

CREDIT SAISON

# INTEGRATED REPORT 2021



# It has always been the case.

A disadvantaged business environment,  
a variety of constraints, adversity, crises



Saison Group founder  
Seiji Tsutsumi

Staying ahead of the times

Response to change

Creative destruction

Innovation

Surpass our competition

No. 1 in the industry in terms of  
four card indicators

Humanism

Diverse human resources

Equal pay for equal work

Management  
Philosophy

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.

Credit Saison has developed innovative services in the credit card industry, such as Japan's first signature-less payments and Eikyufumetsu Points. We are living in an era of rapid change in which everything changes in 30 years. Conversely, we do not know where the potential lies. It is necessary to have an attitude of dreaming big and taking on challenges. Companies that are unable to continue to innovate will stop growing and eventually decline. We have continued to grow, to the point we can now rely on 36 million cardholders, due to the thorough pursuit of customer convenience and convention-shattering innovation.



Representative, Chairman and CEO  
Hiroshi Rinno

## And Now, Ushering in Our Second Foundation

# Transforming Ourselves into a Comprehensive Life Service Corporate Group

The impact of the COVID-19 pandemic on society has been severe, but, looking at the current situation from a management perspective, we see a great opportunity to introduce big changes. All our current practices and ideas are rooted in the past, and organizations that are unable to reinvent themselves are doomed to a fast decline. It is because these are difficult times that the switch to aggressive business management must come soon. Companies with a single business model tend to have a weak management base. To diversify our business models to overcome the current situation, we are targeting our own transformation from a corporate entity centered on the payment business to a comprehensive life services corporate group by leveraging the strengths of the entire group.

Representative, Executive President and COO  
Head of Public Relations Office,  
Branding Strategy Dept.,  
Payment Business Division,  
Sales Development Division,  
General Manager, Payment Business Division  
Katsumi Mizuno



## Digital



**Promoting digitalization, while valuing the real services that are our strength; achieving customer success by providing services that are close to the customer.**

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  
Kazutoshi Ono

## Global

**Under the themes of FinTech and financial inclusion, we will accelerate business development from Southeast and South Asia to other parts of the world.**

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.  
Kosuke Mori



## Innovative

# A History of Reforms and Challenges

Since its establishment as a department store that sold products on a monthly installment basis, Credit Saison has provided a variety of services tailored to the changing times while expanding its business.

## Operating revenues

(Billions of yen)

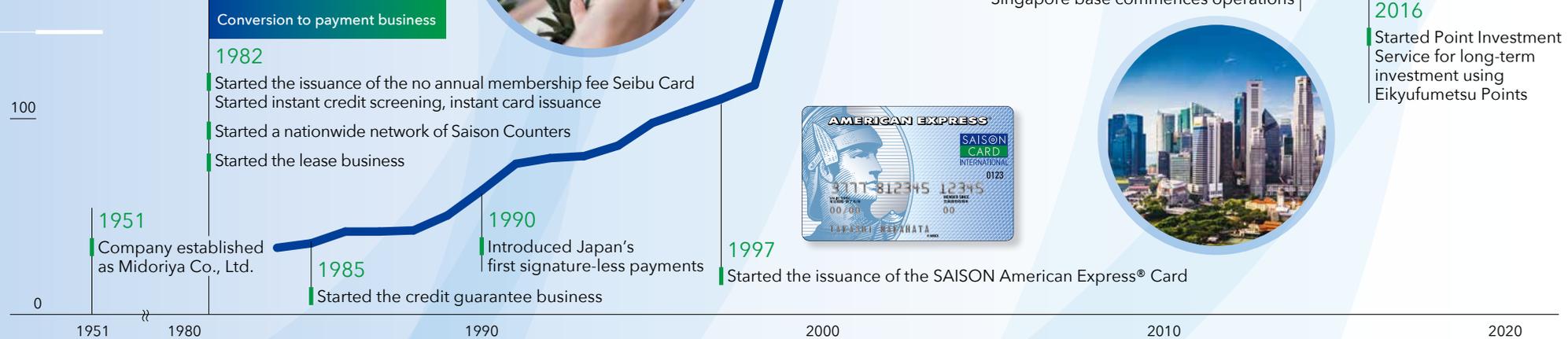
400

300

200

100

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

From Establishment to the Early 2000s



**Period of Business Expansion**  
Established membership base

The company that is today Credit Saison was established in May 1951 as Midoriya Co., Ltd., a department store that sold products on a monthly installment basis. Having joined the Seibu Distribution Group (later the Saison Group) due to a deterioration in its management in the 1970s, the Company shifted to being a credit card company. Since changing the company name to Seibu Credit Co., Ltd., in 1980, and later to Credit Saison Co., Ltd., in 1989, the Company has launched a succession of customer-oriented services that have broken with generally accepted industry practices and traditions, including instant credit screening, instant card issuance, signature-less payments, and Eikyufumetsu Points that never expire. In 2002, Credit Saison achieved the top position in the industry in terms of four indicators: the number of cards issued annually, total cardholding membership, the number of cards in operation annually, and annual card transaction volume.

From the Early 2000s to 2010



**Shift in Business Composition**  
Expanded the fee business as a new revenue stream

Since 2002, in accordance with the active reorganization of the credit card industry, we have been aggressively forming strategic alliances, strengthening marketing from both card development and usage activation aspects, and promoting efforts to improve added value for cards. In 2006, the Company merged with UC Card Co., Ltd. (UC member operating company), and maximized the utilization of the management resources cultivated in its card business. In addition to strengthening each business, such as in leasing, credit guarantee, and finance, we worked to expand the fee business as a new revenue stream, for example, by establishing the industry's first card processing company.

From 2011



**Global Business Begun in Earnest**  
Shift to new business model

Aiming to be the No. 1 company in the cashless payment market, we are promoting collaboration management with our own products and services and alliance partners. At the same time, we are positioning the global business as a future revenue base and entering the retail financial business in line with each country, centered on ASEAN. Using these products and services as tools, we have established a complex sales system that turns corporations and individuals into customers. As a non-bank capable of responding to changes, we are shifting to a business model that addresses the various payment and financial needs of companies and provides cashless functions for all individuals and corporations in Japan and elsewhere in Asia.

From 2019



**Intensification to Become a Leading-edge Service Company**  
Facing challenges toward the creation of new value

We are promoting a Medium-term Management Plan that has become a Neo Finance Company in Asia as its management vision. By developing solutions that cover the life cycles of individuals and corporations, we are facing challenges as a finance company advancing with customers for 50 years. By means of 1) a payment business growth strategy and structural reform, 2) further expansion of the finance business as a non-bank, and 3) expansion of our global business revenue base with a view to the future, the Company is working on sustainable growth as a general non-bank.

From a period of high economic growth to the bubble economy ▶

Collapse of the bubble economy/ Heisei era recession ▶

Global financial crisis ▶

Abenomics ▶

Tokyo Olympics ▶

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

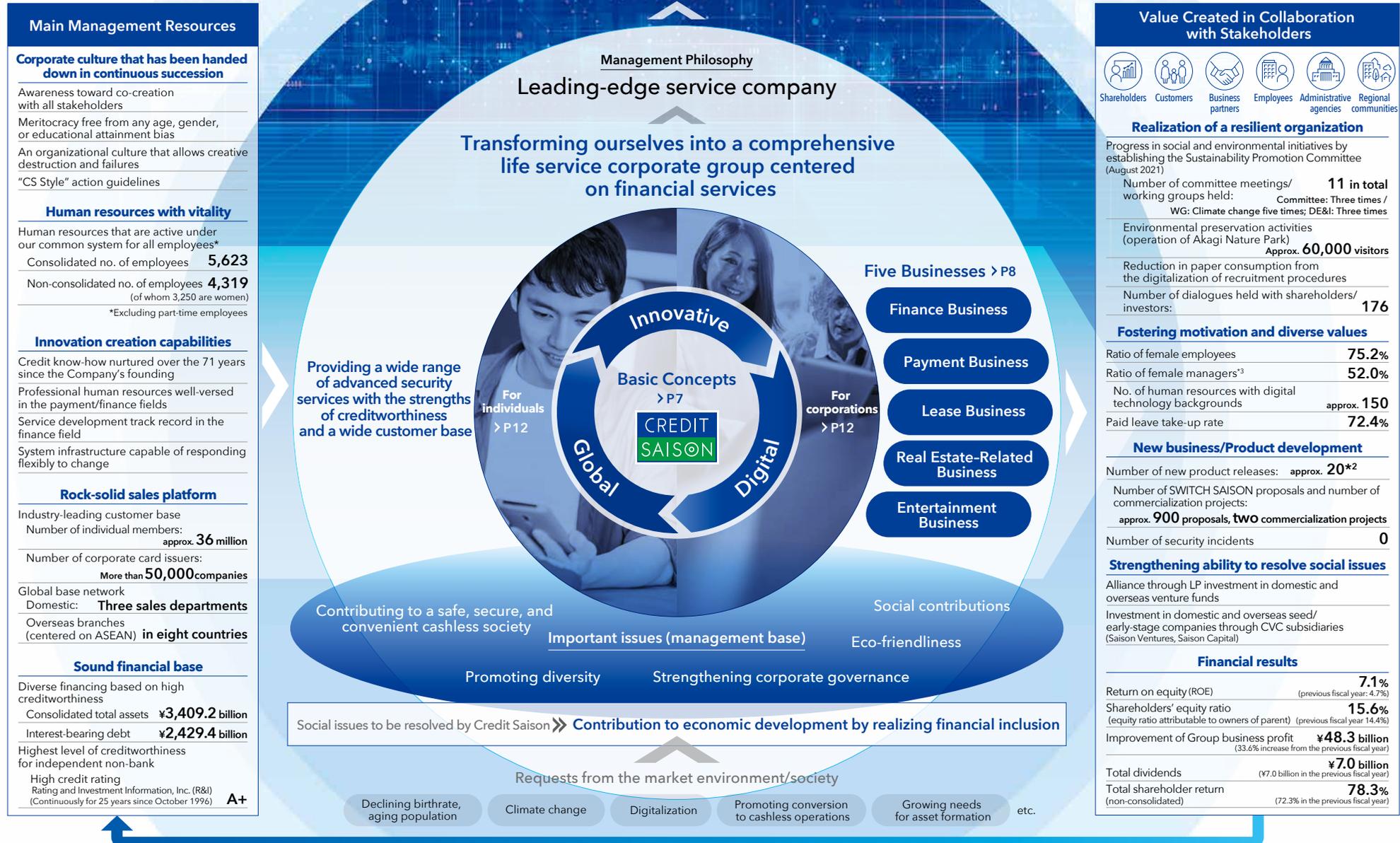
Promoting conversion to cashless operations

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	
<b>Corporate culture that has been handed down in continuous succession</b>	
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	
<b>Human resources with vitality</b>	
Human resources that are active under our common system for all employees*	
Consolidated no. of employees	<b>5,623</b>
Non-consolidated no. of employees (of whom 3,250 are women)	<b>4,319</b>
*Excluding part-time employees	
<b>Innovation creation capabilities</b>	
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	
<b>Rock-solid sales platform</b>	
Industry-leading customer base	
Number of individual members:	<b>approx. 36 million</b>
Number of corporate card issuers:	<b>More than 50,000 companies</b>
Global base network	
Domestic:	<b>Three sales departments</b>
Overseas branches (centered on ASEAN)	<b>in eight countries</b>
<b>Sound financial base</b>	
Diverse financing based on high creditworthiness	
Consolidated total assets	<b>¥3,409.2 billion</b>
Interest-bearing debt	<b>¥2,429.4 billion</b>
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)	
<b>A+</b>	

Value Created in Collaboration with Stakeholders	
<b>Realization of a resilient organization</b>	
Progress in social and environmental initiatives by establishing the Sustainability Promotion Committee (August 2021)	
Number of committee meetings/working groups held:	<b>11 in total</b>
WG: Climate change five times; DE&I: Three times	Committee: Three times /
Environmental preservation activities (operation of Akagi Nature Park)	
<b>Approx. 60,000 visitors</b>	
Reduction in paper consumption from the digitalization of recruitment procedures	
Number of dialogues held with shareholders/investors:	<b>176</b>
<b>Fostering motivation and diverse values</b>	
Ratio of female employees	<b>75.2%</b>
Ratio of female managers <sup>3</sup>	<b>52.0%</b>
No. of human resources with digital technology backgrounds	<b>approx. 150</b>
Paid leave take-up rate	<b>72.4%</b>
<b>New business/Product development</b>	
Number of new product releases: <b>approx. 20*2</b>	
Number of SWITCH SAISON proposals and number of commercialization projects:	
<b>approx. 900 proposals, TWO commercialization projects</b>	
Number of security incidents	<b>0</b>
<b>Strengthening ability to resolve social issues</b>	
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)	
<b>Financial results</b>	
Return on equity (ROE)	<b>7.1%</b> (previous fiscal year: 4.7%)
Shareholders' equity ratio (equity ratio attributable to owners of parent)	<b>15.6%</b> (previous fiscal year: 14.4%)
Improvement of Group business profit	<b>¥48.3 billion</b> (33.6% increase from the previous fiscal year)
Total dividends	<b>¥7.0 billion</b> (¥7.0 billion in the previous fiscal year)
Total shareholder return (non-consolidated)	<b>78.3%</b> (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

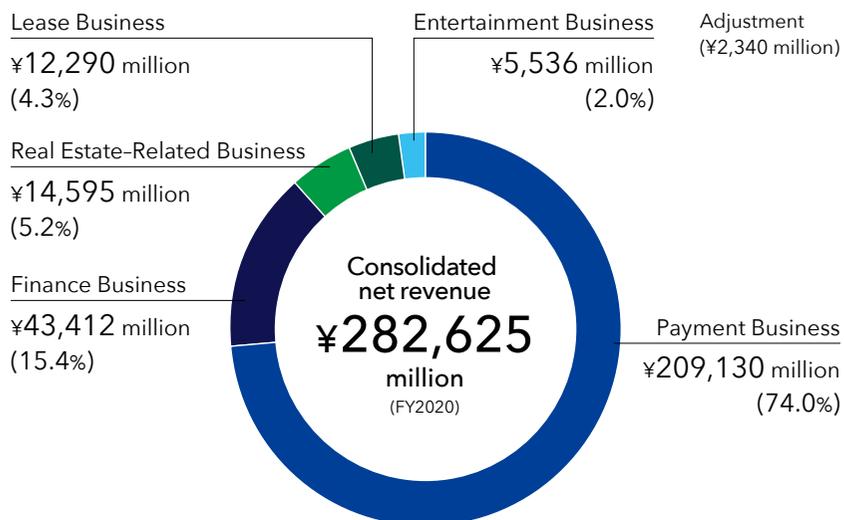
- Establishing a business foundation for dramatic performance
- Concentrated investing of management resources in businesses that contribute to profits
- Creating and diversifying businesses  
(Implementation of the CVC business and the impact business by Saison Capital Pte. Ltd.)

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

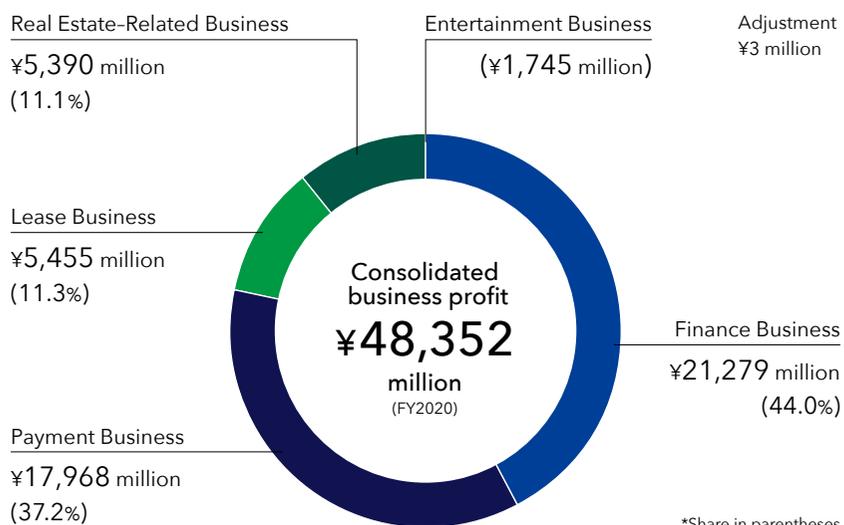
- Promoting a proper card strategy utilizing the smartphone self-contained service "SAISON CARD Digital"
- Expanding the issuer business and the processing business through digitalization and channel diversification
- Utilizing digitalization to fuse the Payment Business and the Finance Business

# 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"



Legend: Payment (blue), Global (light blue), Lease (white), Finance (green), Real estate-related (light green), Entertainment (cyan)

## 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 ▶ P14 Global Strategy ▶ P16

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



Business Strategy

▶ P12

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



Customer Strategy

▶ P15 CSDX Strategy ▶ P14

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



Group Strategy

▶ P18

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



Human Resource Strategy

Global

Digital

Innovative

## 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

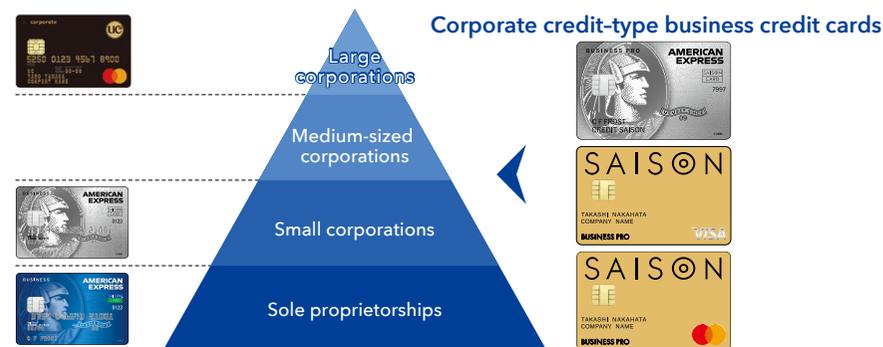
Likeme♡ by saison card  
(From March 2021)



## 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)

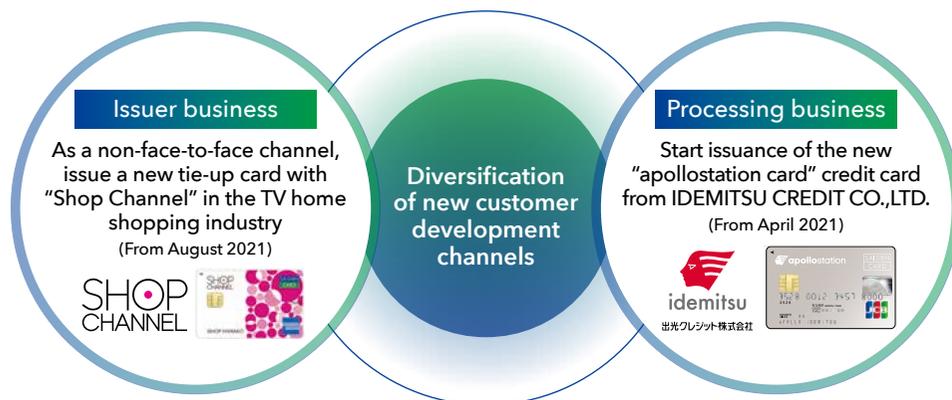


Main Services

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

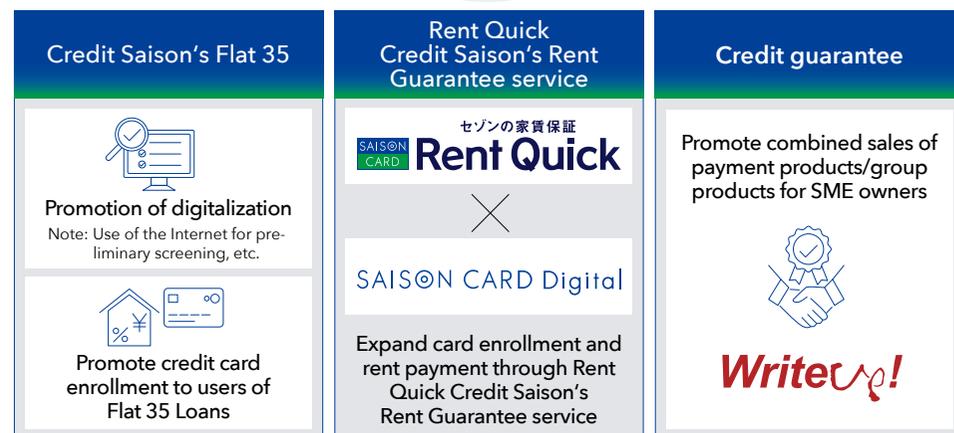
By utilizing the SAISON CARD Digital scheme to develop both existing partner services and new partners, we are encouraging customers to join and make payments via their smartphones while at the same time achieving improvements in the efficiency of our human resources. In the issuer business, we started 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

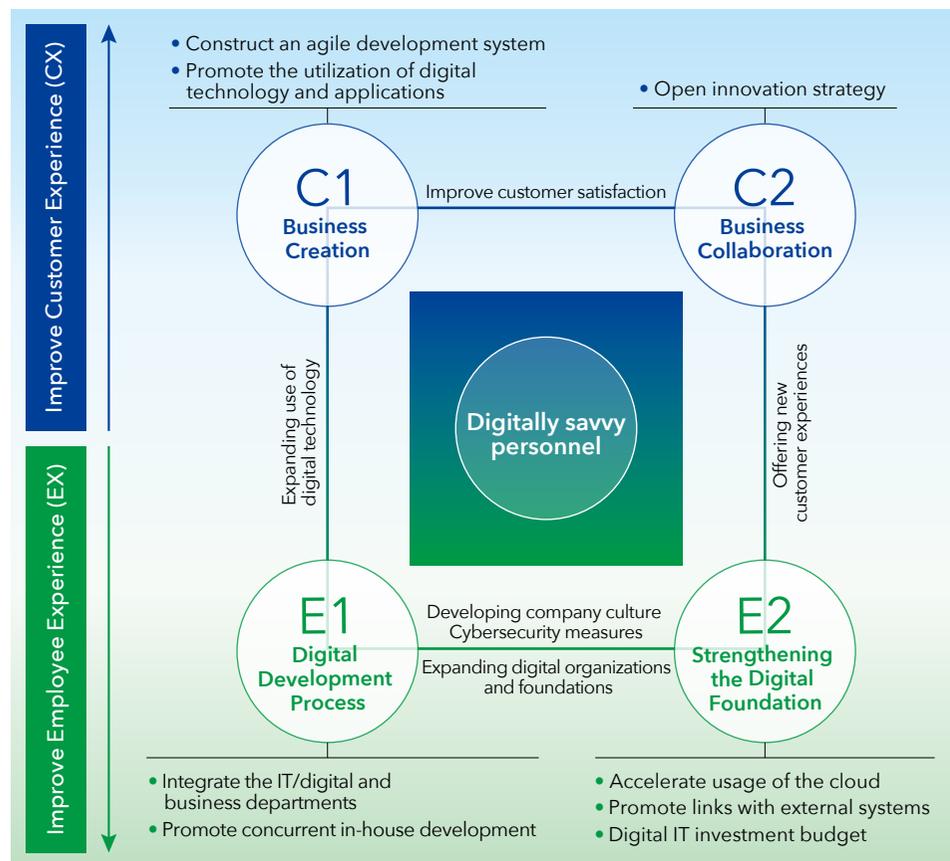
With Credit Saison's Flat 35, Loans, we are promoting the digitalization of the application process, including the launch of an electronic contract service and a tablet pre-screening application system. Rent Quick Credit Saison's Rent Guarantee service encourages users to join and use SAISON CARD Digital. 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.



## 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

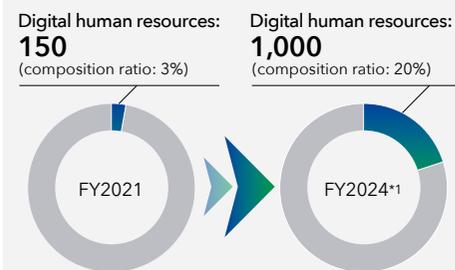


## Issues and Initiatives

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).

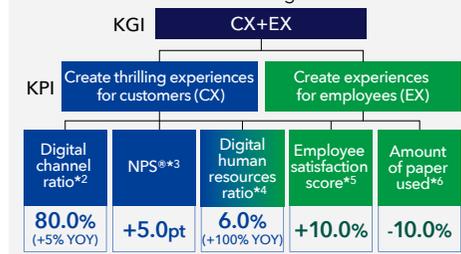
### Accelerating to Digital Organization

- 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

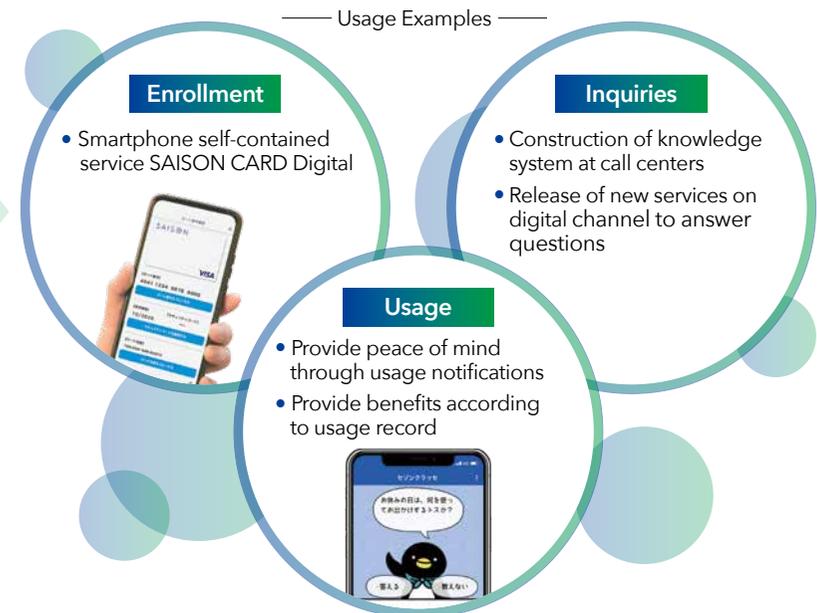
Due to the widespread use of smartphones, it has become possible for customers to carry out a range of transactions. Furthermore, amid the COVID-19 pandemic, digitalization is rapidly expanding because non-face-to-face and non-contact methods can prevent the spread of infection. Under such circumstances, 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.



## 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.

Country	Company Name	Established	Investment Ratio	Business Focus
India	Kisetsu Saison Finance (India) Private Limited	June 2018	100%	Digital lending business
Vietnam	HD SAISON Finance Company Ltd.	May 2015	49%	Retail finance business
Indonesia	PT. Saison Modern Finance	September 2015	82%	Digital lending business/leasing business
Thailand	SIAM SAISON Co., Ltd.	November 2018	30%	Digital credit granting/payment business
Philippines	-	-	-	Undertaking preparations for the launch of the finance business
Singapore	Saison Capital Pte. Ltd.	May 2014	100%	Overseas business development and integrated management
China	Credit Saison Corporation (Shanghai) Limited	March 2005	100%	Consulting business
Cambodia	Idemitsu Saison Microfinance (Cambodia) Plc.	August 2015	50% stake	Loan and installment payments 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



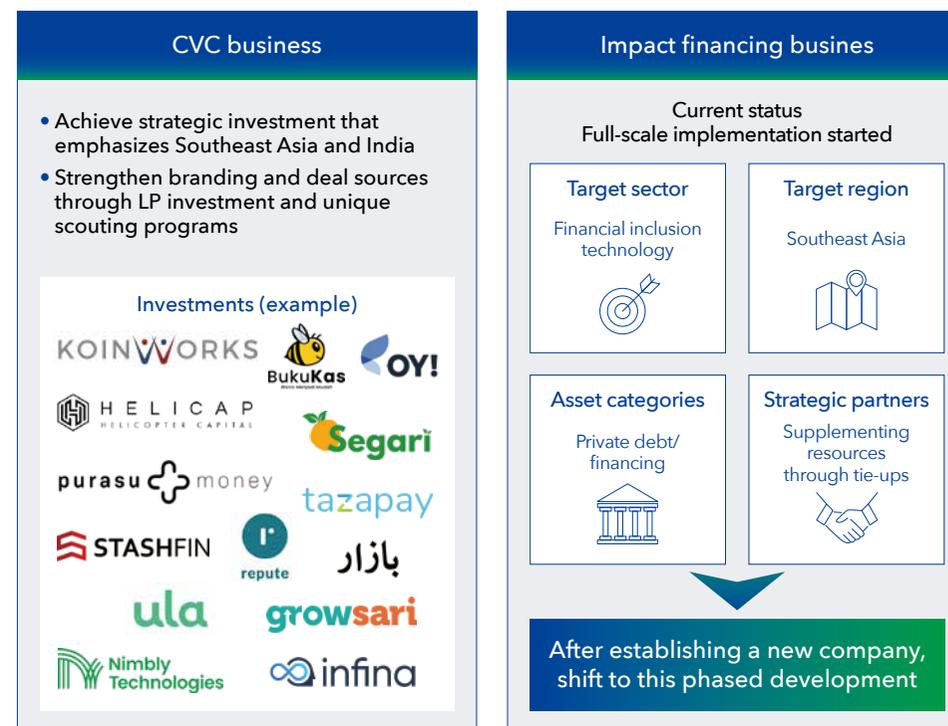
PT. Saison Modern Finance

- 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.



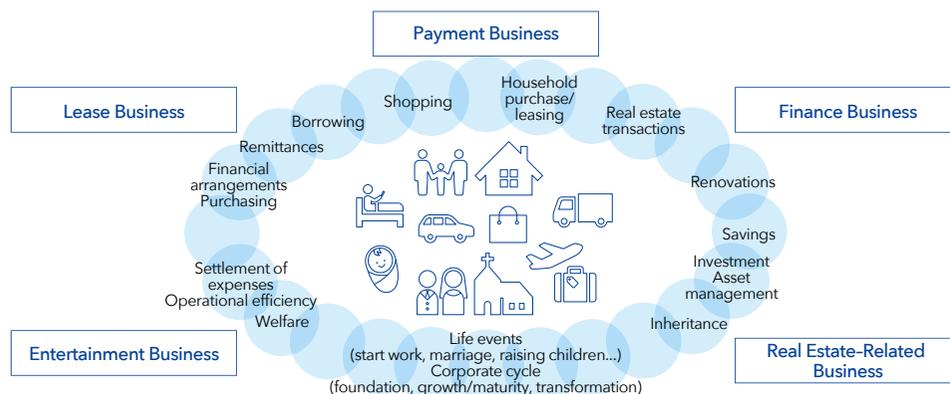
## Background and Policy

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)

## Basic Approach to ESG Management

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

## Value Co-Creation with Stakeholders

To remain as a company on which society depends, it is important to understand what stakeholders demand and to reflect these demands in business activities. Credit Saison will always place the utmost importance on the expectations and harsh opinions of its stakeholders. Every effort will be made to channel this feedback into further improving the Company's corporate value and ensuring its sustained growth.

## SDG Initiatives

Contributing to the SDGs is one of the major goals of Credit Saison. Meanwhile, simultaneously creating "Social Value" and "Economic Value" is one of the obligations placed on companies engaged in global business. To fulfill these goals and obligations, we are steadily advancing ESG management. In promoting ESG management, we are addressing social and environmental issues from the perspective of the "Five Ps" in a bid to achieve inclusion in the SDGs.



## Establishing the new Sustainability Promotion Committee

In August 2021, Credit Saison established the Sustainability Promotion Committee as an advisory body to the Representative Director in relation to sustainability activities. This Committee will enhance initiatives to resolve social and environmental problems through business Group-wide with the aim of achieving a sustainable society. It will also serve to link activities targeting social and environmental problems that had conventionally been carried out independently in a way that allows us to pursue initiatives in a more integrated, three-dimensional, and concrete manner.

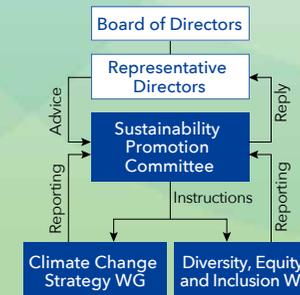
We have established two task forces under the Committee, namely the Climate Change Strategy WG and the Diversity, Equity, and Inclusion WG, for the purpose of promoting decisions made by the Committee and of reporting and making proposals to it. Along with endorsing the TCFD recommendations, the Committee will promote diversity, equity, and inclusion, such as the advancement of women.

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

## About committee activities during FY2021

During FY2021, the first fiscal year in which it was active, the Sustainability Promotion Committee met each month to reflect the Sustainability Strategy within the next Medium-term Management Plan.

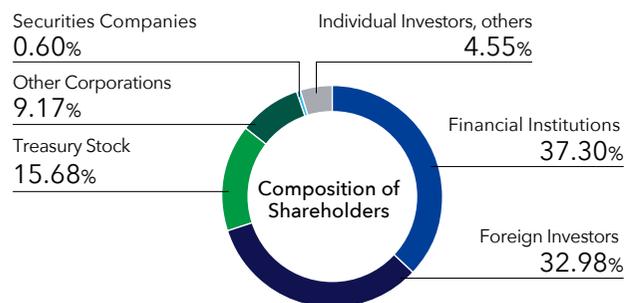
### Structure of Sustainability Promotion Committee



Sustainability Promotion Committee Members	
Chairperson	Representative, Executive President and COO Katsumi Mizuno
Vice-chair	Managing Executive Officer and CFO Shingo Baba
Members	Senior Managing Executive Officer Kosuke Mori
	Managing Executive Officer Kazue Yasumori
	Executive Officer Kaori Shimada
	Outside Director Nana Otsuki
Advisory member	
	Makoto Hayama (Fellow at the Institute for Global Environmental Strategies)

## Stock Information

Common Stock Authorized	300,000 thousand shares
Common Stock Outstanding	185,444 thousand shares
Number of Shareholders	19,265



## Major Shareholders (Top 10)

Institution	Equity stake	
	Number of shares (thousand)	Ownership percentage (%)
The Master Trust Bank of Japan Ltd. (trust account)	34,535	22.09
Custody Bank of Japan, Ltd. (trust account)	14,212	9.09
Daiwa Securities Group Inc.	8,050	5.15
HSBC BANK PLC A/C M AND G (ACS)	5,988	3.83
BNYMSANV AS AGENT/CLIENTS LUX UCITS NON TREATY 1	4,453	2.85
THE BANK OF NEW YORK 133972	4,440	2.84
Custody Bank of Japan, Ltd. (securities investment trust account)	3,786	2.42
Mizuho Bank, Ltd.	3,000	1.92
Custody Bank of Japan, Ltd. (pension special deposit account)	2,337	1.49
STATE STREET BANK AND TRUST COMPANY 505103	2,056	1.32

Notes: 1. The 29,070,289 treasury shares held by Credit Saison are not included in the above list of major shareholders.

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

## Shareholders Memo

Fiscal Year	Period beginning on April 1 and ending on March 31 of the following year
Ordinary General Meeting of Shareholders	Convened each year in June
Record Date	Ordinary general meeting of shareholders and year-end dividend payments - March 31 Should any other record date be required, a public notice will be issued in advance.
Transfer Agent and Administrator of Special Accounts	Sumitomo Mitsui Trust Bank Limited, 1-4-1, Marunouchi, Chiyoda-ku, Tokyo, Japan
Administrative Office of Transfer Agent	Stock Transfer Agency Business Department, Sumitomo Mitsui Trust Bank Limited, 1-4-1, Marunouchi, Chiyoda-ku, Tokyo, Japan
Mailing Address	Stock Transfer Agency Business Department, Sumitomo Mitsui Trust Bank Limited, 2-8-4, Izumi, Suginami-ku, Tokyo 168-0063, Japan
Telephone Inquiries	0120-782-031 (9:00-17:00 excluding weekends and holidays)
URL	<a href="https://www.smtb.jp/personal/agency/index.html">https://www.smtb.jp/personal/agency/index.html</a>
Method of Public Notice	Electronic notice (Credit Saison website) <a href="https://corporate.saisoncard.co.jp/en/public_announcement/">https://corporate.saisoncard.co.jp/en/public_announcement/</a>
Stock Listing	Tokyo Stock Exchange
Securities Code	8253

### [Notice of Address Change, etc. and Inquiries Relating to Shares]

Shareholders who have an account with a securities company are asked to contact the relevant securities company regarding address change and other notices, as well as inquiries. Shareholders who do not have an account with a securities company are asked to call the number indicated above for telephone inquiries.

### [Special Accounts]

For shareholders who were not using the "Hofuri" system (Japan Securities Depository Center, Inc.) prior to the introduction of the electronic share certificate system, an account (special account) has been opened at Sumitomo Mitsui Trust Bank Limited above as the transfer agent. Inquiries on special accounts should be directed to the transfer agent at the number indicated above for telephone inquiries.

## Corporate Profile

Name	Credit Saison Co., Ltd.
Incorporated	May 1, 1951
Head Office	52F Sunshine 60 Bldg., 1-1 Higashi-Ikebukuro 3-chome, Toshima-ku, Tokyo 170-6073, Japan
Representative	Hiroshi Rinno, Representative, Chairman and CEO Katsumi Mizuno, Representative, Executive President and COO Naoki Takahashi, Representative, Executive Vice President and CHO
Listed Stock Exchange	Tokyo (First Section)
Business	<ol style="list-style-type: none"> <li>1. Payment Segment (credit card business, servicing (loan collection agency) business, etc.)</li> <li>2. Lease Segment (lease business)</li> <li>3. Finance Segment (credit guarantee business and finance-related business)</li> <li>4. Real Estate-Related Segment (real estate business, real estate leasing business, and servicing (loan collection agency) business, etc.)</li> <li>5. Entertainment Segment (amusement business, etc.)</li> </ol>
Paid-in Capital	¥75,929 million
Number of Regular Employees	4,288

Note: In addition to our regular employees, we employ temporary and part-time employees, with the average number of non-regular employees per term at 1,598 (based on conversion to a 7.5-hour workday).

## In consideration of the new era, a new sales style

Due to the changes in our sales style, we reconsidered the approaches that would best suit our offices and decided on a system of three domestic sales departments. Utilizing newly established satellite offices as well as offices designed for the remote style of working, we have also changed the traditional concept of commuting to a fixed office and updated our sales operations to a style that provides value to our customers regardless of location or time.

### Domestic sales departments

**3 bases**

Changed to a domestic sales system comprising three departments, in Tokyo, Osaka and Fukuoka

### Satellite offices

**9 bases**

Using the current offices, located in Aomori, Fukushima, Shizuoka, Nagano, Ishikawa, Okayama, Ehime, Kagoshima and Okinawa prefectures

### Remote-style offices

**4 bases**

Newly established as our remote-style bases in Sapporo, Sendai, Nagoya and Hiroshima

### Kyushu Sales Dept.

9F Kyukan Hakata Ekimae Bldg.,  
19-27, Hakataekimae 2-chome,  
Hakata-ku, Fukuoka City, Fukuoka  
812-0011, Japan

### East Japan Sales Dept.

2F Otowa NS Bldg.,  
10-2, Otowa 2-chome,  
Bunkyo-ku, Tokyo  
112-0013, Japan

### West Japan Sales Dept.

4F Kansai Ubiquitous Bldg.,  
12-11, Minamisenba 1-chome,  
Chuo-ku,  
Osaka City, Osaka  
542-0081, Japan

### Head Office

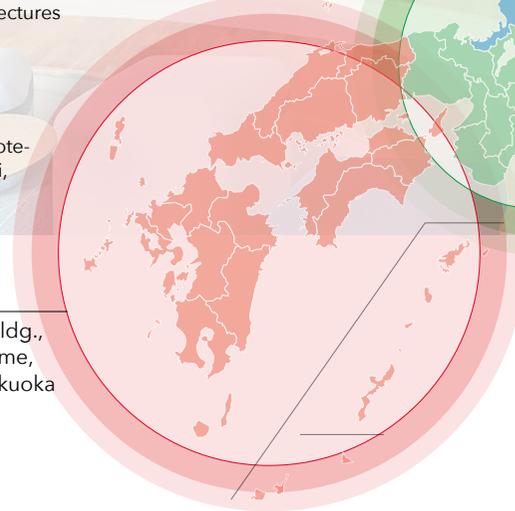
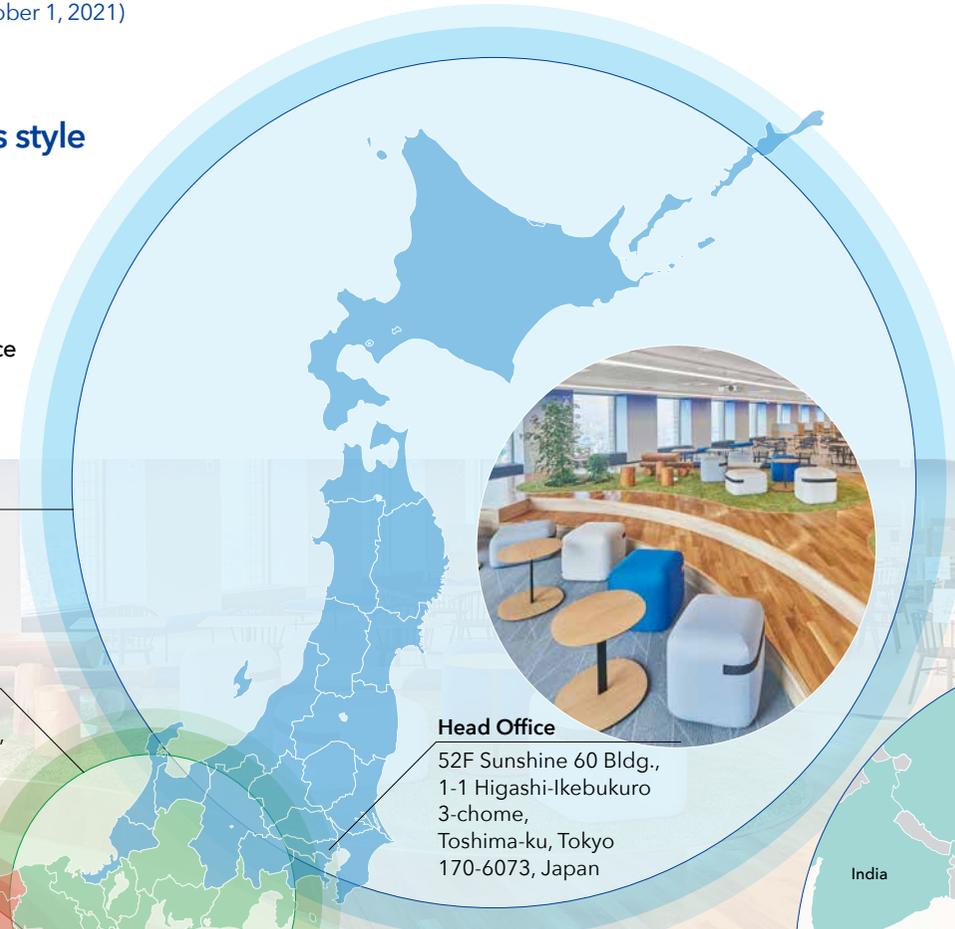
52F Sunshine 60 Bldg.,  
1-1 Higashi-Ikebukuro  
3-chome,  
Toshima-ku, Tokyo  
170-6073, Japan

### Global business regional headquarters

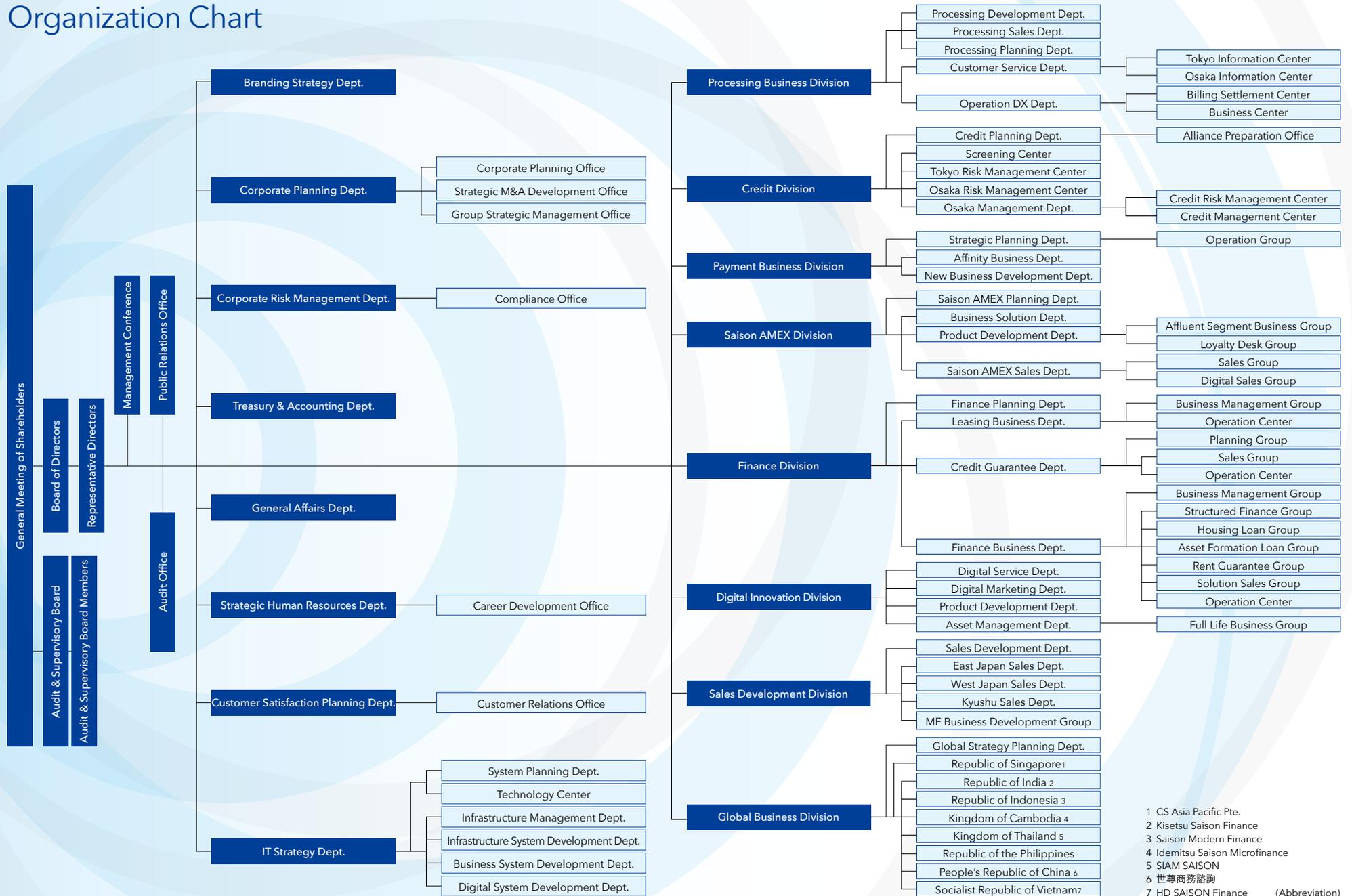
#### Credit Saison Asia Pacific Pte. Ltd.

Credit Saison Asia Pacific Pte Ltd.  
9 Raffles Place #06-00 Republic  
Plaza, Singapore 048619

Singapore  
Indonesia



# Organization Chart

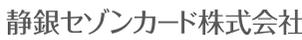


1 CS Asia Pacific Pte.  
 2 Kisetu Saison Finance  
 3 Saison Modern Finance  
 4 Idemitsu Saison Microfinance  
 5 SIAM SAISON  
 6 世尊商務諮詢  
 7 HD SAISON Finance (Abbreviation)

# List of Affiliated Companies (As of October 30, 2021) Note: In the order of the Japanese syllabary

Data Section

Main consolidated subsidiaries		
Payment Segment		
	JPN COLLECTION SERVICE CO., LTD.	Services
	SAISON ASSET MANAGEMENT CO., LTD.	Asset management
	Saison Personalplus Co., Ltd.	Temporary staffing business
	SAISON FUNDEX CORPORATION	Loans, real estate, credit guarantees
	Kisetsu Saison Finance (India) Pvt. Ltd.	Digital lending business in India
	PT. Saison Modern Finance	Digital lending, payments, points business, and lease business in Indonesia
Finance Segment		
	SAISON FUNDEX CORPORATION	Credit guarantee business, real estate finance business, loan business
Real Estate-Related Segment		
	Atrium Co., Ltd.	Comprehensive real estate business, servicing business
	Concerto Inc.	Amusement services, amusement business, real estate rental business
Entertainment Segment		
	Concerto Inc.	Amusement services, amusement business, real estate rental business

Major equity-method affiliates		
Payment Business		
 出光クレジット株式会社	IDEMITSU CREDIT Co., Ltd.	Credit card business, prepaid card business, finance business
	Shizugin Saison Card Co., Ltd.	Credit card business, credit guarantee business, prepaid card business
	Saison Information Systems Co., Ltd.	Information processing services
	Seven CS Card Service Co., LTD.	Credit card business
	Daiwa House Financial Co., Ltd.	Credit card business
	Takashimaya Financial Partners Co., Ltd.	Credit card business
	Resona Card Co., Ltd.	Credit cards and credit guarantees
	HD SAISON Finance Company Ltd.	Finance business in Vietnam
Entertainment Segment		
	Eplus Inc.	Ticket sales

The background of the page is a large, abstract graphic consisting of several overlapping, curved bands of blue. The colors range from a deep, dark blue to a bright, vibrant cyan. The curves are concentric and sweep across the page from the top right towards the bottom left, creating a sense of motion and depth.

**Credit Saison Co., Ltd.**

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

CREDIT SAISON

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## FINANCIAL SECTION 2021

For the Year Ended March 31, 2021



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	FY2020 (As of March 31, 2021)	
	Millions of yen	Thousands of U.S. dollars
<b>Assets</b>		
Cash and cash equivalents	¥ 101,001	\$912,228
Trade and other receivables	2,607,838	23,553,453
Inventories	139,530	1,260,213
Operational investment securities	47,250	426,752
Investment securities	78,774	711,470
Other financial assets	13,374	120,793
Property, plant, and equipment	29,095	262,786
Right-of-use assets	14,850	134,122
Intangible assets	171,421	1,548,241
Investment property	73,888	667,347
Investments accounted for using equity method	80,680	728,693
Deferred tax assets	37,569	339,318
Other assets	13,972	126,195
<b>Total assets</b>	<b>¥ 3,409,247</b>	<b>\$30,791,616</b>

	FY2020 (As of March 31, 2021)	
	Millions of yen	Thousands of U.S. dollars
<b>Liabilities and equity</b>		
<b>Liabilities</b>		
Trade and other payables	¥229,962	\$2,076,972
Financial guarantee liabilities	9,823	88,721
Bonds and borrowings	2,429,488	21,942,634
Other financial liabilities	23,799	214,951
Income taxes payable	6,079	54,911
Provision for point card certificates	113,207	1,022,469
Provision for loss on interest repayments	17,121	154,637
Other provisions	1,521	13,744
Deferred tax liabilities	1,005	9,077
Other liabilities	45,181	408,066
<b>Total liabilities</b>	<b>2,877,190</b>	<b>25,986,187</b>
<b>Equity</b>		
Equity attributable to owners of parent	530,971	4,795,619
Share capital	75,929	685,778
Capital surplus	85,198	769,493
Retained earnings	414,260	3,741,510
Treasury shares	△62,808	△567,275
Other components of equity	18,392	166,113
Non-controlling interests	1,086	9,808
<b>Total equity</b>	<b>532,057</b>	<b>4,805,428</b>
<b>Total liabilities and equity</b>	<b>¥3,409,247</b>	<b>\$30,791,616</b>

CONSOLIDATED STATEMENT OF INCOME

	FY2020 (April 1, 2020 to March 31, 2021)	
	Millions of yen	Thousands of U.S. dollars
Revenues		
Income from the payment business	¥206,722	\$1,867,073
Income from the lease business	12,286	110,972
Income from the finance business	43,412	392,092
Revenue from the real estate-related business	32,382	292,474
Revenue from the entertainment business	29,548	266,872
Finance income	1,028	9,292
	<u>Total</u>	<u>2,938,778</u>
Of interest income	108,784	982,519
Cost of sales		
For the real estate-related business	18,743	169,286
For the entertainment business	24,012	216,874
	<u>Total</u>	<u>386,160</u>
Net revenue	<u>282,625</u>	<u>2,552,617</u>
Selling, general, and administrative expenses	202,380	1,827,858
Impairment losses on financial assets	31,867	287,822
Finance costs	11,266	101,760
Share of profit of investments accounted for using equity method	4,168	37,652
Other income	12,475	112,676
Other expenses	2,839	25,644
Profit before income tax expense	<u>50,915</u>	459,859
Income tax expense	14,668	132,482
Profit	<u>¥36,247</u>	<u>\$327,377</u>
Profit attributable to		
Owners of parent	¥36,132	\$326,343
Non-controlling interests	114	1,033
Profit	<u>¥36,247</u>	<u>\$327,377</u>

RECONCILIATION FROM PROFIT BEFORE TAX TO BUSINESS PROFIT

	FY2020 (April 1, 2020 to March 31, 2021)	
	Millions of yen	Thousands of U.S. dollars
Profit before tax	¥50,915	\$459,859
Reconciliations (Selling, general, and administrative expenses)	924	8,351
Reconciliations (Other income)	△6,672	△60,263
Reconciliations (Other expenses)	2,473	22,337
Adjustments for the application of the effective interest method to financial assets	711	6,429
	<u>Subtotal</u>	<u>△2,562</u>
Business profit	<u>¥48,352</u>	<u>\$436,713</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FY2020 (April 1, 2020 to March 31, 2021)

	Millions of yen							
	Equity attributable to owners of parent						Non-controlling interests	Total
	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity	Total		
Balance as of April 1, 2020	¥75,929	¥85,279	¥384,182	¥△62,881	¥2,161	¥484,670	¥805	¥485,476
Profit			36,132			36,132	114	36,247
Other comprehensive income					17,209	17,209	17	17,227
Comprehensive income			36,132		17,209	53,342	131	53,474
Purchase of treasury shares				△0		△0		△0
Disposal of treasury shares		△0		0		0		0
Share-based remuneration transactions		31		73		104	32	137
Dividends			△7,033			△7,033		△7,033
Transfer from other components of equity to retained earnings			978		△978			
Changes in ownership interest in subsidiaries		△112				△112	112	
Other							3	3
Total transactions with owners		△80	△6,055	72	△978	△7,041	148	△6,893
Balance as of March 31, 2021	¥75,929	¥85,198	¥414,260	¥△62,808	¥18,392	¥530,971	¥1,086	¥532,057

	Thousands of U.S. dollars							
	Equity attributable to owners of parent						Non-controlling interests	Total
	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity	Total		
Balance as of April 1, 2020	\$685,778	\$770,223	\$3,469,855	\$△567,933	\$19,518	\$4,377,441	\$7,279	\$4,384,720
Profit			326,343			326,343	1,033	327,377
Other comprehensive income					155,434	155,434	157	155,592
Comprehensive income			326,343		155,434	481,777	1,190	482,967
Purchase of treasury shares				△3		△3		△3
Disposal of treasury shares		△0		0		0		0
Share-based remuneration transactions		285		661		946	293	1,240
Dividends			△63,529			△63,529		△63,529
Transfer from other components of equity to retained earnings			8,839		△8,839			
Changes in ownership interest in subsidiaries		△1,015				△1,015	1,015	
Other							29	29
Total transactions with owners		△730	△54,690	658	△8,839	△63,601	1,337	△62,264
Balance as of March 31, 2021	\$685,778	\$769,493	\$3,741,510	\$△567,275	\$166,113	\$4,795,619	\$9,808	\$4,805,428

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

1. BASIS FOR PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

2. SCOPE OF CONSOLIDATION

Number of consolidated subsidiaries 34  
 Name of principal consolidated subsidiary Saison Fundex Corporation  
 At the meeting of the Board of Directors held on February 26, 2020, a resolution was passed for the absorption-type merger of Qubitous Co., Ltd. (“the absorption merger”), a consolidated subsidiary of the Company. The effective date of the absorption merger was April 1, 2020.

3. ACCOUNTED FOR USING EQUITY METHOD

Number of companies accounted for using equity method 31  
 Names of principal companies

- Saison Information Systems, Co., Ltd.
- Idemitsu Credit Co., Ltd.
- Resona Card Co., Ltd.
- Shizugin Saison Card Co., Ltd.
- Daiwa House Financial Co., Ltd.
- Takashimaya Financial Partners Co., Ltd.
- Seven CS Card Service Co., Ltd.
- Eplus Inc.
- HD SAISON Finance Company Limited

4. FISCAL YEAR OF CONSOLIDATED SUBSIDIARIES

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

5. ACCOUNTING POLICIES

(1) Valuation standards and methods for financial assets

(a) Financial assets

1) Initial recognition and measurement

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

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

All financial assets are measured at fair value plus any transaction costs, except for those classified

as financial assets measured at fair value through profit or loss.

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

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

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

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

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

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

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

## 2) Subsequent measurement

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

### (i) Financial assets measured at amortized cost

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

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

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

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

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

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

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

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

## 3) Derecognition of financial assets

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

## 4) Impairment of financial assets

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

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

Conversely, if the credit risk on financial assets at the end of the reporting period has increased significantly since initial recognition, allowance for doubtful accounts is measured at an amount equal to the expected credit losses that result from all possible default events over the expected life of such financial assets (lifetime expected credit losses). In this case, allowance for doubtful accounts is determined by estimating the lifetime expected credit losses related to the collection of such financial assets based on information such as the probability of default, future recoverable amounts, and other reasonable and supportable information, including forward-looking data. In principle, it is presumed that the credit risk on financial assets has increased significantly when contractual payments are more than 30 days past due. In assessing whether or not the credit risk has increased significantly, the Group takes reasonably available and supportable information in addition to past due information.

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

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

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

## (b) Financial liabilities

### 1) Initial recognition and measurement

The Group classifies financial liabilities as subsequently measured at amortized cost, except for derivatives and financial guarantee liabilities. The classification is made at the time of initial recognition.

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

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

### 2) Subsequent measurement

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

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

### 3) Derecognition of financial liabilities

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

(c) Presentation of financial assets and financial liabilities

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

(d) Derivatives and hedge accounting

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

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

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

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

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

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

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

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

1) Fair value hedges

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

2) Cash flow hedges

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

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

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

recognized in equity through other comprehensive income remains in equity until the future cash flow occurs.

(e) Financial guarantee liabilities

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

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

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

(2) Valuation standards and methods for inventories

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

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

(a) Recognition and measurement

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

(b) Depreciation

Depreciation is calculated based on the depreciable amount. The depreciable amount is calculated by deducting the residual value from the acquisition cost of the asset. Depreciation is recognized in profit or loss by mainly using the straight-line method over the estimated useful life of each component of property, plant and equipment. Land and construction in progress are not subject to depreciation.

The estimated useful lives of main assets are as follows:

Buildings	39 to 47 years
Other	5 to 10 years

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

(4) Depreciation method for investment property

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

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

The estimated useful lives of main assets are as follows:

Investment property

19 to 50 years

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

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

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

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

The estimated useful lives of main assets are as follows:

Software	5 to 15 years
Other	5 to 20 years

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

(6) Leases

(a) Leases as a lessee

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

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

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

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

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

(b) Leases as a lessor

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

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

For the operating lease, the Group presents assets subject to operating leases in its consolidated

statement of financial position and recognizes lease payments to be received as income over the lease term under the straight-line method in the consolidated statement of income.

(7) Goodwill

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

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

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

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

(8) Impairment of non-financial assets

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

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

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

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

(9) Accounting policy for significant provisions

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

(a) Provision for point card certificates

The Group offers a rewards program to its card holders (members) as the major benefit of holding

the credit card. Under the program, card holders can exchange points earned based on the amount of credit card purchases for a variety of items. Points granted to members have no expiry date.

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

(b) Provision for loss on interest repayments

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

(c) Other provisions

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

(10) Employee benefits

(a) Defined contribution pension plans

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

(b) Short-term employee benefits

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

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

(11) Revenue

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

(a) Payment business

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

1) Credit card shopping

(i) Affiliated store fees

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

(ii) Customer fees

Customer fees mainly represent fees received from cardholders for using revolving payments and other services. As stated in Note "3. Significant Accounting Policies (4) Financial instruments, (a) Financial assets, 2) Subsequent measurement," revenue is recognized under IFRS 9, "Financial Instruments" ("IFRS 9"), using the effective interest method.

(iii) Annual membership fees, etc.

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

2) Credit card cash advance

Revenue from cash advance services represents fees received from cardholders for using credit card cash advance via credit cards or loan cards issued by the Group. As stated in Note "3. Significant Accounting Policies (4) Financial instruments, (a) Financial assets, 2) Subsequent measurement," revenue is recognized under IFRS 9 using the effective interest method.

3) Term loans

Revenue from term loan services represents fees received from cardholders or customers who obtain loans directly from the Group in forms other than credit card cash advance. As stated in Note "3. Significant Accounting Policies, (4) Financial instruments, (a) Financial assets, 2) Subsequent measurement," revenue is recognized under IFRS 9 using the effective interest method.

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

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

(b) Lease business

Revenue is recognized under IFRS 16, "Leases." ("IFRS 16"). For details, see Note "3. Significant Accounting Policies, (10) Leases, (b) Leases as a lessor."

(c) Finance business

1) Credit guarantees

Fees are received when the Group guarantee loans provided by their partner financial institutions. Revenue is recognized under IFRS 9. For details, see Note "3. Significant Accounting Policies, (4) Financial instruments, (e) Financial guarantee liabilities."

2) Finance-related business

Fees are directly received from customers who obtain loans directly from the Group. As stated in Note "3. Significant Accounting Policies, (4) Financial instruments, (a) Financial assets, 2) Subsequent measurement," revenue is recognized under IFRS 9 using the effective interest method.

(d) Real estate-related business

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

(e) Entertainment business

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

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

Step 1: Identify contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to performance obligations in the contract

Step 5: Recognize revenue when (or as) the performance obligation is satisfied

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

(12) Foreign currency translation

(a) Foreign currency transactions

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

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

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

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

(b) Foreign operations

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

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

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

(13) Other important matters for the preparation of the consolidated financial statements

(a) Accounting for consumption tax

Consumption tax is accounted for by the tax exclusion method.

(b) Functional currency and presentation currency

The consolidated financial statements of the Group are presented in Japanese yen, which is the functional currency of the Company. Amounts less than one million yen are rounded down to the nearest million yen. Japanese yen amounts have been translated into U.S. dollars at the rate of ¥110.72 = U.S.\$1, the approximate exchange rate on March 31, 2021, for the convenience of the reader. Amounts less than one thousand dollars are rounded down to the nearest thousand dollars.

These translations should not be construed as representations that Japanese yen amounts have been or could be converted into U.S. dollars at that or any other rate

(Notes on changes in presentation)

In accordance with the revision of the Corporate Accounting Rules, "Notes on Accounting Estimates" has been included in the notes to the consolidated financial statements for the current fiscal year.

(Notes on accounting estimates)

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

	Millions of yen	Thousands of U.S. dollars
Trade and other receivables	¥2,607,838	\$23,553,453
Other financial assets	3,239	29,261
Property, plant, and equipment	29,095	262,786
Right-of-use assets	14,850	134,122
Intangible assets	171,421	1,548,241
Investment property	73,888	667,347
Deferred tax assets	37,569	339,318
Financial guarantee liabilities	9,823	88,721
Other financial liabilities	5,809	52,467
Provision for point card certificates	113,207	1,022,469
Provision for loss on interest repayments	¥17,121	\$154,637

The above amounts for "Trade and other receivables" and "Other financial assets" are net of the allowance for doubtful debts; the amounts are ¥49,075 million (U.S. \$443,238 thousand) and ¥141 million (U.S. \$1,282 thousand), respectively.

1. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

Although the outbreak of the novel coronavirus disease (COVID-19) has started over a year ago, concerns regarding the resurgence of infection remain and the outlook regarding this matter remains uncertain. Depending on the situation of the spread of the disease, deterioration in the economic situation, such as a slump in personal consumption or corporate bankruptcies caused by the spread of COVID-19, could have a significant impact on the Group's performance and financial position. COVID-19 has various impacts, particularly with regard to the credit risk on receivables held by the Group and the risk of impairment of non-financial assets. In calculating the impact of these two risks on the Group's consolidated financial statements, the Group uses macroeconomic variables, such as the unemployment rate announced by think tanks. The calculation methodology is based on the deterioration of macroeconomic variables that correlate with credit risk and the reduction in future cash flows from the cash-generating units. In most think-tank scenarios, macroeconomic variables deteriorate in the year ending March 2022 and recover in the year ending March 2023. Therefore, the Group calculates the expected negative impacts on its operating performance under such scenarios. The Group adjusts accounting estimates, such as the allowance for doubtful accounts and impairment of nonfinancial assets, if the expected negative impacts relate to those estimates. Although the Group believes that these estimates are best available at the time of preparation of the consolidated financial statements, there is a high degree of uncertainty in the assumptions used in the estimates. In the event that COVID-19 spreads or accompanying changes in the economic situation occur in the future, the estimates may be revised in the consolidated financial statements from the next fiscal year.

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

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

In estimating future cash flows, the Group takes into account not only historical information, such as

the possibility of default and the collection rate of receivables after default, but also reasonably expected future events and other factors. Specifically, when various macroeconomic variables are expected to deteriorate in the future and the probability of default of the Group's receivables is expected to increase, the Group adjusts the probability of default by using macroeconomic variables, such as GDP and unemployment rate, which are correlated with expected credit losses. At each reporting date, the Group obtains the most recent future forecast values for macroeconomic variables and considers whether the estimate needs to be changed.

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

(b) Provision for point card certificates

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

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

(c) Provision for loss on interest repayments

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

(d) Impairment of non-financial assets

The Group conducts impairment testing for property, plant and equipment, intangible assets including goodwill and investment property. In determining recoverable amounts through the impairment test, the Group makes certain assumptions on useful lives of assets, future cash flows, pretax discount rate, long-term growth rate, and other factors. These assumptions are determined based on management's best estimates and judgments; however, the assumptions may be affected by results of changes in uncertain economic conditions in the future. If the assumptions need to be reviewed, this may significantly affect amounts recognized in consolidated financial statements in the following fiscal years.

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

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

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

(f) Recoverability of deferred tax assets

Deferred tax assets and liabilities are recognized for temporary differences between the carrying

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

## (NOTES TO CONSOLIDATED FINANCIAL STATEMENTS)

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

31,853	287,690
Millions of yen	Thousands of U.S. dollars

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

Trade and other receivables	49,075	443,238
	Millions of yen	Thousands of U.S. dollars
Other financial assets	141	1,282
	Millions of yen	Thousands of U.S. dollars

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

Assets pledged as collateral		Liabilities related to collateral	
Type	Ending Balance	Type	Ending Balance
Trade and other receivables (Accounts receivable – installment)	93,353 Millions of yen	Bonds and borrowings (Securitized borrowings)	93,353 Millions of yen
(Finance lease receivables)	843,148 Thousands of U.S. dollars		843,148 Thousands of U.S. dollars
Other financial assets (Guarantee deposits)	1,511 Millions of yen	Other financial liabilities (Deposits received)	1,743 Millions of yen
	13,647 Thousands of U.S. dollars		15,744 Thousands of U.S. dollars
Total	94,864 Millions of yen	Total	95,096 Millions of yen
	856,795 Thousands of U.S. dollars		858,892 Thousands of U.S. dollars

"Securitized borrowings" are liabilities arising from the securitization of instalment receivables and finance lease receivables.

"Guarantee deposits" are deposited as guarantee money for issuance, etc., in accordance with Article 14-1 of the Law Concerning Funds Settlement.

## 4. INVESTMENT SECURITIES

Investment securities of ¥2,618 million (U.S. \$23,645 thousand) are subject to stock lending agreements.

## 5. CONTINGENCIES

## Debt guarantee

	Millions of yen	Thousands of U.S. dollars
Customers related to retail loans provided by partner financial institutions	¥216,529	\$1,955,648
Customers related to loans with pictures pledged as collateral provided by partner financial institutions	40	363
Customers related to rent guarantee business	82,220	742,601
Borrowings entered into by GFINSERVICES (S) PTE. LTD.	1,069	9,660
Customers related to mortgage loans provided by partner financial institutions	103,763	937,167
Customers related to housing loans provided by partner financial institutions	1,486	13,423
Total	¥405,109	\$3,658,864

## 6. COMMITMENTS

## (Lender)

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

	Millions of yen	Thousands of U.S. dollars
Total loan commitments	¥4,084,300	\$36,888,553
Balance of loans taken out	178,436	1,611,600
Net amount	¥3,905,864	\$35,276,952

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

## (Borrower)

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

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

	Millions of yen	Thousands of U.S. dollars
Total amount of commitments	¥300,000	\$2,709,537
Borrowings made under the commitment	—	—
Net amount	¥300,000	\$2,709,537

## (NOTES TO CONSOLIDATED STATEMENT OF INCOME)

## 1. BUSINESS PROFIT

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

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

The breakdown of reconciliations is as follows:

	Millions of yen	Thousands of U.S. dollars
Reconciliations (Selling, general, and administrative expenses)	¥924	\$8,351
Loss related to COVID-19 (*1)	924	8,351
Reconciliations (Other income)	△6,672	△60,263
Gain on sale of shares of subsidiaries and associates	△3,968	△35,845
Gain on sale of fixed assets	△2,629	△23,747
Other	△74	△670
Reconciliations (Other expenses)	2,473	22,337
Loss on disposal of noncurrent assets	592	5,348
Amount of payment (*2)	580	5,245
Impairment losses on nonfinancial assets	1,218	11,001
Other	82	740
Adjustments for the application of the effective interest method to financial assets(*3)	711	6,429
Total	¥△2,562	\$△23,145

\*1 In response to various requests from the national and local governments taken to address COVID-19, the Group compensated some of its employees due to the suspension of business partners and locations and took measures to close some locations temporarily. This item of reconciliation from business profit comprises nonrecurring expenses that include the fixed costs (such as personnel costs and depreciation) resulting from the aforementioned businesses. The Group recognizes ¥662 million (U.S. \$5,983 thousand) grant, received as a government grant pertaining to COVID-19, in the third quarter of the fiscal year ended March 31, 2021, as profit or loss and has excluded it from related expenses.

\*2 A onetime adjustment for expenses with business partners.

\*3 Mainly reversal of effective interest rate adjustments, such as loan administration fees and transaction costs.

(NOTES TO CONSOLIDATED STATEMENT OF CHANGES IN EQUITY)

1. TYPE AND NUMBER OF SHARES ISSUED AS OF MARCH 31, 2021

Common stock 185,444,772 shares

2. DIVIDENDS

(1) Dividends paid

Resolution	Class of shares	Total amount of dividends (Millions of yen) *Thousands of U.S. dollars	Dividends per share (Yen) *U.S. dollars	Record date	Effective date
Ordinary general meeting of shareholders held on June 18, 2020	Common stock	¥7,033 *\$64,632	¥45 *\$0.41	March 31, 2020	June 19, 2020

(2) Dividends with an effective date falling in the following fiscal year are as follows:

Resolution (planned)	Class of shares	Resource of dividends	Total amount of dividends (Millions of yen) *Thousands of U.S. dollars	Dividends per share (Yen) *U.S. dollars	Record date	Effective date
Ordinary general meeting of shareholders held on June 23, 2021	Common stock	Retained earnings	¥7,035 *\$63,542	¥45 *\$0.40	March 31, 2021	June 24, 2021

(NOTES TO FINANCIAL INSTRUMENTS)

1. STATUS OF FINANCIAL INSTRUMENTS

(1) Policy on financial instruments

The Group is engaged in the Payment business, Lease business, Finance business, Real estate-related business, and Entertainment business. While considering market forces and the balance of short-term and long-term borrowings, the Group utilizes both indirect financing through bank borrowings and direct financing through the issuance of bonds and commercial papers as well as securitization of receivables to operate businesses in each segment. As the Group is significantly affected by interest rate fluctuations, the Group mitigates interest rate risks by promoting the use of Asset-Liability Management ("ALM"), which is the practice of managing assets and liabilities in a comprehensive manner. For the same purpose, the Group also enters into derivative transactions, such as interest rate swaps.

(2) Description of financial instruments and risks

Financial assets of the Group are mainly composed of accounts receivable – installment from its card members. The Group is exposed to credit risks mainly when the repayment ability of credit card members deteriorates. The majority of accounts receivable – installment as of March 31, 2021, resulted from the Payment business. Changes in economic environment surrounding the business, such as labor conditions, household disposable income, and consumer spending due to recession, may hinder card members in fulfilling their obligations in accordance with contract terms and conditions.

The Group's (operational) investment securities mainly consist of stocks, investment trusts, and investments in partnerships, which are held for the purpose of pure investment and business promotion.

The Group is exposed to liquidity risk, which represents the risk that it cannot fulfil the repayment obligation when due for interest-bearing debts, such as borrowings, bonds and commercial papers, under certain circumstances. For example, a greater-than-expected change might be seen in financial markets or the Group might not be able to participate in markets due to a downgrade of the Group's credit rating. In addition, the Group has borrowings with floating interest rates, which expose it to

the risk of interest rate fluctuations, but some of these borrowings are hedged against this risk by interest rate swap transactions.

Derivative transactions include interest rate swap transactions conducted as a part of ALM. The Group applies hedge accounting to these hedging instruments for interest rate fluctuation risks associated with borrowings that are hedged items.

(3) Risk management system for financial instruments

① Credit risk management

The Group strives for continuous improvement in the quality of receivables and develops and operates a system related to credit control, such as credit limits, credit information control, and internal ratings, in accordance with the Company's internal rules for credit risk management. The Group periodically holds Board of Directors and other relevant meetings to discuss and report the status of credit controls. The ALM Committee is responsible for the management of (operational) investment securities by regularly obtaining credit and fair value information. Long-term loans receivable are regularly monitored at the level of each department for borrowers' credit risk and other risks. In dealing with counterparty risk in derivative transactions, in order to avoid credit risk that arises from default, the Group contracts with domestic and foreign banks and securities companies with high creditworthiness.

② Market risk management

(i) Interest rate risks management

The Group manages interest rate fluctuation risks through ALM. Methods and procedures for risk management are stated under internal rules for ALM. Based on the policy determined by the ALM Committee, the Board of Directors understands the implementation status and discusses matters to be addressed. The relevant departments regularly review the overall status of interest rates and terms of financial assets and liabilities and monitor them through sensitivity (gap) analysis and other measures. Through ALM, the Group also enters into derivative transactions for interest rate swaps to hedge interest rate fluctuation risks.

(ii) Price fluctuation risks management

Based on the ALM policy, the Group mitigates price fluctuation risks of investment products, including investment (operational) securities by implementing preliminary investigations, setting a cap on investment amounts, and also implementing ongoing monitoring for potential investments. Additionally, stocks held for the purpose of promoting business through business or capital alliances are monitored by relevant departments of the Group for issuers' market environments, financial conditions, and other risk factors. Relevant departments are responsible for regularly reporting to the ALM Committee and other management.

(iii) Derivative transactions

Regarding the derivative transactions, relevant departments are responsible for executing derivative transactions in accordance with procedures specified in internal control regulations stipulated by the Board of Directors, and the total transaction limit and the range of the hedge ratios are authorized by the Board of Directors in advance. The status of major derivative transactions is reported to the Board of Directors on a quarterly basis. Consolidated subsidiaries enter into derivative transactions in accordance with control regulations stipulated by each subsidiary. Subsidiaries are required to report to the Company on a quarterly basis regarding the hedging relationships between derivatives and corresponding receivables/payables, counterparties, transaction amounts, remaining periods, and the fair values of transactions.

(iv) Quantitative information about market risk

Financial instruments affected by interest rate risk, the main risk variable of the Group, mainly consist of trade and other receivables, bonds and borrowings, and interest rate swap transactions. Quantitative analysis for the management of interest rate fluctuation risks for such financial assets and liabilities is conducted by reasonably estimating changes in interest rates over the next year or so after the end of the reporting period and the effect on profit or loss for the year due to

the change. To determine the effect on profit or loss, the Group classifies financial assets and liabilities into those with fixed interest rates and those with floating interest rates and takes the difference between floating rate assets and floating rate liabilities to calculate an interest rate gap. Assuming that all risk variables other than interest rates remain constant, when the benchmark interest rate as of March 31, 2021, rises by one basis point (0.01%), profit before tax for the fiscal year ended March 31, 2021, will decrease by ¥2 million (U.S. \$21 thousand), and conversely, when the benchmark interest rate falls by one basis point (0.01%), profit before tax for the fiscal year ended March 31, 2021, will increase by ¥2 million (U.S. \$21 thousand). The effect assumes that risk variables other than interest rates remain constant and that there are no correlations between interest rates and other risk variables. When actual interest rates go beyond the reasonably estimated range, it could have a greater impact on profit or loss compared to the estimated amount.

③ Liquidity risk management related to financing

The Group manages liquidity risks through ALM to implement timely cash management, diversify financing methods, obtain commitment lines from multiple financial institutions, and balance short-term and long-term borrowings in consideration of market forces.

(4) Supplementary explanation of matters concerning fair value of financial instruments

The fair values of financial instruments include values based on quoted market prices and also include reasonably estimated values in case there are no quoted market prices. Since certain assumptions are used in the calculation of such values, the values may differ if different assumptions are used. In addition, the contract amounts of derivative transactions in "2. Fair Value of Financial Instruments" do not indicate the market risk associated with derivative transactions.

2. MATTERS RELATED TO THE FAIR VALUE OF FINANCIAL INSTRUMENTS

The amounts reported in the consolidated statement of financial position, the fair values, and the differences between them as of March 31, 2021, are as follows:

		Carrying amount	Fair value	Difference
<b>Assets</b>				
Trade and other receivables	(Millions of yen) *Thousands of U.S. dollars	¥2,607,838 \$23,553,453	¥2,664,526 \$24,065,446	¥56,687 \$511,993
Operational investment securities and investment securities	(Millions of yen) *Thousands of U.S. dollars	47,250 426,752	47,250 426,752	— —
Investment securities	(Millions of yen) *Thousands of U.S. dollars	78,774 711,470	78,774 711,470	— —
Other financial assets	(Millions of yen) *Thousands of U.S. dollars	13,374 120,793	13,374 120,793	— —
Total	(Millions of yen)	2,747,236	2,803,924	56,687
	*Thousands of U.S. dollars	24,812,470	25,324,463	511,993
<b>Liabilities</b>				
Trade and other payables	(Millions of yen) *Thousands of U.S. dollars	229,962 2,076,972	229,962 2,076,972	— —
Bonds and borrowings	(Millions of yen) *Thousands of U.S. dollars	2,429,488 21,942,634	2,435,074 21,993,084	△5,585 △50,449
Other financial liabilities	(Millions of yen) *Thousands of U.S. dollars	23,799 214,951	23,799 214,951	— —
Total	(Millions of yen)	¥2,683,250	¥2,688,836	¥△5,585
	*Thousands of U.S. dollars	\$24,234,559	\$24,285,008	\$△50,449

The fair value of financial instruments is calculated as follows:

Assets

(1) Trade and other receivables

(a) Accounts receivable – installment

Accounts receivable – installment with variable interest rates reflect market interest rates in the short term. Thus, accounts receivable – installment are stated at carrying amount, given that the fair value approximates the carrying amount, unless the credit status of debtors changes significantly in later periods. On the other hand, the fair value is determined for accounts receivable – installment with fixed interest rates by discounting credit risk-adjusted future cash flows from the group of financial assets classified by the type of loans and maturity terms, using a risk-free market interest rate. The fair value of certain delinquent receivables is measured by deducting the estimated amount of bad debts from the carrying amount of receivables at the end of the reporting period, assuming that the calculated amount approximates the fair value.

The fair value of certain receivables without a due date but with other limitations, such as limiting the loan amount to the value of collateralized asset, is measured at the carrying amount, assuming that the fair value approximates the carrying amount based on expected repayment periods and interest rate terms.

The fair value calculation does not incorporate future interest repayments.

(b) Finance lease receivables

The fair value of finance lease receivables is determined by estimating future cash flows of the

principal and interests arising from respective lease periods and subtracting debtor's credit risk, which is then discounted using a risk-free market rate.

(2) Operational investment securities and investment securities

The fair value of operational investment securities and investment securities is determined as follows: listed stocks are valued at prices on the stock exchanges; bonds are valued at prices on the exchange markets or information provided by counterpart financial institutions, or at prices that are reasonably calculated based on the value of underlying assets; and investment trusts are based on the disclosed net asset value. The fair value of investments in limited liability investment partnerships and similar partnerships is deemed to be the amount proportionate to the Group's share of equity interests, which is determined based on the fair value of assets belonging to the partnership as long as they can be fair valued. The fair value of unlisted stocks is calculated by using valuation techniques based on discounted cash flow, transactions and the market price of comparable companies. When determining the fair value of unlisted stocks, unobservable inputs, such as weighted-average cost of capital, price-earnings ratio, and price-book value ratio, are used.

(3) Other financial assets

Since these are settled in a short period of time, the fair value approximates the carrying amount, and is therefore stated at that carrying amount.

Liabilities

(1) Trade and other payables

Trade and other payables are stated at carrying amount as their fair values approximate their carrying amount due to the short settlement period.

(2) Bonds and borrowings

(a) Short-term loans payable

Short-term loans payable are stated at the carrying amount as their fair values approximate their carrying amount due to the short settlement period.

(b) Commercial papers

Commercial papers are stated at the carrying amount as their fair values approximate their carrying amount due to the short settlement period.

(c) Long-term loans payable

Long-term loans payable with variable interest rates only take a change in credit spread into account as variable interest rates reflect market interest rates in a short period. The current credit spread is determined by referring to a credit spread that would be offered by financial institutions if the Group was to newly obtain finance with similar terms and conditions for the average remaining maturity for the outstanding borrowings. To calculate the difference between the carrying amount and the fair value, the Group calculates the fair value by first compartmentalizing the differences of interest arising from fluctuation of the credit spread by certain period of time, and then discounting them at risk-free market interest rates corresponding to each period of time. The fair value of long-term loans payable with fixed interest rates is determined by discounting the aggregate amount of principal and interest of the long-term loans compartmentalized by certain periods of time at interest rates that would be offered for similar borrowings.

(d) Bonds

The fair value of public offering bonds issued by the Company is measured based on the market price, which is the Reference Statistical Prices (Yields) for Over-the-Counter Bond Transactions issued by the Japan Securities Dealers Association. As private placement bonds issued by the Company are those subscribed privately by its main banks, the fair value is calculated in the same way as described in "(c) Long-term loans payable."

(e) Long-term loans payable under securitized receivables

Long-term loans payable under securitized receivables will not be affected by ups and downs in the Company's creditworthiness; therefore, the fair value measurement of such payables only takes into account changes in market interest rates. The fair value of long-term loans payable under securitized receivables is determined by discounting the aggregate amount of principal and interests of the borrowings compartmentalized by certain periods of time at interest rates that would be offered for similar borrowings.

(3) Other financial liabilities

Since these are settled in a short period of time, the fair value approximates the carrying amount, and is therefore stated at that carrying amount.

(4) Financial guarantee liabilities

The fair value of financial guarantee liabilities is determined by discounting future cash outflows for guarantees to be provided under financial guarantee contracts, which is adjusted by debtor's credit risk.

The amount of financial guarantee contracts classified as contingent liabilities is ¥414,932 million (U.S. \$3,747,586 thousand). The liability amount recognized in the consolidated statement of financial position is ¥9,823 million (U.S. \$88,721 thousand) and the fair value is ¥26,003 million (U.S. \$234,858 thousand) (asset).

(NOTES TO INVESTMENT PROPERTY)

1. STATUS OF INVESTMENT PROPERTY

The Company and some of its consolidated subsidiaries have investment property in Tokyo and other areas.

2. NOTE TO FAIR VALUE OF INVESTMENT PROPERTY

	Millions of yen	Thousands of U.S. dollars
Carrying amount	¥73,888	\$667,347
Fair value	¥93,427	\$843,818

(Note) 1.The amount recorded in the consolidated statement of financial position is the cost less accumulated depreciation and accumulated impairment losses.  
2.Fair values at the end of the period are mainly determined by the Group, which refers to the Real Estate Appraisal Standard (and the appraisal value is adjusted using indicators as necessary).

(NOTES TO EARNINGS PER SHARE)

1. EQUITY ATTRIBUTABLE TO OWNERS	(Yen)	¥3,397.92
OF PARENT PER SHARE	*U.S. dollars	\$30.69
2. BASIC EARNINGS PER SHARE	(Yen)	¥231.24
	*U.S. dollars	\$2.09

(NOTES TO SIGNIFICANT SUBSEQUENT EVENTS)

There are no pertinent items.

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Credit Saison Co., Ltd.:

### Opinion

We have audited the consolidated financial statements of Credit Saison Co., Ltd. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as of March 31, 2021, and the consolidated statement of income and consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, all expressed in Japanese yen.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2021, and its consolidated financial performance for the year then ended in accordance with the Companies Act of Japan and applicable regulations and accounting principles generally accepted in Japan.

### Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 5.(13)(b) to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Emphasis of Matter

As explained in Note 1 to the consolidated financial statements, the information provided in the notes to the consolidated financial statements is limited to that required by the Companies Act of Japan and applicable regulations. Statements of comprehensive income and cash flows are not required as a part of the basic financial statements under the Companies Act of Japan and applicable regulations and, accordingly, are not presented herein. Our opinion is not modified in respect of this matter.

### Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Companies Act of Japan and applicable regulations and accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with the Companies Act of Japan and applicable regulations and accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

**Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan**

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

*Deloitte Touche Tohmatsu LLC*

May 13, 2021