplus capacity by replacing the business portfolio.

We also see risk capital management as one of the tools with which to engage our investors. Starting in FY2021, we are keen to provide opportunities for the executives in charge to offer first-hand explanations of the CSDX and global strategies and to further strengthen our engagement with investors.

We have not reduced dividends even under past severe business environments, and we have continued to pay stable dividends during the COVID-19 pandemic as well. We will continue to maintain this policy of stable dividends. That said, we are currently in a phase where we should be investing our management resources in global businesses that are anticipated to undergo remarkable growth, and we are eager to manage our risk capital surplus so that it will be effectively utilized for future growth and we will not face too much risk. We believe that we will be able to increase dividends by promoting the business structural reforms and global business development that we are currently undertaking.

**Q Please tell us about your asset allocation strategy.**

At the ALM (Asset and Liability Management) Committee meetings to be held in FY2021, we plan to calculate WACC (weighted average cost of capital) and ROIC (return on invested capital) for each of our major businesses and use them in planning our asset allocation strategy. Through this process, I believe that we will be able to take a further step in our discussions from the two perspectives of profitability through efficient use of capital and business growth, and that those engaged business divisions will deepen their discussions. As the outside directors, who were not originally members of the ALM Committee, have asked to participate in the committee and because we are having these discussions together, I expect a lively discussion based on their opinions, which, while severe, are grounded in their respective areas of expertise.

**Q In conclusion, please tell us about your view of the financial strategy in terms of “transitioning to a comprehensive life service corporate group.”**

Ever since I joined the Company, I have felt a strong sense of trying to preserve the corporate culture that started with Seiji Tsutsumi. This sensory aspect, which includes culture, does not appear on the financial balance sheet. However, I believe that this non-financial information will become the basis of an economic sphere unique to the Company if it can be instilled in Japan and overseas. One of my roles is to communicate with stakeholders based on quantitative information to explain the values behind our culture to the outside world and to create connections between those within and outside of the Company. We have just now arrived at the starting point. We would like to fully explain our business strategy and the value we create to our stakeholders and to consider and implement our financial strategy based on their assessment.

**Basic Policy behind the Financial Strategy**

**Financial soundness and liquidity on hand**

Considering the Company’s business model, under our financial strategy we manage the Company with an awareness of financial soundness (credit rating A+). We measure the confidence level, which represents the amount of risk suited to this rating, as 99.75% and engage in risk capital management in a way that allocates the minimum required capital by quantifying this level for each business and affiliated company. Based on the investment allowance derived in this way, we engage in “growth investments” and distribute “shareholder returns.” Calculating these enables us to execute agile decision-making for matters that fall within the scope of the investment allowance, even in the case of high-risk overseas investment and financing projects or share repurchases, and to prioritize the maintenance and improvement of financial soundness.

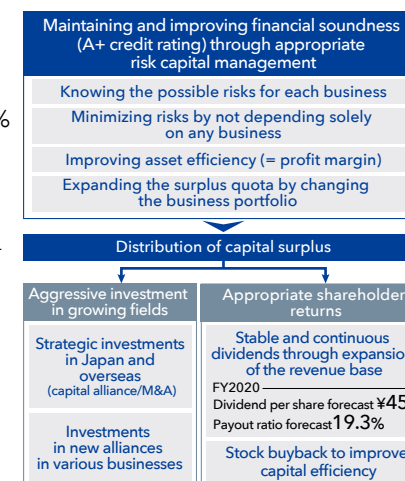
One aspect we pay particular attention to in working to maintain financial soundness is securing liquidity on hand for emergency funds. Against the more than ¥3 trillion in total assets held by the Group, we have secured a commitment line of approximately ¥300 billion, a credit receivables liquidation limit of approximately ¥180 billion, cash on hand of approximately ¥100 billion, and liquidity on hand of approximately ¥580 billion.

**Diversifying methods to procure funds**

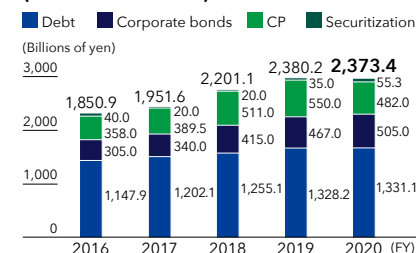
The Group places importance on stability and cost when procuring funds and endeavors to diversify its procurement methods. In terms of our main funding methods, in addition to relative transactions with banks, financial institutions, life insurance companies, and non-life insurance companies, we conduct indirect financing such as syndicated loans and commitment lines, and direct funding such as issuance of straight bonds and CP.

In terms of indirect procurement, we are striving to mitigate refinancing risks by cultivating new financial institutions with which we can expect long-term stable transactions and diversifying our procurement sources. For direct financing, in addition to straight bonds and CP, we are working to reduce liquidity risk and costs by diversifying our funding methods, such as with the liquidation of receivables that are not affected by our credit status.

Moreover, we will need to investigate measures for mitigating foreign exchange risk as we expand business in Southeast Asia. We can address foreign exchange risk by hedging yen procurement in Japan with foreign exchange contracts and currency swaps, and by procuring funds locally.

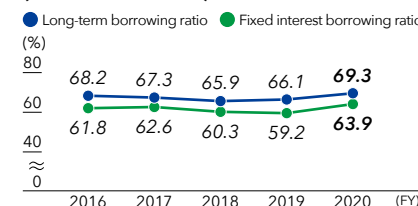


**Balance of interest-bearing debt (non-consolidated)**



Note: Securitized borrowings coinciding with the Flat 35 Loan business are calculated after excluding the interest-bearing debt balance and long-term/fixed ratio estimate.

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

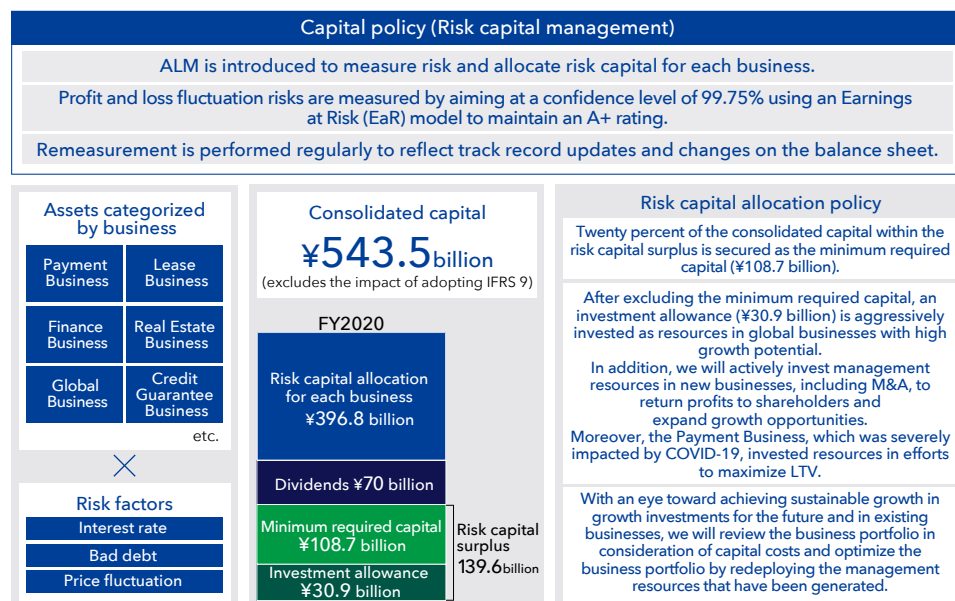


## Risk Capital Management

We have defined business profit, ROE (return on equity), and the shareholders' equity ratio as the major management indicators for raising corporate value. As an independent non-bank company, among these, securing a certain shareholders' equity ratio is critical to building financial stability. With this understanding, we consult the opinions of rating agencies and manage the Company with attention paid to maintaining a 15% shareholders' equity ratio over the medium to long term.

In terms of risk management, the ALM Committee deliberates risk quantification for each business, risk capital investment policies, the weighted average cost of capital (WACC), and the target for return on invested capital (ROIC).

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



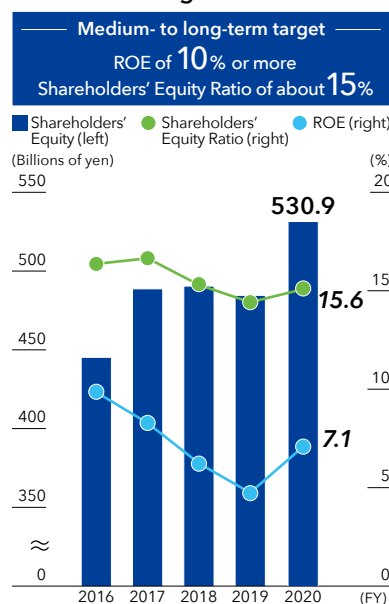
## Shareholder returns

We believe it is important to take action that strengthens our corporate structure and continues to expand our business to increase shareholder value. In terms of returning profit to shareholders, our policy is to make stable, continuous dividend payments to our shareholders while enhancing internal reserves to realize these goals.

In the past, we have maintained stable dividends even when recording losses coinciding with the restructuring of our real estate subsidiary. We have also maintained a consistent dividend forecast even during the current COVID-19 pandemic. As a non-bank, it is important for us to hold a certain level of shareholders' equity as part of business operations, so we will focus on our ability to continue offering a stable dividend without being swayed by performance or transient factors.

Meanwhile, we will maintain a robust financial structure that allows us to acquire shareholders' equity whenever necessary, while at the same time preparing to respond agilely at the required timing. In working to raise corporate value, it is also important for us to share perspectives through close dialogue with creditors, and we will address shareholder returns in consideration of the balance between shareholders and creditors.

### Trends in management indicators



### Dividend per share and payout ratio

