

Expanding the economic zone of a comprehensive life services group while balancing “creative destruction” and “individual freedom”

Always paying close attention to international political trends, I think about the global position of Japanese companies. Geopolitical risks are rising more than ever, with the Russia-Ukraine conflict and the situation in the Middle East becoming increasingly tense. In addition to the ongoing friction between the United States and China, the world is heading in the direction of multipolarization, as exemplified by the European Union and Russia as well as the Global South movement, which includes India.

Under these circumstances, Japan’s presence is greatly diminished compared to its standing in the second half of the 20th century, when the country was recognized as the world’s second-ranked economic power. It is my belief, however, that Japanese companies have a chance to raise their profiles even against the backdrop of this multipolarizing world if they are able to create 21st century global business models that differ from those of the 20th century.

Global strategy that calls for a multifaceted response

In the 20th century, “control” was the mainstream global strategy of Japanese companies, which involved holding most of the capital of local companies and dispatching presidents from Japan. In the 21st century, this approach no longer works. The important thing is to contribute to the economic development of the countries and regions into which companies have expanded, in a form that meets the wishes of those countries and regions. Also demanded in an era of multipolarization are multifaceted responses tailored to the local area. Investment ratios are not a major factor.

As reflected in the Company’s FY2022 financial results, Credit Saison’s global business is currently experiencing rapid growth, primarily in India. A major characteristic is that we develop original businesses from the perspectives of the local people, using those countries and regions that are continuing to grow economically as our starting point. At Kisetu Saison Finance (India) Pvt. Ltd., an Indian subsidiary for which the main business is lending to the underserved population who cannot receive sufficient financial services from banks and other financial institutions, we steadily expanded our business through a collaborative model (BtoB) with local Fintech businesses and eventually launched a BtoC model geared toward individuals. This Indian model will also be deployed in other countries, such as Brazil and Mexico.

Building a loosely connected economic zone in Japan, aiming eventually for a global ripple effect

Toward the achievement of our “transformation into a comprehensive life services group” goal, we are currently building a loosely connected economic zone of equal partners called the Saison Partner Economic Zone. To compete against other companies, which are enclosing themselves within their own economic zones, it is important to adopt a loose approach that



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Representative,
Chairman and CEO

Message from the CEO

excludes regulations, such as the number of companies within a single industry that can be partnered with or whether there are any capital ties. Equally important is how well customer needs can be met.

As a comprehensive life services group that solves customers' problems, Saison's Lifestyle Research website that we launched in September 2021 continues to grow steadily, as evidenced, for example, by recently recording 4.7 million page views per month. As far as the speed of monetization through the building of an economic zone is concerned, although differences can be seen in the expectations of each of the relevant parties, I believe it is important to have the patience to proceed calmly and gradually.

In the real estate industry, Credit Saison already enjoys relationships and collaborations with such companies as Mitsui Fudosan Co., Ltd., Tokyu Land Corporation, and Daiwa House Industry Co., Ltd. Up to now, we have also formed alliances in areas such as the credit guarantee business with nearly 400 financial institutions, including regional banks, credit unions, and credit associations. Going forward, we will also face the challenges of creating new business models that combine the strengths of both banks and non-banks while taking on the challenges of diversifying our business. Working to enhance our partnership network with a wide variety of companies, we have entered into a capital and business alliance with Suruga Bank, which has strengths in the retail business.

The only thing that yields profit for companies is their customers. It is therefore important to have partnerships launched on the basis of customer needs, and thus I think it is better to build a system that creates synergies while building "give and take"-based relationships. This loosely connected economic zone naturally has its sights set on global expansion.

"Creative destruction" and "freedom"

I often point out four important management resources for companies: human resources, brands, innovation, and time.

Discovering and securing the human resources that will support growth is never easy. For the human resources at the level of running businesses, they will need to be drilled through hard training. Also, as human resources are demonstrating increased job mobility, to retain these talented human resources Credit Saison must itself continue to be an attractive and interesting company. We human beings have an instinctual desire for knowledge, we want to know things we don't know. Just as there is a lot of learning that can be gained through play, playing, learning, and working are essentially equivalent when it comes to stimulating that instinct. A free and rewarding work culture, and an environment in which diverse values are embraced, make it possible for individuals with different values to proactively pursue work by saying, "I want to try that job." This encourages the active engagement of talent.

To expand and upgrade the Saison Partner Economic Zone, branding is critical to creating a favorable impression, and the organization must be innovative to create new business models. Innovative organizations have the deep-rooted habit of creatively destroying, for example, products, services, and work styles, and this creative destruction arises from interactions with diverse people.

In organizations as well, so that being free leads to a rich life with no regrets, I would like each and every human resource to think for themselves about what to do with the time they are given and act on their own, based on their own free will. In the years to come, Credit Saison wants to remain the kind of company that mutually recognizes each individual's diverse values and supports each individual's desire for growth. I am convinced that my current job is to offer my support in this respect.



Scaling up business inside and outside Japan through a process of “Innovative,” “Digital,” and “Global” evolution

As we expand our business both inside and outside Japan, the future remains shrouded in uncertainty. This is due to a variety of factors, including current international conditions, which are characterized by heightened geopolitical risks, uncertainty surrounding the Chinese economy, and foreign exchange trends such as the prolonged depreciation of the yen. Even within Japan, there exist countless signs of change, including future interest rate policies, price trends, and even a shift from savings to investment. While these trends can have both positive and negative effects, as Credit Saison, we view each sign as an opportunity.



Credit Saison has announced robust results for FY2022. What do you believe are the factors behind this performance?

In the Company's financial results for FY2022 we recorded our highest ever consolidated final profit of ¥43.5 billion. As a result, we now expect to achieve the business profit target of ¥70 billion set under the Medium-term Management Plan in FY2023, one year ahead of our plan. The factors contributing to this result were the recovery of the Payment Business and the steady growth of the Finance Business against the backdrop of steady real estate market conditions. At the same time, our global business has grown significantly, with growth exceeding our initial expectations and making a major contribution. In addition, valuation gains from the fair value of funds held exerted a positive impact on financial results.

Group companies are also making progress in reforming their business models, including Saison Fundex and Saison Realty (formerly Atrium Group), which have reformed their management systems. Our human resources are key to achieving the overarching goal of “transforming ourselves into a comprehensive life services group.” Having secured and developed professional human resources for a variety of fields, I believe that our lineup is now fairly well rounded.



Can you give us some background on the rapid expansion of your global business, especially in India?

We commenced operations in India in 2019 after establishing a company in 2018. Shortly thereafter, we faced an extended period during which we were unable to provide financing due to the COVID-19 pandemic that emerged in 2020. During this time, the Company focused on strengthening its systems. Naturally, the high growth potential of India itself, with its GDP growth rate in the 7% range and an average age of around 28 years, is also a factor in business expansion. I feel that vitality firsthand every time I go there. On one hand, having worked to strengthen our human resources in areas such as governance, financial accounting, and risk management, which form our business foundation, we were able to lay the groundwork for accelerating the growth of our Indian business once the COVID-19 pandemic came to an end. On the other hand, risk management unique to emerging countries is also important. Credit Saison's human resources in India stood at approximately 700 as of the end of



Katsumi Mizuno
Representative,
Executive President
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September 2023, and operations are overseen by people who are familiar with local business practices and have experience in providing loans at other non-banks and financial institutions. Our great strength lies in our talented local human resources, who have a keen sense of the local risks and are able to make management decisions and put strategies into effect on the spot.



The consolidated final profit target is expected to be achieved, and your new Medium-term Management Plan is scheduled to be announced in May 2024.

Please tell us about your key initiatives, pending issues from the current Medium-term Management Plan that need to be addressed, and your thoughts on the future business portfolio.

To assist in formulating the new Medium-term Management Plan, I personally visited workplaces and on around 50 occasions had the opportunity to speak directly with many employees.

Since the completion of associated core systems in 2018, the Payment Business has steadily resolved one issue at a time, and we will further promote the fusion of the Payment Business and the Finance Business, which is currently under way, and the expansion and upgrade of our corporate sales structure. As a result of having allocated a large number of human resources to corporate sales, such as multitasking, which handles finance products in addition to credit cards, the transaction volume of corporate cards has grown to about 20% of the total business. While continuing to promote structural reforms in the Payment Business, including measures to reskill human resources and improve productivity per person, we will enhance our efforts to, for example, acquire new small and medium-sized enterprise (SME) customers.

In the Finance Business, after having announced our capital and business alliance with Suruga Bank in May 2023, we began collaboration in the mortgage guarantee business in October. Further promoting collaboration with Suruga Bank, we will work on business expansion with a sense of urgency, focusing, for example, on the development of products for wealthy individuals and SMEs.

In the Global Business, we will obtain local credit ratings in India while leveraging the creditworthiness of Credit Saison in Japan, which has a solid financial base. Through this process, we are developing a strategic capital policy to raise funds from local financial institutions. In addition, we began full-scale operations in Mexico and Brazil from October 2023. By horizontally deploying the Indian business model and know-how, we can expect an early start-up in both countries. In both markets, where there are almost no non-banks, the sense of security that stems from being a Japanese brand will be an effective tool, so I would like to establish a unique position.

Last year, I presented a graphic of our medium- to long-term business portfolio with a 3:3:3:1 ratio structure for the Payment, Finance, global and new businesses, respectively. From the size of the market and its speed of growth, I feel that the Global Business has the potential to expand by up to 50% over the long term, such as 10 years from now. There is also the potential for a 3:3:3:3 ratio structure due to growth in new businesses, including those of affiliated companies. As far as business profit is concerned, I would like to grow the Group to the ¥100 billion scale as soon as possible.



In terms of the basic “Innovative,” “Digital,” and “Global” concepts, are there any changes in the direction of the Company toward the realization of “transforming into a comprehensive life services group”?

We recognize that our “transformation into a comprehensive life services group” and the three concepts are only at the halfway stage, and thus there are no plans to change. We believe the key to evolving into a Version 2.0 lies in the “Digital” concept. In addition to reaching the stage of being able to allocate human resources more to the strengthening of sales capabilities by labor-saving operations through





digitalization, shifting to in-house systems development will also lead to reduced depreciation costs in the years to come. While working toward our human resources target of creating 1,000 people with digital technology backgrounds, which was identified under our CSDX Strategy announced in November 2022, management, and myself included, will take the lead in raising digital literacy while working to boost morale throughout the organization.

With regard to the “Innovative” concept, in addition to actively promoting partnerships and M&A with an eye on fields other than finance, we will continue to foster a culture that facilitates the occurrence of innovation, such as creating opportunities to propose new business development within the Company.

The “Global” concept is developed in both the lending and investment businesses. The investment business not only aims for capital gains but also serves a radar function in discovering the new seeds of innovation. While selecting areas for expansion based on viewpoints that include demographic trends, local digitalization status, and deregulation, we will keep an eye on cost balance as we work to expand our business. As we look beyond Central and South America to, for example, Africa in the years to come, the optimization of our overall management system will become an issue for consideration. Also, the funds from our lending business are directed toward individual as well as micro, small, and medium enterprises (MSMEs) that lend to the underserved strata of society and those below that. Operating at the forefront of financial inclusion, our lending business is one that is making a major contribution to the attainment of the SDGs. In addition to being able to better monitor a company’s structure and decision-making processes as well as perform effective risk management, by carrying out both investment and financing I feel that there is greater significance in developing the business along two axes, as this will also serve to boost the speed of growth.



Please tell us about your efforts and results to date for each business, as well as what you see as challenges for the future.

In the Payment Business, we are focusing on Generation Z and wealthy people as we work to improve spending per person and lifetime value (LTV). The AMEX brand accounts for approximately 40% of the entire Payment Business’s transaction volume, and we are aiming for the top share in the BtoB market by leveraging this brand awareness, focusing more on corporate sales, and exercising firm credit controls.

In the Finance Business, we will strengthen our collaboration with Suruga Bank in the areas of real estate finance and the housing loan business. Digitalization continues to lag in these areas, not only in our company but also in the industry as a whole. Under the next Medium-term Management Plan, I would therefore like to drive this business to become the No. 1 digital company in the industry and use this as a tool by which to strengthen sales.

I recognize that the current business environment for the Lease Business, which focuses on small-lot leases, is such that credit management remains important, as evidenced by the increasing number of bankruptcies of businesses that used so-called zero-zero financing. In contrast, as our transaction volume has increased to an all-time high and our competitiveness has improved, we will consider developing medium- to large-scale lease products. By way of example, we are considering products related to environmental needs, such as office equipment, drones, electric scooters, and even solar power and storage batteries. In this process, I believe that collaborating with a specialist leasing company could be one option.

In the Real Estate-Related Business, centered on Saison Realty, we are making steady progress with a business model transformation that will make renovation and rental residences its mainstay businesses. Also taking on the challenges of procuring new resources using digital technology, I would first like the Real Estate-Related Business, to build up a solid track record.

The Entertainment Business is developing its hall business centered on Concerto, but the market is facing a decline in the number of players. We will continue to sow the seeds for the next pillars of earnings, such as game centers, renovating vacant houses, and even cloud kitchens (kitchen store facilities specializing in delivery services), as we work to change the business model.

Q | What are your thoughts on sustainability?

We are honored to have received high praise for our sustainability efforts. Climate change countermeasures, in particular, are important to our customers, especially Generation Zers, when choosing a company, and I would like to advance our efforts on an ongoing basis. In addition, once a relationship begins in our business, especially in payment businesses such as credit cards, the relationship with the customer continues over a long period. Because safety, security, and stability are essential to deepening relationships of trust and as the foundation of our business, we also actively invest in IT to strengthen security.

With regard to initiatives designed to fully utilize and develop our human resources, who are essential for our medium- to long-term growth, we are promoting the provision of opportunities to enable young employees, in particular, to actively take on challenges. Including the setting up of forums for new business proposals and relaxing the qualification requirements for taking promotion exams that are now by a show of hands, we have introduced a system that broadens promotion opportunities for motivated employees. In the fiscal year under review, we also expanded and upgraded our employee benefits, including financial bonuses and phantom stock. Within the Company, human resources who possess advanced skills are playing active roles in a variety of fields, not only in digital technology but also in real estate and structured finance. At the same time, we are also working on instructing and training the next generation, and progress is being made with human resources and skill diversification.

Q | In closing, what message do you have for stakeholders?

I am committed to working toward equality for all our stakeholders. While continuing to respond sincerely to our customers and business partners, I would like to increase employee engagement through financial bonuses, promotions, and the expansion of training programs. We recently reached the stage at which more than half of our employees have joined the stock ownership plan, and I feel that our employees' expectations for our company are higher as a result of these efforts. To assist employees in building assets, we are actively discussing PBR, ROE, shareholder returns, and other matters within the Company to further improve our stock price level while endeavoring to disclose information and deepen dialogue with investors.

For our shareholders, we announced plans to increase dividends for the third consecutive year in our FY2022 financial results. I have learned a great deal through dialogue with investors who have long-term perspectives, and my feeling is that even the markets are evaluating our growth expectations favorably. While continuing to strive to improve capital efficiency, I believe that we will raise our ROE target from the current 8% to the 10% level under the next Medium-term Management Plan and, as we get within range, that will be reflected in our PBR.

Our opportunities for growth, including global opportunities, are increasing considerably. I would like all our stakeholders to have expectations of Credit Saison's future growth from a long-term perspective.

