CREDIT SAISON

INTEGRATED REPORT 2020

Credit Saison Co., Ltd.

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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.

The concept behind our logo

CREDIT SAISON

About the Company's corporate colors

Saison Blue

Symbolizing people's happiness and aspirations

Saison Green

Symbolizing trust, peace of mind, culture and innovation

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Editorial Policy
Credit Saison works diligently to provide its wide range of stakeholders including customers, shareholders and investors with accurate information in an equitable manner on a timely basis.
In addition to an overview of its operating results and financial standing , the Credit Saison Integrated Report 2020 contains non-financial information that covers a wide range of environmental, social and governance (ESG) as well as other fields. This report is intended to help our many stakeholders to better understand the Company's efforts to create value over the medium and long term and ensure its sustainable growth.

Forward-looking Statements
This report contains information including details of the Company's management plans, projections, strategies and estimates that are not historical facts. This information reflects the beliefs of management based on currently available information. Projections and forward-looking statements are subject to certain risks and uncertainties. As a result, projections of future performance, the business environment and other forward-looking estimates might differ materially from actual results.

Reporting Period
This Report covers the 2019 fiscal year (FY2019: April 1, 2019 to March 31, 2020). Some activities in FY2020 are described as well.

Message from the CEO

Crises and constraints give rise to customer-supported innovation leading to success over the competition

Hiroshi Rinno
Representative, Chairman and CEO

It is in uncertain times such as these that the essence of a company is put to the test

In last year's Integrated Report, I mentioned that 2020 would likely become a landmark year in human history, similar to the Great Depression, which began in 1929. In fact, due to the pandemic caused by the novel coronavirus (COVID-19) outbreak, the movement of people, goods and money was stopped in its tracks; the supply chains and economies of each country, including automobile factories, were hit hard; and people were forced to transition to a so-called new normal lifestyle. Although the development of drugs and vaccines is being conducted with a sense of urgency around the world, there are still no signs of a global return to normalcy amid the second and third waves, and personal consumption is declining at a time when the future is clouded with uncertainty. Other factors include the preferential measures for cashless payments due to the consumption tax rate hike in 2019 and more people using cards instead of cash from the viewpoint of hygiene as a measure to prevent COVID-19 infections. In such times of emergency, I think it is important to revisit our starting point. What was Credit Saison's starting point? In essence, our foundation was based on the three values that we advocate as a leading-edge service company, namely, "practical implementation of the principles of customer satisfaction," "mutual respect for our interests and those of our business partners" and "developing a corporate culture of creative innovation." Focusing on customers, we will do our utmost to provide better services, improve customer convenience and win customer support. With the belief since its founding that Credit Saison should be a company for society, I have been realizing the creation of customer value together with our employees.

To my mind, the essence of capitalism involves risk-taking and creative destruction. Seiji Tsutsumi, who built up Seibu Department Stores to become the No. 1 store of its kind in Japan, broke up the Tokyo Marubutsu department store into its new PARCO format and converted Midoriya Department Stores, a retailer specializing in the monthly installment retail business, into a credit card company, Seibu Credit. This kind of innovation is the very essence of creative destruction. So, what is the essence of a company in a capitalist society? I think that lies in competition. To compete in delivering good products and good services to customers. Also important to this process is marketing that tries to understand what the customer is thinking that he or she would like to do and the customer's way of thinking to create joy and surprises for them. By continuing to innovate and be supported by our customers, we can emerge ahead of the competition. Companies that are unable to continue to innovate lose their growth potential and eventually wither and perish. I believe that the growth we have achieved so far is due to the numerous innovations that have emerged from our corporate culture of creative innovation.

As we are living in an era of uncertainty, our success with customers, competitiveness and ability to innovate are being put to the test.

Innovation born from crises and constraints

Why has Credit Saison been able to continue innovating? Looking back on the history of the Saison Group, I feel that it is because of our disadvantaged position in the business environment, the sense of an impending crisis and the raft of restrictions placed on us that we have been able to grit our teeth, persevere and produce results. These factors have led to changes in the times. Armed with the experience of adversity that started in Ikebukuro, Tokyo, a disadvantageous location for a department store and the branch where I was, we have been carrying out various innovations through culturally centered brand image strategies and changing society.

Following a transfer in 1982, I went to work on converting the monthly installment sales retailer Midoriya, which had become part of the Saison Group due to deteriorating management in the 1970s, into a credit card company. In Japan, where credit and bank cards were beginning to gain in popularity, Midoriya was a latecomer. But I had a specific vision in mind. In the United States, which I had previously visited, when proffering high-denomination bills at cash registers, I had seen their watermarks being checked to confirm that they were not counterfeit, so I had witnessed a card society in which cards were trusted more than cash. I was thus convinced that if we were to create a culture in Japan where cards were used roughly to the same extent as they were in the United States, we could survive even if a latecomer.

All you need to survive is to keep creating new things. Products that are said to be the same as yesterday's products are synonymous with retrogression while others are moving forward. So people have to be constantly thinking about what will change next. Initially, I had one lingering doubt. At that time, the credit limit conditions of credit card companies were that the cardholder be "a manager of some listed company, has been working there for 10 years or more and owns a house." Since we are talking about Japan in the 1980s, it is no exaggeration to say that most men met these conditions. In contrast, the customers I saw at Saison Group department stores and supermarkets were overwhelmingly women. A man who is "a manager of some listed company, has been working there for 10 years or more and owns a house" leaves the shopping to his wife. Credit cards were being issued to those who for the most part do not come to department stores. That was my understanding of the situation. In that case, if customers who came to the store could write their names, addresses and phone numbers on the spot, I thought they could, following an instant credit screening, be instantly issued with credit cards for immediate use with no annual membership fee. The credit limits were ¥50,000 for cash advances and ¥100,000 for shopping. Although there was a risk, most people would be able to repay a credit line in the tens of thousands of yen. It was more important to have more people using the card than to be wary of risk. With that in mind, I made credit cards available to women, who in terms of shopping represent the core demographic. As we also put into practice customer satisfaction principles, such as offering discounts in the retail industry, we gained a tremendous upsurge of support from women.

Customer support provides robust added impetus. At that time, the number of cards issued by the industry's top credit card companies stood at about seven million, but from the time we started "instant credit screening, instant card issuance," the number of cards issued increased by hundreds of thousands every month.

In the face of various constraints in existing society, we thoroughly pursued customer convenience and created innovations that broke industry taboos. This was the starting point for the growth of our credit card business.

Lack of a sense of impending crisis is a company's greatest enemy

I mentioned before that it is easier to innovate and seize opportunities if you are in a difficult situation. Looked at another way, it serves as an alarm bell that you could be immediately overtaken if you are resting on your laurels in a peaceful environment. Among our employees who have made great strides toward the peak of the industry are some who have come to think that they are working for a successful company, but in fact the lack of a sense of impending crisis associated with such thinking poses the greatest risk to the Company. The experience of success bestows a negative element on humans. If you feel that things are okay as they are, innovation will not take place and you will not be competitive. The belief that we are successful leads to pride; we might start to neglect our efforts and could be abandoned by our customers. What awaits us after a lack of a sense of impending crisis is defeat in competition.

Since then, the consumer finance industry, including credit cards, has been significantly affected by the 2008 Supreme Court ruling on overpayment refund requests, the revision of the Money Lending Business (MLB) Act (implemented in June 2010) and the revision of the Installment Sales Act (implemented in June 2008). I was annoyed that the Company, which had been operating soundly up until that point, was suddenly forced into a difficult situation due to environmental changes, such as laws and regulations of this kind. These moves changed the landscape of the industry, with competitors becoming affiliated with megabanks due to financial difficulties. We have maintained our independence, but we lack the sense of impending crisis that "this company is in a very bad situation." We learned many lessons from this series of events, and I am constantly telling my employees about the importance of the three enhancements: In addition to competition and innovation, what an organization needs to survive is a sense of impending crisis.

Sharpen sensitivities and increase a "sense of empathy" from society

Looking around the world, every company is advocating "ESG management" and "SDGs" as if following a trend. I feel uncomfortable in such a homogeneous climate. Of course, it is important to do business that is socially meaningful and to contribute to society as a result. However, the essence of a company is to win over the competition. I think that we can contribute to society by creating value for our customers, bringing about innovation and securing success over the competition.

Human resources are the source of this value. It was human resources, mainly young people in their 30s, who revived Midoriya when on the verge of bankruptcy and developed the company into the current Credit Saison. Because humanism as an organizational culture—that is, not discriminating on the grounds of educational background, gender, nationality and other factors—has been considered a management idea since Mr. Tsutsumi's era, from the time I came to the Company, I have appointed a diverse range of human resources, regardless of educational background, gender, nationality or age. In 2017, we eliminated part-time and contract work and introduced equal pay for equal work to improve the wages and benefits of about 2,200 people. I do not like such classifications as "non-regular employees" and "full-time employees" and want to give all employees equal opportunity and treat them fairly. The younger stages of life have high consumption needs, and I have been thinking that consumption and the economy will not improve unless measures are taken to increase the disposable income of those generations. That was one of the reasons why I decided to make everyone a full-time employee.

The ideal I envisage is a company that gives freedom to the employees who are working there and where every person's ideas are reflected in their work. I do not want Credit Saison to become a company where people only reluctantly come to work. We carry out in-house venture programs to speed up the commercialization of our employees' ideas, but to create new services that respond to social needs and changes in the market, it is important to sharpen well-attuned sensitivities to change. I believe that business sensitivity (BQ), which is a combination of SQ (sensitivity) with IQ (intelligence) and EQ (humanity), is the key to gaining the sympathy of society and ensuring growth in the next generation.

To remain a "leading-edge service company"

The previously mentioned revision of the MLB Act served as a major turning point, and we made investments for the next generation, such as rebuilding the core system, and finally completed the foundation for a new growth strategy. Taking advantage of this foundation to accomplish reform and regrowth in the three years from FY2019, we have formulated and implemented the Medium-term Management Plan with the vision of becoming a "Neo Finance Company in Asia."

In the domestic credit card market, in which the number of cards owned per person is saturated at 2.6–2.7, payments using smartphones have been standing out, and we recognize that the business model with which we had enjoyed success in the 20th century is becoming obsolete. In addition, COVID-19's impact on society has been enormous, and in a sense, this presents an ideal opportunity for innovation to occur. Our competitors are also promoting digital transformation (DX), but there is a sense of impending crisis that if DX has not been completed by about 2025, the battle might be lost.

Although the domestic market is saturated, we will narrow our products and targets and work to further expand our membership base of 37 million people. Among them, Generation Z (those born from 1996) is the target group on which to focus, and our new targets will be sole proprietors and settlements for BtoB businesses. Deeming smartphones to be a major platform, so that it can be said that "smartphones are Credit Saison," the weekly Business Strategy Meeting, at which new ideas and innovations are brought in and free discussions held, has become established as an internal culture with the goal of launching new products and services monthly. We are also actively hiring talented personnel with digital technology expertise to promote DX. As it is important for such people to have a certain amount of freedom and to take on various challenges, I will commit to fully utilizing these talented human resources after they join the Company.

However, in the saturated market that is Japan, where the population is falling due to the declining birthrate and aging population, high growth cannot be expected in the years to come. What will drive the Company's growth is our global business in Asia. Including affiliated companies and investment destinations, we have already expanded into nine countries: China, India, Singapore, Vietnam, Myanmar, Indonesia, Cambodia, Thailand and the Philippines. In Asia, most people cannot receive financial services from banks (the unbanked segment). Depending on the development stage of each country, I would like us to focus on the financial service needs of the local people, help to realize economic prosperity and lead to the prosperity of each country. Although there are some parts of the original plan that have been delayed due to the COVID-19 pandemic, we will continue to push forward strongly to secure growth in the Asian market. In overseas expansion, it is of course important to exercise governance, such as compliance, but the basic principle will remain what I term "localism." In other words, I would like to appoint local personnel who have the best understanding of the local market and business customs to director and executive positions and leave the running of the business to them, so that every employee is allowed to do the work that he or she is passionate about and wants to do. We are calling this "Neo Finance," but perhaps it will develop into a business that goes beyond the boundaries of finance. Our management philosophy is to remain a leading-edge service company, so that does not matter.

With expectations for the next generation

Looking within Japan, I am excited and impressed again by the limitless untapped potential displayed by the younger generation, as exemplified by the professional shogi player Sota Fujii and the athletes in their teens who are competing on the world stage. For Credit Saison's younger generation employees, I would like to provide an environment where coming to the Company is fun and interesting for them and so that they can evolve on their own while absorbed in their work and at the same time feel satisfied with the financial rewards. To do so, we must have the support of our customers. We intend to bring to fruition every possible idea that will likely be supported by our customers. We give this opportunity to every one of our employees equally. Also armed with the Company's diversity, we will remain a leading-edge service company that continues to bring about innovation as a team.

Message from the COO

Utilizing digital-based convenience and human customer contact points to support the lifelong abundance of our customers from a financial perspective

Masahiro Yamashita

Representative,
Executive President and COO

Q Tell us about how you saw FY2019 as your first year as President and COO.

As the first year of the Medium-term Management Plan, in FY2019 we began deploying various measures for the purpose of providing finance services tailored to the life cycle and life stage changes among both our corporate and individual customers under our mission statement of "becoming a finance company advancing with customers for 50 years." We also completed our management integration with Qubitous, a wholly owned subsidiary engaged in credit card processing contracted services, on April 1, 2020, which will enable us to advance business development that places attention on high quality and speed through a seamless structure in the future. In consultation with Hiroshi Rinno as CEO of Credit Saison, we also worked to enhance governance. Following our establishment of the Nomination & Remuneration Committee in June 2019, we adopted an Executive Officer System in March 2020 to establish an environment that will allow the Board of Directors to place greater focus on its management and supervisory functions. Similarly, following the Ordinary General Meeting of Shareholders in June, we reorganized the Board of Directors to a nine-member structure that includes three Outside Directors.

In terms of performance, despite having taken a conservative standpoint for FY2019 based on the depreciation burden of the new Core System released in stages from the fall of 2017 to the fall of 2018, in addition to steady progress in business itself, our cost-reduction efforts paid off and placed us on a standing from which we were able to anticipate increased sales and profits through the third quarter.

Due to the emergence of the COVID-19 pandemic during the fourth quarter, however, a larger allowance for uncollectible receivables in the event of an emergency and increased expenses from accelerating IC chip updates led business income to close at ¥36.1 billion for the year compared with ¥52.2 billion the previous fiscal year. This in turn resulted in increased sales and lower profits.

Q How will you develop business amid the environmental changes brought about by the COVID-19 pandemic?

As with the saying "repeating thought and action 100 times makes for habit," having been forced to live with COVID-19 for more than half a year already since the start of 2020 has made it difficult to imagine going back to normal. Because credit cards are closely tied to customer spending, the impacts of this situation are clearly reflected in the numbers, where some parts of the business have been hit hard from the decline of in-store shopping due to temporary closures of department stores and self-restraint in regard to travel, dining out and events, whereas other parts of the business have grown robustly due to stay-at-home demand, such as online shopping, streaming services and online gaming. We must therefore vary the areas in which we invest management resources while rapidly ascertaining trends in society within the new normal of living with COVID-19.

Before the emergence of COVID-19, we were already advancing the introduction of services that allow customers to apply for credit cards using their smartphones as a means of addressing the advantages of digital channels. The COVID-19 pandemic has served to dramatically accelerate the realization of the online, remote concepts that we had been advancing under the challenge of addressing consumption that ignores time constraints and physical distances following the spread of e-commerce. Specifically, we launched a more evolved version of SAISON CARD Digital in November 2020. Every aspect of SAISON CARD Digital, from sign-up to credit examination, card issuance and card use, is completed using a smartphone, thus allowing the card number to be issued in as little as five minutes and serving as digital credit that can be issued and used immediately without ever requiring a physical credit card. As a result, even those customers without a Saison Card can receive the benefits of perks and services on the spot. From a different vantage point, this means that the sites where customers use this card also serve as sites where we can provide services and solicit card applications. This capability goes beyond simply minimizing transaction opportunity loss due to time and distance constraints. Instead, it enables alliances with a wide range of partners by reducing the initial costs involved in issuing credit cards.

I believe the domestic market has nearly reached the end of the stage where we can expand the customer base through large-scale alliances. And I feel that going forward we will grow new membership by more seamlessly integrating these kinds of refined sites and services while at the same time advancing measures that also serve as the face of new credit card solicitation sites. COVID-19 will serve as the trigger for accelerating the application of this digital transformation, so we are initiating restructuring projects aimed at improving business operations geared toward improved productivity and reduced expenses, developing new products and services, and investing resources in a varied manner.

Q Tell us about your understanding of the business environment with an outlook beyond COVID-19.

In the short term, the domestic credit card market will take a major hit with the consumption slump triggered by COVID-19. Taking a slightly longer-term perspective, however, the market will enjoy a tailwind as various measures are promoted in response to the 40% cashless payment target for 2025 raised in the "Cashless Vision" formulated by the Ministry of Economy, Trade and Industry.

Looking abroad, some countries, such as South Korea and Sweden, have achieved a cashless payment rate exceeding 90%, so we feel that Japan has the potential to exceed 40%. Although the cashless payment tax return policy implemented following the consumption tax increase has ended, I feel that this policy was also important in broadly spreading the term "cashless" throughout society. As the need for online, remote interaction grows amid the COVID-19 pandemic, and as consumption transitions from brick-and-mortar stores to the Internet as a more general trend, I foresee sufficient potential for growth in terms of credit cards and electronic payments.

To earn the backing of our customers within this business climate, I believe we must tirelessly continue to provide products and services that match the specific life events, life stages and needs of both our individual and corporate customers as "a finance company advancing with customers for 50 years."

Q Under this business climate, on which areas will you focus management resource allocations?

Although we will invest management resources to provide services for areas in which customer needs exist, the three areas on which we will place significant focus are the BtoC area, primarily for women, younger customers and the affluent segment; the BtoB area for payments between companies; and the global area. We will sequentially roll out products specialized for women and younger customers, as well as products limited to customers in special areas. There are also many affluent customers among the Group's 37 million members.

Given that we have not concentrated on development of services for the affluent segment until now, I believe that there is sufficient room to develop products and services targeted at customers in this segment. In September 2019, we entered a capital and business alliance agreement with Daiwa Securities Group Inc., through which we introduce our respective customers to each other and develop new products. We are also working together to develop services specialized for the affluent segment by fusing our respective know-how.

We intend to release the services we develop in stages and to expand these while confirming the backing of our customers.

Q What kinds of services will you deploy in the BtoB area?

In terms of the BtoB area, the market for payments between companies alone is said to be around ¥900 trillion–¥940 trillion, but the majority of this has yet to be converted to electronic payments. It is also important for us to consider how to incorporate this significant market in the future in terms of financing for corporations. Although corporate credit cards for large companies

are vital for the payment field, small and medium-sized enterprises (SMEs) account for more than 90% of Japanese companies; even though individual payments among SMEs might be small, the overall payment volume is huge. In addition to capital demand among sole proprietors, which are also members of our credit cards as individuals, I see other areas of demand from these members, including support for the transition to electronic expense settlement for greater operational efficiency and to electronic payments with their partners. I also feel that we can address the various needs of the hundreds of thousands of companies with which we do business, including those for capital demand, payment methods and credit guarantees.

As with individual customers, we aim to provide solutions tailored to the growth stage of the specific businesses of our corporate customers in a timely manner.

Q What are the key points for providing solutions tailored to the specific stages of individual and corporate customers?

During our more than 50-year-long relationship with customers, the initial touchpoint from which business with our individual customers begins in most cases is the issuance of credit cards around the age of 20. From here, we begin to maintain connections throughout the customer's life. Over this time, our customers experience various life events, including employment, entrepreneurship, marriage, home ownership and car purchases, so when a customer changes the name and address on a credit card, for example, we can determine that the customer has married based on such data. We are therefore developing a platform that will allow us to predict if a customer plans to buy a home or a car in the near term, or will need to purchase insurance, and to offer products that address the customer's needs in a targeted manner at the required timing in each case. This is also true for corporate transactions. When we only have a lease transaction with a corporate customer at present, for example, we consider what we can do to help in terms of capital needs and payment methods and consider what kinds of other solutions are required at the current stage based on the kinds of past transactions they have had with our group. I believe that we must identify this kind of prospective demand and make proposals at the proper timing.

In the payment business, we built and released a new Core System and have continued to make various proposals targeting new affiliate cards and acquisitions of new contracted services since FY2019, and several projects have begun to move forward. This system will centrally manage information and allow us to continue to propose various products that match customer needs while also creating synergy between businesses, including cross-selling based on the fusion of the payment business and finance business.

Q Tell us about the global business.

In just a short time, the global business has grown to operate in nine countries, primarily in Southeast Asia. In addition to expanding the number of markets in which this business operates, I hope to transition from the "sowing stage" to the "harvesting stage" in those markets in which we already operate.

Although we have seen aspects of the Southeast Asian market that resemble parts of the Japanese market, this does not mean the know-how we have accumulated domestically can be applied as is. Unlike developed countries that spent years evolving from landlines to smartphones, for example, many countries in Southeast Asia have skipped this evolutionary process and seen smartphones rapidly become the norm. In this regard, there are two approaches, one for those areas where we can apply our accumulated know-how as is and one for those where business development must necessarily assume the application of new technologies. One of the patterns for business development in the global business relies on alliances with local companies. A second pattern is business development in cooperation with Japanese companies and start-ups that have entered the market ahead of us, for example, as with Gojo & Company, Inc., where we finance business capital and Gojo & Company deploys a microfinance business in emerging economies. There is a lot of know-how and knowledge we can absorb from these tie-up partners, and we will work to establish a presence in these markets by collaborating with the right partners instead of striving on our own. Although we will need to develop these businesses amid the COVID-19 pandemic, we already see the potential for an earnings base in several of the countries in which we operate. For example, we have acquired a license from the India Reserve Bank to launch a digital lending business in India and we will launch new credit card services in Vietnam in addition to the installment credit services we already offer for motorcycles, smartphones and home appliances.

Q Tell us about how you see the future business portfolio and revenue structure.

We spent the roughly 10 years through 2018 developing the new Core System and therefore had to freeze new development on existing systems during that time. Amid the limitations this placed on development of the payment business, we nurtured the finance business into a second pillar of the Company. In the meantime, I believe that the best business portfolio would be a ratio of 1:1:1 for the payment business, the finance business and the global business, which we will realize by growing the global business into a third pillar of the Company.

Achieving this ratio, however, will take a little more time because the global business is at the stage of moving from sowing seeds to nurturing and harvesting the results. And given the diversity of ethnicities and business customs faced by the global business, I feel that we must plan business growth while investigating the different risks. In an era of uncertainty where we cannot predict what will happen, as shown recently by COVID-19, I feel that it is best to have a well-balanced earnings base in anticipation of the future.

Q Tell us your thoughts on ESG.

I believe that our services themselves connect to the solutions for society's challenges. This is particularly evident in the global business. Regarding the unbanked segment, which is not even able to open a bank account, particularly in Southeast Asia, I believe that providing support for financing this segment's capital needs can do more than just help deal with the problems faced by individuals. It can also contribute to the prosperity of countries in Southeast Asia.

Contributions to resource conservation that arise from paperless transactions coinciding with the transition to a cashless society and the Akagi Nature Park, which is managed from the perspective of preserving a lush forest for the children of the future, are initiatives for the environment (E) in Japan that also have a social (S) aspect. As an initiative for the next generation, we have begun SAISON TEACHER as a program of on-site classes through which our employees provide financial education to middle and high school students around Japan.

Evolution in innovation and technology also arises from the strong desire to solve society's challenges, so I feel that we should continue to value the idea of keeping our attention on social contribution as a company.

Q Finally, please provide a message to the stakeholders.

As a distribution type credit card company, we have developed our services under market-oriented and client-oriented concepts. Digital transformation is accelerating today in part through the spread of remote work triggered by the COVID-19 pandemic. Although we will also take the lead in pursuing "hi-tech" elements for this reason, I believe we should continue to value "hi-touch" elements that are flush with a human sense as well. Given the tendency to create sterile relationships through the pursuit of greater efficiency, we aim to provide services and products that capture needs while staying side-by-side with our customers and clients by maintaining a greater sense of human warmth.

A History of Reforms and Challenges

Establishment as a retailer specializing in installment sales

- 1951 May — Company established as Midoriya Co., Ltd.
- 1968 June — Listed on the First Section of the Tokyo Stock Exchange
- 1976 Mar. — Formed a capital tie-up with Seibu Department Stores Ltd. (currently Sogo & Seibu Co., Ltd.)
- 1980 Aug. — The Company's name was changed from Midoriya Department Stores to Seibu Credit Co., Ltd.

Second establishment, shift to become a credit card company

- 1982 Aug. — Started the issuance of the no annual membership fee Seibu Card
  Started instant credit screening, instant card issuance
  Started a nationwide network of Saison Counters
  Started the lease business
- 1983 Mar. — "Seibu Card" name changed to SAISON CARD
- 1985 May — Started the credit guarantee business
- 1988 July — Started the issuance of international credit cards with VISA and Mastercard
- 1989 Oct. — The Company's name was changed to Credit Saison Co., Ltd.
- 1990 Apr. — Introduced the first signature-less payments in Japan
- 1991 Jan. — Started the affinity card business
- 1995 June — Started the issuance of an international credit card with JCB
- 1997 Oct. — Started the issuance of the SAISON American Express® Card
- 2002 Feb. — Started Eikyufumetsu Points, which never expire
- 2003 Aug. — Reached agreement on a comprehensive alliance with Idemitsu Kosan Co., Ltd.
- 2004 Feb. — Formed an equity and business tie-up with Resona Holdings, Inc.
- 2004 Apr. — Formed a strategic alliance with Takashimaya Company, Limited
- 2004 Aug. — Reached an agreement on a strategic business partnership* with Mizuho Financial Group, Inc., Mizuho Bank, Ltd., and UC CARD Co., Ltd.
  (*Partnership terminated in October 2019)
- 2005 Apr. — Started new credit center Ubiquitous operations
- 2006 Jan. — Merged with UC Card Co., Ltd. (card issuance business)
- 2006 June — Formed a comprehensive alliance with Yamada Denki Co., Ltd.
- 2006 July — Reached an agreement to form a business alliance with The Shizuoka Bank, Ltd.
- 2006 Oct. — Launched Eikyufumetsu.com (current Saison Point Mall) online shopping mall
- 2006 Nov. — Established a joint venture with Daiwa House Industry Co., Ltd.
- 2007 Mar. — Reached an agreement to form a comprehensive alliance with Yamaguchi Financial Group, Inc.
- 2007 Oct. — Established Qubitous Co., Ltd., the industry's first comprehensive processing service specialist
  (Qubitous integrated by an absorption-type merger in April 2020)
- 2009 Mar. — Started handling "Flat 35 loans"
- 2010 Apr. — Basic agreement reached on a comprehensive business alliance with SEVEN & i FINANCIAL GROUP CO., LTD.
- 2010 Apr. — Started operation of the Akagi Nature Park
- 2011 July — Started the issuance of NEO MONEY, a prepaid card exclusively for use by Japanese travelers visiting other countries
- 2013 Jan. — Started handling Saison Asset Formation Loans
- 2014 May — Established Credit Saison Asia Pacific Pte. Ltd., an overseas business development and regional headquarters in Singapore
- 2014 July — Commenced the Saison Portal and the UC Portal, which provide smartphone apps for cardholders
- 2014 Sept. — Saison Asset Management Co., Ltd., formed a capital and operational alliance with Japan Post Co., Ltd.
- 2015 May — Formed a capital and business tie-up with Vietnam's HD Bank; established HD SAISON Finance Company Ltd.
- 2015 June — Established Saison Ventures Co., Ltd., the first corporate venture capital company established by a Japanese credit card company
- 2015 Sept. — Established PT. Saison Modern Finance, a finance services company, in Indonesia
- 2016 Dec. — Started Point Investment Services for long-term investment using Saison Eikyufumetsu Points
- 2017 July — Started handling Saison Rent Guarantee Rent Quick
- 2017 Sept. — Abolished employee classifications; introduced a common HR system under which all employees are on indefinite-term contracts
- 2017 Dec. — Formed a capital tie-up with Grab Holdings Inc.; established Grab Financial Services Asia Inc.
- 2018 June — Established Kisetsu Saison Finance (India) Private Limited in India
- 2018 Nov. — Partnered with SCG, Mitsui & Co.; reached an agreement on the establishment of SIAM SAISON Co., Ltd., in Thailand
- 2019 Apr. — Concluded the Agreement on Cooperation with Shibukawa City and the Akagi Nature Park
- 2019 June — Established the Nomination & Remuneration Committee
  Established an overseas venture capital company, Saison Capital Pte. Ltd.
- 2019 Sept. — Formed a capital business partnership with Daiwa Securities Group Inc.
- 2019 Nov. — Started Saison Cardless Payment for instant membership, instant usage via smartphone
  Started providing Saison Pocket smartphone securities service
- 2019 Dec. — Began accepting applications for the Saison Cobalt Business American Express® Card
- 2020 Mar. — Introduced an executive officer system
  Started providing the SAISON TEACHER visiting lecture finance education program
- 2020 Oct. — Started providing Saison Furusato Donations
- 2020 Nov. — Began accepting applications for the Daiwa Securities Saison Platinum/American Express® Card
  Started providing new SAISON CARD Digital smartphone-based settlement services
  Started the issuance of the Saison Rose Gold American Express® Card
- 2020 Dec. — Started the issuance of the Saison Gaming Card
  Started an impact investment business at a subsidiary in Singapore

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. Due to a deterioration in its management in the 1970s, the Company joined the Seibu Distribution Group (later the Saison Group) and after its second establishment period and shift to being a credit card company, the company name was changed to Seibu Credit Co., Ltd., in 1980. Since that time, we have 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, including the number of cards issued annually, the number of cards in operation annually and annual card balance.

From the Early 2000s to 2010

Shift in Business Composition

Expanded 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 related to distribution, finance and credit sales, 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 promoted collaboration management with our own products and services and alliance partners. At the same time, we positioned the global business as a future earnings base and entered the retail financial business in line with each country, centered on ASEAN. Using these products and services as tools, we have established a complex sales system that turns corporations and individuals into customers. As a non-bank capable of responding to changes, we shifted to a business model that addresses the various payment and financial needs of companies and provides cashless functions for all individuals and corporations in Japan and elsewhere in Asia.

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 becoming 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 that has been working with its customers for 50 years. By means of 1) a growth strategy and structural reform in the payment business, 2) digital innovation and the creation of new businesses, 3) further expansion of the lease business and finance business, and 4) expansion of the earnings base of Credit Saison's global business with a view to the future and demonstration of Group synergies, the Company is working on sustainable growth as a general non-bank.

Historical Context

- 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

Credit Saison's Value Creation Process

Sources of Value

Diverse human resources

Common personnel system for all employees
(Wage scales and conditions are consistent for all full-time employees.)

Professional human resources well versed in a variety of fields including credit and finance

Number of employees
2,981
(including **2,169** women)

Expertise and innovation

Credit know-how nurtured over the 70 years since the Company's founding

Ability to develop services and solutions as an independent non-bank

Sound financial base

Highest level of creditworthiness as an independent non-bank

Credit rating
R&I A+
(Continuously for 24 years since October 1996)

Sales platform

Industry top class in membership and customer segment

Marketing network focusing mainly on Japan and ASEAN

Total cardholders (consolidated)
Around **37** million

Number of stores/organizations with affiliate cards issued to
Around **200**

Branches in Japan **10** branches
Overseas branches **9** countries

Number of stores/organizations with corporate card and cards for SMEs issued
Around **50,000** companies

Social and environmental issues

- Climate change
- Demographic and other social structural changes
- Digitalization
- Increasing social disparities

Market environment

- Advance of cashless payments
- Growing asset-formation needs for the coming "age of centenarians"
- Growing need for financial services in Asia ex-Japan

Credit Saison's Business Model

The Credit Saison Financial Platform

- Lending capability
- Wide range of payment schemes
- Provision of diverse financial functions
- Richly varied customer base (personal and corporate, domestic and overseas)
- Rock-solid security platform

Framework Underpinning Corporate Value Creation

Medium-term Management Plan	Financial and capital policies
Challenging ourselves to be a finance company advancing with customers for 50 years	Risk capital management through the optimal allocation of capital

ESG Management

Strengthening corporate governance	Realizing diversity
Establishment of Nomination & Remuneration Committee Strengthening of management monitoring system	Strengthening engagement between the Company and its employees by promoting diversity

Six Business Domains

- Payment Business
- Solutions Business
- Asset Management Business
- Digital Marketing
- Finance Business
- Global Business

Creating Value in Collaboration with Stakeholders

- Shareholders
- Customers
- Business partners
- Employees
- Administrative agencies
- Regional communities

Contributing to a more convenient and abundant sustainable society

Strong Organization/ Financial Results

Number of discussions with shareholders and investors	Director independence (outside directors as percentage of directors)
158	One-third
Total return ratio	Payout ratio
75.1%	31.4%

Social Value

Promoting diversity

Ratio of female employees	Ratio of female managers
72.8%	21.0%

Formation of sustainable workplace environments
No. of paid leave days approved/ Ratio of paid leave used
15days **82.5**%

Number of press-release topics, including newly developed services and solutions, during the fiscal year
Approx.**50**

Environmental Value

Environmental-preservation activities through operation of the Akagi Nature Park

Reduction in paper consumption from the digitalization of Saison Counter

Medium-term Management Vision

Neo Finance Company in Asia

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 changes"

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

Transformation and Renewed Growth

Medium-term Management Plan

FY2019–FY2021

For details, see next page. ➤

Construction of Foundations

Previous Medium-term Management Plan

FY2016–FY2018

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 ordinary income 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 FY2018
¥54.1 billion (JGAAP)

Consolidated ordinary income FY2015
¥43.8 billion (JGAAP)

Full migration to 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: Nine countries

Overview of the Medium-term Management Plan (FY2019-FY2021)

Medium-term Management Vision

Neo Finance Company in Asia

Mission Statement

Become a finance company advancing with customers for 50 years

Provide peace of mind and discover the potential in money

- 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

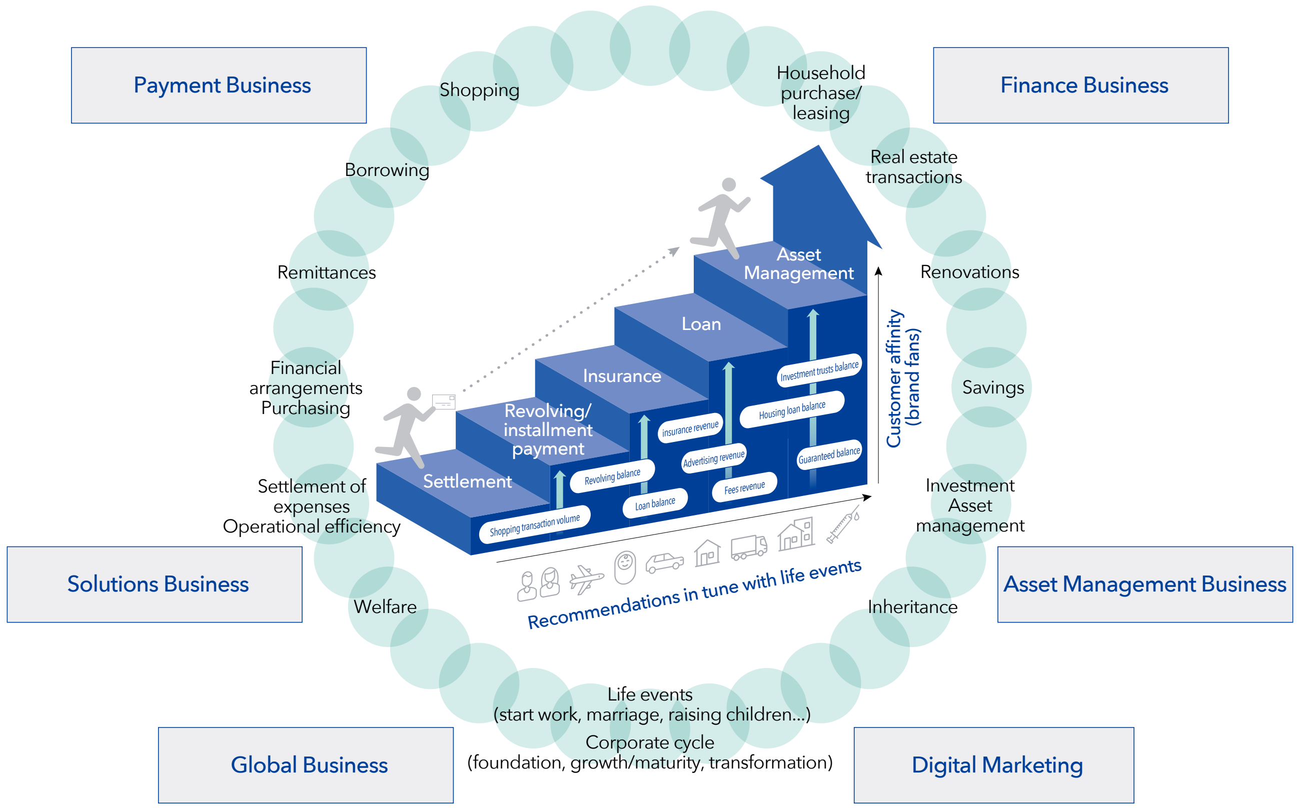
Numerical Targets

Consolidated business income (≒consolidated ordinary income)

Regarding FY2019 (consolidated business income target ¥42.5 billion) as the lowest point, work toward returning to a growth trajectory over the next three years

FY2018 ¥52.2 billion (IFRS) → FY2021 ¥60.0 billion (IFRS)

Six business domains to assist in improving customers' QOL



Diverse lineup of money services for customers (individual/company)

Provide house card functions integrated with affiliated partners' customer strategies and expand our customer base through settlement services

Expand sales of financial products through customer-oriented, cross-sectional sales between businesses

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

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

I Growth strategies and structural reform in the Payment Business — Payment Business

1. Expand shopping transaction volumes (BtoC field)
2. Expand shopping transaction volumes (BtoB field)
3. Expand the shopping revolving/cash advance business

(1–3) — Payment Business/Solutions Business

4. Create new businesses and enhance digital marketing — Asset Management Business/Digital Marketing

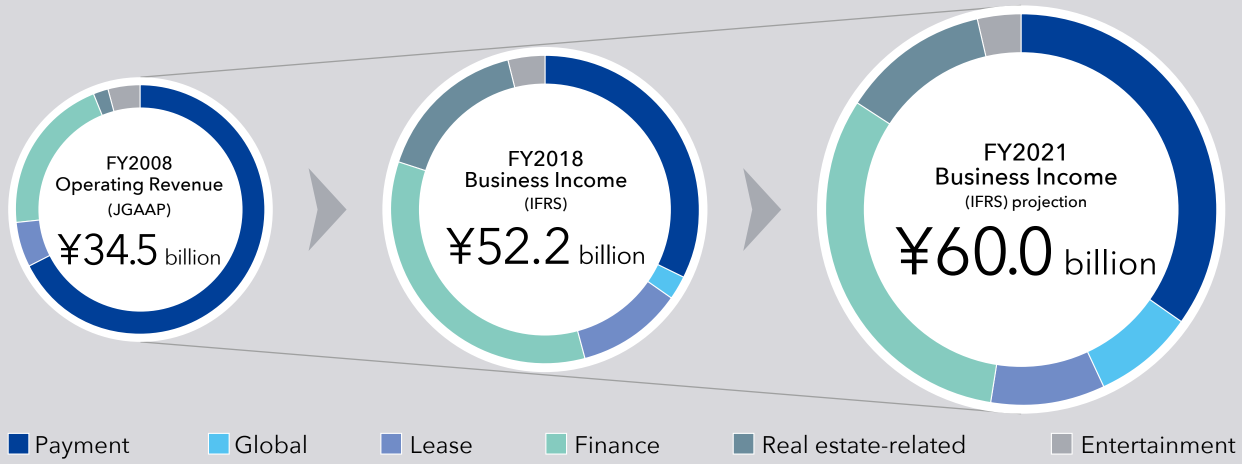
II Further expand the Finance Business as a non-bank — Lease & Finance Segment

1. Strengthen relationships with partners and expand new alliances — Finance Business

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

1. Transition from the "sowing stage" to the "harvesting stage" in countries where we have operations — Global Business

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



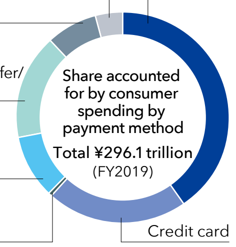
STRATEGY

Payment Business

In pursuit of customer convenience, Credit Saison is providing a variety of payment services to advance customer convenience and meet the needs of its diverse range of business partners, such as retailers and railways. In addition to credit cards, we are aiming to remain the No. 1 company in the cashless payment market for both consumer and corporate transactions by developing measures—including prepaid cards, smartphone-based payment systems and mobile point-of-sale (POS) systems—that will contribute to breaking the dominance of the cash market.

Market Environment

The credit card payment ratio in Japan is about 20%, which is rather low when compared to developed economies overseas. However, moves toward a cashless society are advancing through the "40% cashless by 2025" financial policy that the government is promoting following the consumption tax rate hike and the opening up of the banking system with the intention of creating advanced financial services. In addition to infrastructure developments, such as contactless, near field communication (NFC) payments in preparation for the holding of the Tokyo Olympic and Paralympic Games, changes in lifestyles brought about by the novel coronavirus (COVID-19) pandemic will accelerate these moves. Meanwhile, payment methods are becoming increasingly diversified and now include credit cards, transportation-related and distribution type IC cards, QR payments and smartphone payments. The use of smartphone-based payment services, in particular, is on the increase due to their benefits, which include the convenience and discount rates at the time of purchase they offer consumers, and the lower fees and rapidity of payment they offer companies.



Note: Calculated by our company based on sources such as the Ministry of the Economy, Trade and Industry, Bank of Japan, New Payment Report, Mitsubishi-UFJ Research and Consulting, and official documents from various companies and associations. Included in the credit card category is the corporate card payment amount (estimated at ¥3 trillion/1% share)

Progress of the Medium-term Management Plan

■ Realization of UX (User Experience) demanded in the digital age

Due to the advances being made toward a cashless society, Credit Saison is promoting structural reforms to provide added value unique to the digital age in the offering of credit that forms the basis of its credit business. Up to now, we have provided immediate/instant card issuance services for affiliated cards at the commercial facilities of partner companies, including PARCO Co., Ltd., and Yamada Holdings Co., Ltd. However, as an evolution of this, we launched SAISON CARD Digital, which meets customer needs for immediate/instant use without waiting for a plastic card after signing up, in November 2020.

Characteristics

Smartphone-ready! Card number issued in as little as five minutes
- As little as five minutes from application to issuance of a card number
- Application, management and settlement all handled with just a smartphone

Japan's first numberless plastic card
The physical cards issued are of a type that does not display the card number, expiration date or security code

Optional security features
- Push notifications of card-use information virtually in real time, 24 hours a day
- Card use can be restricted by simple smartphone operation

SAISON CARD Digital

Background to introduction

The smartphone is a "must-have item" essential in daily life and responds to increased needs for fewer face-to-face meetings and contactless needs brought about by COVID-19

Utilization of SAISON CARD Digital as an alliance strategic weapon in approaches to young people

Alliance partners

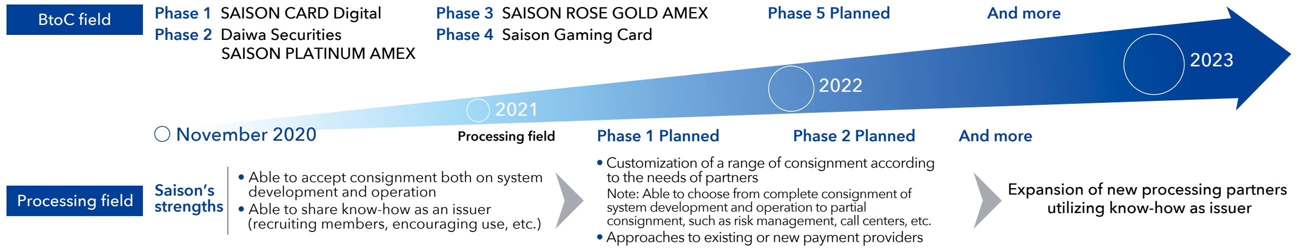
Note: Examples from start of service

Development of alliances using the characteristics of SAISON CARD Digital:
Smartphone-ready Can be used immediately Simple and secure

■ Strengthening of customer base and promoting utilization of its supporting core systems

Expansion of new affiliated networks is indispensable for expanding card shopping transaction value. In September 2019, we reached agreement with Daiwa Securities Group Inc. on a capital and business alliance with the aim of developing and providing next-generation comprehensive financial services. Based on the approximately three million Daiwa Securities Group accounts and our customer base of 37 million card members, we will work to mutually refer customers, develop a new customer base and develop new comprehensive financial services that combine the know-how of both companies.

To improve UX, it is essential to improve the efficiency of administrative aspects in accordance with the diversification of payment methods. We are working to expand our processing business by leveraging our know-how as a card issuer, such as in recruiting members and encouraging use, and the strength of one-stop contracting from system development to operation that meets the administrative needs of our business partners. At this time, we are not yet able to impart any information about specific projects, but we are making steady progress toward the acquisition of new projects.



Future Issues and Initiatives

Credit Saison is promoting non-face-to-face meetings and non-contact in light of the changes in the environment caused by COVID-19 infections. One example is SAISON CARD Digital, which was released in November 2020. By issuing a digital card via an app in a minimum of five minutes of completing the credit card application on a smartphone, this service allows the card's use for online shopping and for contactless payments at physical stores. In addition to leading to the growth of the payment business by continuing to develop services to improve customer convenience while flexibly responding to changes in the environment, we are aiming to become the Neo Finance Company in Asia, the vision adopted by Credit Saison, and realize our mission statements: "a finance company advancing with customers for 50 years" and "providing peace of mind and discovering potentials in money."

Key Performance Indicators (KPIs)

Indicator	FY2017	FY2018	FY2019
Total number of credit cardholders	26.95 million	26.79 million	**26.39 million**
Number of active card members	14.98 million	14.90 million	**14.96 million**
Card shopping transaction value	¥4,683.0 billion	¥4,788.5 billion	**¥4,946.9 billion**
Cash advances transaction volume	¥248.1 billion	¥242.9 billion	**¥237.5 billion**

Main Services

Original — In alliance — Prepaid cards

Director's Message

In 2020, we made steady progress in the digital transformation (DX) of the payment business, which included the start of the SAISON CARD Digital smartphone-based cardless scheme, the transition from in-store written application documents and iPads to customers' own smartphone applications, and the awarding of 3% points for all Saison cardholders linked to payments using PARCO's app. Although the COVID-19 infections have inflicted great harm on society, it can be said that the abovementioned moves were promoted at once in terms of both customer awareness and the need to take corporate action. DX should be constantly evolving, and we will continue to address improvements from the consumer's point of view as the focus of our everyday tasks. Strategically, by strengthening our focus on millennials and Gen-Z and evolving functions and services by rebranding nonaffiliated (proper) credit cards centered on Saison AMEX, we will also raise awareness and recognition of the new SAISON brand. At the same time, we will continue to revitalize the entire payment business, including existing affiliated cards.

Yoshiaki Miura Director, Senior Managing Executive Officer, General Manager, Payment Business Division

STRATEGY

Solutions Business

By leveraging our expertise in the credit card business, a customer base of about 37 million users, and the resources of a wide variety of partners, we are providing business support services that meet the needs of today's corporations, including services supporting a shift toward cashless operations, improved cash flow and enhanced efficiency in expense reimbursements and other back-office operations at small to medium-sized businesses, as well as sole proprietor businesses.

Market Environment

Japanese companies are now facing a variety of challenges, including a shortage in labor because of a decrease in the working population, how to best implement work-style reforms and improvements in per-person productivity, and how to best achieve a better work-life balance for their employees. There are about four million companies in Japan, and it is said that about 90% are small to medium-sized companies. However, the overall number is declining amid a shortage of workers and the aging of the business owners and managers. On the other hand, the corporate payment market in Japan, estimated at about ¥920 trillion, including a credit card payment market of about ¥3 trillion, still shows room for growth.

Corporate payment market in Japan

Source: Credit Saison estimates based on the VISA Worldwide "Japan's corporate market and Visa strategy" report and other sources

Progress of the Medium-term Management Plan

■ Credit card shopping transaction volume in the BtoB field

As the workforce in Japan continues to shrink, there is a growing need for companies to improve productivity and reduce labor in operations. In addition to the issuance of corporate cards, we provide solutions services designed to meet the complex needs of companies in support of the shift to cashless payments between companies. Thanks to these efforts, credit card shopping transaction volume increased 10% from the previous fiscal year to more than ¥650 billion.

■ Expanding sales in the sole proprietorship and small to medium-sized enterprise (SME) market

We launched two new credit cards in FY2019 for sole proprietorships and small to medium-sized enterprises.

The first of these is the "freee Saison Platinum American Express® Card," which uses a credit model based on corporate financial and transaction data and targets sole proprietors and small to medium-sized business owners using freee's cloud-based accounting software.

The second is the "Saison Cobalt Business American Express® Card," a new business card offering preferential services for BtoB payments that primarily targets small and medium-sized enterprises, small businesses, sole proprietors and other businesses, including start-up companies.

Credit card growth for sole proprietorships and small to medium-sized companies

Credit card growth for sole proprietorships and small to medium-sized companies More than 30%YoY
For the BtoB field as a whole More than 10%YoY

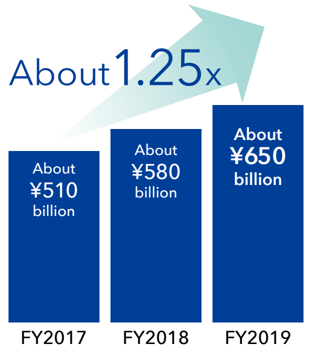
Future Issues and Initiatives

To capture cashless support and back-office-related demand in line with the needs and scale of various businesses, it is essential that we not only improve customer satisfaction but also create a system that can reliably respond to customer needs. As part of our effort to develop user-friendly corporate products, we are working to revise our services and create new product designs, including those with expanded credit lines and payment deferral functions.

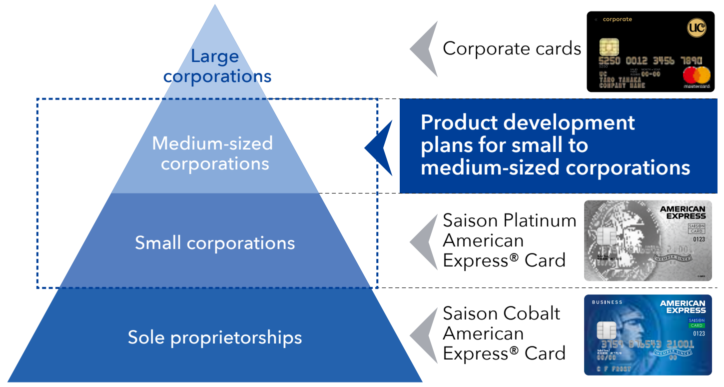
Moreover, in line with our goal of providing solutions that meet the needs of our customers, we are working to build a cross-business platform that allows us to make product-based and company-based recommendations. Our goal is to improve the sophistication of our solutions business, including by providing timely and appropriate corporate financing and lending proposals through constructing an original credit model based on transaction history (including transaction volume and content), creating a common ID for all businesses within a given company and achieving the integrated management of corporate information through the use of affiliated stores and leasing contracts.

Key Performance Indicators (KPIs)

Credit card shopping transaction volume in the BtoB field



Lineup of corporate credit cards



Main Services

CONCUR
A world-class expense management system saving the user from the hassle of expense reimbursement processing

ビジネスファンディング
Financing based on future credit card sales
Settlement possible based on pace of sales

SAISON INVOICE
Accounts receivable financing and invoice agency services
Reduces BtoB billing work

Advanced pay SAISON
Effective in securing payroll receiving services personnel

セゾンスマート振込サービス
Reduces transfer fees and improves efficiency in accounting operations

優待のあるお店
Effective in attracting cardholders
A variety of announcement tools for PR postings

Managing Executive Officer's Message

Promoting the shift to a cashless system, including in the expansion of shopping transaction volume in the BtoB field, is an important mission for Credit Saison. In addition to providing cashless solutions, our business partners are providing solutions aimed at improving the efficiency of back-office operations such as expense reimbursement. Moreover, there has been an increase in the need for corporate financing, lending and sales support due to the impact from COVID-19. Leveraging the experience we have gained over the years in the credit card business, our customer base of about 37 million individuals and the resources of our various partners, we will continue to strengthen our business relations by responding to the needs of our customers as we work toward continued growth alongside these companies.

Our goal is to work in a wide variety of transactions with our corporate customers by achieving the integrated management of corporate information, including for corporate card issuers, merchant contractors and leasing companies.

Shunji Ashikaga Managing Executive Officer In Charge of Business Solution Dept.

STRATEGY

Asset Management Business

Using credit cards with long service lives as touch points to remain side by side with our customers as they go through life events in an era where living to 100 has become commonplace, this business supports members taking their first steps in asset formation and provides a variety of investment-related solutions and services that give our customers a trial experience in long-term investing.

In addition to improving asset formation literacy, we are strengthening our efforts to stimulate interest in financial products across a wide demographic range, including the younger generation and women raising children, while at the same time contributing to the sound development of the financial market as a whole.

Market Environment

The Japanese social security system faces several problems, especially as the future of the pension system becomes increasingly uncertain. Amid this environment, it is increasingly common for people to believe that the individual must take responsibility in building assets for their own future. "The idea that ¥20 million" will be necessary for any retirement has recently taken hold in the country, and there has been growing interest in asset formation around the world. We also note that institutional support from government, including in the form of the "Tsumitate NISA" tax incentive system and the "iDeCo" pension system, has contributed to heightened interest in Japan in personal investment. As of the end of December 2019, household financial assets reached about ¥1,903 trillion, but of this, about 52.9% was in "cash and deposits," showing that there has been relatively little progress in the shift from savings to the formation of assets.

Progress of the Medium-term Management Plan

Taking the lead in the industry, the Asset Management Business launched "Point Investment Services" in December 2016. The number of users reached about 500,000 in the roughly three years since the launch of the service. As this service allows customers to simulate the experience of asset management without the hassle of opening a securities account, it is now one of the top-ranked services on the Eikyufumetsu Point exchanges, with the value of points under management at about ¥1.0 billion.

When people first begin investing, they often describe the experience as "scary" or "troublesome," and some are of the belief that they cannot understand the process. We launched "Saison Pocket" in November 2019 to alleviate these concerns and show that investment could be customer friendly, simple and easy to understand. Customers can open securities accounts following easy procedures and start amassing investment trust and stock holdings by making card-based payments. Purchases using Eikyufumetsu Points are also possible, and we will continue to support customers' smooth transition to real investments. We believe the experience of long-term investment with the added bonus of points will likely contribute to an accelerated flow from savings to asset formation thanks to an increase in young beginners who have never before invested.

Note: The patent for "Point Investment Services" (No. 6357521) was granted in June 2018.

Hand-in-hand with the customer's life cycle
Supporting the customer's first steps in investing in an era where living to 100 years old is increasingly common

FY2019 results

History of the Asset Management Business

- December 2016 — Launched the Point Investment Services
- September 2018 — Launched the Point Investment Services course
- November 2019 — Launched Saison Pocket, a smartphone-based securities service

Ability to accumulate investment trusts and stock through card-based payments

Key points in FY2020

Expand products and services with a focus on increasing user count

Strengthen cooperative efforts with the Daiwa Securities Group, Saison Asset Management and Smartplus to further expand "Saison Pocket" as a platform for asset formation

Asset formation platform セゾンポケット

Enhanced cooperation — 大和証券グループ本社

Enhanced cooperation — SAISON ASSET MANAGEMENT セゾン投信

Future Issues and Initiatives

Credit Saison is responding to customers' heightened interest in and concerns about increasing their savings, asset formation and investment. Though asset-formation services are conventionally regarded as geared toward the high-net-worth segment, Credit Saison believes that extending these services to other segments, such as young people and housewives, is necessary for the expansion of the investment business and the sound development of the market. Credit Saison is taking several measures to expand its user base. In addition to augmenting the list of products and services we handle, we are strengthening our collaboration with partners such as the Daiwa Securities Group, Smartplus Ltd. and Saison Asset Management Co., Ltd. to expand Saison Pocket.

Key Performance Indicators (KPIs)

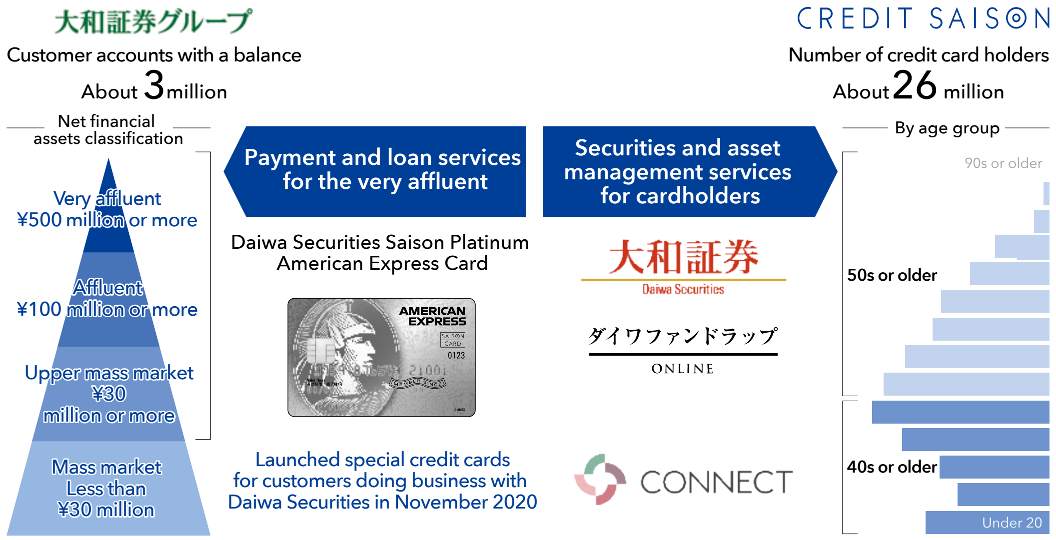
SAISON ASSET MANAGEMENT セゾン投信

Long-term asset-formation funds Balance of assets under management
About ¥300 billion

永久不滅ポイント ポイント運用

User count
About 500,000 individuals
Funds invested
About ¥1 billion

Main Services



Executive Officer's Message

Said to be a service geared primarily toward the affluent segment, asset formation is often considered by many customers to be irrelevant to their own lives. At Credit Saison, we are working to enhance operations in the asset management business domain by listening to questions posed by customers such as, "How can I nurture the growth of my own money?" and "How best can I manage my most important assets?" With this in mind, we have obtained a patent for the Point Investment Services business, which helps our customers who are just starting out in investing. In its third year, the business now has more than 500,000 users. In particular, we are providing new investors, including young people and women, the opportunity to participate in practice investing exercises before engaging in the real thing. While there are still many customers who are moving only a limited number of points, we note that activity is steadily picking up. We also launched a tie-up with partner Daiwa Securities Group in April 2020. Our goal is to provide service ideas to our customers through face-to-face and Internet-based consultations. We look forward to continuing to offer services that support our customers and manage the assets entrusted to us in a safe and easy-to-understand manner.

Kaori Shimada — Executive Officer In Charge of Asset Management Dept.

STRATEGY

Digital Marketing

By fusing IT technology with its financial service know-how, Credit Saison is providing "high-quality content" and "convenience payment services" for its credit cardholders. In addition to responding to the changes in customer psychology and behavior caused by the COVID-19 pandemic, such as "non-face-to-face meetings" and "loss of contact," we recognize that DX must be advanced at an accelerated pace to enhance UX. To solve these problems, we aim to build a foundation for a growth trajectory by promoting our four DX strategies: payment business, peripheral services, in-house IT and marketing.

Market Environment

In 2019, the size of the market for domestic consumer e-commerce transactions expanded to ¥19.4 trillion (a year-on-year increase of 7.7%) and domestic business-to-business e-commerce transactions to ¥353.0 trillion (up 2.5% year on year). The EC conversion rate in all commercial transactions is increasing, with BtoC at 6.8% (up 0.5% compared with the previous year) and BtoB at 31.7% (up 1.5% year on year), and the digitalization of commercial transactions continues to progress. Due to digital technologies progressing in this way, amid the major changes in lifestyles and business environments, our business is changing rapidly in every respect, including our products, sales and competitive environment.

Progress of the Medium-term Management Plan

In a business environment that is undergoing drastic change due to the rapid progress being made in digitalization, Credit Saison is engaging in DX as a priority management strategy for creating innovation. Domains driven by digital technology to dramatically alter the customer experience and business streamlining stretch across the Company, starting with credit operations, such as credit examination and issue, usage, invoicing, development and credit management, to the marketing domain, consisting of branding, sales promotion and CRM, and on to organizational activities to develop new businesses that utilize Company resources and raise internal productivity. Through DX, we are working to create an outstanding service experience for our credit cardholders, partner clients, card-affiliated stores and all of our customers.

■ Creation of membership services, concierge functions, new businesses

To bring our credit cardholders' QOL to a higher level, it is essential to deliver "new information" and "information that people want to know" at the appropriate time and in a timely manner using digital technology. We are creating new businesses, such as Saison Classe, Saison's Otsukidama and SAISON CARD Digital, to create a customer experience that fully delights and surprises.

■ Embedding of technology for promotion of DX

To strengthen early efforts with companies that have advanced and innovative technologies toward the development of services for the digital age, through Saison Ventures we had invested in 29 venture companies as of March 31, 2020. These include venture companies involved in payment, commerce, sharing and new technologies.

Future Issues and Initiatives

Securing human resources with expertise in digital technology is essential to respond quickly and accurately to the rapid changes in that technology. In conjunction with strengthening the recruitment of engineers, we are working to develop the digitally savvy human resources who will be able to create digital technology as a customer experience that fully delights and surprises. At the same time, to effectively utilize the information entrusted to us by our customers, we will work to further strengthen compliance, such as by appropriately managing the information that is received into our care based on the Personal Information Protection Law.

Key Performance Indicators (KPIs)

Indicator	FY2017	FY2018	FY2019
Number of registered "Net Answer" and "At U Net" internet service members	14.25 million	15.05 million	15.63 million
Cumulative number of downloads of the "Saison Portal" and "UC Portal" smartphone apps	3.98 million	5.49 million	7.36 million
Saison Ventures (Number of investee companies)	Four companies (cumulative total: 17)	Seven companies (cumulative total: 24)	Five companies (cumulative total: 29)

Main Services

SAISON CARD Digital

This service enables the issue of a digital card from an app in as little as five minutes after completing a credit card application by smartphone and the card's immediate use for online shopping and contactless payment at physical stores.

➤ Page 19 Payment Business

"Saison Furusato Tax Payment" furusato donation website

This service enables use not only from donation applications to donation payments in one stop but also the use of Eikyufumetsu Points as well as Saison Card and UC Card payments to pay donations. If users log in via the "Net Answer" and "At U Net" Internet services, basic information such as the names and addresses and credit card information required for furusato donation payments will be automatically synced, thereby enabling ease of use.

SAISON CARD セゾンのふるさと納税

Saison Classe

Targeting card members who use the "Saison Portal" and "UC Portal" smartphone apps for Saison Card and UC Card, this service enables customers to earn points by raising their ranking in accordance with their usage records. Using an app makes it easy to obtain preferential usage and to confirm information on special offers.

Saison's Otsukidama

For every ¥500 (tax included) spent using Saison and UC cards, cardholders receive a "lottery ticket that gives them a chance to win ¥10,000 in cash" (a maximum of three tickets per day). The lottery, in which each ticket obtained gives one chance, takes place on the 15th of every month, and 10,000 people are given a prize of ¥10,000 in cash.

毎月1万人に現金1万円 セゾンのお月玉

"STOREE SAISON," a store that accepts Eikyufumetsu Points

This media-type mail-order site introduces products and experiences, both from Japan and overseas, to enrich the daily lives of customers. Not merely introducing items, the site also tells the stories of how those items came about, the struggles that the items' creators faced in their production and the creators' own originality and ingenuity, as well as other matters about which the creators of those items were thinking. Moreover, the site conveys ways to enjoy the items and other information.

STOREE SAISON

Managing Executive Officer's Message

The Digital Innovation Division has adopted four DX strategies: payment business, peripheral services, in-house IT and marketing. While aiming to bring these strategies to fruition, in FY2019 we launched the Technology Center, which is an in-house system development production team for the digital age. This team hires specialists, such as engineers, data scientists and designers, from outside and trains more than 10 employees in-house as specialists. From credit card examination and issue to in-house organizational activities, we aim to provide services that will create a customer experience that will delight and surprise our customers while streamlining our in-house operations by utilizing the power of digital technology.

Kazutoshi Ono Managing Executive Officer CTO Head of Digital Innovation Division

STRATEGY

Finance Business

This business is largely centered on the Lease & Rental Business, the Credit Guarantee Business and the Other Finance Products Business.

With a firm focus on customer-oriented products, we are building a firm foundation as a non-bank resistant to changes in the operating environment and diversifying our revenue sources by strengthening relationships with our partners and providing financial services, including asset formation loans, in line with the needs of the market.

Market Environment

Amid an acceleration in the aging of the population and the decline in the birthrate, an era where living to 100 has become commonplace has brought with it a diversification in finance-related needs, making it increasingly important to expand services to foreign residents and senior citizens. Moreover, we believe that addressing environmental and social issues by offering environmentally friendly and security-related products in line with the goal of realizing a safe and sustainable society will not only create new business opportunities but also contribute to improving the quality of life of people in general.

Progress of the Medium-term Management Plan

The asset balance in the Finance Business surpassed the ¥2 trillion level in FY2019, thanks to not only an expansion in the financial services offered but also the strengthening of relationships with our existing partners and expansions into new alliances.

■ Expanding the lineup of financial services

Saison Rent Guarantee Rent Quick* in April 2019 began offering the Point de Yachin Juto Service, which allows the payment of rent and the next year's guarantee fees using Eikyufumetsu Points. The Finance Business expanded its lineup of original services in June 2019 with the launch of the self-funded Saison Flat 35 (guarantee-type) loan, a mortgage product that offers an even lower interest rate than the Saison Flat 35 (purchase-type) loan.

* Saison Rent Guarantee Rent Quick was launched in July 2017 as a rent guarantee service that makes advance payments on behalf of customers (tenants) related to rent agreements. Eikyufumetsu Points can be earned by paying rent and guarantee fees with a credit card.

Future Issues and Initiatives

As a lifestyle creation financial service, we began accepting applications for our alliance card with Hekikai Shinkin Bank, our partner in the credit guarantee business, in July 2020 with the aim of providing a wide range of money services that are closely aligned with the life cycles of each of our customers (be they individual or corporate). In line with the goal of merging the payment business and the finance business, we will provide financial products to approximately 37 million cardholders in the payment business and payment-related products to the roughly 330,000 customers in the finance business.

In the Lease & Rental Business, we will work to expand the balance of receivables by developing new products, including IT/cloud-related products and subscription fees, while also promoting the development of new markets, including interior construction utilizing business installments.

In addition to existing credit guarantee products for individuals, we will work to develop financial products for small and medium-sized enterprises, which we believe will lead to the further revitalization of Japan as a whole, including the country's more outlying areas.

Within the Other Finance Products Business, we will not only improve customer convenience using guarantee-type Flat-35 loans and the digitalization of asset formation loans but also focus on expanding rent guarantee channels through the use of SAISON CARD Digital.

Finally, in addition to developing products for high-net-worth individuals, foreign residents and senior citizens through utilization of our own big data, we will continue to focus on maximizing profit by curbing risk and improving efficiency through the use of RPA and IT technologies.

Key Performance Indicators (KPIs)

Indicator	FY2017	FY2018	FY2019
Lease & Rental balance of receivables	¥295.4 billion	¥308.5 billion	**¥328.1 billion**
Credit Guarantee balance of receivables	¥342.4 billion	¥346.6 billion	**¥348.9 billion**
Asset Formation Loan balance of receivables	¥341.5 billion	¥506.2 billion	**¥622.1 billion**
Flat 35 Loan balance (Including outstanding receivables transferred to the Japan Housing Finance Agency)	¥593.4 billion	¥764.6 billion	**¥960.9 billion**

Main Services

We provide products covering rental contracts and home purchases, and all their associated costs, responding to the housing-related demand that is the foundation of individual customer lifestyles. We also assist our customers in the formation of assets through real estate, thus supporting the creation of affluent and rewarding daily lives.

Lease & Rental Business

We are forging ahead with the development of finance leases, business-use installment sales and rentals, especially for office automation (OA) equipment and LED lighting in line with the capital investment plans of businesses.

Credit Guarantee Business

With a focus on credit guarantees for unsecured personal loans that do not set conditions on the use of funds, we are working closely with partner financial institutions as we support the promotion of loans to individuals.

Flat 35 Loans and Rent Guarantees

We offer Flat 35 loans (purchase-type loans and guarantee-type loans) and are developing lifestyle creation financial services that include support for everything from rentals to purchases.

Real Estate Finance

Our loan portfolio includes loans provided to individuals to purchase real estate for investment purposes (Saison Asset Formation Loans), loans for renovations, loans for project financing to real estate business operators (Real Estate Mortgage Loans) and real estate nonrecourse loans.

Director's Message

Credit Saison is developing its finance business based on three pillar businesses: "Lease & Rental," "Credit Guarantee" and "Other Finance Products." For the Lease & Rental Business, we are forging ahead in sales of OA equipment and kitchen equipment in line with the capital investment plans of businesses, as well in telecommuting-related products for corporations as they make progress in work-style reforms. For the Credit Guarantee Business, we specialize in credit guarantees for unsecured personal loans that do not set conditions on the use of funds, working through partner financial institutions, with which we collaborate closely in terms of both marketing and credit controls as we strive to acquire new business. We aim to release new products and services, including owner subleasing guarantees and small, web-based loans. For the Other Finance Products Business, we are offering unique products and services tailored to customer needs–led by Flat 35 loans, asset formation loans and rent guarantees–while endeavoring to accumulate high-quality assets by building on strengthened relationships with our partners and affiliates. We aim to launch services specific to medical institutions and will utilize our sales capabilities and nationwide network built up in the card business to provide financial services tailored to market needs as we put into place a business foundation as a non-bank with diverse sources of revenue and resilient to changes in the market environment thanks to our strengthened relationships with our partner companies.

Tatsunari Okamoto Director, Managing Executive Officer, Head of Finance Division

STRATEGY

Global Business

Credit Saison's global business began in 2005, when the Company entered the market in Shanghai, China. The Company has entered nine countries, including Vietnam, Cambodia, Indonesia, Singapore, Thailand and India, since establishing an overseas headquarters in 2014 aimed at global business expansion. 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 who have insufficient access to financial services from banks and other institutions.

Market Environment

Amid expectations for an ongoing expansion in both population and GDP, we expect significant growth in Asia moving forward, 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 rapid progress of digitalization is contributing to new services being developed using the latest in cutting-edge technologies.

Progress of the Medium-term Management Plan

Credit Saison is working to expand its earnings base in future-oriented global business by investing in and collaborating with local companies, including those operating in the FinTech domain, in order to extend its financial services expertise accumulated in Japan to Asian countries with insufficient financial access.

■ Moving into new countries to establish a global business earnings base

In addition to a steady expansion in our businesses, mainly centered on existing businesses in the nine countries in which we already operate, we are advancing initiatives, such as collaboration with multinational companies as well as the development of mobile payment systems, AI credit granting and digital scoring operations, to further complement the strengthening of our businesses in each country.

■ The duplication and diversification of businesses

We established the corporate venture capital company Saison Capital in Singapore in June 2019, and it has begun financing and investing in start-up companies. Saison Capital has already invested in KoinWorks, a P2P platformer targeting Indonesian SMEs, and Quona, a fund that operates under the concept of financial inclusion in emerging markets mainly in Central/South America and Africa.

In November 2019, Credit Saison began digital lending operations through Kisetsu Saison Finance established in India. We have worked to expand our businesses in the Indian digital lending market, which has grown rapidly due to financing needs among SMEs and individual clients who have been underserved by banks. In February 2020, Kisetsu Saison Finance undertook new financing in Gojo & Company, Inc., which provides microfinancing through local subsidiaries and affiliates in four countries: Cambodia, Myanmar, Sri Lanka and India.

Future Issues and Initiatives

We will engage in business selection and concentration in a bid to solidly increase earnings from business platforms built in countries where we have made inroads. Through retail finance provider HD Saison Finance Company, we are expanding operations in Vietnam mainly in the installment credit business for items such as motorcycles, smartphones and home appliances while developing new earnings platforms by establishing a new credit card business. Through digital lending and leasing operator PT. Saison Modern Finance, we will pursue in Indonesia SME and individual finance businesses in the P2P lending field in partnership with local companies. In India, we aim to expand businesses by acquiring licenses in non-bank financial operations and increasing collaboration with local companies that have lending know-how.

Securing global personnel is indispensable for expanding our business and moving into new countries. In addition to the active recruitment of local employees with a variety of cultural values, we will continue to promote the appointment of executive candidates regardless of whether they are Japanese. In addition to upgrading the internal control system for each operating company, we are strengthening our corporate governance system, which includes creating a mutual checking system involving business supervision and monitoring from the Tokyo headquarters and the Singapore subsidiary in its capacity as a regional headquarters.

Myanmar

Undertaking the business license application procedures required for the launch of the microfinance business (as of March 2020)

Thailand

SIAM SAISON Co., Ltd.
- Established in November 2018 (Investment ratio 40%)
- Digital credit granting/payment business

China

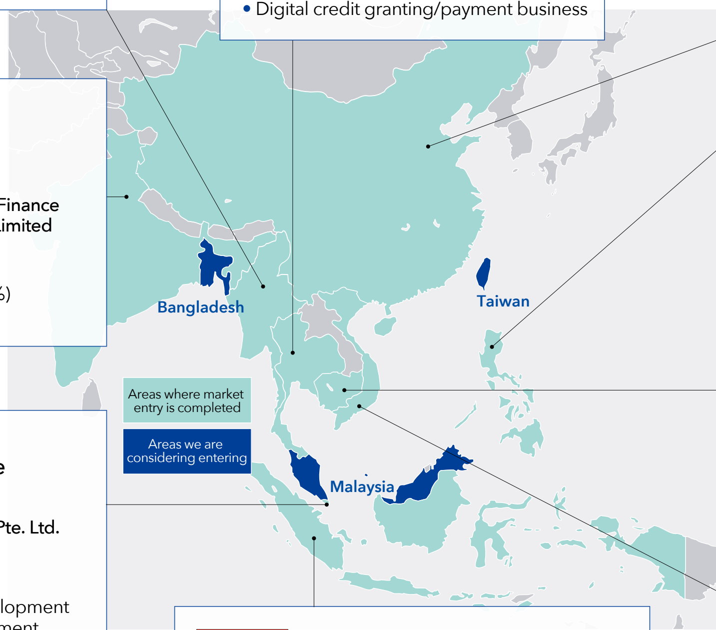
Credit Saison Corporation (Shanghai) Limited
- Established March 2005 (Investment ratio 100%)
- Consulting business

India

Kisetsu Saison Finance (India) Private Limited
- Established June 2018 (Investment ratio 99.99%)
- Digital lending business

Philippines

Undertaking preparations for the launch of the loan business (as of March 2020)



Cambodia

Idemitsu Saison Microfinance (Cambodia) Plc.
- Established August 2015 (Subsidiary of an affiliated company in which Credit Saison holds a 50% stake)
- Loan and installment payments business

Singapore

Credit Saison Asia Pacific Pte. Ltd.
- Established May 2014 (Investment ratio 100%)
- Overseas business development and integrated management

Saison Capital Pte. Ltd.
- Established June 2019 (Investment ratio 100%)
- Investment and financing for overseas start-ups

Indonesia

PT. Saison Modern Finance
- Established September 2015 (Investment ratio 82%)
- Digital lending business/leasing business

Vietnam

HD SAISON Finance Company Ltd.
- Established May 2015 (Investment ratio 49%)
- Retail finance business

Director's Message

The spread of the novel coronavirus (COVID-19) mainly in Southeast Asia and India has significantly affected Credit Saison's global business. New financing in individual countries was temporarily halted from early in the year, when the pandemic began to clearly emerge, and we closely watched these trends. Consequently, we are phasing back operations while monitoring conditions in each country without incurring severe losses.

Despite these circumstances, demand is brisk in the Company's main target markets–the middle class and segments not served by banks–which look poised for further growth after COVID-19 has been contained. Looking ahead, Credit Saison will accelerate its global business in collaboration with various local partners in each country to achieve sustainable growth.

Katsumi Mizuno Director, Senior Managing Executive Officer, Head of Global Business Division

Financial Capital Strategy

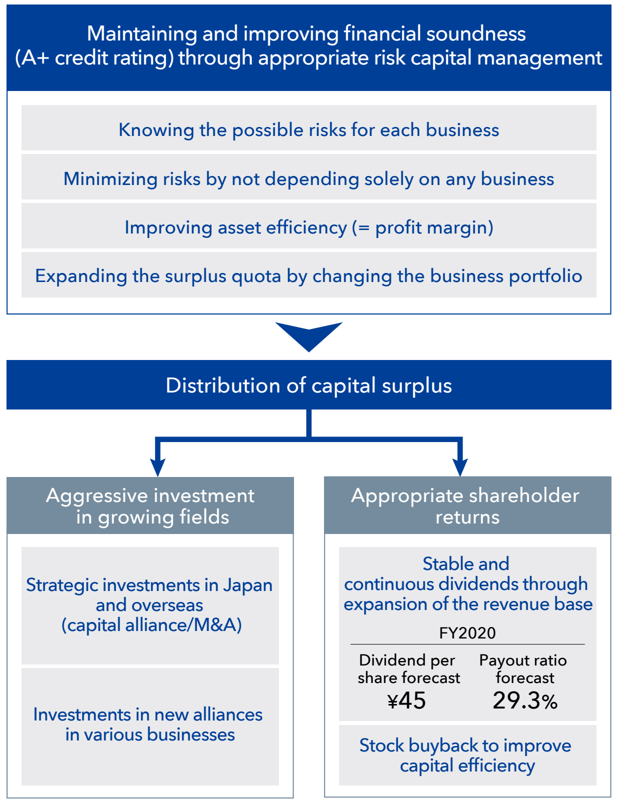
Growing the three pillars of business in a well-balanced manner with a priority on maintaining and improving financial soundness

Shingo Baba
Managing Executive Officer
Head of Corporate Planning Dept., Corporate Risk Management Dept., Treasury & Accounting Dept.

Q Tell us about the basic policy behind the Company's financial strategy.

As a non-bank that mainly engages in the Payment Business, our approach to financing is similar to that of "purchasing," which is used by standard services companies. The degree to which we can cheaply and consistently procure "purchases" directly connects to subsequent business activities and affects profitability in regard to the degree to which we can secure interest margins. Given this business model, under our financial strategy we manage the Company with an acute awareness of our credit rating. Although we received an A+ (stability) issuer rating from Rating and Investment Information, Inc. (R&I), we measure the confidence level, which represents the amount of risk suited to this rating, as 99.75% and engage in risk capital management in a way that allocates the minimum required capital by quantifying this level for each business and affiliated company. Based on the investment allowance derived in this way, we engage in "growth investments" and distribute "shareholder returns." Calculating these enables us to execute agile decision-making for matters that fall within the scope of the investment allowance, even in the case of high-risk overseas investment and financing projects or share repurchases, and to prioritize the maintenance and improvement of financial soundness.

One aspect we pay particular attention to in working to maintain financial soundness is securing liquidity on hand for emergency funds. As a result of the 2008 global financial crisis, our listed subsidiary involved in the real estate business fell into management peril, at which point we fully supported the company's management restructuring by assuming all its obligations and implementing a share exchange to convert the company into a fully owned subsidiary. At the time, every company in Japan faced extreme difficulty in procuring funds from financial markets, and I am sure everyone experienced the struggle to surmount the challenge of securing liquidity on hand for cash. These experiences are part of the reason we work to secure liquidity on hand in preparation for emergencies. This lesson has informed our unshakable financial base amid the current COVID-19 pandemic. Against the more than ¥3 trillion in total assets held by the Group, we have secured a commitment line of approximately ¥300 billion, a credit receivables liquidation limit of approximately ¥180 billion, cash on hand of approximately ¥100 billion and liquidity on hand of approximately ¥580 billion. In addition, because of actions taken by the Bank of Japan, the Federal Reserve Board (FRB), the European Central Bank (ECB) and other central banks to encourage global-scale monetary easing policies, we were able to avoid funding challenges relating to the pandemic. We will continue to maintain this stance of preparing for emergencies.

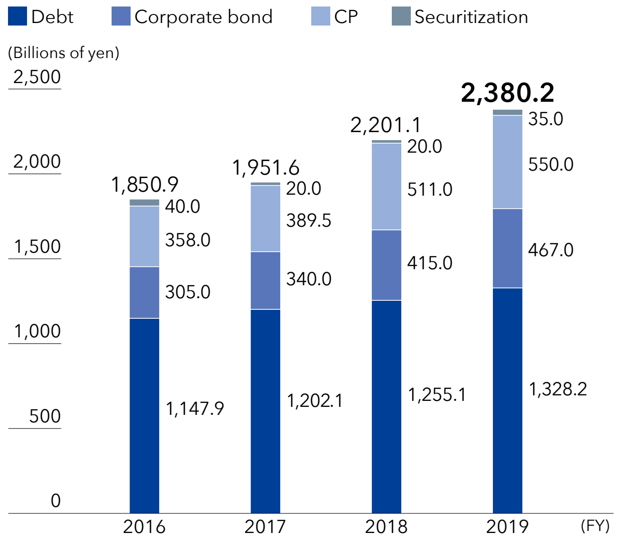


Q Summarize the Company's achievements over the past 10 years from a financial perspective.

Since the 2008 global financial crisis, the payment business, which makes up the core of the Group, has experienced a business climate that has made operations a significant challenge, including strengthened legal regulations, such as revisions to the Money Lending Business Act and the Installment Sales Act, as well as Supreme Court rulings on overpayment refund requests. The biggest challenge was that these changes occurred while our project to construct a new core system was under way, which forced us to temporarily freeze system development for new alliances and other endeavors. This, in turn, placed a shackle on the growth of the payment business. Meanwhile, the Lease & Payment, Credit Guarantee, Asset Formation Loan, Rent Guarantee and Other Finance businesses expanded significantly during this period. Looking at our asset makeup (excluding special asset management), the payment business, which accounted for roughly 70% of assets 10 years ago, has now fallen to just under 50%. From the perspective of income contribution as well, this indicates that we have shifted from our conventional position of a single footing to a second pillar of growth, namely the finance business. Although both the payment and finance businesses maintain a significant share domestically and have charted a course to operational stability, we will nurture the global business with a focus on Southeast Asia, which is anticipated to have higher growth potential, as a third pillar.

If we look at liabilities, our interest-bearing debt stood at approximately ¥2.4 trillion as of the end of March 2020. More than 60% of this debt consists of long-term funds such as corporate bonds and long-term borrowings procured with a maximum term of 20 years. To receive the benefits of historically low interest rates resulting from the Bank of Japan's negative interest rate policy, along with the use of commercial paper that can be procured at almost zero interest, we are advancing the transition to fixed interest rate procurement as a means of

Balance of interest-bearing debt (non-consolidated)



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

reducing future interest rate fluctuation risk while enabling procurement at low interest rates. At the same time, we are working to level and diversify repayment terms while controlling durations to prevent widespread growth in repayment amounts due to temporary finance needs.

Q Tell us about the major management indicators, risk management and investment decisions involved in executing risk capital management.

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

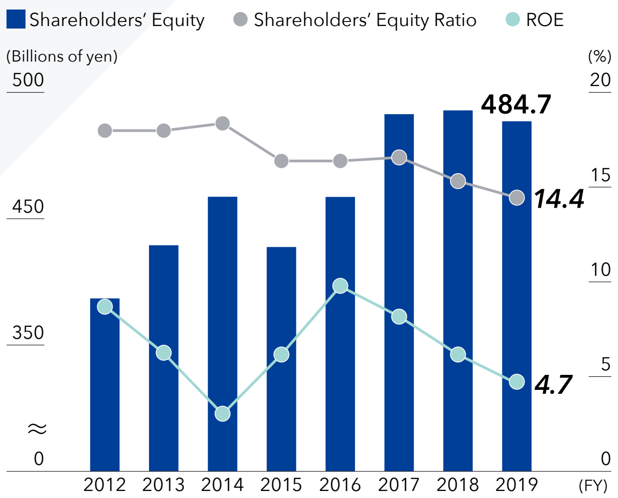
In terms of risk management, the ALM Committee deliberates risk quantification for each business, risk capital investment policies, the weighted average cost of capital (WACC) and the target for return on invested capital (ROIC). In terms of individual investment proposals, members of the Investment Strategy Committee with expertise in financial, digital and global matters, as well as those involved in finance, accounting, legal affairs and risk oversight, deliberate on matters from a multifaceted perspective to first identify risk. Following this, we make the actual investment decisions at meetings of the Executive Board and the Board of Directors. In terms of high-value investment and overseas investment proposals,

Trends in management indicators

Medium- to long-term target

ROE of 10% or more

Shareholders' Equity Ratio of about 15%



we employ the capabilities of outside experts to help identify potential risks and deliberate the countermeasures for these at Board of Directors' meetings.

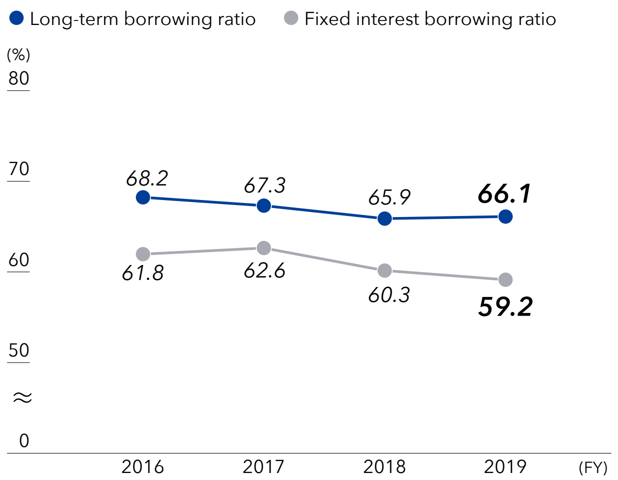
Q Tell us about the risks that have been ascertained from a financial perspective and how the Company intends to ensure against these.

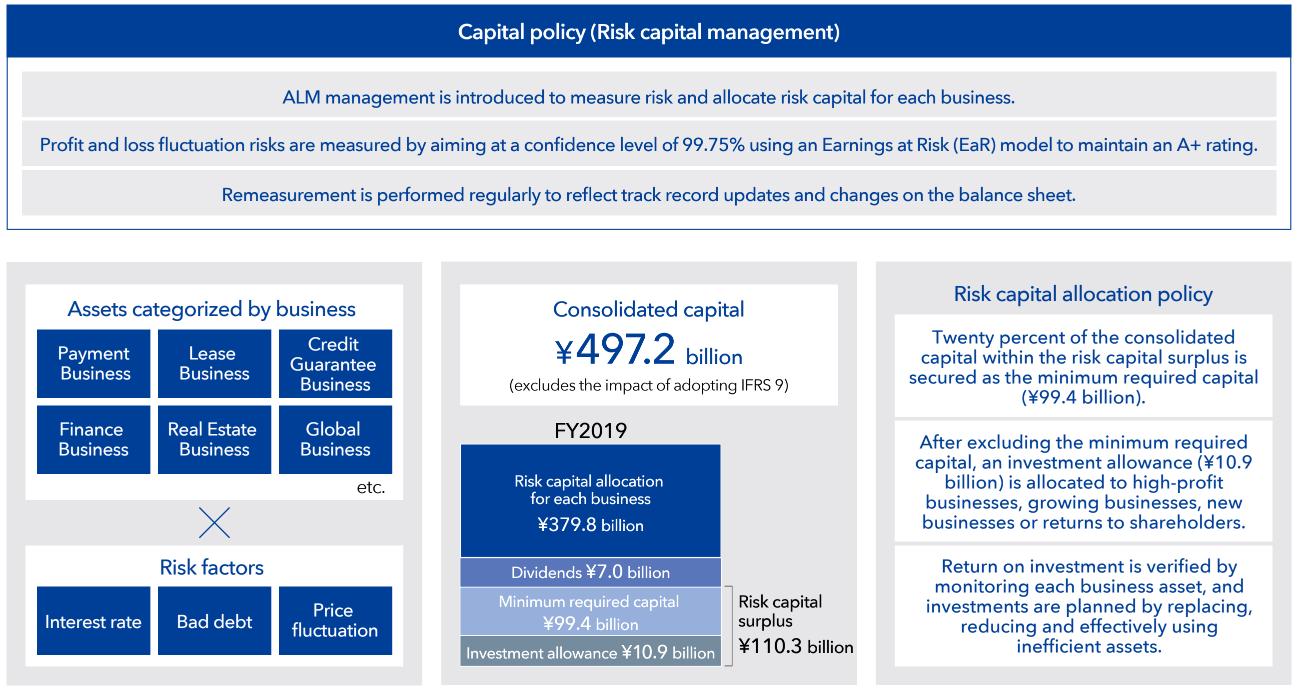
Domestically, we foresee a risk of higher interest rates. In addition to extending procurement terms and switching to fixed interest rates, we are managing this risk by diversifying our investors and procurement methods. These moves will help reduce and eliminate risk through diversification in a variety of respects.

Moreover, we will need to investigate measures for eliminating foreign exchange risk as we expand business in Southeast Asia. Our business is based on a model of taking credit risk to produce returns, so we must avoid taking foreign exchange risks that we cannot control. To a certain degree, we can address foreign exchange risk by combining foreign exchange contracts and currency swaps with yen procurement within Japan. As the scale of our overseas business expands, however, we will consider and adopt local fund procurement and management approaches.

From a business portfolio perspective, a higher reliance on a single business will raise the risk of survival as a company. In this sense, strengthening the three business pillars I mentioned earlier while maintaining a good balance will be essential. Regarding the domestic payment and finance businesses, creating a centralized database founded on the information we acquire through these businesses will enable us to make proposals tailored to customer needs and life events in a timely manner, and thereby help strengthen both businesses. The use of AI and DX will also increase the efficiency of business operations, which I feel will help reinforce the management base itself.

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





Q Tell us about the Company's approach to shareholder returns.

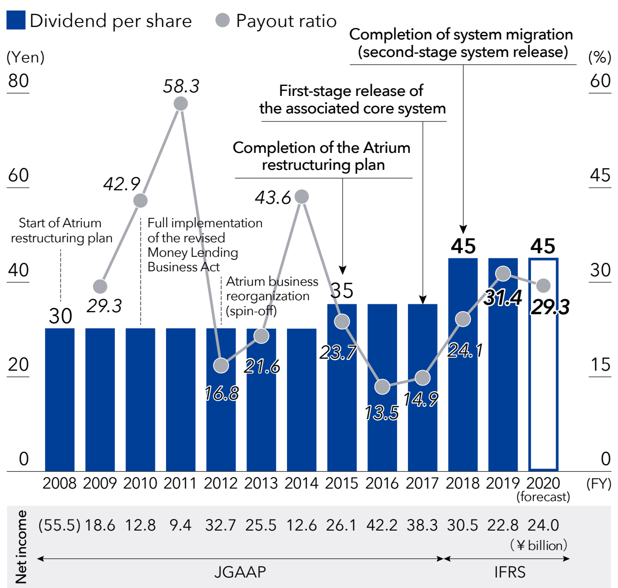
Our policy is to make stable, continuous dividend payments to our shareholders. In the past, we have maintained stable dividends even when recording losses coinciding with the restructuring of our real estate subsidiary. We have also maintained a consistent dividend

Dividend per share and payout ratio

Dividend policy

Stable and continuous dividend payments

No dividend cuts in the past even during times of management hardship



forecast even during the current COVID-19 pandemic. As a non-bank, it is important for us to hold a certain level of shareholders' equity as part of business operations, so we will focus on our ability to continue offering a stable dividend without being swayed by performance or transient factors.

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

Q Finally, please offer a word to the stakeholders.

Our emphasis on finance serves to strengthen the business by stably procuring the funds required for each business and by allocating capital efficiently and in a well-balanced manner to the three business portfolios, which combine stability and growth potential. With the stable release of the core system, the payment business is enjoying a tailwind, including the Japanese government's stated goal of achieving a cashless payment ratio of 40% by 2025. Although overseas business expansion is riskier than expansion in Japan, under the concept of risk capital management, we aim to maximize returns in a way that maintains financial soundness. We have finally established an environment in which we can expand the three businesses without limitation, so we hope everyone is looking forward to our future performance.

Social Impact
- ➤ Ensure access to financial services, including microfinance
- ➤ Promote growth of Micro-SMEs including through access to financial services
- ➤ Increase the access to financial services, including affordable credit

United Nations Sustainable Development Goals (UN SDGs)

Bridging the Financial Inclusion Gap with Impact Investing

Credit Saison offers customers across Asia financial services and solutions, both directly and in partnership with local lending institutions, leveraging its deep domain expertise in non-bank finance in Japan. Large sections of populations across Southeast Asian countries remain underserved or unbanked as they lack some or all of the requirements banks have, or fall outside of such banks' parameters for credit. Many of these customers even lack access to simple bank accounts.

With emerging FinTech-enabled non-banks in the region looking to provide credit and other financial services to such individuals and enterprises using innovative sales and underwriting, we see an immense opportunity in providing wholesale debt to such non-banks, with strong risk-adjusted returns. With this approach, we look to further financial inclusion by equipping specialized local lenders with the capital they need to access underserved and unbanked customers.

Credit Saison's Approach

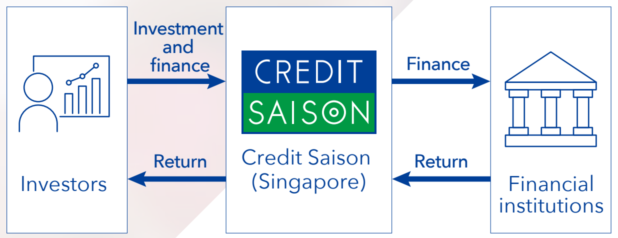
With the launch of its impact investing* initiative, Credit Saison looks to harness the power of private capital to create long-term positive impact on individuals and enterprises that otherwise lack access to essential banking and financial services. Credit Saison aims to bridge the gap between underbanked and unbanked individuals and entrepreneurs in emerging and frontier markets and capital markets by offering high-impact debt capital to specialized local lending institutions in Southeast Asia and beyond.

Through this initiative, we look to contribute toward the UN SDGs that aim to ensure equitable access to financial services, enable the growth of MSMEs and increase access to affordable credit in emerging markets.

* Impact investing aims to not only generate competitive financial returns, but also positively impact communities and the environment. The impact investing market overall is expected to supplement the US$2.5 trillion annual funding gap needed to achieve the 17 UN SDGs that the United Nations has put in place to address the world's most pressing social and environmental development challenges.

Business Model and Operations

Credit Saison is looking to build a business model that will leverage its own funds to enable the flow of Japanese impact capital to financial inclusion in emerging markets, via innovative structures that cater to the risk-adjusted return expectations of investors, and the liquidity needs of investees. Our multi-disciplinary team in Singapore with deep experience in this sector has launched a pilot program of US$10 million, where it will deploy Credit Saison's own funds to our target sectors and markets, together with partners and advisors. Our holistic approach aims to ensure best-in-class investments, with a pipeline of over 300 potential investees in Southeast Asia alone.



Project team

KoinWorks – a P2P Platform Catering to MSMEs

KOINWORKS

KoinWorks is a licensed and regulated large P2P (peer-to-peer) lending platform in Indonesia that enables the flow of credit from individual and institutional lenders alike to micro, small and medium enterprises, that lack access to credit from traditional financial institutions such as banks and large non-banks. The FinTech company utilizes machine-learning to assess borrowers, thus helping them meet the credit needs that their businesses require to grow. The company currently serves over 300,000 underserved entrepreneurs in Indonesia.

Interview (CEO and Co-founder: Benedicto Haryono)

Q1 What is the importance of driving financial inclusion in Indonesia and how do you see the market evolving?

Very important. Indonesia is a country of opportunities, but even after a few decades we still haven't been able to reach our said potential. Of 173 million adults, 80% of the population are underbanked or unbanked. It makes sense that people find it hard to invest in the betterment of their lives. We think that Indonesia is in the concurrent processes of adopting digitalization while at the same time building its capabilities, and this trend is accelerating due to the effects COVID-19 has brought.

Q2 What is KoinWorks' mission?

Our mission is to enable people to realize their dreams through affordable and accessible financing. We are driven by both the desire to deliver impact and the ambition that we can prove our theory right. We founded KoinWorks on the belief that the dual mission of profitability and high social impact and we have confidence that they are achievable in this model.

Q3 What are some of the challenges you face in catering to the MSMEs you cater to, and how do you tackle these challenges?

We have many challenges especially in the financial literacy of the entrepreneurs and also on how to encourage these entrepreneurs to go higher. We actively conduct education events and share them online, although the latter is the more challenging of the two as quite a few entrepreneurs are happy where they are and don't have higher aspirations.

KoinWorks CEO & Co-founder
Benedicto Haryono

Social Impact

➤ Secure settlement services
➤ Provision of infrastructure

United Nations Sustainable Development Goals (UN SDGs)

Efforts to Realize Safe and Secure Cashless Payments

Due to digitalization, significant progress is being made in the continued transition to a cashless society. The COVID-19 pandemic has accelerated moves in which contactless and remote are regarded as keywords that have brought about major changes in our daily lives. Amid such changes, companies are being required to respond to security issues, including new types of fraud, which accompany the progress of a cashless society. Having introduced new security countermeasure solutions to eliminate fraud at the initial credit examination stage and during credit monitoring inspections, Credit Saison is working to realize safe and secure cashless payments for its customers.

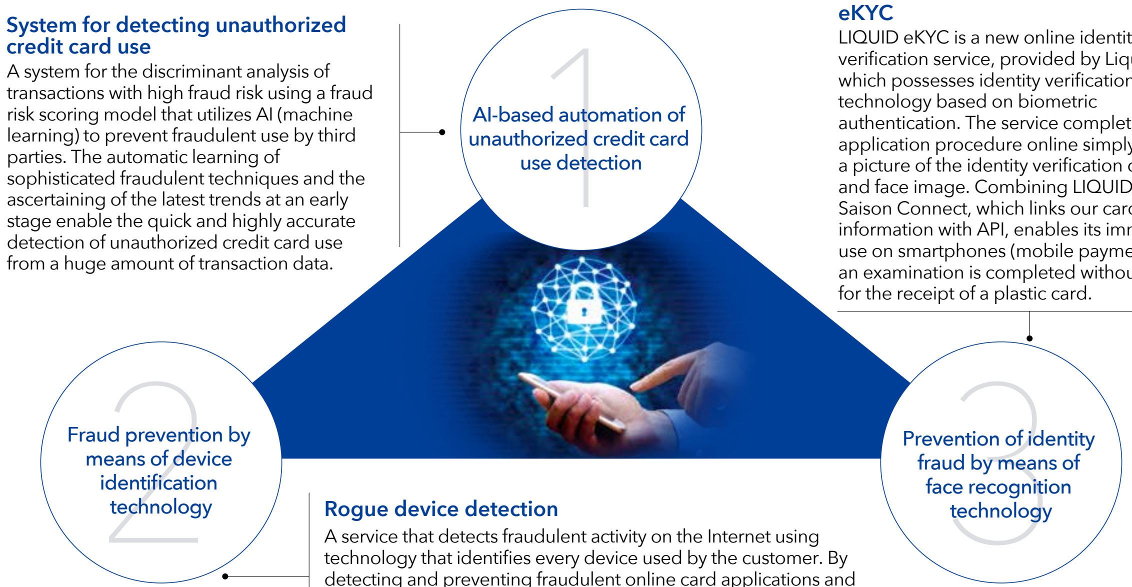
Credit Saison's Approach

We are building a stronger security platform by combining the credit card screening know-how and experience we have cultivated over the 70 years since our founding with new systems in collaboration with partner companies.

Specifically, we are working to eliminate fraud in cashless payments by three courses of action: the AI-based automation of unauthorized credit card use detection, the introduction of technology to prevent identity fraud and rogue device detection. Through these efforts, we are providing our customers with safe and secure payment environments while contributing to the spread of timely and contactless payment methods in the new era.

Secure payment environments in the cashless era

System for detecting unauthorized credit card use
A system for the discriminant analysis of transactions with high fraud risk using a fraud risk scoring model that utilizes AI (machine learning) to prevent fraudulent use by third parties. The automatic learning of sophisticated fraudulent techniques and the ascertaining of the latest trends at an early stage enable the quick and highly accurate detection of unauthorized credit card use from a huge amount of transaction data.



eKYC
LIQUID eKYC is a new online identity verification service, provided by Liquid Inc., which possesses identity verification technology based on biometric authentication. The service completes the application procedure online simply by taking a picture of the identity verification documents and face image. Combining LIQUID eKYC with Saison Connect, which links our card information with API, enables its immediate use on smartphones (mobile payments) after an examination is completed without waiting for the receipt of a plastic card.

Rogue device detection
A service that detects fraudulent activity on the Internet using technology that identifies every device used by the customer. By detecting and preventing fraudulent online card applications and the use of cards for shopping by impersonating the cardholder, the service makes it possible to eliminate anxiety about Internet transactions and provide safe and secure Internet services.

Dialogue

Megumi Yamada
General Manager, Credit Examination Center

Ryuta Nishiyama
General Manager, Tokyo Risk Management Center

Aiming to create new value in security responsibilities as a leading-edge service company in the "living with COVID" era

We interviewed Megumi Yamada, General Manager of the Credit Examination Center, and Ryuta Nishiyama, General Manager of the Tokyo Risk Management Center, who are involved in initial credit examinations and credit monitoring inspections, respectively.

Q1 Please tell us about the new challenges with the COVID-19 pandemic.

Yamada: Because of the COVID-19 pandemic, credit card applications have changed from face-to-face to non-face-to-face. The latter requires a new identity fraud elimination mechanism.

Nishiyama: From before the COVID-19 pandemic until now, the fraudulent means have changed. I think that companies are required to take continuous measures against fraudulent trends that change according to the external environment.

Q2 Please tell us about your security efforts.

Yamada: As a solution against the new types of fraud, we are engaged in efforts that include identifying individual device information and rejecting applications from suspicious devices.

Nishiyama: I believe that two things are required of security measures: fraud prevention and the early detection of any fraud that has taken place. We are working to improve the accuracy of timely information distribution and detection so that, as far as possible, customers will not suffer any financial loss.

Q3 Please tell us about the three strategies for eliminating fraud and the creation of new value for customers, industry and society.

Concerning prevention of identity fraud by means of face recognition technology

Yamada: The introduction of eKYC face recognition technology has made it possible, for the first time in the industry, to prevent identity fraud in real time even for non-face-to-face applications.

Nishiyama: eKYC was introduced around the fall of 2019, and it seems that there has been a high degree of interest, for example, in terms of inquiries received, even from other companies in the same industry. We are expecting this to be an area in which we can set ourselves apart from our competitors in the years to come and one in which we believe we will be able to contribute to the development of the industry. For non-face-to-face applications, we believe that being able to provide the highly convenient eKYC option has provided new value to our customers.

Yamada: We believe that if we become a pioneer in the industry and that leads to the widespread use of safe and secure cashless payments, we will increase the trust in the industry. From various surveys, it is clear that the image of credit cards invoking unease and distrust remains deep rooted. We also believe that promoting cashless payments by putting safety and security first and taking security measures will provide a safe and highly convenient payment infrastructure for society.

Concerning fraud prevention by means of device identification technology

Yamada: Today, the world has changed dramatically, and the fraudulent means have diversified compared to what they were before. I think it is important that we make it so that cards can be used with peace of mind by eliminating fraud at both the initial credit examination stage and during credit monitoring inspections by unprecedented methods, including the utilization of device information.

Concerning AI-based automation of unauthorized credit card use detection

Nishiyama: For our efforts with an AI-based unauthorized credit card use detection system, which we started in 2019, we have added improvements that have enabled faster detection. The strength of AI lies in its ability to find relationships that people will not notice and derive solutions from those relationships. We will further improve the accuracy so that customers can use their cards with peace of mind.

Q4 Please tell us about how you see the future.

Nishiyama: In the years to come, I think it will be necessary to consider efforts to eliminate fraud by sharing information on fraud within the industry, and even across the industry and society as a whole. In contrast, as credit is a competitive field, I would like to use Credit Saison's arsenal of tools as a new initiative in the field of security by devising ways to set ourselves apart from the rest of the industry, in the same way that we have with eKYC.

Yamada: By combining the experience value that Credit Saison has accumulated over the past 70 years with a never-before-seen field of payment, I would like us to build a safe and secure cashless society so that customers can use their cards with peace of mind.

11-Year Summary of Selected Financial Data

JGAAP[1]/IFRS[2]		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	(Millions of yen) 2020	(Thousands of U.S. dollars)[3] 2020
FINANCIAL DATA													
CONSOLIDATED													
For the year	Operating revenues/Net revenue	306,855	285,712	244,009	244,405	247,577	259,076	269,919	278,944	292,183	304,855	311,410	2,883,426
	Selling, general and administrative expenses	246,305	235,758	192,184	187,170	197,852	206,192	221,553	236,661	241,740	220,974	236,910	2,193,611
	Financial costs	24,377	22,577	19,958	14,922	13,388	12,722	11,772	11,069	9,671	9,878	10,471	96,954
	Operating income	36,173	27,377	31,865	42,312	36,336	40,161	36,593	31,213	40,771	-	-	-
	Ordinary income/Business profit	39,106	33,762	38,590	53,214	44,408	43,687	43,802	53,065	56,717	52,233	36,184	335,037
	Net income attributable to owners of the parent/ Profit attributable to owners of the parent	18,680	12,829	9,453	32,770	25,552	12,628	26,163	42,253	38,329	30,517	22,863	211,694
At year-end	Total equity	341,405	347,915	355,727	394,868	422,829	447,082	418,988	446,882	480,669	491,741	485,476	4,495,148
	Total assets	2,374,129	2,231,246	2,155,906	2,141,802	2,285,943	2,373,299	2,550,990	2,720,051	2,940,022	3,212,465	3,357,229	31,085,454
	Interest-bearing debt	1,776,827	1,657,832	1,409,802	1,359,856	1,468,740	1,557,836	1,729,066	1,857,477	1,957,244	2,203,818	2,413,565	22,347,824
Per share data (in yen and U.S. dollars)	Net income per share/ Basic net income per share	102	70	51	178	139	69	147	259	235	187	143	1.32
	Equity per share/Equity attributable to owners of the parent per share	1,846	1,880	1,921	2,132	2,283	2,424	2,564	2,725	2,933	3,006	3,102	28.72
Key financial ratios (%)	Return on equity (ROE)	5.7	3.8	2.7	8.8	6.3	2.9	6.1	9.8	8.3	6.2	4.7	4.7
	Return on assets (ROA)	0.8	0.6	0.4	1.5	1.2	0.5	1.1	1.6	1.4	1.0	0.8	0.8
	Equity ratio	14.3	15.5	16.4	18.3	18.3	18.8	16.4	16.4	16.3	15.3	14.4	14.4
NON-CONSOLIDATED													
For the year	Operating revenues	257,924	239,657	210,207	204,121	205,873	219,336	228,713	238,637	249,865	259,018	268,020	2,481,667
	Selling, general and administrative expenses	205,042	194,194	153,505	149,844	160,927	169,899	186,492	203,038	207,093	215,726	235,794	2,183,278
	Financial costs	22,221	19,977	18,809	16,882	15,119	14,066	12,620	11,282	9,872	9,748	10,535	97,546
	Operating income	30,661	25,484	37,893	37,394	29,826	35,370	29,599	24,316	32,900	33,543	21,690	200,833
	Ordinary income	33,787	28,706	41,001	41,529	34,872	38,449	32,614	28,210	38,871	39,634	28,348	262,481
	Net income	16,137	7,596	5,613	24,147	18,637	11,315	25,570	21,045	22,190	25,875	33,391	309,176
At year-end	Total equity	319,712	320,303	322,502	349,202	367,808	388,470	359,428	374,477	396,831	407,533	404,809	3,748,231
	Total assets	2,200,459	2,097,773	2,059,435	2,051,908	2,200,459	2,287,986	2,468,797	2,623,644	2,831,296	3,107,284	3,210,925	29,730,787
	Interest-bearing debt	1,645,206	1,575,231	1,368,154	1,337,201	1,457,001	1,551,189	1,725,891	1,852,551	1,953,740	2,202,839	2,378,401	22,022,231
Key financial ratios (%)	Return on equity (ROE)	5.2	2.4	1.8	7.2	5.2	3.0	6.8	5.7	5.8	6.4	8.2	8.2
	Return on assets (ROA)	0.7	0.4	0.3	1.2	0.9	0.5	1.1	0.8	0.8	0.9	1.1	1.1
	Equity ratio	14.5	15.3	15.7	17.0	16.7	17.0	14.6	14.3	14.0	13.1	12.6	12.6
Transaction volume	Card shopping	3,844,670	3,953,411	3,402,494	3,547,050	3,852,980	4,089,389	4,258,284	4,476,608	4,683,038	4,788,537	4,946,908	45,804,704
	Cash advances	604,347	371,403	266,904	260,089	264,092	277,025	267,723	253,837	248,156	242,980	237,555	2,199,583
	Specialty loans	43,768	36,514	34,597	32,950	45,506	74,687	121,294	212,217	328,300	512,063	686,501	6,356,491
	Agency services	1,310,419	1,362,275	2,112,431	2,166,062	2,303,998	2,434,824	2,522,242	2,671,710	2,873,183	3,014,831	2,985,255	27,641,250
	Leases	100,893	94,831	96,852	105,356	114,694	106,801	106,000	108,101	114,569	115,589	127,178	1,177,574
	Guarantees	85,637	73,375	92,837	115,297	126,281	137,335	150,101	159,914	131,922	114,277	101,510	939,907
	Others	23,380	22,895	20,482	23,869	30,005	33,732	33,298	32,177	30,677	25,774	29,001	268,528
	Total transaction volume	6,013,118	5,912,587	6,026,599	6,250,675	6,737,558	7,153,795	7,458,944	7,914,568	8,409,848	8,814,054	9,113,911	84,388,065
NON-FINANCIAL DATA (NON-CONSOLIDATED)													
	No. of employees	2,234	2,265	1,865	1,938	2,007	2,078	2,163	2,289	3,297	3,239	2,981	2,981
	(Females)	1,624	1,652	1,306	1,358	1,395	1,447	1,515	1,597	2,483	2,424	2,169	2,169
	(Males)	610	613	559	580	612	631	648	692	814	815	812	812
	Ratio of female managers (%)	21.6	20.5	20.8	19.0	18.1	20.1	20.9	22.4	21.2	20.8	21.0	21.0
	No. of paid leave days approved/ Ratio of paid leave used (%)	9.5 (54.8)	9.1 (52.1)	8.3 (46.1)	9.1 (49.8)	9.1 (49.9)	9.5 (52.8)	8.2 (45.7)	9.2 (52.4)	10.0 (56.8)	13.1 (72.9)	15.0 (82.5)	15.0 (82.5)
	Average overtime hours per month	13.6	13.7	14.6	13.2	16.2	15.6	16.1	14.5	11.1	10.2	10.8	10.8

1. Japanese standards were applied until FY2017.
2. International Financial Reporting Standards (IFRS) are applied from FY2018 onward. The Company began applying IFRS No. 9, "Financial Instruments," on April 1, 2018.
3. Japanese yen amounts have been translated into U.S. dollars at the rate of ¥108 = US$1, the approximate exchange rate on March 31, 2020, for the convenience of the reader.

Segment Highlights

JGAAP[1]/IFRS[2,3]	2016	2017	2018	2019	2020 (Millions of yen)	2020 (Thousands of U.S. dollars)[4]
Operating revenues/Net revenue						
Payment Segment	204,268	211,633	220,320	228,518	232,441	2,152,231
Lease Segment	13,542	13,278	12,885	12,586	12,269	113,602
Finance Segment	27,320	31,074	35,417	39,231	43,112	399,185
Real Estate-related Business Segment	15,469	13,648	15,472	18,113	17,227	159,509
Entertainment Business Segment	10,388	10,396	9,288	8,761	8,822	81,685
Adjustment	(1,070)	(1,086)	(1,200)	(2,357)	(2,462)	(22,796)
Total net revenue	269,919	278,944	292,183	304,855	311,410	2,883,426
Operating income/Business profit						
Payment Segment	8,268	7,971	12,719	16,915	6,297	58,306
Lease Segment	5,109	4,313	4,349	5,720	2,951	27,324
Finance Segment	15,802	12,817	16,213	19,209	18,004	166,704
Real Estate-related Business Segment	6,427	4,904	6,401	8,305	6,957	64,417
Entertainment Business Segment	981	1,199	1,082	2,078	1,969	18,231
Adjustment	3	5	3	3	3	28
Total business profit	36,593	31,213	40,771	52,233	36,184	335,037
Breakdown of income from payment business segment						
Card shopping	116,830	124,654	131,827	136,464	140,579	1,301,657
Merchant fees	68,893	70,990	73,597	75,003	77,849	720,824
Customer fees	40,082	45,607	49,940	53,091	54,242	502,241
Annual fees, etc.	7,854	8,056	8,289	8,368	8,487	78,583
Cash advances	36,652	35,473	34,745	33,084	32,932	304,926
Loans on deeds	1,777	1,511	1,329	1,071	844	7,815
Processing/transactions handled on behalf of other companies' cards	25,151	25,542	27,034	28,227	31,014	287,167
Agency services	13,927	13,934	15,045	15,896	12,491	115,657
Payment-related income	8,613	9,219	8,969	11,507	12,297	113,861
Total credit service business income	202,952	210,336	218,952	226,250	230,160	2,131,111
Main card indices (non-consolidated)						
New applications (thousands)	3,300	3,230	2,900	2,500	2,100	2,100
New cards issued (thousands)	2,620	2,610	2,440	2,110	1,800	1,800
Total membership (thousands of members)	25,610	26,460	26,950	26,790	26,390	26,390
Active membership (thousands of members)	14,770	14,780	14,980	14,900	14,960	14,960
Transaction volume (billions of yen and billions of U.S. dollars)	4,526.0	4,730.4	4,931.1	5,031.5	5,184.4	48.0
Shopping	4,258.2	4,476.6	4,683.0	4,788.5	4,946.9	45.8
Cashing	267.7	253.8	248.1	242.9	237.5	2.2
Balance (billions of yen and billions of U.S. dollars)	555.2	594.8	631.3	640.5	645.7	6.0
Card shopping revolving credit balance	338.7	380.8	414.2	422.5	426.8	4.0
Cashing	216.5	214.0	217.1	218.0	218.8	2.0

1. Japanese standards were applied until FY2017.
2. International Financial Reporting Standards (IFRS) are applied from FY2018 onward. The Company began applying IFRS No. 9, "Financial Instruments," on April 1, 2018.
3. Figures for net revenue and business profit represent the amounts before appropriation of inter-segment transactions.
4. Japanese yen amounts have been translated into U.S. dollars at the rate of ¥108 = US$1, the approximate exchange rate on March 31, 2020, for the convenience of the reader.

Credit Saison's ESG Management

Basic Approach to ESG Management

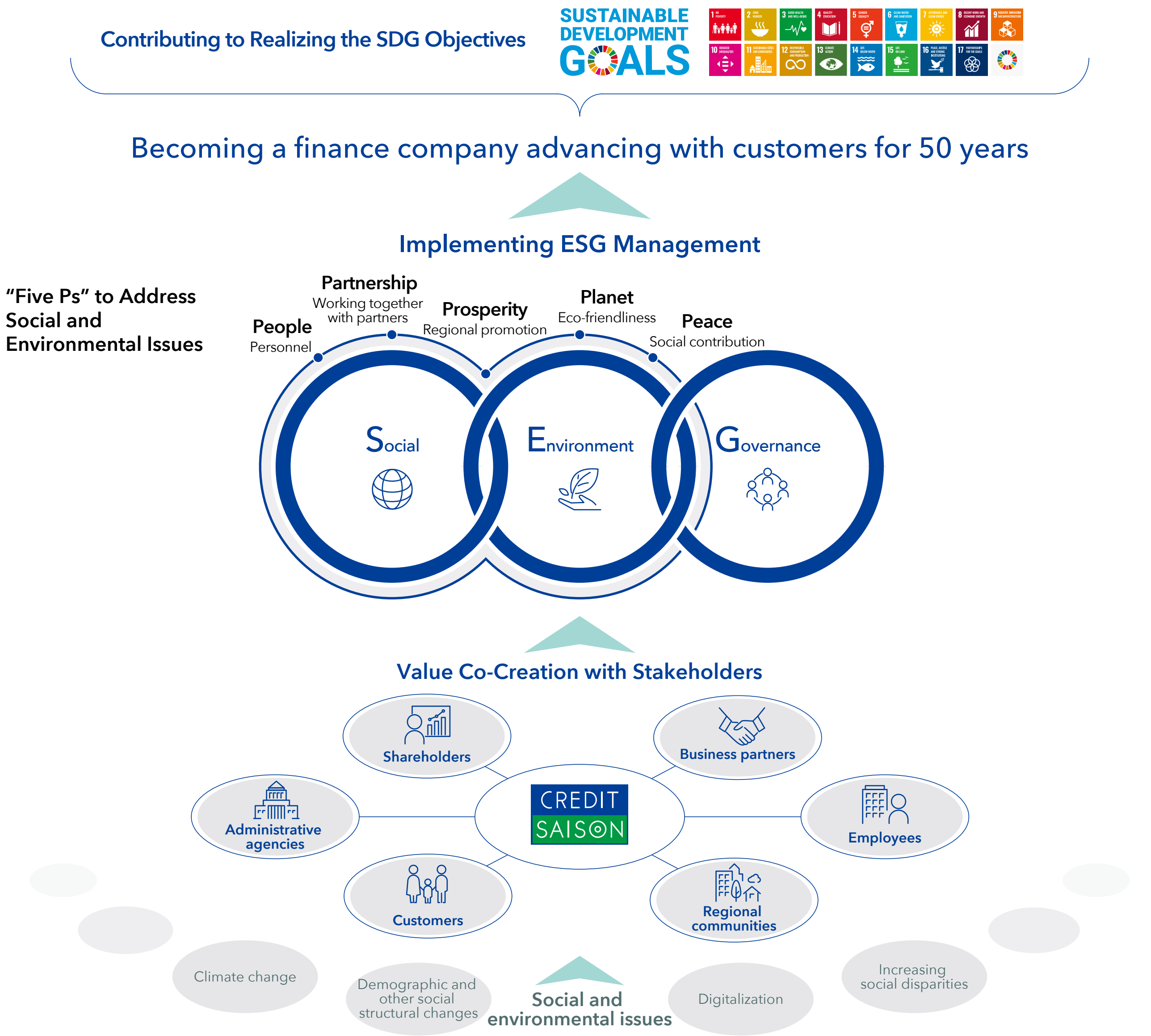
Based on our "leading-edge service company" management philosophy, we contribute through the everyday operation of our businesses to resolve problems and move society forward in ways only Credit Saison can by leveraging our unique know-how, management resources and the experiences of our employees. We 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, we feel it is important to understand what our stakeholders demand of us and to reflect these demands in our services and business activities. Moreover, from our perspective, our stakeholders are a critical factor in raising corporate value. We thus feel that always sincerely addressing their expectations and feedback is essential to our sustained growth.

SDG Initiatives

Contributing to the SDGs for 2030 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. As part of our efforts to promote ESG management, we are addressing social and environmental issues from the perspective of the "Five Ps" to realize "inclusiveness," which is an aim of the SDGs.



Human Resource Strategies

Continuing to develop human resource strategies through continued engagement with all our employees

Kazue Yasumori

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

Q What is the basic thinking regarding human resources?

Our basic strategy is focused on promoting the development of people who can perform to the best of their abilities, regardless of their academic background, gender, age or nationality. When hiring new graduates, I often tell them that with enthusiasm and drive, they can pursue any position they want. While some might be generalists, and others might be specialists, the general idea is for them to think for themselves as to how they want to live their lives based on their work at Credit Saison, and how they can achieve individual growth that will contribute not only to organizational growth but also, more important, to the betterment of society.

Q To achieve this goal, what kinds of human resource development measures are you implementing?

One measure is the career design programs in effect for the past five years focused on personnel in their 20s, 30s, 40s and 50s. We have been working to enhance each employee's interest in the overall Company by providing opportunities for those employees to listen to experiences of senior employees while at the same time reaffirming their strengths and individual values. As each of the Company's eight divisions are highly independent of the others, we provide opportunities for employees from different areas of work to interact with each other while simultaneously incorporating the different ideas of midcareer hires and the perspectives gained by the almost 600 employees seconded to other companies. We want each employee to consider his or her own career development, and we accordingly encourage each to broaden his or her horizons while continually working to improve.

Q What are some of the challenges you face when it comes to employee career development?

The 2017 revisions to the human resource system resulted in the creation of a new framework for specialist positions, but because the criteria for these positions were left to each department, ambiguity regarding use of the system resulted in it being underutilized in some areas. In the second half of FY2019, we held discussions with about 80 department heads regarding their human resource policies, and many of the participants voiced concerns over how the specialist system was utilized. We learned that we needed to provide a way for employees, especially midcareer employees, to move into specialist positions. Women make up about 75% of our employees, and I believe women can do more than work in roles that are subordinate to management positions. There are many women who have a wealth of experience and knowledge and are highly committed to the Company, and I believe making good use of the specialist system can allow these women to make their voices heard and contribute to real change at the Company.

Q Is Credit Saison ahead of its competitors in human resource–related issues such as equal pay for equal work?

The human resource officers and department heads have a strong understanding of and focus on the utilization of human resources, and I believe the design of our system is in many respects well ahead of those seen at the other sector companies. We launched equal pay for equal work this year, but in anticipation of the launch we abolished the employee classification system in 2017 and introduced a common human resource system for all employees, under which those working on an hourly basis are employed indefinitely and are considered the same as individuals contributing to the Company as regular employees. I believe this is an innovative human resource system that allows an individual to be promoted based solely on his or her efforts and abilities. We also introduced remote work on a trial basis in 2016, and we were accordingly able to shift to that format without much disruption when the government issued its declaration of a state of emergency.

As part of our effort to convince employees to stay with us for as long as possible after being hired, we have created a system that offers plenty of work-style options, including hourly leave and reduced working hours. Our goal is to increase awareness of these options within the system and to encourage the various departments to utilize them increasingly.

Q Can you tell us about your engagement with employees, including those overseas?

To start with, we have created a system where employees once a year can take stock of their careers, including what they have achieved so far and what they want to achieve in the future. In addition, we are developing a human resource management system that visualizes human resource-related records from a variety of perspectives. In addition to sharing the details of an individual's career with the various department heads, we keep a record of the one-on-one meetings between employees and supervisors that we recommend take place at least once each month. We hope to expand these efforts to create something of a journey map for each employee to then evaluate his or her progress.

Last year, I was able to meet with the heads of each department, while also listening to the employees at 10 sales offices from Hokkaido to Kyushu. Through this experience, I realized that we need to consider the good as well as the bad things I heard as we create a human resource system and human resource development policies that are in line with the needs of our employees. Regarding the direction of the Company, I believe it is up to each of the Company's 5,000 employees to implement the ideas put forth by leadership. We accordingly believe it is important to maintain dialogue with employees as a means of maintaining engagement. While the spread of COVID-19 has made face-to-face meetings difficult, we will continue to conduct these meetings, either online or through other means.

About 20 employees from Japan have been assigned to overseas bases. I was able to visit Myanmar last year to see for myself the living and working environment. These employees are working with the same goals in a vastly different environment, one that, for example, involves health concerns and the need for information that is not readily available due to being outside Japan for a long period. To give employees in Japan a sense of the experiences of those individuals, we share stories on their efforts and activities, as well as those of other employees, in our Company newsletter.

Q How are you working to further instill the Credit Saison corporate philosophy and culture?

Due to the highly independent nature of the business units, we believe it is extremely important to instill an understanding of our corporate philosophy and culture throughout the Company, including at overseas locations. We launched SWITCH SAISON, an in-house venture program last year. This system works to commercialize the ideas of employees regarding new and useful services that customers might find attractive. The concept can be traced to our corporate philosophy, which focuses on Credit Saison not only being a company providing the world with services created by others but also a leading-edge service company that proactively offers new services. Under the system, employees are asked to provide an explanation in their own words on a single sheet of paper of the service they are considering and why it is not currently available anywhere else in the world. We received about 300 submissions over a six-month period last year and have already received about 270 this year, which goes to show the vitality and enthusiasm of our employees. After a review, about 20 are selected to move on to the presentation stage, which is then followed by discussions with mentors who are already experienced in the given field. Several proposals are then selected for presentation in front of management, where they are further reviewed for potential commercialization. Some of these ideas have already been commercialized, which I believe has contributed to other employees coming forward with their proposals.

We also began holding a companywide awards ceremony eight years ago. In the past, awards were often presented on a divisional basis, but we revised our system so that it not only recognizes achievements but also promotes the recognition of our fellow employees' work and the sharing of our corporate vision. This year, we have received about 40 candidate entries for the Legend of Credit Saison award, which is presented to employees for efforts deemed worthy of recognition. I believe this is one way we are encouraging our employees to identify the potential needs of our customers for yet unseen services that will prove useful in the world at large, and then think and act accordingly.

Q Please tell us about the human resource initiatives you plan to focus on moving forward.

One area for focus is fostering a culture where women can participate more in the workplace. In Japan, life events such as giving birth and raising a child can still place a heavy burden on women. I hope we can show women that they do not have to give up their careers but can pursue them by working in ways that are more suitable to their lives and responsibilities. For example, I am the first executive officer with no experience in sales, but I believe bringing in someone like me with different experiences helps to bring about a change in the conventional wisdom that states things like "if you want to be an executive, you must have experience in sales." I am hoping that we can offer the next generation of executives career paths that allow them to gain experience not from a single business unit, but from a variety of areas, including sales, operations and corporate management.

As I noted when speaking about promoting the participation of women in the workplace, we are also focused on promoting a diverse range of work styles for employees who have joined the company as generalists, including by assisting them in obtaining qualifications in specialized fields or moving into specialist areas based on the wealth of experience they have gained. While this idea still requires some work, including relative to performance evaluations and standards for shifting to specialist work, we will continue to work toward promoting diversity by fostering a culture that rewards hard work and creating systems that are easy to work within, while simultaneously developing a workforce that is capable of offering innovative ideas in line with a changing world.

Human Resources

To Remain a Company Where Every Employee Creates Value

Credit Saison values the creation of the systems and the fostering of a corporate culture that enable its diverse human resources—which differ in terms of gender, education, nationality, background and other attributes—to make the most of each employee's individuality and play active roles.
The Company had been pioneering a focus on, for example, promoting the active participation of women and equal pay for equal work even before many other Japanese companies started to address these areas.
In this section, we would like to showcase and provide an outline of the Company's efforts and stance regarding the human resources that serve as the source of improvement for our corporate value.

Reforming work styles to realize the streamlining of operations and enable employees to work more resourcefully
- Realizing the "office leading to the future" concept
- Reforming awareness of work styles

Working on sustainable growth as a "leading-edge service company"

Certified as a Health and Productivity Management Organization for 2019 (White 500) (Three years consecutively)

Having abolished company employee classifications, decided to adopt an employee role-based system (Equal pay for equal work)

Establishing a system that allows employees to make learning a habit and form their own careers
- Career development sheet
- One-on-one meetings
- Open challenge
- Choice-based training

Fostering a corporate culture in which every person can continue to take on challenge
- CS Style
- SWITCH SAISON
- CREDIT SAISON AWARD
- CS Style Chips

Creating an environment in which employees can autonomously aim for greater productivity, such as via a flextime system and working from home
- Saison Work-Life Design Unit

Common HR system for all employees

Previously, Credit Saison had been achieving growth by creating an environment in which each individual could demonstrate his or her individuality and abilities, regardless of gender, education, nationality or background. For its sustainable growth, the Company would need to unleash the full capacity of all its people and required a venture spirit of always trying to grow. Therefore, in September 2017, we abolished the previous employee classifications, which included specialist workers and mate employees (part-timers), with the goal of "creating an environment and corporate culture that bolsters the potential of each and every employee." With the exception of part-time employees, all employees are now designated as full-time employees who are indefinitely employed and treated according to their functional roles of responsibility (with equal pay for equal work). In addition to paying bonuses to all employees, we have unified all systems, such as defined-contribution pension plans and welfare programs, into a personnel system common to all employees.

System before reforms (up to September 2017)

General work employees	Professional employees
Indefinite-term employment	Indefinite-term employment
Monthly salary / Bonus	Monthly salary / Bonus
Defined contribution pension plan	

Temporary employees	Mate employees (part-time employees)
Fixed-term employment	Fixed-term employment
Monthly salary	Hourly wage

Currently (from September 16, 2017)

Full-time employees		
Indefinite-term employment		
Monthly salary	Bonus	Defined-contribution pension plan

- Abolished employee classifications and moved all employees to indefinite-term contracts
- Realized equal pay for equal work based on role
- Bonuses provided to all employees twice a year
- Unified all programs, including defined-contribution pension plans and welfare benefit programs

Systems and initiatives to achieve a work-life balance

For employees to continue working in a vigorous manner, it is essential to create environments in which they can balance their lives and work at the various stages in their lives, such as when providing childcare and nursing care. We have a broad range of systems in place so that employees can realize the flexible work styles best fitted to their individual situations.

- An hourly leave system that allows employees to take paid leave on an hourly basis
- A system for reduced working hours and days that enables leave to be taken not only for childcare and nursing care but also for self-development and other reasons
- A flextime system that allows employees to work efficiently without establishing a set number of working hours per day, only a set number of working hours per month. All employees are thereby better able to harmonize their work lives with their private lives
- A system for working remotely that enables employees to work regardless of their location
- An outside employment system that supports the development and growth of employees' own skills, as well as the formation of parallel careers

When employees return to work after having taken childcare leave, we conduct career interviews based on a stocktaking of their career to date and their medium- to long-term career plans. In addition to actively reassigning such employees to positions based on the wishes and aptitudes of the individuals concerned, we support both their work and lives through seminars on the themes of "work-life balance" and "career design" geared toward working mothers.

By offering a variety of systems that help achieve a work-life balance and further promoting the understanding and instilling awareness of those systems and mechanisms, we will focus on the fostering of an organization in which every employee can choose the work style that best suits each stage of his or her life and achieve maximum results.

Support for self-reliance in career development

We support autonomous career development and mobility so that employees can comprehend the roles they are expected to fulfill and get accustomed to learning about themselves through reflection. In addition to the Career Development Sheet, by which employees independently think about their future careers once a year, we are aiming for further employee and organizational development. This we are achieving by having introduced career design programs by age group and, from 2019, as mechanisms to support individual career development, human resource development meetings, at which the development plans of every employee are systematically considered; one-on-one meetings to create an environment in which supervisors and subordinates can communicate with each other and take on challenges with peace of mind; and career development support that employees consider independently by themselves.

In addition, once a year, there is the "dream challenge" system that allows employees to directly report their desire to transfer to a different department to the Strategic Human Resources Department. There is also the "open challenge" system that allows employees to apply for positions, such as when a new business or new department is being set up, without having to go through their superiors. Also, once a year, for employees ranked section chief and above, we prepare a "job competition" whereby they can state their desired position. All "job competition" applications are read by the president and utilized as a reference in organizational and personnel changes. Credit Saison has also prepared choice-based training, a program that allows employees to choose the learning they need for their own training and career development in line with their own goals.

Promotion of Diversity & Inclusion

With the goal of becoming a company that is adept at change, we believe it is important to have an organization that is staffed with a variety of employees who are pursuing a variety of careers, and to focus on the activities of each employee and how employees can best contribute. To that end, we are working to create an organization that can take on challenges and enables all its employees, regardless of their gender, age, educational history or personal background, to freely express their opinions and to face challenges.

In addition, female employees are active in all occupations and positions, but we are working to create a system, centered on the Strategic Human Resources Department, to foster a corporate culture based on mutual understanding in which employees from different backgrounds can work in a comfortable atmosphere and to the best of their abilities regardless of gender differences. Today, regardless of those gender differences and even while having in place a range of constraints, Credit Saison has cultivated a corporate culture that is understanding and supportive of the situations of colleagues who aim to balance work with childcare. Regarding the hiring of people with disabilities, the Company conducts recruitment activities year round.

In 2018, we opened Saison Farm Toda to grow herbs and leafy vegetables using IBUKI, an indoor farm-type employment support service for people with disabilities. In 2020, we formed the Ubiquitous Office Team to take charge of the business tasks of each department by cutting out and consolidating the administrative tasks and light duties that are generated in business departments.

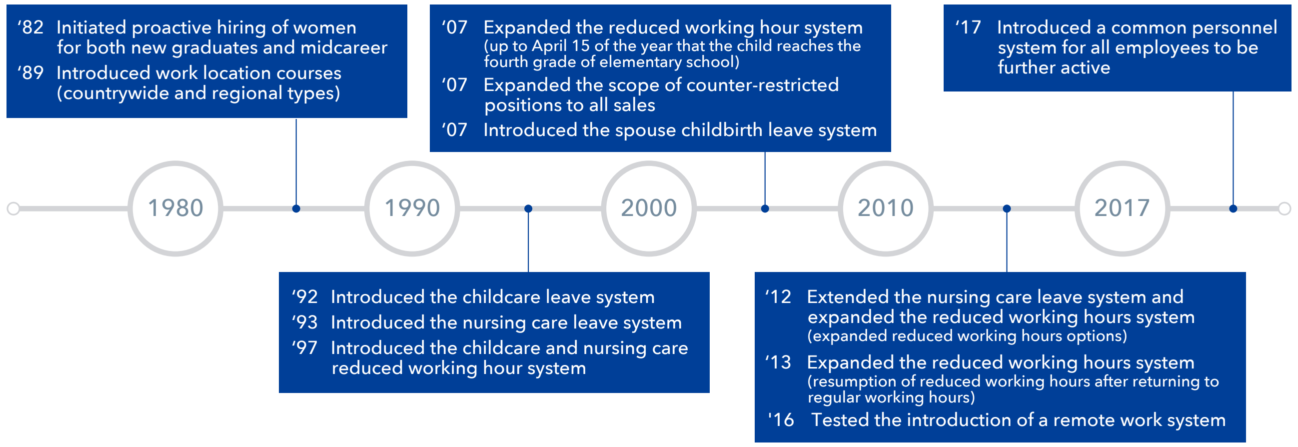
By striving to improve the work environment so that everyone can play an active role, such as by tailoring work and job roles to best suit those employees with disabilities; creating a follow-up system; and establishing flexible work-style options, Credit Saison is creating new employment opportunities and promoting their success. We are also working to create an environment conducive to the job stabilization of people with disabilities by, for example, holding seminars for workplaces and introducing tools to support their employment.

History of promoting the careers of women

Since the 1980s, long before the concepts of "empowering women" and "diversity" became mainstream, Credit Saison has been actively hiring women employees to realize their greater participation in society. Active in a variety of roles, women have been playing their part in the Company's growth.
To realize the participation of women in a broad range of roles and positions, we have continued to listen to the opinions of our employees and enhanced our personnel systems to mitigate the number of female employees who quit work or abandon their careers due to major life events, such as marriage or childbirth.

Health management

As a company complying with its obligations regarding mandatory safety considerations, Credit Saison provides occupational health and safety education to supervisors and managers as well as employees. At the same time, it is the Company's health management policy for employees to take steps on their own to maintain and improve their health. Working together with industrial physicians and public health nurses, the health promotion team within the Strategic Human Resources Department plays a central role in promoting activities for maintaining and improving employees' health so that employees can work enthusiastically and maximize their performance. Through health and safety promoters assigned to each branch office nationwide, Companywide activities and activities in response to the issues at each office are carried out. In addition to maintaining a regular health checkup participation rate of 100% for all employees, we are promoting measures to improve the workplace environment, such as by the conducting of stress checks. The Company is recommending self-investment in health using cafeteria points and the taking of wellness leave every five years. Having been evaluated by external organizations, these activities have been recognized under the 2019 Certified Health & Productivity Management Outstanding Organizations (White 500) Program jointly selected by the Ministry of Economy, Trade and Industry (METI) and Nippon Kenko Kaigi.



CS Style

For every employee to embody the uniqueness of Credit Saison, the Company formulated five employee conduct policies—embrace challenges, question conventional wisdom, work until the job is finished, elevate team power and elevate yourself—called "CS Style," that are common to all employees. As action guidelines that lead to the realization of the Company's "leading-edge service company" management philosophy, every employee is working to put CS Style into practice daily.

CS Style Outline

SWITCH SAISON in-house venture program

For the dual purpose of fostering a culture at Credit Saison in which employees can generate ideas and creating new services that respond to changes in social needs and markets, the Company holds its SWITCH SAISON in-house venture program twice a year to quickly make employees' ideas part of the business. All employees are eligible to take part in this program, which produces ideas from across different age groups. At the same time as providing support through a mentor program to lead to commercialization and the budgeting of the business development costs, for those projects that have been adopted we have also realized flexible personnel changes for their creators.

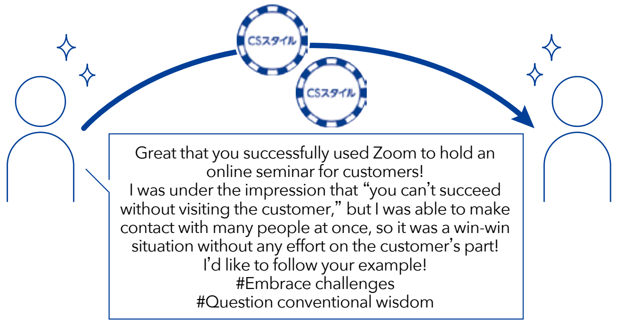
Recognizing achievements: CREDIT SAISON AWARDS ceremony

Held since 2012, the CREDIT SAISON AWARDS serve as a forum that enables the entire Company to come together as one and form a strong organization. By sharing the corporate vision and by praising each other for day-to-day results in a way that crosses between departments, these AWARDS encourage a corporate culture in which both employees and the Company contribute to each other. A separate award ceremony had been held specifically for the marketing department prior to 2012, but following changes in the surrounding environment this was changed to the CREDIT SAISON AWARDS in 2012. This change served to create opportunities for changing awareness and behavior with the support of the entire Company, encouraging a corporate culture that is unique to Credit Saison and strengthening the organization.

Peer-to-peer bonus system (CS Style Chips)

Credit Saison is introducing a new version of its peer-to-peer bonus system that allows employees to send incentives to each other for the results and contributions of those jobs that are not easily recognized on a day-to-day basis. The giving of chips with words of gratitude and praise among employees for actions and initiatives aligned with CS Style is leading to the stimulation of communication that crosses between locations and departments, improvement of motivation and promotion of CS Style practices.

Outline of CS Style Chips



Special Feature | Examples of Instilling CS Style

We asked two employees how Credit Saison's CS Style action guidelines* are demonstrated in their daily work: Kaoru Ikuno, the manager in charge of business management in the Chubu/Kinki Management Dept., who initiated and proposed a new service for singles under the second phase of the SWITCH SAISON in-house venture program, and Eri Fukumoto, shop master of the Kansai Branch Office at the Marine Pia Kobe Mitsui Outlet Park, who received a CREDIT SAISON AWARD 2019 under the in-house award system and whose operations, such as sales performance and business management, were comprehensively evaluated.

* To realize its management philosophy, the Company has summarized the action guidelines (work style) required of employees into five phrases: "embrace challenges, question conventional wisdom, work until the job is finished, elevate team power and elevate yourself."

"Embrace challenges"

Kaoru Ikuno
Manager in charge of business management
Chubu/Kinki Management Dept.

"Elevate team power"

Eri Fukumoto
Shop master of the Kansai Branch Office at the Marine Pia Kobe Mitsui Outlet Park

Q1 Is there anything you value in your daily work tasks regarding CS Style and its values?

Ikuno: When I was hospitalized and feeling anxious about the future, I did some research and found that there are many people in society who are feeling that same anxiety. As Credit Saison aims to be a "finance company advancing with customers for 50 years," I gave some thought to a new service for singles and proposed my idea through the in-house venture program.
Fukumoto: As the person responsible for the card counter, I value "thinking and acting on our own initiative." We believe that we can take on the challenges of providing better customer service by means of "operational improvements" and "elevating team power" for the very reason that we come face to face with customers daily.

Q2 What hurdles were there in solving the problems besetting customers and overcoming the challenges you faced in the course of your work?

Ikuno: Even if I thought it was a service that would be of benefit to the customer, I did not know how to formulate the idea, and thus there were several hurdles to overcome in the steps leading up to the proposal being put into practice.
Fukumoto: For me to work in a team to solve problems, the hurdle was not knowing what I should do to change the mindset of members who were not confident in themselves or who were afraid of failure and unable to take on challenges.

Q3 Please tell us how you overcame those hurdles.

Ikuno: Even if I did not understand, the cooperation of those around me and advice from other departments stimulated me and became the driving force in thinking about how to give form to my idea. I think No. 1 is Credit Saison's "strength as a person."
Fukumoto: We had thorough discussions about the issues among the team members. In that process, I think that the members coming to mutually respect each other and having their own responsibilities as well as self-confidence led to me elevating myself and elevating the team's power. As a result, last year we were able to start new initiatives, such as reducing the workload and improving services to customers by utilizing OJT to quickly enable members to set to work immediately.

Q4 Please tell us how you think your own efforts have led to you to contribute to the Company.

Ikuno: The number of proposals for SWITCH SAISON is increasing each time. I would be delighted if, having seen what I did, more people—even those who are unfamiliar with making proposals—would propose their own ideas to the Company. In addition, I think I have created an opportunity for the Company to turn its attention to the "one person" issues that society is facing.
Fukumoto: The system has been strengthened by everyone on the team having gained confidence. As a team, we can make positive proposals and forward-looking actions while focusing on pursuing customer satisfaction.

Q5 Please tell us about your view of the future.

Ikuno: I will continue to work to provide our customers with "peace of mind" value.
Fukumoto: To "think and act on our own initiative" in any environment. We aim to be an ever-evolving team that looks forward to new challenges, gains a sense of accomplishment and fulfillment, and generates a positive cycle that elevates team power!

Special Feature | Example of a SWITCH SAISON idea becoming part of the Company's business

"School Visit: SAISON TEACHER"
Education for the Next Generation and Financial Education

Amid the expanding use of prepaid cards and electronic money and the rapid advance of the cashless society, there are concerns about the impact on our sense of how to use money and our sense of morality, such as the increase in children in financial straits. Due to the lowering of the age of adulthood in April 2022, there is an urgent need for children to acquire financial literacy from an earlier stage.

Therefore, in anticipation of the lowering of the age of adulthood, Credit Saison is offering its "School Visit: SAISON TEACHER" financial education program for the children who will lead the next generation to acquire financial knowledge. Credit Saison employees will be the instructors of an original program through which children can interact and learn through role-play work about recent trends in cashless payments and the proper usage of credit services.

Scenes from SAISON TEACHER lectures

Interview with an employee

Realized financial education activities as SWITCH SAISON's first batch participant

Q1 Why did you think that you would try to make a proposal?

"School Visit: SAISON TEACHER" is a project that was proposed and realized by the SWITCH SAISON in-house venture program. From my experience working at Saison Counters, I felt the necessity of financial education for young people. Having also thought that a new challenge could give shape to my thoughts and feelings and lead to my own further development, I submitted a proposal.

Q2 Is there anything that you feel or are aware of concerning CS Style in your daily life?

As Credit Saison has a culture that encourages rising up to challenges and the support systems for doing so, I feel that an environment that facilitates the taking on of challenges is in place. While being conscious of actively incorporating new initiatives without being satisfied with the status quo daily, I am able to take advantage of the spirit of undertaking challenges, of trying first without fear of failure.

Q3 What challenges would you like to take on in the future?

As Japan is planning to lower the age of adulthood by a revision of its Civil Code in April 2022, I want as many children as possible to acquire good financial knowledge. We will continue to make efforts so that children's futures will be secure and prosperous by the acquisition of good financial knowledge.

Shiori Abe
CS Planning Department

Joined Credit Saison in 2012. After Saison Counters work at the Kansai and Tokai branch offices, became involved in employee training at the Tokyo Branch Office. Having held her current position since 2019, Ms. Abe promotes financial education activities.

Partnerships

Facing the Challenges in Creating New Financial Services by Open Innovation

Credit Saison is changing its existing business model by means of open innovation that combines our strengths and corporate assets with the technologies, ideas and services of other companies. At the same time, we are working to develop new financial services and business collaborations with each company.

Open innovation

Having, for example, established the first corporate venture capital company in the domestic credit card industry in June 2015, Credit Saison is promoting an open innovation strategy while utilizing the retail finance know-how and customer base that the Company has cultivated up to now. Our open innovation strategy is being achieved through investments in and the financing of venture companies that possess advanced and innovative technologies in a wide range of fields, such as FinTech, IoT and AI.

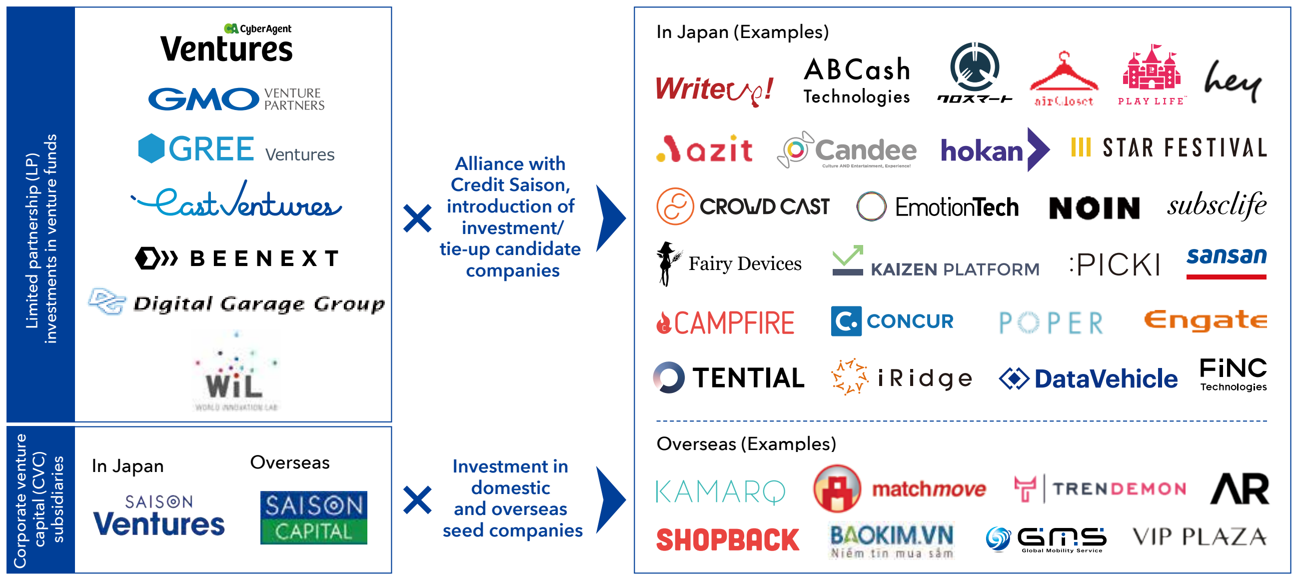
Toward creating "the future of finance"

With the aim of creating "the future of finance," Credit Saison entered into a capital and business alliance with Daiwa Securities Group Inc. in September 2019. In February 2020, Credit Saison executed a capital participation in Fintertech Co. Ltd., a subsidiary of Daiwa Securities Group. Utilizing cutting-edge technologies, such as investment crowdfunding and blockchain, Fintertech is promoting the "creation of next-generation financial services" for the digital native generation. In collaboration with Daiwa Securities Group, Fintertech is working to develop and provide next-generation comprehensive financial services capable of meeting diversifying market needs through the mutual utilization of customer networks and the promotion of open innovation.

To contribute to solving social issues through finance

In February 2020, Credit Saison provided business funds to Gojo & Company, Inc., a domestic start-up company engaged in the microfinance business in emerging countries. Through its seven group companies based in four countries—Cambodia, Myanmar, Sri Lanka and India—Gojo is developing microfinance (microcredits) for the poor in emerging countries and contributing to the realization of financial inclusion, which is one of the top global issues. Positioning its global business as a pillar of its future earnings base, Credit Saison feels a high affinity with the mission that Gojo has adopted and is deepening its cooperation with a view to future collaboration.

With Saison Capital, which invests and lends overseas mainly in the early stages, Credit Saison has started an investment business targeting promising start-ups in the world, not only in Asia but also in Africa and South America. We are working to collaborate with businesses in countries where we have already entered the market and on the early implementation of innovative business models.



Regional Development

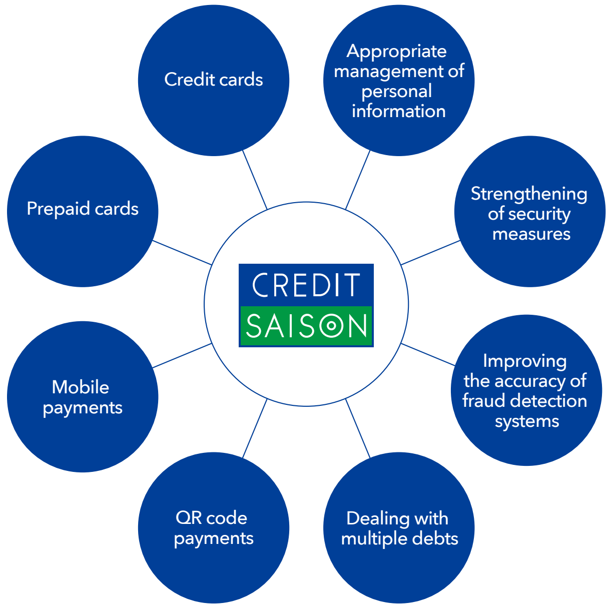
Contributing to regional economic development and problem solving in Japan and overseas through financial services while creating a convenient and plentiful society

While working on regional economic development and problem solving in ways only Credit Saison can, we will continue to take on the challenges of realizing a society that is even more convenient and prosperous than it is today.

Toward the realization of a safe, secure and convenient cashless society

With the goal of realizing a cashless society, we are addressing the building of a variety of payment platforms that contribute to enhanced convenience for our customers. In addition to issuing plastic cards, including credit cards and prepaid cards, our efforts have been focused on next-generation payment systems, including smartphone-based payment systems and QR code systems in cooperation with affiliated apps.

In our management of personal information, we remain in compliance, including with laws and regulations, guidelines and industry rules, and have in place internal corporate rules. Through internal training and compliance-related education, we are working to raise and instill awareness of information management, including the use of the "personal information manager" qualification established by the Japan Consumer Credit Association, a qualification that is essentially compulsory for employees who handle personal information at Credit Saison. In handling personal information, we are focusing on providing safe and secure payment environments while strengthening security. For example, in addition to protecting our customers' personal information by having adopted TLS/SSL (transport layer security/secure socket layer) cryptographic communications technology in the parts of the Web system that store important customer information, such as card applications and Net Answers, we are utilizing the latest technologies in our efforts to improve the accuracy of our fraud detection systems. We are also striving to prevent the occurrence of "multiple debtors" due to overuse on the part of customers through the careful granting of credit and appropriate follow-up after credit has been given.



Providing financial services in Asia

In the rapidly growing Asian region, Credit Saison is developing retail financial businesses tailored to each country and aiming to realize financial inclusion for their emerging middle classes. To contribute to the expansion of the finance business and the development of the regional economy, we are promoting the foundation of medium- to long-term overseas strategies and business development along two axes: business alliances with strategic partners in each country and investment in and the financing of promising companies.

- In Vietnam, in addition to launching a new credit card business, by developing the individual installment business for motorcycles and home appliances
- In Indonesia, by developing the digital lending business
- In Thailand, by providing BtoB financial services
- In India, by developing the digital lending business

Underserved segment that is unable to receive sufficient financial services from banks, etc.

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Providing financial products and financial solutions in collaboration with local companies

↓

Achieving financial inclusion and contributing to the economic development of the countries in which Credit Saison operates

Contributing to Society through the Management of the Akagi Nature Park

Preserving a Lush Forest for the Children of the Future

Credit Saison began managing the Akagi Nature Park in 2010, since which time the Park has received more than 500,000 visitors. Based on the idea of "Preserving a Lush Forest for the Children of the Future," which also serves as the management philosophy of the Akagi Nature Park, we are engaged in solving the challenges faced by society in working to achieve the SDGs.

The Akagi Nature Park serves to strengthen our partnership with Gunma Prefecture and Shibukawa City, and contributes to regional revitalization. For example, the Park was adopted for a series of five posters as part of this year's Gunma Destination Campaign. In cooperation with Shibukawa City, during April 2020 we began operating buses on weekdays when the Park is open in addition to those previously operated only on Saturdays, Sundays and holidays. Using the facilities of the Akagi Nature Park, we will continue to engage in various activities, including initiatives that help support future generations, such as environmental conservation, educational and training programs, as well as activities that contribute to the region.

TOPICS Business Partner Cases — Conclusion of a cooperation agreement with Shibukawa City (April 2019)

Under this agreement, Credit Saison engages in various initiatives that include organizing environmental study programs for children and parents, using the Akagi Nature Park as a forest therapy site for the purpose of promoting health and revitalizing the regional economy by attracting tourists.

The Mayor of Shibukawa City provided the following statement about the Akagi Nature Park initiative.

Since concluding the cooperation agreement between Shibukawa City and the Akagi Nature Park on April 5, 2019, Shibukawa City and Credit Saison have deepened their cooperation for the purpose of developing the regional community. Among these efforts, Credit Saison has provided significant support for the City's health promotion projects and has created opportunities for many of our citizens to visit the Akagi Nature Park, for example, by organizing nature observation tours and environmental study groups. Although the COVID-19 pandemic that we now face has clouded the future, our citizens can rely on the Akagi Nature Park as a place to experience nature throughout the four seasons of spring, summer, fall and winter while avoiding crowds. I also feel that the Park will increasingly serve as a place of healing in this time of a new normal. We will continue to communicate the appeal of the Akagi Nature Park to our citizens, and I would be pleased to further deepen our mutual cooperation while effectively utilizing the resources held by both the Park and the City. To realize our shared hopes of health, I hope to see the Akagi Nature Park continue creating new value.

November 20, 2020, Tsutomu Takagi, Shibukawa City Mayor

Tsutomu Takagi,
Shibukawa City Mayor

Examples of initiatives with Shibukawa City

■Health promotion

Use of the Akagi Nature Park as a venue for walking competitions and other events intended to promote health among citizens.
The Mizorogi Neighborhood Association "Health Walk" event held on Sunday, October 11, 2020, attracted 107 participants.

■Environmental study groups for parents and children

As part of its efforts to transform into "a city that protects, nurtures and passes on abundant natural environments and diverse climates to the future," Shibukawa City held a hands-on Asagimadara (chestnut tiger butterfly) marking event as a means of helping children gain interest in environmental issues through relatable forms of nature. A total of 10 groups of parents and children (29 people) from Shibukawa City participated.

■Tourism revitalization

The partnership established "Shibukawa City Micro-tourism" as a means of revitalizing the tourism industry through the rediscovery and refinement of the City's tourism resources.
The City scheduled 35 bus tours as part of 15 courses from October 2020 to March 2021. Of these, 14 tours over 11 courses will visit the Akagi Nature Park.

Contributing to the Environment and Society through Business Activities

Utilizing the Company's Management Resources to Fulfill Corporate Social Responsibility

Credit Saison is working to reduce our environmental footprint through the "digitalization of business activities." We also continue to engage in social contribution through "point donation activities" and "support for sporting and cultural activities."

Digitalizing business activities

Credit Saison is working to reduce paper consumption and CO_2 emissions by promoting the use of online card statements and applications.

Reducing paper consumption will connect to lower CO_2 emissions, while digitalization is expected to reduce CO_2 emissions by 500 g per card statement envelope. Through the expansion of digitalization, we will continue to both improve customer convenience while promoting initiatives to manage environmental issues.

During the first half of FY2020, we introduced digital counters at some shops and promoted the transition to paperless procedures and labor-saving operations at Saison Counters. Although we previously offered in-person "immediate/instant card issuance and use" services at Saison Counters, we built a remote card application system for which there is a strong need amid the COVID-19 pandemic. This was accomplished by introducing the "Saison Cardless Payment" smartphone payment service, as well as by transitioning to self-service card sign-up using QR codes.

Contributing to society through point use

We contribute to local communities through research donations and the promotion of disaster recovery assistance through points exchanges and donations by card. We are also developing investment simulation services, such as the points management service, as well as support in life design and financial education, including by providing investment opportunities.

Since 2016, for example, we have endorsed the goal of Kanagawa Prefecture to "realize a society in which people and animals can live together in peace." We have also helped prevent animal cruelty in Kanagawa Prefecture in part through donations of more than ¥17 million to the Kanagawa Prefectural Animal Conservation Center Construction Fund. In January 2020, we entered a new Cooperative and Collaboration Agreement with Kanagawa Prefecture that includes initiatives to protect the lives of pets, support for future para-athletes, regional revitalization activities in Kanagawa Prefecture and solutions for society's challenges. In addition, we will continue to engage in this initiative as a means of cooperating in activities with high social value and those that support recovery efforts from natural disasters, including reconstruction of Shuri Castle and COVID-19 countermeasure activity support.

Support for sporting and cultural activities

With the desire to continue to grow alongside Japan's national soccer team, we have been a supporting company to the team since 2001 and through a sponsorship agreement with the Asian Football Confederation (AFC) have supported the soccer community in Asia since 2014. We are also committed to supporting the dreams of children by providing valuable opportunities that fall outside the realm of normal daily activities for those who will lead the next generation, including as part of our "High Touch Kids" program, which is held under our philosophy of having children visit sports stadiums to see Japan's representatives strive toward victory in person.

Credit Saison has also been a sponsor of performances in Japan by José Carreras of Spain, one of the members of the world-renowned The Three Tenors, since 1999, and welcomed the 20th anniversary of our recital sponsorship in 2019. We support José Carreras' activities in a variety of ways, including through the donation of funds obtained from commemorative goods prepared for his annual recitals to the International José Carreras Leukaemia Foundation, which was founded after his successful battle with leukemia.

Through these efforts and donations in support of sporting and cultural activities, we will continue to engage in corporate social responsibility initiatives geared toward disaster recovery and research.

JAPAN JFA SUPPORTING COMPANY SAISON CARD
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Responses to Risks/Opportunities

The Credit Saison Group's businesses carry with them several risks, including risks related to the external environment as well as financial and business aspects. In this context, in addition to continuing to strengthen our response to the risks common to the industry that we have been dealing with so far, there remains the necessity to evaluate any risks that have emerged due to changes in the external environment from a medium- to long-term perspective and to take countermeasures. Some of the risks that could significantly influence investor decisions are listed below. The forward-looking statements contained herein are based on the Credit Saison Group's judgment as of the date of submission of its Securities Report (June 18, 2020).

Risks common to the industry

Risk	Details	Responses
Economic Conditions	Decrease in transaction volumes of credit cards, loans, credit guarantees and real estate mortgage loans provided by the Group, and decline in the loan collection rate due to deterioration of the domestic and overseas economic environment (employment environment, household disposable income, personal consumption, etc., due to recession)	Calculation by risk capital management (RCM) of the risk capital required by business to maintain ratings and maximization of returns within the scope of the risk capital surplus
Fund Procurement	Among fund procurement methods, such as borrowing from financial institutions and the issuing of corporate bonds and commercial paper (CP), liquidity risk due to the considerable amount of funding with a procurement period of less than one year	In fund procurement, maintaining a certain percentage of long-term and fixed financing; the setting of liquidity enhancement limits, such as commitment lines; reduction of liquidity risk by promoting diversification by executing direct procurement, such as corporate bonds and liquidation of receivables
Market Risk	• Risk of falling prices of investment assets, such as stocks of listed and unlisted companies, venture investment funds, bonds, real estate and real estate funds • Rise in funding interest rates when interest rates rise	Appropriate management of market risk by introduction and utilization of RCM and asset and liability management (ALM)
Impairment of Financial Instruments (Allowance for Doubtful Accounts)	Risk of non-repayment of receivables by large numbers of customers due to changes in the domestic and overseas economic environment (employment environment, household disposable income, personal consumption, etc., due to recession)	Ongoing soundness of claims and appropriate allowance for doubtful accounts by strengthening credit management systems, such as establishment and operation of credit management systems relating to credit limits, credit information management and internal ratings, as well as monitoring of credit status
Various Regulatory and Legal System Changes	• Risk of increase in the amount of reimbursement claims from customers with regard to the portion of interest that was higher than the interest rate ceiling set by the Interest Rate Restriction Act, interest that within the Group in Japan was repaid before the revision of the Act • Risk of having to cease certain services due to regulatory changes, etc.	• The amount of allowance required at the present time is recorded in consideration of the reimbursement record and trends in interest reimbursement claims • While complying with laws and regulations, prompt responses to service developments in accordance with new regulations

Risks and opportunities that need to be addressed over the medium to long term

Risk		Details	Responses
Competitive Environment	Risks	Intensifying competition due to new entrants into the payment industry from other industries brought about by deregulation and technological advances	• Expansion of customer base by expanding various payment methods, not only credit card payments but also contactless and QR/bar code payments • Setting Credit Saison apart from its competitors as a "general non-bank" that provides services that give close consideration to customers' life cycles ➤ Page 51 Partnerships
	Opportunities	Development of new business fields and new products/services through collaborations with other industries	
Relationships with Major Partners	Risks	Deterioration of business performance of business alliances that form important strategies and business partners with whom we have a capital relationship, changes of business alliance conditions and cancellation of alliances with partners	• Strengthening of relationships with existing partners • Building of a business model that does not depend on a specific partner by promoting new alliances with partners in various companies and industries
	Opportunities	Business development utilizing the acquisition of memberships through alliances with partner companies and organizations, expansion and diversification of services, product sales channels and customer bases of both parties	
Overseas Business Development	Risks	Market trends in the countries in which the Company develops its business, the presence of competitors, politics, economy, law, culture, religion, customs, foreign exchange rates and various other country risks	Dispersion of country risk by expanding into multiple countries/regions, risk mitigation through regular risk analyses and monitoring of countries in which the Company maintains a presence ➤ Page 29 Global Business
	Opportunities	Development of existing and new services in countries/regions where there are many people who do not possess a bank account and are unable to receive financial services	
Occurrences of Large-Scale Disasters and Pandemics	Risks	Collateral damage to owned assets and physical injury to employees due to the occurrence of large-scale natural disasters such as earthquakes	• Formulation of a BCP plan and regular confirmation of its effectiveness, implementation of BCP education and training • Improvement of the credit card usage environment by decentralization of authorization systems to the Kanto and Kansai regions • Thorough measures to prevent COVID-19 infections, expansion of payment methods to reduce infection risk, such as contactless payment and QR/bar code payments
	Opportunities	Initiated business structure transformation based on changes in customer psychology and behavior caused by the COVID-19 pandemic	
System Risk and Cyberattack Risk	Risks	• System malfunction due to malfunction of in-house developed core systems, communication line failure, etc. • Decreased trust due to leakage or unauthorized use of, for example, personal information (membership information) and confidential information due to cyberattack, etc.	• Development of contingency plans, such as ensuring the backup of important systems • Development of measures to counter cyberattacks, such as the strengthening of firewalls, raising employee information security awareness and minimizing damage after infection by a computer virus • Appropriate protection measures and system development of personal information, as stipulated under the Personal Information Protection Law, acquisition of Privacy Mark ➤ Page 19 Payment Business ➤ Page 37 Special Feature Value Co-Creation through Business/Payment Business
	Opportunities	• External sales of core systems in which the Company has been accumulating know-how for many years • In collaboration with external partners, external sales of secure payment systems in which use is made of fraud prevention technology	
Actualization of Administrative Risks	Risks	Risk of negligence and inappropriate handling of administrative tasks due to a large amount of manual paperwork	• Creation of an administrative work manual, regular inspection of administrative work status, prevention of employee errors and fraud, development and operation of a whistleblowing system for early detection of any illegal activity • Promote automation of administrative work by the systematization and introduction of robotic process automation (RPA) ➤ Page 19 Payment Business
	Opportunities	Expanding demand for administrative process agencies at affiliated cards and partners	
Development and Securing of Human Resources	Risks	Risk of being unable to secure diverse, talented human resources to provide high-level services to customers and develop advanced products and services	Provision of equal opportunities by developing work systems and common employment patterns that meet employees' needs, the securing of excellent human resources by adopting personnel systems that can utilize the abilities and characteristics of employees, such as the executive officer and specialist/expert systems ➤ Page 43 Human Resource Strategies
	Opportunities	New service/product development by securing talent with expertise in digital technology	

Special Feature | Incorporation of External Opinions and Knowledge to Improve Governance

Hitoshi Yokokura
Outside Director (Independent)
Partner, Waseda Legal Commons, LPC
Auditor, Minori Audit Corporation

Nana Otsuki
Outside Director (Independent)
Executive Officer, Monex, Inc.
Professor, Nagoya University of Commerce and Business Graduate School
Visiting Professor, Faculty of International Politics and Economics, Nishogakusha University
Audit and Supervisory Board Member, Tokio Marine Holdings, Inc.

Naoki Togashi
Outside Director (Independent)
Representative Director, Japan Representative Partner, Oliver Wyman Group
Director, NAGAHORI CORPORATION
Trustee, Japan Association of Corporate Executives

Outside Director Roundtable Discussion

Q First, please tell us about the current status of Credit Saison's governance and your evaluation of its Board of Directors.

Togashi: From my experience, having been involved in corporate management as an outside director at companies other than Credit Saison, what I think is important for governance is how the subjects to be deliberated at Board of Directors' meetings and the information necessary for discussion are disseminated to us in a transparent and timely manner. Including its global reach, the Company has many affiliated companies and subsidiaries, and one of the major themes on this point is how to utilize Group governance across domestic and overseas Group companies. Whether the information concerning, for example, unlisted affiliated companies and subsidiaries—information that cannot be seen by outside eyes—is steadily provided to enable us to correctly ascertain the actual management situation. Regarding operational departments, whether the control is really being exercised so that scandals such as fraud do not occur. When looking at cases that have occurred at other companies, there has been intentional fraud committed and hidden at head offices, so this is an important point regardless of the type of business. In general, when expanding overseas, the functions such as risk management, compliance and audit that underpin overseas business conditions and business performance tend to be more vulnerable than those at a head office. Given cases that have been intentionally hidden, if things are left as they are, one day a case of fraud about which management itself knew nothing could suddenly come to light from an entirely unexpected quarter.

Regarding my evaluation of the Company's Board of Directors, I have the impression that the materials for Board of Directors' meetings are well prepared. On the other hand, an area that could be improved is to share both the pros and cons from the discussions of a matter that occur prior to a Board of Directors' meeting. Outside directors are not involved in individual business lines, and there are areas in which we do not specialize, so adding such information would make it easier for us to make better informed judgments.

Otsuki: I agree with that. The Company has introduced an executive officer system and clarified the division of roles between execution and supervision even in organizational terms. In this regard, we are moving in a direction that makes governance more effective. There is an expectation of that, but if information is shared with us in a way that makes it easier for the executive side to communicate the process of discussion, it will be easier for us to fulfill our role as a Board of Directors. I feel another issue is diversity. I dare to point out that I view one of my own roles is as a woman. However, for the very reason that we have created a system that focuses not only on gender but also on nationality and age, as well as on the diversity of individual knowledge and culture because we are developing a variety of businesses, would it not be better to further expand diversity? There are people with diverse cultures, and combining different things with each other is the source of innovation, so I would expect more on that point in the years ahead.

Yokokura: I have participated from this year, and I am impressed that the materials for the Board of Directors' meetings are easy to understand; moreover, the advantages of making decisions and the advantages and disadvantages of not making decisions are clearly stated as risks. In an era when the world is changing at such a tremendous pace, when doing nothing could have a significant impact on corporate management itself, it is good that the agenda items submitted are deemed likely to bring about change. On the other hand, as you both have said, if you could explain the process of discussion on the executive side up until the time the agenda is submitted, including the content of reports, in a situation in which the supervisory and executive sides are separated, I think it would facilitate the benefits of supervision.

I also had experience serving on a third-party committee when problems, such as those related to work and fraud, occurred. At those times, when I looked at the statements from the people concerned, I was concerned and nervous about that. It is written in a lot of materials that you will not be able to sleep the day before a Board of Directors' meeting. I believe that a board of directors, which is a supervisory body, must make people feel nervous or something bordering on that. In other words, in terms of the prevention and discovery perspectives, it is not as a means of discovery that we come up for a Board of Directors' meeting. I think it is easier to ensure management that is in accordance with compliance when there is a board of directors that has had a deterrent effect and when there is a meeting body that is properly activated and functioning to address issues responsibly. To stimulate discussion, I think it is important for a board of directors to know in a timely manner that proper information has been provided and what kind of massaging methods have been used in the meantime.

Q Among the Credit Saison Board of Directors' meetings that you have attended, have there been any discussions that left a lasting impression?

Togashi: In the past, we have requested that some matters be resubmitted with additional materials, although they did not have a large monetary impact, because we felt they were important from the perspective of the Group's management. Even though the matters were sent back for further review, I felt that discussion was facilitated because the action of sending them back had been accepted in a flexible manner.

Otsuki: Certainly, I think the Company's Board of Directors has lively debate and an ear for dissenting opinions. What has left a lasting impression on me is that discussions on management policies, such as the Medium-term Management Plan, were substantive. In group management, I think it is important to have comprehensive discussions in an itemized form, including the Group companies. Even though we have many Group companies, I think that the overall targets from the top down were noted for each business division and Group company in a consistent form, and we had fulfilling discussions in an organized manner.

Yokokura: Based on my thus far limited attendance, I noted at my first meeting that an agenda item was decided by a majority after discussion at the Board of Directors' meeting and that made a strong impression on me. It showed me that the Board of Directors' function had not been reduced to a mere formality. As this is my first year as an outside director, I have been given the opportunity for a briefing from the person in charge before a Board of Directors' meeting. Intuitively, as I feel like I am facing a bout of indigestion, I think that if the Company could provide the materials earlier, I would be able to better participate in the discussions.

Q In your capacity as outside directors, how do you anticipate contributing to management?

Togashi: The mission of directors, especially outside directors, is the supervision of management. Many Japanese managers expect outside directors to give outside opinions, but I think the background factor for that being seen as a good thing is for the very reason that their position is one of not being directly involved in the business itself. Even if you do not have experience in the same business, there are always situations where the wisdom and experience you have acquired in your career will be useful or helpful. However, amid the growing necessity for specialist discussions on business, there is a limit to how much outside directors can comment backed by a deep understanding of the business. That is why I think that the mission of outside directors is limited to the supervision of management.

There are many foreign-affiliated companies that have in place a market intelligence organization in a department closely aligned to management. For example, in Japan the problem of central bank digital currencies is rapidly becoming an issue. There are units that analyze and consider the impact on a business of factors not directly related to its frontline interests, including with regard to suppressing market trends and the influence that trends can have on their own companies, over what kind of timeline and impact such trends can have on a company and, were such impact to happen, what would become of card and deposit accounts. Governance and business strategy are two sides of the same coin, and outside directors provide objective third-party opinions on governance. In many cases, however, third-party analysis and views related to business strategy are provided by in-house market intelligence units or external consultants. Therefore, instead of directly asking outside directors for third-party opinions on business strategy, they will raise the topic of business strategy at a Board of Directors' meeting after having expressed third-party opinions within the Company through the in-house market intelligence unit. Then, if management decides to pursue risks, it will be easier for outside directors to determine that "This matter involves risks, understood." I think that taking such a posture is also effective for conducting deliberations at Board of Directors' meetings in an effective manner.

Otsuki: The mission of the outside director is to check whether the executive side is performing its duties in a proper manner. The perspectives necessary for conducting checks are largely based on the knowledge and experience of the individual and, as a result, some input might be given as advice to the executive side although the assigned task is to supervise the execution.

As I have been watching the markets for a long time, I believe that increasing corporate value should be the goal of management and employees alike. It is my intention to work to verify the kind of direction that is good for that.

Yokokura: That is a question that I am always asking myself. One solution is if you speak of execution and supervision seen from the perspective of the accelerator and brake pedals. In that case, I think that the role of stepping on the final emergency brake is the part that is absolutely expected of outside directors. It is important that discussions at Board of Directors' meetings become more open with the addition of outside directors, but perhaps the ultimate goal is management that does not require stepping on the emergency brake; in other words, it might be management of the kind that renders outside directors inconspicuous. Another factor is that I am part-time, so I am unable to gain a thorough knowledge of the finer points of a company, but what I do have is a third-party position that is not mired in internal bias. As an outside director with a professional background, I think that such perspectives are expected, such as the way of thinking as a lawyer if you are a lawyer and the perspective as an accountant if you are an accountant.

There is a lot of debate about governance, but no matter how good the system is or how many outside directors are added, scandals can occur. Rather than creating a mechanism, the point is how we optimize use of our limited time and fully demonstrate our knowledge to make what we create function and operate properly. For that reason, when the background for an agenda item becomes clear, it is easy to ask questions and there is an open discussion. As a result, I think we will enter a virtuous cycle that will lead to the deterrence of fraud.

Q What are your thoughts about the key points needed for governance to function successfully, such as in deterring fraud?

Otsuki: It is said that there is a "fraud triangle"-motivation, incentive and rationalization-that acts as a contributory factor in cases of fraud. I think it is important to manage in such a way that there cannot be any loopholes here. It is also important to eliminate any framework, including psychological or organizational, that would increase the likelihood of opportunities for fraud, and here the underlying culture is important. In general, I have the impression that fraud is most likely to occur when someone feels detached or disillusioned, so I feel that dialogue conducted by management team members themselves is also effective. Holding awards ceremonies on a nationwide scale every year, the Company conveys a strong message, and I feel that is effective not only in terms of employees fulfilling their potential but also in minimizing risks such as fraud. Every year, I am impressed by the teams that have worked hard as one to achieve their goals tearfully receiving their awards while being spoken to directly by management.

Togashi: Following the bursting of the bubble economy in Japan, bank fraud was a subject of much speculation, and one of the reasons was the reduction of bank employees' salaries. As the reward for work is remuneration, in this transitional period when the modern employment system is undergoing change, we can offer remuneration that is a little higher than that of the competition on the premise of people having worked hard. It is also possible to clarify that if someone commits an illegal act, he or she is certain to be punished and will not be guaranteed lifetime employment. I think such measures would be effective. I personally think that the salaries of Japanese companies are too low, and often the trigger for an employee to commit financial fraud is a decrease in remuneration or a difference from the remuneration expected when assuming lifetime employment. I think it can be either of these.

Q We are experiencing major environmental changes due to the COVID-19 pandemic, but for your final words, please provide your hopes for and expectations of Credit Saison in the years to come.

Yokokura: In what has long been said to be an era of uncertainty, what has impressed me strongly about the COVID-19 pandemic are two factors: that the pandemic broke out not locally but all over the world at the same time and that society changes completely when faced with a forced opportunity. To conduct corporate management without even being able to project next year's trends, I think it is important to make quick decisions and constantly make course corrections that best suit the business environment.

In the same way that dinosaurs became extinct and mammals survived, I think that it is not the strong but rather those who are able to respond to change that will survive. Therefore, I would want Credit Saison to remain the kind of company that, while maintaining its core, responds properly to change and itself continues to change in a nimble and flexible manner. I would also hope to be of assistance in making that happen.

Otsuki: Sir Isaac Newton is said to have created major laws, such as the Law of Universal Gravitation, during a period of "remote work" when Cambridge University was closed due to an outbreak of bubonic plague. When he saw an apple fall in an orchard in his home village, it seems that he had a flexible idea that he would not have had at the university. A pandemic itself is unfortunate, but the COVID-19 outbreak might make it easier to bring about innovation because people have more time and spend more time away from the office. Taking advantage of the current situation, by which you can see things, not just your everyday tasks, from a variety of angles, I expect and certainly want to see how Credit Saison will flexibly turn its eye toward new and unexpected directions.

Togashi: Including Google, Amazon, Facebook and Apple (GAFA), what all companies that have survived to become game changers have in common is that they continue to focus on and specialize in their core businesses. Credit Saison now has a network built around settlement as its core, and in that sense is a little overstretched, but I think that the core business on which the Company should be relying remains settlement. I would like us to retain a philosophy that will be mastered without letting go of that core business. When you think through what a business that earns money by means of settlements actually is, it is the deferral of payments. The innovation brought about by credit cards in the United States in the early 1950s was the introduction of paper-based letters of credit, which until then had been conducted between legal entities, into the personal finance world. Even if the nature of the card changes to smartphones or plastic-less payments, the core of the credit card business remains the deferral of payments. How to make this settlement deferral function profitable is finance. While thinking through what the "Neo" of "Neo Finance Company" means and valuing a philosophy that is not the same or similar to that of other companies, I would like you to thoroughly study and master finance.

Corporate Governance

Our basic view on corporate governance

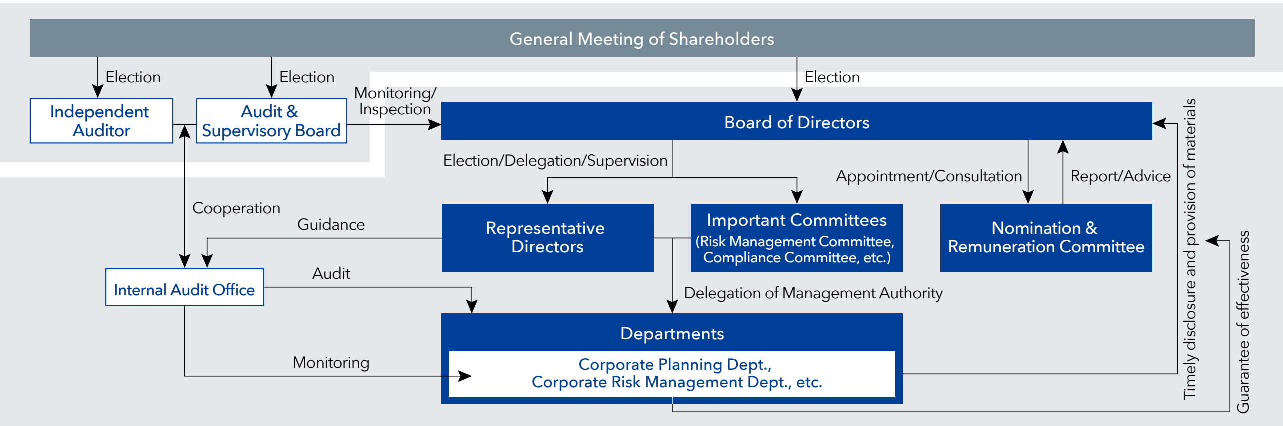
To realize our basic management policy of obtaining the understanding and consent of our shareholders by continuously improving corporate value over time and creating innovative services, the Credit Saison Group is implementing a variety of initiatives to improve and strengthen our corporate governance in recognition of the enormous importance of bolstering management supervisory functions to attain business objectives and enhance management transparency.

➤ For details, please see our Corporate Governance Report
https://corporate.saisoncard.co.jp/en/esg/governance/pdf/corporate_governance_report_202011.pdf

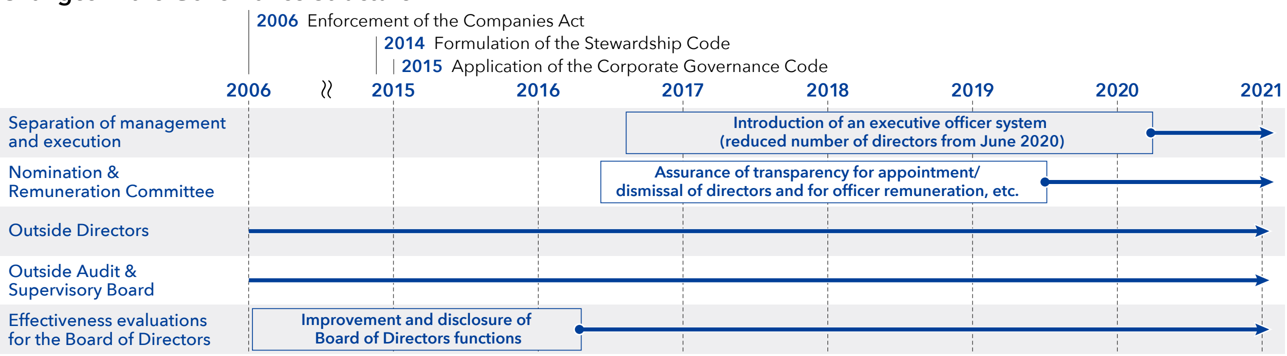
Matters concerning composition of governing bodies and organization management

Governance System	Company with Audit & Supervisory Board Members
Number of directors stipulated by the Articles	25
Term of office for directors stipulated by the Articles	1 year
Chairman of the Board of Directors	President
Number of directors (of which are outside Directors)	9 (3)
Outside directors on the Board	Appointed
Of outside directors, the number who are "independent directors"	3
Number of Audit & Supervisory Board members stipulated by the Articles	5
Number of Audit & Supervisory Board members (of which are outside Audit & Supervisory Board members)	4 (3)
Number of outside Audit & Supervisory Board members who are "independent directors"	3

Corporate Governance Structure



Changes in the Governance Structure



Management/executive system

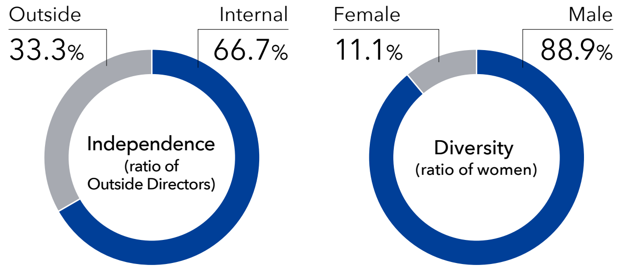
Credit Saison (the Company) has adopted the Audit & Supervisory Board (ASB) model, with ASB members, for its corporate governance system. To ensure we retain the confidence of our shareholders and other investors, we strive to improve and strengthen corporate governance by nominating outside directors and outside ASB members. The Board of Directors and Nomination & Remuneration Committee receive advice and recommendations from outside directors to ensure the appropriateness of business decision-making. This enables directors, who are well versed in business matters, to maintain and improve management efficiency.

In addition, the ASB is strengthening its management oversight function by coordinating with the directors in charge of the Internal Audit Office and the unit responsible for supervision of internal controls. The Company also introduced an executive officer system in March 2020 and aims to further enhance corporate governance by creating an environment in which the Board of Directors can concentrate on management and supervisory functions to respond more quickly to changes in the business environment. At the same time, we will be expanding opportunities for the recruitment of management personnel to foster the development of the next generation of leaders.

Nomination & Remuneration Committee

As an advisory body to the Board of Directors, the Nomination & Remuneration Committee has five members, the majority of whom are outside directors. The Committee is chaired by the Company's Representative Chairman and CEO, and its members are appointed by resolution of the Board of Directors. The Committee consults with the Board of Directors about matters related to the appointment and dismissal of directors and the formulation of remuneration policies for directors, deliberates them and submits reports about such matters to the Board of Directors.

Composition of the Directors



The effectiveness of the Board of Directors

Implementation Summary	With the goal of improving the effectiveness of the Board of Directors, the Company implements a self-evaluation-based annual assessment and analysis for all directors and corporate auditors (including retirees before the expiration of their term of office) elected in the previous year. A questionnaire is given to each director and auditor covering the following items, with the Board of Directors conducting discussions based on feedback from the results
Assessment Items	(1) Composition of the Board of Directors (2) Management of the Board of Directors (3) Roles and Responsibilities of the Board of Directors
Summary of Assessment Results	• We have confirmed that the Board of Directors is operating at a generally proper level and that the effectiveness of the Board of Directors as a whole has been secured. • Based on the evaluation of the Board of Directors conducted in FY2018, the Nomination & Remuneration Committee was established in June 2019 to ensure the objectivity and transparency of the functions of the Board of Directors regarding the nomination of directors, etc., and the determination of remuneration, etc. In FY2019, the Nomination & Remuneration Committee met four times to establish criteria for the appointment process for Directors and remuneration received by Directors. Based on these criteria, the Board of Directors will decide on appointment of Directors and remuneration to be received by Directors after deliberation by the Nomination & Remuneration Committee, which will ensure the objectivity and transparency of the Board of Directors. • As a result of examining the composition of the Board of Directors to facilitate more in-depth discussions with an appropriate number of members, the Company introduced an executive officer system in March 2020 to separate business execution and management oversight, further strengthen our corporate governance system and build a system that responds more quickly to changes in the business management environment. • In recognition of the need to further invigorate discussions related to improving corporate value at the Board of Directors meetings, the Company will strive to improve management to further increase effectiveness.

Status of compliance with the Corporate Governance Code

The Credit Saison Group follows all the principles stipulated in the Tokyo Stock Exchange's Corporate Governance Code with the exception of the following:

■ Supplementary Principles 4.1 (3) Roles and Responsibilities of the Board (1)

The business environment in which the Company operates has been significantly affected by advancements in digital technologies, including FinTech, and given the expansion in businesses requiring fresh perspectives, including the establishment of overseas operations, it might not always be appropriate to establish set standards based on one-time discussions for the knowledge, experience and ability required for the Chief Executive Officer (CEO). The Company at present has not formulated specific succession plans for the CEO or conducted oversight regarding such at the Board of Directors. The Credit Saison Group intends to review how the Board of Directors can effectively oversee succession plans, including through discussions by the Nomination & Remuneration Committee over succession plan guidelines in line with the Company's medium- to long-term strategies.

■ Supplementary Principle 4.3 (2) Roles and Responsibilities of the Board (3)

The business environment in which the Company operates has been significantly affected by advancements in digital technologies, including FinTech, and given the expansion in businesses requiring fresh perspectives, including the establishment of overseas operations, it might not always be appropriate to establish set standards based on one-time discussions for the knowledge, experience, and ability required by the Chief Executive Officer (CEO). The Company at present has not established special procedures or evaluation criteria for appointing its CEO. The Credit Saison Group intends to review procedures for properly appointing qualified CEOs, including through discussions by the Nomination & Remuneration Committee over succession plan guidelines in line with the Company's medium- to long-term strategies.

■ Supplementary Principle 4.3 (3) Roles and Responsibilities of the Board (3)

The Company at this time has not established special procedures or evaluation criteria for the dismissal of the CEO. However, if a CEO, etc., causes significant damage to the Group, or violates laws, regulations or the Articles of Incorporation in a manner that merits dismissal, the Board of Directors with the participation of outside directors will deliberate the matter thoroughly before moving to dismiss.

■ Principle 4.11 Preconditions for Board and Audit & Supervisory Board Effectiveness

In a rapidly changing business environment, the Credit Saison Group believes it is important to improve the value-creation function of the Company by ensuring that the Board of Directors is well balanced in terms of experience, knowledge and special abilities, and not just in terms of gender or nationality. We have appointed directors with a sufficient level of diversity that are able to effectively respond to business format changes while leveraging our strengths in line with our medium- to long-term strategies. At present, the structure of the Board of Directors does not sufficiently take gender and nationality into account. With the Company's medium- to long-term strategies in mind, we strive to appoint a diverse range of directors, including consideration of gender and nationality. The Company's independent outside directors are appointed based on the need for human resources with the knowledge necessary to effectively contribute to sustainable growth and the enhancement of corporate value over the medium to long term, including in financial matters such as capital efficiency. Our Audit & Supervisory Board members are appointed based on their experience, abilities and knowledge in finance, accounting and legal affairs.

Remuneration for directors and audit & supervisory board members

About Director Remuneration

Credit Saison has established the Director Remuneration Rules in the Board of Directors as the policy for determining the amount for director remuneration, etc., and the calculation method thereof. The director remuneration system for FY2019 is composed of "basic remuneration," which is determined separately for each director based on a remuneration standard corresponding to his or her position and management responsibility level and includes remuneration used to purchase the Company's shares as a long-term incentive, and of "variable remuneration (bonuses)," which is calculated based on the results of the mutual evaluation made by all directors regarding the Company's performance for the individual fiscal year and the degree of contribution (including future growth strategies) each director has made to the Company's performance (outside directors only receive fixed remuneration).

To increase corporate value, variable remuneration (bonuses) uses the growth rate for non-consolidated ordinary income (excluding transient factors, etc.) as one of the quantitative performance indicators. In addition, the results of the evaluation made by all directors, including the recipient directors, regarding the degree of contribution each director has made to the Company's performance is used as a qualitative performance indicator.

Variable remuneration (bonuses) is calculated by multiplying the performance-linked factor for the quantitative indicator compared to the standard amount for each position (the year-on-year quantitative performance indicator) and the performance-linked factor for the qualitative evaluation (generally 80%–120%). The performance-linked factor for FY2019 was 92%.

The composition ratio for remuneration is generally 80% for basic remuneration (including remuneration used to purchase the Company's shares as a long-term incentive) and 20% for bonuses, where the ratio of bonuses varies in accordance with the Company's performance, etc.

Remuneration for Audit & Supervisory Board (ASB) members consists entirely of fixed remuneration, where the amount of remuneration for each ASB member is determined through consultation among the ASB. This amount falls within the total amount approved by the General Meeting of Shareholders.

Credit Saison resolved to establish a Nomination and Remuneration Committee as a voluntary advisory committee at the Board of Directors meeting held on June 7, 2019. Regarding director remuneration, this committee will report on the following matters based on the submission by the Board of Directors.

- Formulation of the remuneration policy and the individual remuneration package of directors
- Other matters raised by the Board of Directors
- Formulation, amendment or abolition of basic policies that are necessary for deliberation of the matters stated above
- Other matters deemed necessary by the committee

Starting in FY2020, the amount paid to each director is determined by the Representative Director and CEO under the authority delegated by the Board of Directors to the extent of the scope of such authority and in accordance with the Director Compensation Regulations. The Representative Director and CEO shall make such determination based on the criteria for remuneration to be received by the Directors as established by the Nomination & Remuneration Committee and based on the results of the evaluations made by all Directors, including the Director being evaluated, regarding the degree of contribution of each Director to our business performance.

For the total amount of the calculation method-based remuneration for directors, outside directors and ASB members, resolutions were approved at the 57th Ordinary General Meeting of Shareholders held on June 23, 2007, to cap annual remuneration for directors at ¥750 million (annual remuneration for outside directors capped at ¥50 million) and cap annual remuneration for ASB members at ¥150 million (salaries paid to executive directors for their work as employees are not included in the remuneration caps). However, at the 70th Ordinary General Meeting of Shareholders held on June 18, 2020, a resolution of Determination of Remuneration for the Granting of Restricted Stock to Directors (excluding Outside Directors) was passed, thereby resolving to cap the total value of monetary remuneration paid for the purpose of granting restricted stock bonuses at ¥150 million annually as part of the ¥750 million annual payment cap (annual remuneration for Outside Directors capped at ¥50 million) for director remuneration approved at the 57th Ordinary General Meeting of Shareholders held on June 23, 2007.

The total amount of remuneration for FY2019 for different classifications of directors and ASB members, along with subtotals for different types of remuneration, are shown below.

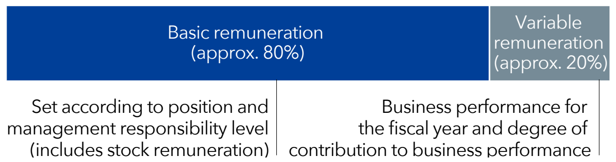
Classification	Total remuneration (Millions of yen)	Total amount of remuneration by type (Millions of yen)		Number of people
		Basic remuneration	Bonuses	
Directors (Excluding outside directors)	468	349	119	14
ASB members (Excluding outside ASB members)	14	14	–	2
Outside directors	24	24	–	3
Outside ASB members	33	33	–	4

Notes: 1. The total amount of remuneration paid to directors does not include employee salaries in the case of employees who serve concurrently as executive directors.
2. As of March 31, 2020, the Company had 15 directors and four ASB members.
3. Basic remuneration includes amounts used to purchase the Company's shares (contribution to the shareholders' association made up of directors).

Name, classification, total remuneration (consolidated) and total amount of remuneration (consolidated) by type of each director, outside director and ASB member

We omitted listing individuals as there were no directors, outside directors or ASB members whose total remuneration exceeded ¥100 million.

Internal Director Remuneration Structure



Strengthening the compliance and risk management systems

To keep improving our corporate value, we identify the enhancement of corporate governance as a key management initiative. To this end, we are improving our internal control systems, strengthening our risk management framework and fully adhering to compliance requirements.

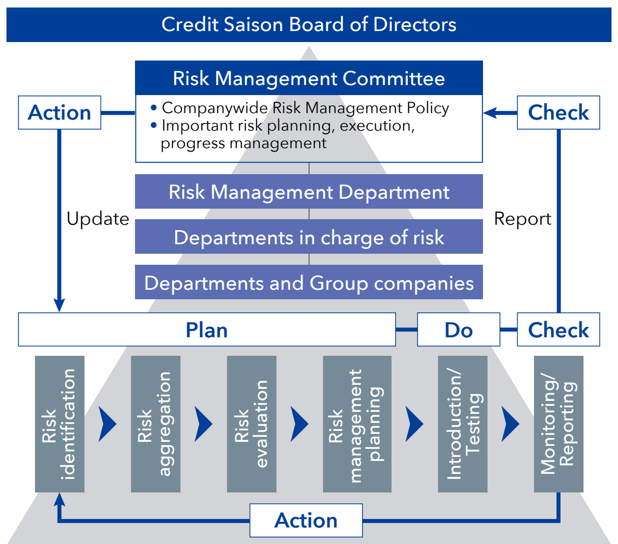
In establishing internal control systems, the Board of Directors decides on basic policies for such, with the aim of building systems that ensure appropriate and efficient operations mainly in the Corporate Planning Department, the unit responsible for overseeing internal controls. As for internal controls on financial reports, the Corporate Risk Management Department leads the way in promoting the proper functioning of internal controls in the Company and at our consolidated Group companies, while the Internal Audit Office carries out independent monitoring.

Regarding risk management, the Risk Management Committee and Corporate Risk Management Department lead the way in preventing risks from materializing and in working to minimize the effects on the Company when they do arise. Accordingly, we strive to maintain our risk management framework by holding regular internal training sessions for employees in accordance with "risk management rules," "rules concerning loss risk management" and "crisis management rules." With respect to various issues within the Group and matters of control that pose serious risks, the Group Strategy Office of the Corporate Planning Department leads the way in monitoring business execution at Group companies and sharing information with the management departments of Group companies.

As for our compliance system, we have established a Compliance Committee to ensure legal compliance, fairness and ethical standards in our corporate activities. In addition to assigning compliance responsibilities to employees in each department, we issued a declaration on how the Company should conduct its activities and organized the ways in which directors, executive officers and employees should conduct themselves as standards of conduct. As a further means of strengthening our compliance system, we have disclosed this declaration and code of conduct on the Company's employee website, inform employees about our compliance help desk and hold compliance training sessions to ensure rigorous adherence to these.

We will continue to study approaches to management that best suit the Credit Saison Group considering global trends in corporate governance and our basic policies for ensuring the proper functioning of internal controls.

Risk Management System



Dialogue with shareholders and investors (IR activities)

Credit Saison endeavors to convey corporate information to all shareholders and investors in a prompt, fair and easy-to-understand manner, and actively discloses business results, financial conditions, strategies and other matters that the Company believes to be effective in providing a better understanding of the Company. The Company is enhancing our IR-related content, such as providing videos of top management's presentations at results briefings, in an effort to ensure that a wide range of investors, including individual investors, understand our corporate activities. As of the end of September 2020, approximately 30% of our outstanding shares were held by foreign shareholders, and the Company is actively and continuously working to build relationships with overseas investors through IR activities, such as explaining our corporate activities through telephone conferences and other means.

Results of IR Activities in FY2019

Financial Results Briefing	2
Individual meetings with sell-side analysts/ institutional investors	158
Securities company organized conferences	1


Financial Results Briefing Held in November 2019

General Meeting of Shareholders

To ensure that shareholders have sufficient time to consider resolutions, Credit Saison sends the convocation notice prior to the date specified by law (at least two weeks before the General Meeting of Shareholders date) and discloses such on the Company's website and TDnet.

70th Ordinary General Meeting of Shareholders (held June 18, 2020)

Participating shareholders	47
Ratio of voting rights exercised	89.68%

Board of Directors/Audit & Supervisory Board Members/ Executive Officers (As of October 1, 2020)

Board of Directors

Front row (from left): Naoki Takahashi, Hiroshi Rinno, Masahiro Yamashita, Katsumi Mizuno
Back row (from left): Naoki Togashi, Tatsunari Okamoto,Yoshiaki Miura, Nana Otsuki, Hitoshi Yokokura

Hiroshi Rinno
Born in Aug. 1942

Representative, Chairman and CEO
Corporate strategy, global strategy, branding, affiliated companies affairs

Mar. 1982 Joined Credit Saison Co., Ltd. General Manager, Credit Business Planning Dept.
Apr. 1983 Director
June 2000 President and CEO
Mar. 2019 Representative, Chairman and CEO

Masahiro Yamashita
Born in Mar. 1958

Representative, Executive President and COO
Overall management execution, credit card joint ventures affairs, Head of Public Relations Office, Payment Business Division, Sales Development Division

Apr. 1981 Joined Credit Saison Co., Ltd.
June 2010 Director
Mar. 2019 Representative, President and COO
Mar. 2020 Representative, Executive President and COO

Naoki Takahashi
Born in Aug. 1950

Representative, Executive Vice President and CHO
Promotions of strategies, new businesses, Head of Audit Office, General Affairs Dept., Strategic Human Resources Dept., IT Strategy Dept.

Apr. 2005 Joined Credit Saison Co., Ltd. Advisor
June 2005 Managing Director
Mar. 2016 Representative, Executive Vice President
Mar. 2020 Representative, Executive Vice President and CHO

Katsumi Mizuno
Born in Aug. 1969

Director, Senior Managing Executive Officer
Head of Branding Strategy Dept., Processing Business Division, Global Business Division, In charge of Strategic Planning Dept.

Apr. 1992 Joined Credit Saison Co., Ltd.
June 2013 Director
June 2020 Director, Senior Managing Executive Officer

Yoshiaki Miura
Born in Sept. 1966

Director, Senior Managing Executive Officer
General Manager, Payment Business Division, Sales Development Division, In charge of Processing Development Dept., Affinity Business Dept. No. 1 & 2, Business Strategy Dept., Alliance Development Dept.

Apr. 1990 Joined Credit Saison Co., Ltd.
June 2016 Director
June 2020 Director, Senior Managing Executive Officer

Tatsunari Okamoto
Born in Apr. 1967

Director, Managing Executive Officer
Head of Finance Division,
General Manager, Finance Division,
In charge of Leasing & Rental Business Dept.

Apr. 1990 Joined Credit Saison Co., Ltd.
June 2011 Director
June 2020 Director, Managing Executive Officer

Naoki Togashi
Born in Oct. 1960

Outside Director (Independent)

Apr. 2007 Trustee, Japan Association of Corporate Executives (Present)
June 2014 Director, NAGAHORI CORPORATION (Present)
Apr. 2017 Representative Director, Japan Representative Partner, Oliver Wyman Group (Present)
June 2017 Outside Director, Credit Saison Co., Ltd. (Present)

Nana Otsuki
Born in Sept. 1964

Outside Director (Independent)

Jan. 2016 Executive Officer, Monex, Inc. (Present)
June 2017 Outside Director, Credit Saison Co., Ltd. (Present)
Apr. 2018 Professor, Nagoya University of Commerce and Business Graduate School (Present)
Apr. 2018 Visiting Professor, Faculty of International Politics and Economics, Nishogakusha University (Present)
June 2018 Audit and Supervisory Board Member, Tokio Marine Holdings, Inc. (Present)
Sept. 2019 Trustee, Nishogakusha University (Present)

Hitoshi Yokokura
Born in May 1969

Outside Director (Independent)

Apr. 2014 Partner, Waseda Legal Commons, LPC (Present)
July 2017 Auditor, Minori Audit Corporation (Present)
June 2020 Outside Director, Credit Saison Co., Ltd. (Present)

Audit & Supervisory Board Members

From left:
Hiroaki Igawa
Haruhisa Kaneko
Chie Kasahara
Munehiro Harada

Haruhisa Kaneko
Born in Nov. 1956

Standing Audit & Supervisory Board Member

Jan. 1990 Joined Credit Saison Co., Ltd.
June 2008 Director
Mar. 2010 Managing Director
Mar. 2015 President, Qubitous Co., Ltd. (Merged with Credit Saison Co., Ltd. in April 2020)
June 2019 Standing Audit and Supervisory Board Member of Credit Saison Co., Ltd. (Present)

Munehiro Harada
Born in July 1954

Standing Audit & Supervisory Board Member (Outside/Independent)

Apr. 1978 Entered National Police Agency
Apr. 2012 Director General, Kanto Regional Police Bureau
June 2013 Managing Director, Nichidenkyo
June 2019 Standing Audit and Supervisory Board Member of Credit Saison Co., Ltd. (Present)

Hiroaki Igawa
Born in Oct. 1958

Standing Audit & Supervisory Board Member (Outside/Independent)

Apr. 1982 Entered Ministry of Finance
June 2013 Director-General, Nagoya Customs
June 2014 Auditor (Regular Employee), East Nippon Expressway Company Limited
June 2019 Standing Audit and Supervisory Board Member of Credit Saison Co., Ltd. (Present)

Chie Kasahara
Born in Sept. 1968

Audit & Supervisory Board Member (Outside/Independent)

Apr. 2000 Registered as an attorney at law, Dai-Ichi Tokyo Bar Association (Present)
June 2015 Audit and Supervisory Board Member (Outside), Credit Saison Co., Ltd. (Present)
Jan. 2019 Senior Partner, Atsumi & Partners (Present Atsumi & Sakai) (Present)
June 2019 Audit and Supervisory Board Member of Achilles Corporation (Present)

Executive Officers

Front row (from left):
Kazue Yasumori
Kazutoshi Ono
Shingo Baba
Kaori Shimada
Back row (from left):
Masaki Negishi
Kosuke Mori
Shunji Ashikaga
Keitaro Shigemasa
Yasuyuki Isobe
Naoki Nakayama

Managing Executive Officers

Shingo Baba
Born in Jan. 1971

Head of Corporate Planning Dept., Corporate Risk Management Dept., Treasury & Accounting Dept.

Keitaro Shigemasa
Born in Feb. 1965

CIO, In charge of IT Strategy Dept., General Manager, IT Strategy Dept.

Kazutoshi Ono
Born in Aug. 1976

CTO, Head of Digital Innovation Division, General Manager, Digital Innovation Division, General Manager, Technology Center

Kosuke Mori
Born in May 1977

General Manager, Global Business Division, Being assigned to Credit Saison Asia Pacific Pte. Ltd. (in charge of India business)

Shunji Ashikaga
Born in May 1971

Head of Saison AMEX Division, General Manager, Saison AMEX Division, Business Solution Dept., Credit Guarantee Dept., Corporate Sales in Sales Planning Dept.

Executive Officers

Yasuyuki Isobe
Born in Aug. 1969

Head of Credit Division, General Manager, Credit Division, In charge of Card Finance Dept., Affiliated Store Planning Dept.

Kaori Shimada
Born in Oct. 1966

Head of CS Planning Dept., In charge of Business Development Dept., Asset Management Dept.,General Manager, CS Planning Dept., Business Development Dept.

Kazue Yasumori
Born in Nov. 1973

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

Masaki Negishi
Born in Sept. 1972

In charge of Corporate Planning Dept., Processing Sales Dept., Processing Planning Dept., Global Strategy Planning Dept., General Manager, Corporate Planning Dept.

Naoki Nakayama
Born in June 1965

In charge of Finance Planning Dept., Finance Business Dept.
General Manager, Finance Business Dept., Structured Finance Group Dept.

Major Business Sales Bases (As of October 1, 2020)

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

Hokkaido Branch Office
3F Sapporo Center Bldg., 2-2, Kita-5-jo Nishi 6-chome, Chuo-ku, Sapporo City, Hokkaido 060-0005, Japan

Tohoku Branch Office
7F Sendai Shogin Bldg., 1-24, Chuo 3-chome, Aoba-ku, Sendai City, Miyagi 980-0021, Japan

North Kanto Branch Office
3F ORE Omiya Bldg., 114-1, Miyacho 1-chome, Omiya-ku, Saitama City, Saitama 330-0802, Japan

East Kanto Branch Office
19F WBG Marive East Tower., 6-1, Nakase 2-chome, Mihama-ku, Chiba City, Chiba 261-7119, Japan

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

Kanagawa Branch Office
3F Nisso Dai-5 Bldg., 10-39, Kita-saiwai 2-chome, Nishi-ku, Yokohama City, Kanagawa 220-0004, Japan

Tokai Branch Office
4F NMF Nagoya Yanagibashi Bldg., 16-28, Meieki-minami 1-chome, Nakamura-ku, NagoyaCity, Aichi 450-0003, Japan

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

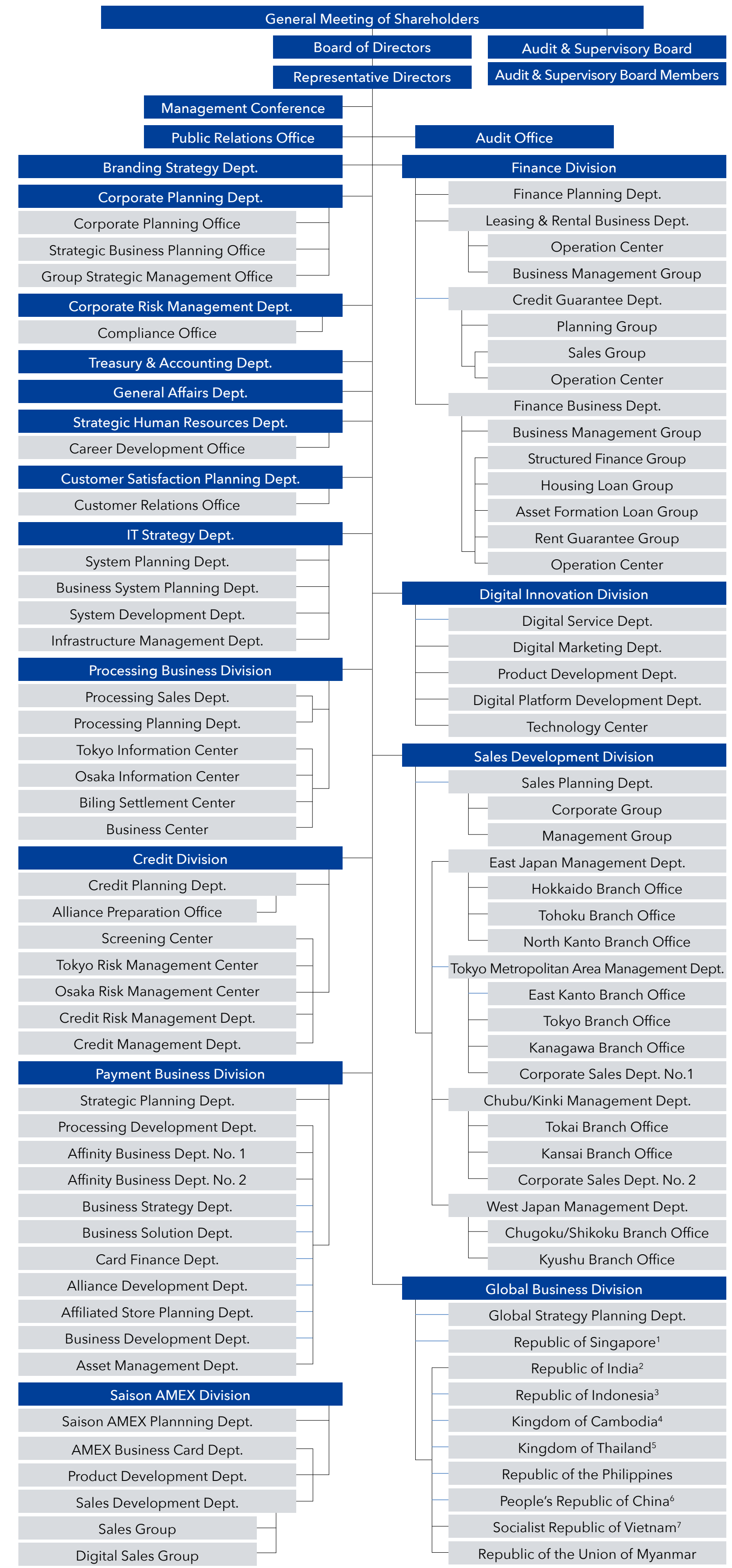
Chugoku/Shikoku Branch Office
5F Otemachi Center Bldg., 8-5, Otemachi 2-chome, Naka-ku, Hiroshima City, Hiroshima 730-0051, Japan

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

Shanghai, China
CREDIT SAISON CORPORATION (SHANGHAI) LIMITED, No. 909. 9F, No. 409-459 Landmark East Nanjing Rd., Shanghai, China

Singapore
Credit Saison Asia Pacific PTE. LTD.
16 Collyer Quay #21-01, Income At Raffles, Singapore 049318

Organization Chart



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

List of Affiliated Companies (* In the order of the Japanese syllabary As of September 30, 2020)

Main Consolidated Subsidiaries

Atrium Co., Ltd.	Comprehensive real estate business, servicing business
AIR Co., Ltd.	Housecleaning, installation of residential facilities, maintenance, ATM-related operations
Omnibus K.K.	Internet advertisement agency business, marketing consulting business
CASALAGO CO., LTD.	Import and sales of lifestyle goods
Concerto Inc.	Real estate rental business, amusement business
SAISON ASSET MANAGEMENT CO., LTD.	Asset management
Saison Personalplus Co., Ltd.	Temporary staffing business, contracting business, servicing business
Saison Fundex Corporation	Real estate finance business, credit guarantee business, loan business
Saison Ventures Co., Ltd.	Identification and investment in start-ups
Saison Insurance Service Inc.	Life/non-life insurance agency business
Credit Saison Asia Pacific Pte. Ltd.	Overseas business development and regional headquarters in Singapore
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
Saison Capital Pte. Ltd.	Investment in and financing of overseas startup enterprises

Total of 33 companies

Major Equity-Method Affiliates

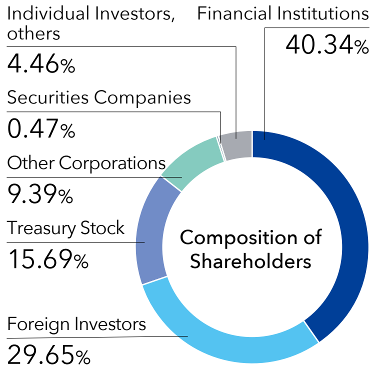
Eplus Inc.	Ticket sales
Idemitsu Credit Co., Ltd.	Credit card business, prepaid card business, finance business
Shizugin Saison Card Co., Ltd.	Credit card business, credit guarantee business, prepaid card business
Saison Information Systems Co., Ltd.	Financial IT services business, distribution IT service business, linkage business, HULFT business
Seven CS Card Service Co., LTD.	Credit card business
Daiwa House Financial Co., Ltd.	Credit card business, settlement agency business, loan business
Takashimaya Financial Partners Co., Ltd.	Credit card business
Yamada Financial Co., Ltd.	Credit card business
Resona Card Co., Ltd.	Credit card business, credit guarantee business
HD SAISON Finance Company Ltd.	Finance business in Vietnam

Total of 32 companies

Corporate Information/ Investor Relations Information (As of September 30,2020)

Stock Information

Common Stock Authorized	300,000 thousand shares
Common Stock Outstanding	185,444 thousand shares
Number of Shareholders	15,184



Major Shareholders (Top 10)

Institution	Equity stake: Number of Shares (thousand)	Equity stake: Ownership Percentage (%)
The Master Trust Bank of Japan Ltd. (trust account)	29,268	18.72
Custody Bank of Japan, Ltd. (trust account)	13,135	8.40
Daiwa Securities Group Inc.	8,050	5.15
Custody Bank of Japan, Ltd. (trust account 9)	5,855	3.75
HSBC BANK PLC A/C CLIENTS 1	4,694	3.00
BNYMSANV AS AGENT/CLIENTS LUX UCITS NON TREATY 1	4,067	2.60
Custody Bank of Japan, Ltd. (securities investment trust account)	3,926	2.51
THE BANK OF NEW YORK 133972	3,118	1.99
Mizuho Bank, Ltd.	3,000	1.92
Custody Bank of Japan, Ltd. (trust account 5)	2,879	1.84

Note: 1. The 29,100,948 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	https://www.smtb.jp/personal/agency/index.html
Method of Public Notice	Electronic notice (Credit Saison website) https://corporate.saisoncard.co.jp/en/public_announcement/
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 Masahiro Yamashita, Representative, Executive President and COO Naoki Takahashi, Representative, Executive Vice President and CHO
Listed Stock Exchange	Tokyo (First Section)
Business	1: Payment Segment (credit card business, servicing (loan collection agency) business, etc.) 2: Lease Segment (lease business) 3: Finance Segment (credit guarantee business and finance-related business) 4: Real Estate-Related Segment (real estate business, real estate leasing business, and servicing (loan collection agency) business,etc.) 5: Entertainment Segment (amusement business, etc.)
Paid-in Capital	¥75,929 million
Number of Regular Employees	4,415

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 666 (based on conversion to a 7.5-hours workday)

Responsible Officer's Guarantee/Editor's Postscript

Responsible officer's guarantee

On publishing the Credit Saison Integrated Report 2020

In March 2020, Credit Saison published our first integrated report in which we systematically summarized the Company's financial and nonfinancial information as a communication tool designed to establish a greater understanding of the Company among our shareholders, investors and all other stakeholders.

In addition to the 5 Ps of our Sustainability Strategy, namely "People, Partnership, Prosperity, Planet, Peace," the Credit Saison Integrated Report 2020 includes new types of content based on roundtable discussions among the Outside Directors and other forms of interviews in order to expand the range of content beyond reports of our management strategies, performance and business activities. This approach is taken as a means of ensuring a greater understanding of the Company's efforts toward sustainable growth, including those aimed at finding solutions to society's challenges and at contributing to communities through business activities.

During the preparation of this Report, we consulted the "International Integrated Reporting Framework" advocated by the International Integrated Reporting Council (IIRC) and the "Guidance for Collaborative Value Creation" advocated by the Ministry of Economy, Trade and Industry, and edited the report under the cooperation of each department in a cross-divisional, companywide effort. I hereby declare that the preparation process is proper and the details listed herein are accurate.

Environment
Social
Governance
Guidance for Collaborative Value Creation

Credit Saison shall continue to evolve our communications with all stakeholders and advance initiatives to further raise our corporate value through the Credit Saison Integrated Report 2020.

Shingo Baba
Managing Executive Officer
Head of Corporate Planning Dept., Corporate Risk Management Dept., Treasury & Accounting Dept.

Information disclosure tools

Credit Saison discloses various types of information for our shareholders, investors and all other stakeholders on our website.

- **IR Information**
  https://corporate.saisoncard.co.jp/en/ir/
- **Business Report**
  https://corporate.saisoncard.co.jp/en/ir/business_report/
- **General Meeting of Shareholders**
  https://corporate.saisoncard.co.jp/en/ir/meeting/
- **Integrated Report**
  https://corporate.saisoncard.co.jp/en/ir/integrated_report/integrated_report/meeting/

Editor's postscript

Thank you for reading to the end of the Credit Saison Integrated Report 2020.

This year marked the second year of the Medium-term Management Plan, through which we presented our mission statement of "becoming a finance company advancing with customers for 50 years" in addition to our management philosophy of being a "leading-edge service company." In this way, we are undertaking the challenge of becoming a true finance company that can continue to provide proposals tailored to the life stage of each customer.

Under the key concepts of "evolution" and "connection," this Integrated Report strives to express our position in an easy-to-understand manner wherever possible by using illustrations, graphs and data to ensure a better understanding of the "Credit Saison of the past" and the "Credit Saison of the future." At the same time, it was prepared using new approaches, such as interview pages and special feature pages. Looking ahead, we will continue to seek the honest opinions of our readers so that we can further deepen communication with all stakeholders while upgrading and expanding the content of the report.

CREDIT SAISON

CREDIT SAISON

FINANCIAL SECTION 2020

For the Year Ended March31, 2020

1. Consolidated Financial Statements

(1) Consolidated Financial Statements

1) CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	Millions of yen		Thousands of U.S. dollars
		FY2019 (As of March 31, 2020)	FY2018 (As of March 31, 2019)	FY2019 (As of March 31, 2020)
Assets				
Cash and cash equivalents	8, 39	¥109,761	¥82,642	$1,008,558
Trade and other receivables	9, 37, 38, 39	2,565,409	2,393,197	23,572,629
Inventories	10	135,380	151,385	1,243,962
Operational investment securities	11, 19, 39	48,789	39,973	448,309
Investment securities	12, 19, 39	60,724	91,553	557,977
Other financial assets	13, 37, 38, 39	13,905	11,916	127,773
Property, plant and equipment	14	29,414	29,341	270,279
Right-of-use assets	42	17,565	–	161,403
Intangible assets	15	181,058	219,972	1,663,680
Investment property	17	61,508	56,683	565,183
Investments accounted for using equity method	18,19	77,198	92,752	709,351
Deferred tax assets	20	47,910	32,148	440,232
Other assets		8,601	10,897	79,039
Total assets		¥3,357,229	¥3,212,465	$30,848,383

	Note	Millions of yen FY2019 (As of March 31, 2020)	 FY2018 (As of March 31, 2019)	Thousands of U.S. dollars FY2019 (As of March 31, 2020)
Liabilities and equity				
Liabilities				
Trade and other payables	21, 38, 39	¥230,927	¥314,729	$2,121,908
Financial guarantee liabilities	39	10,206	8,305	93,787
Bonds and borrowings	22, 39	2,413,565	2,203,818	22,177,393
Other financial liabilities	23, 38, 39	26,619	28,441	244,600
Income taxes payable	20	9,364	3,120	86,044
Provision for point card certificates	24	109,938	104,963	1,010,186
Provision for loss on interest repayments	24	22,897	17,762	210,396
Other provisions	24	1,554	1,530	14,284
Deferred tax liabilities	20	903	1,025	8,299
Other liabilities	26	45,775	37,026	420,614
Total liabilities		2,871,753	2,720,724	26,387,515
Equity				
Share capital	27	75,929	75,929	697,687
Capital surplus	27	85,279	85,642	783,599
Retained earnings	27	384,182	360,303	3,530,114
Treasury shares	27	(62,881)	(52,881)	(577,797)
Other components of equity	27, 39	2,161	22,004	19,857
Total equity attributable to owners of parent		484,670	490,998	4,453,462
Non-controlling interests		805	743	7,405
Total equity		485,476	491,741	4,460,867
Total liabilities and equity		¥3,357,229	¥3,212,465	$30,848,383

2) CONSOLIDATED STATEMENT OF INCOME

	Note	Millions of yen FY2019 (April 1, 2019 to March 31, 2020)	 FY2018 (April 1, 2018 to March 31, 2019)	Thousands of U.S. dollars FY2019 (April 1, 2019 to March 31, 2020)
Revenues				
Income from the payment business(*1)	29, 39	¥230,160	¥226,250	$2,114,867
Income from the lease business	29, 39	12,266	12,579	112,713
Income from the finance business	29, 39	43,112	39,231	396,149
Revenue from the real estate-related business	29, 39	62,307	42,098	572,520
Revenue from the entertainment business	29	48,493	50,827	445,591
Finance income	29, 32, 39	771	854	7,086
Total		397,112	371,842	3,648,928
Of interest income (*2)		112,167	107,221	1,030,663
Cost of sales				
For the real estate-related business	30	46,030	24,921	422,960
For the entertainment business	30	39,671	42,066	364,529
Total		85,702	66,987	787,490
Net revenue		311,410	304,855	2,861,438
Selling, general and administrative expenses	31	236,910	220,974	2,176,885
Impairment losses on financial assets	39	39,376	34,088	361,813
Finance costs	32, 39	10,471	9,878	96,217
Share of profit of investments accounted for using equity method	18	6,442	7,355	59,195
Other income	33, 39	5,585	4,138	51,319
Other expenses	33, 39	9,220	5,643	84,727
Profit before tax		27,458	45,763	252,308
Income tax expense	20	4,813	16,423	44,230
Profit		22,645	29,340	208,078
Profit attributable to				
Owners of parent		22,863	30,517	210,085
Non-controlling interests		(218)	(1,176)	(2,006)
Profit		22,645	29,340	208,078

Earnings per share		Yen		U.S. dollars
Basic earnings per share	35	¥143.43	¥186.84	$1.32
Diluted earnings per share	35	142.57	186.84	1.31

(*1) As a result of a change to a segment name, "Income from the credit service business" has been renamed to "Income from the payment business" effective for the fiscal year ended March 31, 2020.
(*2) Pursuant to IFRS 9, interest income is calculated using the effective interest method.

RECONCILIATION FROM PROFIT BEFORE TAX TO BUSINESS PROFIT

	Millions of yen		Thousands of U.S. dollars
	FY2019 (April 1, 2019 to March 31, 2020)	FY2018 (April 1, 2018 to March 31, 2019)	FY2019 (April 1, 2019 to March 31, 2020)
Profit before tax	¥27,458	¥45,763	$252,308
Reconciliations (Other income)	(917)	–	(8,429)
Reconciliations (Other expenses)	8,979	5,517	82,506
Adjustments for the application of the effective interest method to financial assets	663	951	6,099
Subtotal	8,725	6,469	80,176
Business profit	36,184	52,233	332,485

For details on the reconciliation items, please refer to Note “7. Operating Segments.”

3) CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Millions of yen		Thousands of U.S. dollars
		FY2019 (April 1, 2019 to March 31, 2020)	FY2018 (April 1, 2018 to March 31, 2019)	FY2019 (April 1, 2019 to March 31, 2020)
Profit		¥22,645	¥29,340	$208,078
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	34	(10,978)	(8,963)	(100,873)
Share of other comprehensive income of investments accounted for using equity method	18, 34	(476)	62	(4,382)
Items that may be reclassified to profit or loss				
Net change in fair value of debt instruments measured at fair value through other comprehensive income	34	10	(7)	93
Effective portion of cash flow hedges	34	955	(1,540)	8,782
Exchange differences on translation of foreign operations	34	(687)	(28)	(6,312)
Share of other comprehensive income of investments accounted for using equity method	18, 34	(311)	265	(2,863)
Total other comprehensive income, net of tax		(11,487)	(10,213)	(105,556)
Comprehensive income		11,157	19,127	102,521
Comprehensive income attributable to				
Owners of parent		11,389	20,314	104,651
Non-controlling interests		(231)	(1,186)	(2,129)
Comprehensive income		11,157	19,127	102,521

4) CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FY2019 (April 1, 2019 to March 31, 2020)

		Millions of yen							
		Equity attributable to owners of parent							
	Note	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity	Total	Non-controlling interests	Total
Balance as of April 1, 2019		¥75,929	¥85,642	¥360,303	¥(52,881)	¥22,004	¥490,998	¥743	¥491,741
Profit				22,863			22,863	(218)	22,645
Other comprehensive income	34					(11,474)	(11,474)	(13)	(11,487)
Comprehensive income		–	–	22,863	–	(11,474)	11,389	(231)	11,157
Purchase of treasury shares	27				(10,000)	(0)	(10,000)		(10,000)
Disposal of treasury shares	27		(0)		0		0		0
Dividends	28			(7,353)			(7,353)		(7,353)
Transfer from other components of equity to retained earnings	27			8,369		(8,369)	–		–
Changes in ownership interest in subsidiaries			(363)				(363)	294	(68)
Total transactions with owners		–	(363)	1,015	(10,000)	(8,369)	(17,717)	294	(17,422)
Balance as of March 31, 2020		¥75,929	¥85,279	¥384,182	¥(62,881)	¥2,161	¥484,670	¥805	¥485,476

		Thousands of U.S. dollars							
		Equity attributable to owners of parent							
	Note	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity	Total	Non-controlling interests	Total
Balance as of April 1, 2019		$697,687	$786,939	$3,310,696	$(485,905)	$202,192	$4,511,611	$6,827	$4,518,439
Profit				210,085			210,085	(2,006)	208,078
Other comprehensive income	34					(105,434)	(105,434)	(122)	(105,556)
Comprehensive income		–	–	210,085	–	(105,434)	104,651	(2,129)	102,521
Purchase of treasury shares	27				(91,892)	(0)	(91,892)		(91,892)
Disposal of treasury shares	27		(0)		1		0		0
Dividends	28			(67,568)			(67,568)		(67,568)
Transfer from other components of equity to retained earnings	27			76,901		(76,901)	–		–
Changes in ownership interest in subsidiaries			(3,339)				(3,339)	2,707	(632)
Total transactions with owners		–	(3,340)	9,332	(91,891)	(76,901)	(162,800)	2,707	(160,092)
Balance as of March 31, 2020		$697,687	$783,599	$3,530,114	$(577,797)	$19,857	$4,453,462	$7,405	$4,460,867

FY2018 (April 1, 2018 to March 31, 2019)

		Millions of yen							
		Equity attributable to owners of parent							
	Note	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity	Total	Non-controlling interests	Total
Balance as of April 1, 2018		¥75,929	¥85,629	¥344,291	¥(52,880)	¥35,913	¥488,883	¥1,965	¥490,849
Cumulative effect of accounting change				(9,148)		(3,343)	(12,491)		(12,491)
Restated balance		75,929	85,629	335,143	(52,880)	32,569	476,391	1,965	478,357
Profit				30,517			30,517	(1,176)	29,340
Other comprehensive income	34					(10,203)	(10,203)	(10)	(10,213)
Comprehensive income		–	–	30,517	–	(10,203)	20,314	(1,186)	19,127
Purchase of treasury shares	27				(0)		(0)		(0)
Disposal of treasury shares	27		(0)		0		0		0
Dividends	28			(5,719)			(5,719)		(5,719)
Transfer from other components of equity to retained earnings	27			362		(362)	–		–
Changes in ownership interest in subsidiaries			13				13	(36)	(23)
Total transactions with owners		–	12	(5,357)	(0)	(362)	(5,706)	(36)	(5,742)
Balance as of March 31, 2019		¥75,929	¥85,642	¥360,303	¥(52,881)	¥22,004	¥490,998	¥743	¥491,741

5) CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Millions of yen		Thousands of U.S. dollars
		FY2019 (April 1, 2019 to March 31, 2020)	FY2018 (April 1, 2018 to March 31, 2019)	FY2019 (April 1, 2019 to March 31, 2020)
Cash flows from operating activities				
Profit before tax		¥27,458	¥45,763	$252,308
Depreciation and amortization		28,615	23,660	262,940
Impairment losses (reversal of impairment losses)		7,176	226	65,942
Interest and dividend income		(2,176)	(2,150)	(20,002)
Interest expenses		9,824	9,245	90,270
Share of loss (profit) of investments accounted for using equity method		(6,442)	(7,355)	(59,195)
Loss (gain) on valuation of investment securities		(89)	1,054	(819)
System transfer cost		–	3,299	–
Decrease (increase) in trade and other receivables		(167,403)	(252,393)	(1,538,211)
Decrease (increase) in inventories		16,004	(13,898)	147,064
Decrease (increase) in operational investment securities for sale		(8,832)	(1,551)	(81,160)
Increase (decrease) in trade and other payables		(82,072)	18,248	(754,139)
Increase (decrease) in provision for point card certificates		4,975	3,643	45,718
Increase (decrease) in provision for loss on interest repayments		5,134	(5,352)	47,183
Increase (decrease) in financial guarantee liabilities		1,901	1,260	17,468
Other		11,261	(2,057)	103,477
Subtotal		(154,664)	(178,356)	(1,421,155)
Interest and dividends received		5,037	4,304	46,290
Interest paid		(9,731)	(9,325)	(89,423)
Income taxes refund		108	820	997
Income taxes paid		(10,614)	(9,882)	(97,537)
Net cash used in operating activities		(169,864)	(192,438)	(1,560,828)

	Note	Millions of yen		Thousands of U.S. dollars
		FY2019 (April 1, 2019 to March 31, 2020)	FY2018 (April 1, 2018 to March 31, 2019)	FY2019 (April 1, 2019 to March 31, 2020)
Cash flows from investing activities				
Purchase of investment securities		¥ (6,314)	¥(5,673)	$(58,022)
Proceeds from sales or redemption of investment securities		19,551	1,458	179,648
Proceeds from sale of shares of subsidiaries and associates		20,775	–	190,895
Purchase of property, plant and equipment, and intangible assets		(20,844)	(27,339)	(191,534)
Proceeds from sale of property, plant and equipment, and intangible assets		101	33	932
Purchase of investment property		(3,277)	(8,028)	(30,112)
Proceeds from sale of investment property		894	–	8,216
Payments for acquisition of subsidiaries		(15)	–	(146)
Proceeds from acquisition of subsidiaries		16	–	150
Proceeds from sale of businesses		25,311	–	232,581
Payments for loans receivable		(12,366)	(664)	(113,628)
Collection of loans receivable		7,020	27	64,510
Other		(1,197)	(126)	(11,006)
Net cash provided by (used in) investing activities		29,654	(40,313)	272,483
Cash flows from financing activities				
Net increase (decrease) in short-term borrowings	36	16,544	(8,000)	152,018
Net increase (decrease) in commercial papers	36	39,000	121,500	358,357
Net increase (decrease) in securitized borrowings (short-term)	36	15,000	–	137,829
Proceeds from securitized borrowings (long-term)	36	11,793	–	108,369
Repayments of securitized borrowings (long-term)	36	(59)	–	(550)
Proceeds from long-term borrowings	36	155,279	115,900	1,426,803
Repayments of long-term borrowings	36	(99,208)	(55,364)	(911,595)
Proceeds from issuance of bonds	36	81,552	94,547	749,359
Redemption of bonds	36	(30,042)	(20,026)	(276,045)
Repayments of lease liabilities	36	(4,616)	(603)	(42,421)
Payments for acquisition of interests in subsidiaries from non-controlling interests		(111)	(23)	(1,023)
Proceeds from sale of treasury shares		0	0	0
Payments for purchase of treasury shares		(10,000)	(0)	(91,892)
Dividends paid		(7,353)	(5,719)	(67,568)
Net cash provided by financing activities		167,776	242,211	1,541,641
Effect of exchange rate changes on cash and cash equivalents		(447)	3	(4,110)
Net increase in cash and cash equivalents		27,118	9,462	249,186
Cash and cash equivalents at beginning of period	8	82,642	73,179	759,372
Cash and cash equivalents at end of period	8	109,761	82,642	1,008,558

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. REPORTING ENTITY

Credit Saison Co., Ltd. (the "Company") is a company located in Japan. The Company's consolidated financial statements include the accounts of the Company and its subsidiaries (the "Group"), as well as the Group's interests in its associates and joint ventures. The Group is engaged in the following operations: payment business, lease business, finance business, real estate-related business, and entertainment business. The details of each business are stated in Note "7. Operating Segments."

2. BASIS OF PREPARATION

(1) Compliance with IFRS

The consolidated financial statements of the Group are prepared in accordance with International Financial Reporting Standards (IFRS) pursuant to the provisions of Article 93 of Regulations for Consolidated Financial Statements, as they meet the requirements for a "Specified Company Complying with Designated International Accounting Standards" as prescribed in Article 1-2 of the Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Ministry of Finance Order No. 28 of 1976).

The consolidated financial statements were approved on June 18, 2020, by Masahiro Yamashita, Representative, Executive President and Chief Operating Officer (COO).

(2) Basis of measurement

The consolidated financial statements of the Group have been prepared based on historical cost, except for certain items such as financial instruments that are measured at fair value. See Note "3. Significant Accounting Policies" for details.

(3) 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 ¥108.83 = U.S.$1, the approximate exchange rate on March 31, 2020, 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.

3. SIGNIFICANT ACCOUNTING POLICIES

(1) Basis for consolidation

(a) Subsidiaries

Subsidiaries refer to entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns arising from its involvement with the entity and has the ability to affect those returns through its power over the entity. Financial statements of the subsidiaries are included in the consolidated financial statements from the date when control is obtained until the date when control is lost.

If any accounting policies applied by a subsidiary differ from those applied by the Group, adjustments are made to the subsidiary's financial statements. Intercompany payables and receivables and internal transactions within the Group as well as unrealized gains or losses arising from internal transactions within the Group are eliminated in preparing the consolidated financial statements.

Any changes in ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The difference between the amount by which non-controlling interests are adjusted and the fair value of the consideration is directly recognized in equity as interests attributable to owners of parent.

If the Group loses control over a subsidiary, gains or losses associated with the loss of control are recognized in profit or loss. Any interest retained in the former subsidiary after the loss of control is

remeasured at fair value as of the date when the control is lost.

Non-controlling interests in subsidiaries are identified separately from the Group's interests. Comprehensive income of subsidiaries is attributed to owners of parent and non-controlling interests, even if this results in a negative balance in non-controlling interests.

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.

(b) Associates and joint ventures

An associate refers to an entity over which the Group has significant influence over financial and operating policy decisions of the entity but does not have control or joint control of the entity. If the Group holds at least 20% but not more than 50% of the voting rights of an entity, the Group is presumed to have a significant influence over the entity. Even if the Group holds less than 20% of the voting rights of an entity, the entity may be considered as an associate of the Group when the Group can exert significant influence over financial and operating policy decisions or other business policy decisions of the entity by virtue of an agreement with other investors. Conversely, even if the Group holds 20% or more of the voting rights of an entity, the equity method is not applied to the entity when it is determined that the Group does not have a significant influence over the entity.

A joint venture is an entity jointly controlled by two or more parties including the Group under the contractually agreed sharing of control over economic activities of the joint venture, which exists only when strategic financial and operating decisions related to the relevant activities require unanimous consent of the parties sharing control.

The equity method is applied to associates and joint ventures from the date that the Group has significant influence to the date that it loses the significant influence. Goodwill recognized upon acquisition (net of accumulated impairment losses) is included in the investment in associates and joint ventures.

If any accounting policies applied by an associate or a joint venture differ from those applied by the Group, adjustments are made to the financial statements of the associate or joint venture.

(2) Business combinations

Business combinations are accounted for by the acquisition method. Consideration transferred is measured as the sum of the acquisition-date fair values of assets transferred, liabilities assumed, and equity interests issued by the Company in exchange for control over the acquiree.

Any identifiable assets acquired and liabilities assumed by the Company at the acquisition date are recognized at fair value as of the acquisition date, except for the following:

- Deferred tax assets and liabilities, and assets and liabilities arising from employee benefit contracts
- Share-based payment arrangements of the acquiree
- Assets or disposal groups that are classified as held for sale in accordance with IFRS 5, "Non-current Assets Held for Sale and Discontinued Operations."

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. Negative goodwill, if any, is recognized immediately in profit or loss.

The Group measures non-controlling interests in the acquiree for each business combination, either at fair value or at the proportionate share of the acquiree's identifiable net assets.

Transaction costs attributable to business combinations incurred by the Group are expensed as incurred, except for costs related to the issuance of debt or equity instruments.

As an acquisition of additional non-controlling interests after obtaining control is accounted for as an equity transaction, no goodwill is recognized for such transactions.

If the business combination is achieved in stages, the Group remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and recognizes the resulting gain or loss, if any, in profit or loss.

(3) 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.

(4) Financial instruments

(a) Financial assets

1) Initial recognition and measurement

The Group classifies financial assets into financial assets as measured at amortized cost, fair value through profit or loss, or 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 is recognized to the extent of its 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" (IFRS15) and that do not contain a significant financing component, allowance for doubtful accounts is always recognized at an amount equal to the lifetime expected credit losses, regardless of whether or not the credit risk has increased significantly since initial recognition.

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

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

(b) Financial liabilities

1) Initial recognition and measurement

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

Debt securities issued by the Group are initially recognized at the date of issuance. All the 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 liability.

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 expire.

(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 hedging 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

(5) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposit, and short-term investments with maturities of three months or less from the purchase date, which are readily convertible into cash and subject to insignificant risk of changes in value.

(6) 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.

(7) Property, plant and equipment

(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	28 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.

(8) Intangible assets

(a) 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.

(b) Intangible assets other than goodwill

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.

(c) Amortization

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	10 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.

(9) 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	27 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.

(10) Leases

(a) Leases as a lessee

The Group has adopted IFRS 16, "Leases" ("IFRS 16"), from the current fiscal year. However, based on the transition requirements, the Group elected not to restate the information, which is presented as comparative information for the previous fiscal year. Accordingly, comparative information is stated in accordance with IAS 17 "Leases" ("IAS 17"). The accounting policies for the year ended March 31, 2020 are as follows.

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 its 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.

(11)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).

(12) 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.

(13) 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.

(14) 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 loans 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 are services provided on a contractual basis for processing and the 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

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.

(15) Government Grants

The Group accounts for grants for expenses required to return points to operators and consumers using cashless payments based on the "Point Reward Project for Consumers using Cashless Payment" announced by the Payments Japan Association as government grants.

These government grants are recognized when the conditions attached to the issuance of the grants are satisfied and there is reasonable assurance that the grants will be received. Income related to government grants are recognized in profit or loss over the period in which the expenses reimbursed by the grants are recognized, and are deducted from related expenses. The amount of government grants is finalized after the completion of the government assistance project.

(16) Income taxes

Income taxes consist of current tax and deferred tax, and are recognized in profit or loss, except for taxes arising from business combinations and items directly recognized in equity or other comprehensive income.

Current tax represents the amount of estimated taxes to be paid or refunded relating to taxable profit or losses for the current period, using tax rates that have been enacted or substantively enacted by the end of the reporting period, which is adjusted for estimated taxes to be paid or refunded for prior years.

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, and for unused tax losses and unused tax credits.

Deferred tax assets and liabilities are not recognized for temporary differences arising from the initial recognition of assets and liabilities in transactions other than business combinations that affect neither accounting nor taxable profit or loss. Deferred tax liabilities are not recognized for taxable temporary differences associated with investments in subsidiaries and associates when the Company is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. In addition, deferred tax assets are recognized for deductible temporary differences associated with investments in subsidiaries and associates and interests in joint ventures only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized. Also, deferred tax liabilities are not recognized for taxable temporary differences arising from the initial recognition of goodwill. Deferred taxes and liabilities are measured using tax rates that are expected to be applied when they are reversed in accordance with laws enacted or substantively enacted at the end of the reporting period.

Deferred tax assets are recognized for unused tax losses and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused tax losses and deductible temporary differences can be utilized. The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that tax benefits can be utilized.

Deferred tax assets and liabilities are offset against each other if an entity has a legally enforceable right to set off tax assets against tax liabilities and when either of the following are met: income taxes are levied by the same taxation authority on the same taxable entity; or income taxes are levied by the same taxation authority on different taxable entities, but they either have the intention to settle deferred tax assets and liabilities on a net basis or plan to settle deferred tax assets and liabilities simultaneously.

(17) Earnings per share

Basic earnings per share are calculated by dividing profit or loss attributable to common stock holders of the parent entity by the weighted-average number of common stock outstanding adjusted by treasury shares during the period. Diluted earnings per share are calculated taking into consideration the effect of all dilutive shares.

(18) Segment information

An operating segment is a component of business activities from which an entity earns revenues and incurs expenses (including transactions with other operating segments). Operating results of all the operating segments are discrete financial information and are regularly reviewed by the Company's board of directors (the "Board of Directors"), who make decisions about resources to be allocated to individual segments and assess segment performance.

Operating results of a segment reported to the Board of Directors include those directly attributable to the segment and also those that can be allocated to the segment on a reasonable basis.

(19) Treasury shares

Treasury shares are measured at cost and presented as a deduction from equity. No gain or loss is recognized on the purchase, sale, or cancellation of treasury shares of the Company. The difference between the carrying amount and the consideration thereof at the time of sale is recognized as capital surplus.

(20) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction, or production of a qualifying asset are capitalized and form part of the cost of the asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

Other borrowing costs are recognized as expenses as incurred.

(21) 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.

For details on reconciliations, please refer to Note "7. Operating Segments."

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS INVOLVING ESTIMATES

(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 amount of assets and liabilities in the following fiscal year are as follows.

Furthermore, deterioration in the economic situation, such as a slump in personal consumption or corporate bankruptcies caused by the spread of the novel coronavirus disease, could have a significant impact on the Group's performance and financial position. The novel coronavirus disease 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 financial statements, the Group uses macroeconomic variables such as GDP and 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 2021 and recover in the year ending March 2022. 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 non-financial assets, if the expected negative impacts relate to those estimates. Although the Group believes that these estimates are the best available at the time of preparation of the financial statements, there is a high degree of uncertainty in the assumptions used in the estimates. In the event that the novel coronavirus disease 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

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, we obtain the most recent future forecast values for macroeconomic variables and consider 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, the Group believes that these estimates are significant because the amount of impairment losses recognized for the financial assets may substantially differ if

assumed circumstances change.

Details of credit risk management are stated in Note "39. Financial Instruments, (4) Financial risk management."

(b) Provisions

Certain provisions are recognized by the Group, including provision for point card certificates and provision for loss on interest repayments.

The Group offers rewards programs to credit card holders as their major benefit, under which points earned based on the amount of credit card purchases can be used toward a variety of items. Provision for point card certificates is determined by estimating costs that are expected to be incurred in the future through the point exchange program, considering historical data of point exchanges and other information.

Provision for loss on interest repayments is recognized at an amount required in preparation for future claims for interest repayments, considering historical data on repayments and other information.

Provisions are determined based on judgments and assumptions made by the Group's management. The Group believes that the estimates are significant because these estimates and assumptions may significantly affect provision amounts if assumed circumstances change.

The nature and amounts of provisions recorded are stated in Note "24. Provisions."

(c) 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. As such, the Group believes that the estimates are significant.

The contents and amounts of impairment of non-financial assets are stated in Note "16. Impairment of non-financial assets.

(d) 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. The Group believes that the estimates are material because 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 Note "39. Financial Instruments, (3) Fair value measurement of financial instruments."

(e) 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 Group believes that the estimates are significant because 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.

The details and amounts of deferred tax assets are stated in Note "20. Income Taxes."

(f) Valuation of goodwill

Goodwill recorded is subject to annual impairment testing, regardless of whether there is an indication of impairment. The recoverable amount of goodwill is determined primarily based on the projection of future cash flows, expected growth rates, and discount rates. The Group believes the estimates are significant because the determination is based on judgments and assumptions made by the Group's management in consideration of the business and market environments, and therefore, the calculation result of the recoverable amount may significantly differ if assumed circumstances change.

(2) Significant judgment when applying accounting policies

In the process of applying the accounting policies of the Group, management makes judgments that could significantly affect amounts recognized in the consolidated financial statements.

The Group has an interest in structured entities, which are entities that have been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. The Group's management is required to determine whether or not it controls such structured entities. The Group makes such determination by evaluating all relevant facts and circumstances concerning the interest in the entities.

5. CHANGES IN ACCOUNTING POLICIES

The Group started applying the following standard from the current fiscal year.

IFRS		Description of new standard and amendments
IFRS 16	Leases	Amendments in lease accounting

The Group has adopted IFRS 16, from the current fiscal year. IFRS 16 supersedes previous IAS 17 for lessees of a lease transaction. IFRS 16 introduces a single lease accounting model for lessees, which requires a lessee to recognize a right-of-use asset and a lease liability for all leases with a lease term of more than 12 months, unless the underlying asset is of low value. The recognized lease liability shall be measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application. The weighted average of the lessee's incremental borrowing rate applied to lease liabilities recognized in the consolidated statement of financial position at the date of initial application is 0.56％. In addition, when recognizing a lease liability, the Group recognizes a right-of use asset in an amount (any prepaid or accrued lease payments has been modified) equal to the lease liability, therefore there is no impact on retained earnings. Lease liabilities are included in bonds and borrowings.

In adopting IFRS 16, the Group applies a method of recognizing the cumulative effect of initially applying this standard at the date of initial application (the modified retrospective approach), which is permitted as a transition method, rather than retrospectively adjusting each prior reporting period presented.

In addition, considering the administrative burden, the Group applies the following practical expedients.

・ The Group will rely on its previous assessment under IAS 17 and IFRIC 4 "Determining whether an Arrangement contains a Lease" and will not reassess whether a contract is, or contains, a lease at the date of initial application.

・ A lease previously classified as operating leases applying IAS 17 may exclude initial direct costs from the measurement of the right-of-use asset at the date of initial application

・ A lessee may use hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease

A reconciliation of the operating lease commitments disclosed applying IAS 17 to the lease liabilities recognized in the consolidated statement of financial position at the date of initial application is as follows:

	Millions of yen	Thousands of U.S. dollars
Operating lease commitments disclosed as of March 31,2019	¥2,526	$23,219
Operating lease commitments disclosed as of March 31,2019（discounted using the incremental borrowing rate）	2,220	20,399
Finance lease obligations as of March 31,2019	1,584	14,557
Cancellable operating leases commitments	18,729	172,096
Others	(46)	(430)
Lease liabilities as of April 1,2019	22,486	206,622

6. NEWLY ISSUED STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

The standards and interpretations newly issued prior to the approval date of the consolidated financial statements do not have significant impacts on the Group’s consolidated financial statements.

7. OPERATING SEGMENTS

(1) General information regarding reportable segments

The Group’s reportable segments are components of the Group for which separate financial information is available, and which are subject to regular review by the Board of Directors for the purpose of making decisions about the allocation of management resource and assessing the segments’ performance.

The Group engages in various customer-related business activities, mainly based on market needs and types of customer services. Accordingly, reportable segments are classified into the following: “Payment business,” “Lease business,” “Finance business,” “Real estate-related business,” and “Entertainment business.”

The Payment business mainly consists of the credit card business, which is the Group’s major segment, and other closely related businesses.

The Lease business is centered on the leasing of office equipment.

The Finance business consists of the credit guarantee business and finance-related business.

The Real estate-related business offers both real estate sales and rentals.

In the Entertainment business, the Group is developing an amusement business centered on the management of amusement centers/arcades.

The Group does not allocate assets and liabilities to business segments that are used by the Board of Directors.

Effective for the fiscal year ended March 31, 2020, the business segment “Credit Service” was renamed to “Payment.” The change to this reportable segment’s name does not have an effect on the segment information.

Note that the new business segment name is used in the table below for the fiscal year ended March 31, 2019.

(2) Measurement basis

The accounting for reportable segments is already stated in Note “3. Significant Accounting Policies.” The profit in reportable segments represents business profit. Intersegment revenue and transfer amounts are based on prevailing market prices.

(3) Profit or loss by reportable segments
FY2019 (From April 1, 2019 to March 31, 2020)

(Millions of yen)

	Payment	Lease	Finance	Real estate-related	Entertainment	Total	Adjustments (Note 2)	Consolidated
Revenue								
Revenue from external customers	¥230,928	¥12,267	¥43,112	¥62,309	¥48,493	¥397,112	¥–	¥397,112
Intersegment revenue	1,512	1	–	951	0	2,466	(2,466)	–
Total	232,441	12,269	43,112	63,261	48,493	399,579	(2,466)	397,112
Net revenue	232,441	12,269	43,112	17,227	8,822	313,873	(2,462)	311,410
Segment profit (Business profit) (Note 1)	6,297	2,951	18,004	6,957	1,969	36,180	3	36,184
Reconciliations	–	–	–	–	–	–	–	(8,725)
Profit before tax	–	–	–	–	–	–	–	27,458
Other items								
Interest income (Note 3)	90,326	1,474	22,275	217	0	114,295	(3)	114,291
Interest expense	4,215	1,273	3,386	885	64	9,825	(1)	9,824
Depreciation and amortization	22,828	364	429	2,243	2,752	28,619	(3)	28,615
Share of profit of investments accounted for using equity method	5,356	–	140	195	750	6,442	–	6,442

(Thousands of U.S. dollars)

	Payment	Lease	Finance	Real estate-related	Entertain-ment	Total	Adjustments (Note 2)	Consolidat-ed
Revenue								
Revenue from external customers	$2,121,924	$112,719	$396,149	$572,543	$445,591	$3,648,928	$–	$3,648,928
Intersegment revenue	13,894	17	–	8,746	2	22,661	(22,661)	–
Total	2,135,818	112,737	396,149	581,290	445,593	3,671,589	(22,661)	3,648,928
Net revenue	2,135,818	112,737	396,149	158,299	81,064	2,884,068	(22,630)	2,861,438
Segment profit (Business profit) (Note 1)	57,865	27,119	165,436	63,934	18,097	332,453	31	332,485
Reconciliations	–	–	–	–	–	–	–	(80,176)
Profit before tax	–	–	–	–	–	–	–	252,308
Other items								
Interest income (Note 3)	829,981	13,552	204,681	1,999	2	1,050,217	(29)	1,050,188
Interest expense	38,737	11,699	31,116	8,138	588	90,280	(10)	90,270
Depreciation and amortization	209,765	3,352	3,950	20,614	25,290	262,973	(33)	262,940
Share of profit of investments accounted for using equity method	49,215	–	1,294	1,793	6,891	59,195	–	59,195

FY2018 (From April 1, 2018 to March 31, 2019)

(Millions of yen)

	Payment	Lease	Finance	Real estate-related	Entertain-ment	Total	Adjustments (Note 2)	Consolidat-ed
Revenue								
Revenue from external customers	¥227,102	¥12,580	¥39,231	¥42,099	¥50,827	¥371,842	¥–	¥371,842
Intersegment revenue	1,415	5	–	943	0	2,365	(2,365)	–
Total	228,518	12,586	39,231	43,043	50,827	374,207	(2,365)	371,842
Net revenue	228,518	12,586	39,231	18,113	8,761	307,212	(2,357)	304,855
Segment profit (Business profit) (Note 1)	16,915	5,720	19,209	8,305	2,078	52,229	3	52,233
Reconciliations	–	–	–	–	–	–	–	(6,469)
Profit before tax	–	–	–	–	–	–	–	45,763
Other items								
Interest income (Note 3)	89,505	1,569	18,557	190	0	109,822	(3)	109,818
Interest expense	4,530	1,302	2,521	876	16	9,247	(1)	9,245
Depreciation and amortization	20,344	220	147	1,435	1,513	23,662	(1)	23,660
Share of profit of investments accounted for using equity method	6,056	–	165	197	936	7,355	–	7,355

(Notes)
1. 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.
2. Adjustments represent eliminations for intersegment transactions
3. Interest income represents "Interest income" per the consolidated statement of income, adjusted by fees that are part of adjustments for the application of the effective interest method to financial assets.
4. The amount and contents of impairment losses on non-financial assets in each reporting segment recognized in profit or loss in the consolidated statements of income are stated in Note "16. Impairment of non-financial assets''.

Reconciliation from segment profit (business profit) to profit before tax

	Millions of yen		Thousands of U.S. dollars
	FY2019 (From April 1, 2019 to March 31, 2020)	FY2018 (From April 1, 2018 to March 31, 2019)	FY2019 (From April 1, 2019 to March 31, 2020)
Segment profit (Business profit)	¥36,184	¥52,233	$332,485
Adjustments for the application of the effective interest method to financial assets	(663)	(951)	(6,099)
Reconciliations (Other income)	917	–	8,429
Gain on sale of shares of subsidiaries and associates	743	–	6,835
Gain on sale of businesses	82	–	762
Other	90	–	832
Reconciliations (Other expenses)	(8,979)	(5,517)	(82,506)
Impairment losses on non-financial assets	(7,176)	(226)	(65,942)
Loss on valuation of investment securities (e.g. stocks)	(627)	(1,266)	(5,766)
System transfer cost	–	(3,299)	–
Impairment losses related to investments accounted for using equity method	–	(506)	–
Other	(1,175)	(219)	(10,798)
Reconciliations – total	(8,725)	(6,469)	(80,176)
Profit before tax	27,458	45,763	252,308

(4) Information related to products and services

This information is omitted because the classification of products and services is the same as that of reportable segments.

(5) Information related to geographical areas

Revenue by region is not presented because revenues from Japanese customers account for the majority of revenues in the consolidated statement of income.

In addition, the disclosure of non-current assets classified by region is omitted, given that the book value of non-current assets located in Japan accounts for the majority of non-current assets in the consolidated statement of financial position.

(6) Information about major customers

Information is omitted because no external customer accounts for 10% or more of revenue in the consolidated statement of income.

8. CASH AND CASH EQUIVALENTS

The breakdown of cash and cash equivalents is as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2019 (As of March 31, 2020)	FY2018 (As of March 31, 2019)	FY2019 (As of March 31, 2020)
Cash and deposits	¥109,761	¥80,942	$1,008,558
Securities	–	1,700	–
Total	¥109,761	¥82,642	$1,008,558

9. TRADE AND OTHER RECEIVABLES

The breakdown of trade and other receivables is as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2019 (As of March 31, 2020)	FY2018 (As of March 31, 2019)	FY2019 (As of March 31, 2020)
Accounts receivable – installment	¥2,244,568	¥2,104,227	$20,624,539
Payment business	1,348,442	1,369,457	12,390,359
Lease business	65,456	61,821	601,458
Finance business	830,650	672,925	7,632,553
Real estate-related business	18	23	166
Finance lease receivables	252,704	237,390	2,322,011
Purchased receivables	19,837	17,280	182,283
Other trade receivables	1,319	1,351	12,124
Loans receivable	21,842	16,501	200,705
Other	25,135	16,446	230,964
Total	¥2,565,409	¥2,393,197	$23,572,629

10. INVENTORIES

The breakdown of inventories is as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2019 (As of March 31, 2020)	FY2018 (As of March 31, 2019)	FY2019 (As of March 31, 2020)
Real estate for sale	¥135,169	¥151,230	$1,242,021
Merchandise	211	154	1,941
Total	¥135,380	¥151,385	$1,243,962

The amounts of inventories recognized as expenses during the current and previous fiscal years were ¥79,736 million (U.S. $732,674 thousand) and ¥61,866 million, respectively.

Of the above-mentioned amounts, the amounts for write-downs and reversal of write-downs are as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2019 (From April 1, 2019 to March 31, 2020)	FY2018 (From April 1, 2018 to March 31, 2019)	FY2019 (From April 1, 2019 to March 31, 2020)
Amount of write-downs	¥2,283	¥1,564	$20,986
Amount of reversal of write-downs	392	200	3,608

Inventory write-downs were reversed due to an increase in market price of real estate for sale held by the Group and a subsequent recovery in their net realizable values.

11. OPERATIONAL INVESTMENT SECURITIES

The breakdown of operational investment securities is as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2019 (As of March 31, 2020)	FY2018 (As of March 31, 2019)	FY2019 (As of March 31, 2020)
Unlisted stocks	¥1,437	¥779	$13,204
Funds for real estate	43,452	35,493	399,267
Funds for unlisted stocks	2,585	2,771	23,752
Other	1,315	928	12,085
Total	¥48,789	¥39,973	$448,309

12. INVESTMENT SECURITIES

The breakdown of investment securities is as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2019 (As of March 31, 2020)	FY2018 (As of March 31, 2019)	FY2019 (As of March 31, 2020)
Listed stocks	¥40,095	¥71,036	$368,422
Unlisted stocks	12,834	14,379	117,932
Funds for unlisted stocks	5,587	4,858	51,340
Other	2,207	1,279	20,281
Total	¥60,724	¥91,553	$557,977

Investment securities for which stock lending agreements are executed amounted to ¥1,248 million (U.S. $11,469 thousand) and ¥3,082 million as of March 31, 2020 and 2019, respectively.

13. OTHER FINANCIAL ASSETS

The breakdown of other financial assets is as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2019 (As of March 31, 2020)	FY2018 (As of March 31, 2019)	FY2019 (As of March 31, 2020)
Guarantee deposits	¥5,940	¥5,763	$54,585
Cash and deposits required to be segregated under regulations	5,005	3,480	45,996
Other	2,959	2,672	27,191
Total	¥13,905	¥11,916	$127,773

14. PROPERTY, PLANT AND EQUIPMENT

(1) Reconciliation

Changes in acquisition cost, accumulated depreciation and accumulated impairment losses of property, plant and equipment, as well as the carrying amount are as follows:

Acquisition cost

(Millions of yen)

	Buildings	Land	Construction in progress	Equipment and other	Total
FY2018 (As of April 1, 2018)	¥26,032	¥12,320	¥54	¥30,406	¥68,813
Acquisition	693	–	26	2,564	3,284
Acquisition due to business combinations	–	–	–	–	–
Sale or disposal	(211)	–	–	(11,382)	(11,593)
Transfer	3	–	(54)	36	(13)
Exchange differences on translation of foreign operations	–	–	–	(0)	(0)
FY2018 (As of March 31, 2019)	26,518	12,320	26	21,624	60,490
Adjustments for the application of IFRS 16	(107)	–	–	(1,949)	(2,057)
FY2019 (As of April 1, 2019)	26,410	12,320	26	19,675	58,433
Acquisition	852	326	133	3,735	5,048
Acquisition due to business combinations	–	–	–	0	0
Sale or disposal	(456)	–	(10)	(3,540)	(4,006)
Transfer	–	–	(119)	80	(38)
Exchange differences on translation of foreign operations	(0)	–	–	(0)	(1)
FY2019 (As of March 31, 2020)	26,806	12,647	30	19,951	59,435

(Thousands of U.S. dollars)

	Buildings	Land	Construction in progress	Equipment and other	Total
FY2018 (As of March 31, 2019)	$243,668	$113,212	$244	$198,703	$555,829
Adjustments for the application of IFRS 16	(988)	–	–	(17,914)	(18,902)
FY2019 (As of April 1, 2019)	242,680	113,212	244	180,789	536,926
Acquisition	7,833	3,000	1,227	34,327	46,389
Acquisition due to business combinations	–	–	–	3	3
Sale or disposal	(4,193)	–	(95)	(32,528)	(36,818)
Transfer	–	–	(1,097)	740	(356)
Exchange differences on translation of foreign operations	(1)	–	–	(8)	(10)
FY2019 (As of March 31, 2020)	246,318	116,212	278	183,323	546,133

Accumulated depreciation and accumulated impairment losses

(Millions of yen)

	Buildings	Land	Construction in progress	Equipment and other	Total
FY2018 (As of April 1, 2018)	¥13,440	¥–	¥–	¥25,151	¥38,592
Depreciation	934	–	–	2,665	3,600
Impairment losses	35	–	–	11	46
Sale or disposal	(193)	–	–	(10,896)	(11,090)
Exchange differences on translation of foreign operations	–	–	–	(0)	(0)
Other	–	–	–	–	–
FY2018 (As of March 31, 2019)	14,217	–	–	16,931	31,149
Adjustments for the application of IFRS 16	(51)	–	–	(726)	(778)
FY2019 (As of April 1, 2019)	14,165	–	–	16,204	30,370
Depreciation	947	–	–	2,000	2,948
Impairment losses	16	–	–	14	31
Sale or disposal	(393)	–	–	(2,934)	(3,327)
Exchange differences on translation of foreign operations	(0)	–	–	(0)	(0)
Other	–	–	–	0	0
FY2019 (As of March 31, 2020)	14,736	–	–	15,284	30,021

(Thousands of U.S. dollars)

	Buildings	Land	Construction in progress	Equipment and other	Total
FY2018 (As of March 31, 2019)	$130,640	$–	$–	$155,577	$286,217
Adjustments for the application of IFRS 16	(476)	–	–	(6,678)	(7,155)
FY2019 (As of April 1, 2019)	130,163	–	–	148,898	279,062
Depreciation	8,707	–	–	18,381	27,088
Impairment losses	154	–	–	132	286
Sale or disposal	(3,612)	–	–	(26,967)	(30,579)
Exchange differences on translation of foreign operations	(1)	–	–	(2)	(4)
Other	–	–	–	0	0
FY2019 (As of March 31, 2020)	135,411	–	–	140,442	275,854

Carrying amount

(Millions of yen)

	Buildings	Land	Construction in progress	Equipment and other	Total
FY2018 (As of April 1, 2018)	¥12,591	¥12,320	¥54	¥5,254	¥30,221
FY2018 (As of March 31, 2019)	12,300	12,320	26	4,693	29,341
FY2019 (As of March 31, 2020)	12,069	12,647	30	4,666	29,414

(Thousands of U.S. dollars)

	Buildings	Land	Construction in progress	Equipment and other	Total
FY2019 (As of March 31, 2020)	$110,906	$116,212	$278	$42,881	$270,279

(Notes) 1. Depreciation expenses for property, plant and equipment are included in "Cost of sales for the real estate-related business," "Cost of sales for the entertainment business," and "Selling, general and administrative expenses" in the consolidated statement of income. Impairment losses are included in "Selling, general and administrative expenses" and "Other expenses" in the consolidated statement of income.

2. No items of property, plant and equipment were subject to restriction of ownership or pledged as collateral as of March 31, 2020 and 2019.

(2) Leased assets

The carrying amount of leased assets held under finance leases included in property, plant and equipment as of March 31, 2019 was as follows:

(Millions of yen)

	Buildings	Equipment and other	Total
FY2018 (As of March 31, 2019)	¥60	¥1,310	¥1,370

15. INTANGIBLE ASSETS

(1) Reconciliation

Changes in acquisition cost, accumulated amortization and accumulated impairment losses, as well as the carrying amount are as follows:

Acquisition cost

(Millions of yen)

	Goodwill	Software	Software in progress	Other	Total
FY2018 (As of April 1, 2018)	¥1,085	¥214,976	¥34,571	¥6,589	¥257,222
Acquisition	–	50,923	19,154	1,927	72,006
Acquisition due to business combinations	–	–	–	–	–
Sale or disposal	–	(8,522)	–	(1,812)	(10,334)
Exchange differences on translation of foreign operations	–	–	–	–	–
Other	–	–	(50,168)	–	(50,168)
FY2018 (As of March 31, 2019)	1,085	257,378	3,556	6,704	268,724
Adjustments for the application of IFRS 16	–	(373)	–	–	(373)
FY2019 (As of April 1, 2019)	1,085	257,004	3,556	6,704	268,351
Acquisition	23	8,559	7,703	5,327	21,614
Acquisition due to business combinations	–	–	1	1	2
Sale or disposal	(825)	(37,327)	(4,449)	(1,812)	(44,414)
Exchange differences on translation of foreign operations	–	(10)	–	–	(10)
Other	–	–	(3,975)	–	(3,975)
FY2019 (As of March 31, 2020)	283	228,225	2,836	10,220	241,567

(Thousands of U.S. dollars)

	Goodwill	Software	Software in progress	Other	Total
FY2018 (As of March 31, 2019)	$9,969	$2,364,954	$32,680	$61,608	$2,469,213
Adjustments for the application of IFRS 16	–	(3,428)	–	–	(3,428)
FY2019 (As of April 1, 2019)	9,969	2,361,526	32,680	61,608	2,465,784
Acquisition	216	78,649	70,787	48,950	198,604
Acquisition due to business combinations	–	–	12	10	23
Sale or disposal	(7,581)	(342,991)	(40,882)	(16,653)	(408,109)
Exchange differences on translation of foreign operations	–	(97)	–	–	(97)
Other	–	–	(36,531)	–	(36,531)
FY2019 (As of March 31, 2020)	2,604	2,097,086	26,066	93,916	2,219,675

(Note) Acquisition of intangible assets includes assets transferred from software in progress.

Accumulated amortization and accumulated impairment losses

(Millions of yen)

	Goodwill	Software	Software in progress	Other	Total
FY2018 (As of April 1, 2018)	¥–	¥33,425	¥–	¥3,187	¥36,612
Amortization expense	–	17,608	–	1,314	18,922
Impairment losses	–	15	–	–	15
Sale or disposal	–	(4,986)	–	(1,812)	(6,799)
Exchange differences on translation of foreign operations	–	–	–	–	–
Other	–	–	–	–	–
FY2018 (As of March 31, 2019)	–	46,062	–	2,689	48,751
Adjustments for the application of IFRS 16		(215)	–	–	(215)
FY2019 (As of April 1, 2019)	–	45,846	–	2,689	48,536
Amortization expense	–	18,104	–	1,724	19,829
Impairment losses	825	6,320	–	–	7,145
Sale or disposal	(825)	(12,407)	–	(1,812)	(15,044)
Exchange differences on translation of foreign operations	–	(5)	–	–	(5)
Other	–	48	–	–	48
FY2019 (As of March 31, 2020)	–	57,907	–	2,601	60,508

(Thousands of U.S. dollars)

	Goodwill	Software	Software in progress	Other	Total
FY2018 (As of March 31, 2019)	$–	$423,251	$–	$24,709	$447,960
Adjustments for the application of IFRS 16	–	(1,980)	–	–	(1,980)
FY2019 (As of April 1, 2019)	–	421,270	–	24,709	445,980
Amortization expense	–	166,358	–	15,847	182,205
Impairment losses	7,581	58,074	–	–	65,655
Sale or disposal	(7,581)	(114,008)	–	(16,651)	(138,241)
Exchange differences on translation of foreign operations	–	(48)	–	–	(48)
Other	–	443	–	–	443
FY2019 (As of March 31, 2020)	–	532,089	–	23,905	555,994

Carrying amount

(Millions of yen)

	Goodwill	Software	Software in progress	Other	Total
FY2018 (As of April 1, 2018)	¥1,085	¥181,550	¥34,571	¥3,402	¥220,609
FY2018 (As of March 31, 2019)	1,085	211,315	3,556	4,015	219,972
FY2019 (As of March 31, 2020)	283	170,318	2,836	7,619	181,058

(Thousands of U.S. dollars)

	Goodwill	Software	Software in progress	Other	Total
FY2019 (As of March 31, 2020)	$2,604	$1,564,997	$26,066	$70,011	$1,663,680

(Note) Amortization expenses for intangible assets are included in “Cost of sales for the real estate-related business,” “Cost of sales for the entertainment business,” and “Selling, general and administrative expenses” in the consolidated statement of income. Impairment losses are included in “Other expenses” in the consolidated statement of income.

The main item of intangible assets is an intercompany mainframe system with the carrying amount of ¥156,362 million (U.S. $1,436,755 thousand) and ¥200,550 million as of March 31, 2020 and 2019, respectively. The remaining useful life of the intercompany mainframe system is 13 years.

(2) Leased assets

The carrying amount of leased assets held under finance leases included in intangible assets as of March 31, 2019 was as follows:

(Millions of yen)

	Software
FY2018 (As of March 31, 2019)	¥174

(3) Borrowing costs

Borrowing costs capitalized as a component of the acquisition cost of qualifying assets were ¥112 million as of March 31, 2019. Capitalization rates applied were 0.50% as of March 31, 2019.There are no significant borrowing costs included in acquisition cost as of March 31, 2020.

16. IMPAIRMENT OF NON-FINANCIAL ASSETS

FY2018 (from April 1, 2018 to March 31, 2019)

The information is omitted because it is insignificant.

FY2019 (from April 1, 2019 to March 31, 2020)

The Group recorded impairment losses on the following asset groups. Impairment losses are included in “Other expenses” in the consolidated statement of income.

Segment	Impairment loss		Type of assets
	Millions of yen	Thousands of U.S. dollars	
Payment	¥7,152	$65,720	Equipment and other, Software, Goodwill
Real estate-related	24	221	Buildings,Equipment and other , Software

With regard to a part of software and other assets in the payments business, an impairment loss of ¥6,327 million (U.S. $58,138 thousand) is recorded. That is due to the change in the outsourcing agreement following company split of Qubitous, and no new investment recovery method could be expected, which made it difficult to recover the investment from future cash flows. The recoverable amount is determined based on value in use, and impairment loss is recorded with the value of the asset being zero.

In addition, as a result of assessing the recoverable amount of goodwill in the payment business, an impairment loss of goodwill of ¥825 million (U.S. $7,581 thousand) is recognized since the initially estimated profitability is no longer expected. The receoverable amount is determined based on value in use.

An impairment loss of ¥24 million (U.S. $221 thousand) is recorded for buildings and other assets in the real estate business due to the closure of some stores. The receoverable amount is determined based on value in use, and impairment loss is recorded with the value of the asset being zero.

17. INVESTMENT PROPERTY

(1) Reconciliation

Changes in acquisition cost and accumulated depreciation and accumulated impairment losses of investment properties are as follows:

Acquisition cost

	Millions of yen		Thousands of U.S. dollars
	FY2019 (From April 1, 2019 to March 31, 2020)	FY2018 (From April 1, 2018 to March 31, 2019)	FY2019 (From April 1, 2019 to March 31, 2020)
Balance at beginning of period(Before adjustments)	¥68,863	¥60,848	$632,765
Adjustments for the application of IFRS 16	4,101	–	37,686
Balance at beginning of period(After adjustments)	72,965	60,848	670,451
Acquisition	3,305	8,029	30,370
Sale or disposal	(1,128)	(13)	(10,365)
Balance at end of period	75,142	68,863	690,456

Accumulated depreciation and accumulated impairment losses

	Millions of yen		Thousands of U.S. dollars
	FY2019 (From April 1, 2019 to March 31, 2020)	FY2018 (From April 1, 2018 to March 31, 2019)	FY2019 (From April 1, 2019 to March 31, 2020)
Balance at beginning of period(Before adjustments)	¥12,180	¥10,877	$111,923
Adjustments for the application of IFRS 16	–	–	–
Balance at beginning of period(After adjustments)	12,180	10,877	111,923
Depreciation	1,547	1,137	14,220
Impairment losses	–	165	–
Sale or disposal	(94)	(0)	(871)
Balance at end of period	13,633	12,180	125,273

(Note) Impairment losses on investment properties are included in "Other expenses" in the consolidated statement of income.

Carrying amount and fair value of investment properties are as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2019 (As of March 31, 2020)	FY2018 (As of March 31, 2019)	FY2019 (As of March 31, 2020)
Carrying amount	¥61,508	¥56,683	$565,183
Fair value	81,261	74,842	746,680

Fair values at the end of the period are mainly determined by the Group, which refers to the Real Estate Appraisal Standard (and adjusts the appraisal value using indicators as necessary). The valuation conforms to relevant valuation standards of the country where the properties are located and is based on market evidence reflecting transaction prices for similar assets.

The fair value of investment properties is classified as Level 3 under the fair value hierarchy because it is determined using valuation techniques that incorporate unobservable inputs.

(2) Income and expenses arising from investment properties

Rent income and associated direct operating expenses from investment properties are as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2019 (From April 1, 2019 to March 31, 2020)	FY2018 (From April 1, 2018 to March 31, 2019)	FY2019 (From April 1, 2019 to March 31, 2020)
Rent income	¥4,644	¥4,565	$42,678
Direct operating expenses	2,692	2,402	24,735

Rent income is included in "Revenue from the real estate-related business" in the consolidated statement of income. Direct operating expenses are direct expenses incurred in conjunction with rent income and are included mainly in "Cost of sales for the real estate-related business" in the consolidated statement of income.

18. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

(1) Investments in associates

The carrying amount of investments in associates individually immaterial to the Group is as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2019 (As of March 31, 2020)	FY2018 (As of March 31, 2019)	FY2019 (As of March 31, 2020)
Total carrying amount of investments in associates	¥56,989	¥74,383	$523,656

The Group’s share of comprehensive income of associates individually immaterial to the Group is as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2019 (From April 1, 2019 to March 31, 2020)	FY2018 (From April 1, 2018 to March 31, 2019)	FY2019 (From April 1, 2019 to March 31, 2020)
Profit	¥4,258	¥4,524	$39,129
Other comprehensive income	(779)	347	(7,158)
Comprehensive income	3,479	4,872	31,971

(2) Investments in joint ventures

The carrying amount of investments in joint ventures individually immaterial to the Group is as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2019 (As of March 31, 2020)	FY2018 (As of March 31, 2019)	FY2019 (As of March 31, 2020)
Total carrying amount of investments in joint ventures	¥20,209	¥18,369	$185,695

The Group’s share of total comprehensive income of joint ventures individually immaterial to the Group is as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2019 (From April 1, 2019 to March 31, 2020)	FY2018 (From April 1, 2018 to March 31, 2019)	FY2019 (From April 1, 2019 to March 31, 2020)
Profit	¥2,183	¥2,830	$20,065
Other comprehensive income	(9)	(19)	(86)
Comprehensive income	2,174	2,810	19,978

19. STRUCTURED ENTITY

(1) Consolidated structured entities

The Group securitizes receivables using trusts and special purpose entities, which are consolidated to the financial statements of the Group. Trusts used for the securitization are structured entities and, therefore, have been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity.

The Group has a right to direct activities of management and collection of assets held by the structured entities. The Group also has a right to variable returns from the structured entities through holding of subordinated beneficiary rights backed by trust assets. Therefore, the Group has determined that it has control over the structured entities.

Furthermore, the Group engages in investing activities both in Japan and abroad mainly through investment partnerships and investment trusts. These investment partnerships procure funds from partner investors and finance investees primarily in the form of capital contribution. Such investment partnerships have been structured so that voting rights are not the dominant factor in deciding who controls the partnership.

The use of assets and liabilities held by the consolidated structured entities is restricted to the purpose of structured scheme in accordance with a contract with the structured entities.

Assets and liabilities of the above-mentioned structured entities that are consolidated to the Group’s accounts are as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2019 (As of March 31, 2020)	FY2018 (As of March 31, 2019)	FY2019 (As of March 31, 2020)
Assets	¥35,000	¥41,203	$321,602
Liabilities	35,000	20,869	321,602

The amount of investments in structured entities over which the Group has determined it has joint control or significant influence is as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2019 (As of March 31, 2020)	FY2018 (As of March 31, 2019)	FY2019 (As of March 31, 2020)
Investments accounted for using equity method	¥1,030	¥1,303	$9,464

(2) Non-consolidated structured entities

The Group invests in investment partnerships whose operation is controlled by a third party.

The Group has made no arrangement to provide financial support to assets and liabilities held by these structured entities. Therefore, the Group’s maximum exposure to loss from its involvement in non-consolidated structured entities is limited to the carrying amount of investments. See the breakdown as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2019 (As of March 31, 2020)	FY2018 (As of March 31, 2019)	FY2019 (As of March 31, 2020)
Operational investment securities	¥47,352	¥39,194	$435,105
Investment securities	6,794	6,124	62,428
Total	¥54,146	¥45,318	$497,533

Maximum exposure represents the possible amount of the maximum loss, and does not provide any indication of the probability of occurrence.

20. INCOME TAXES

(1) Deferred tax assets and liabilities

The breakdown of major factors giving rise to deferred tax assets and liabilities and the reconciliation are as follows:

FY2019 (From April 1, 2019 to March 31, 2020)

(Millions of yen)

	Balance at beginning of period	Recognized directly in equity	Recognized in profit or loss	Recognized in other comprehensive income	Balance at end of period
Deferred tax assets					
Allowance for doubtful accounts	¥19,117	¥–	¥(1,624)	¥–	¥17,493
Financial guarantee liabilities	2,535	–	(14)	–	2,521
Provision for point card certificates	17,299	–	481	–	17,781
Provision for loss on interest repayments	5,202	–	937	–	6,140
Unused tax losses	83	–	2,475	–	2,558
Other	12,083	–	1,466	(421)	13,128
Total	56,321	–	3,723	(421)	59,623
Deferred tax liabilities					
Net change in fair value of equity instruments	(11,647)	–	3,705	4,760	(3,182)
Retained profits at subsidiaries and associates	(6,719)	–	4,630	(163)	(2,252)
Other	(6,830)	–	(349)	(1)	(7,181)
Total	(25,198)	–	7,986	4,595	(12,615)
Net amount	¥31,123	¥–	¥11,710	¥4,173	¥47,007

(Thousands of U.S. dollars)

	Balance at beginning of period	Recognized directly in equity	Recognized in profit or loss	Recognized in other comprehensive income	Balance at end of period
Deferred tax assets					
Allowance for doubtful accounts	$175,668	$–	$(14,923)	$–	$160,745
Financial guarantee liabilities	23,294	–	(129)	–	23,164
Provision for point card certificates	158,957	–	4,427	–	163,385
Provision for loss on interest repayments	47,805	–	8,615	–	56,420
Unused tax losses	764	–	22,745	–	23,509
Other	111,031	–	13,475	(3,875)	120,631
Total	517,521	–	34,210	(3,875)	547,856
Deferred tax liabilities					
Net change in fair value of equity instruments	(107,028)	–	34,047	43,740	(29,239)
Retained profits at subsidiaries and associates	(61,740)	–	42,548	(1,502)	(20,694)
Other	(62,766)	–	(3,207)	(14)	(65,988)
Total	(231,535)	–	73,388	42,223	(115,922)
Net amount	$285,985	$–	$107,599	$38,347	$431,933

FY2018 (From April 1, 2018 to March 31, 2019)

(Millions of yen)

	Balance at beginning of period	Recognized directly in equity	Recognized in profit or loss	Recognized in other comprehensive income	Balance at end of period
Deferred tax assets					
Allowance for doubtful accounts	¥14,893	¥3,726	¥498	¥–	¥19,117
Financial guarantee liabilities	2,253	(107)	388	–	2,535
Provision for point card certificates	17,486	–	(187)	–	17,299
Provision for loss on interest repayments	6,719	–	(1,517)	–	5,202
Unused tax losses	4,674	–	(4,591)	–	83
Other	9,511	2,856	(963)	679	12,083
Total	55,539	6,474	(6,372)	679	56,321
Deferred tax liabilities					
Net change in fair value of equity instruments	(16,262)	286	106	4,222	(11,647)
Retained profits at subsidiaries and associates	(3,894)	–	(2,824)	–	(6,719)
Other	(5,715)	(1,961)	851	(5)	(6,830)
Total	(25,873)	(1,675)	(1,866)	4,216	(25,198)
Net amount	¥29,666	¥4,799	¥(8,238)	¥4,896	¥31,123

The breakdown of deferred tax assets and liabilities in the consolidated statement of financial position is as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2019 (As of March 31, 2020)	FY2018 (As of March 31, 2019)	FY2019 (As of March 31, 2020)
Deferred tax assets	¥47,910	¥32,148	$440,232
Deferred tax liabilities	903	1,025	8,299
Net amounts	¥47,007	¥31,123	$431,933

Deductible temporary differences and unused tax losses for which deferred tax assets are not recognized are as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2019 (As of March 31, 2020)	FY2018 (As of March 31, 2019)	FY2019 (As of March 31, 2020)
Deductible temporary differences	¥89,185	¥85,201	$819,496
Unused tax losses	2,252	5,569	20,700
Total	¥91,438	¥90,770	$840,196

Unused tax losses for which deferred tax assets are not recognized will expire as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2019 (As of March 31, 2020)	FY2018 (As of March 31, 2019)	FY2019 (As of March 31, 2020)
Within one year	¥112	¥27	$1,035
Over one year but within five years	249	468	2,297
Over five years	1,890	5,074	17,367
Total	¥2,252	¥5,569	$20,700

The Group considers the possibility that a portion or all of deductible temporary differences or unused tax losses could be utilized against future taxable profits for the recognition of deferred tax assets. When assessing the recoverability of deferred tax assets, the timing of the reversal of deferred tax

liabilities is considered.

In principle, no deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries as of March 31, 2020, and 2019. This is because the Company is in a position to control the timing of the reversal of the temporary differences, and it is probable that the Company will not reverse such differences in the foreseeable future. Taxable temporary differences associated with investments in subsidiaries for which deferred tax liabilities have not been recognized are ¥56,496 million (U.S. $519,127 thousand), and ¥49,547 million, respectively, as of March 31, 2020 and 2019.

(2) Income taxes

The breakdown of income taxes is as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2019 (From April 1, 2019 to March 31, 2020)	FY2018 (From April 1, 2018 to March 31, 2019)	FY2019 (From April 1, 2019 to March 31, 2020)
Current income taxes			
Current	¥16,523	¥8,184	$151,829
(Subtotal)	16,523	8,184	151,829
Deferred income taxes			
Origination and reversal of temporary differences	(11,710)	8,238	(107,599)
(Subtotal)	(11,710)	8,238	(107,599)
Total income taxes	¥4,813	¥16,423	$44,230

Reconciliation of the statutory effective tax rate to the average effective tax rate is as follows:

(Unit: %)

	FY2019 (From April 1, 2019 to March 31, 2020)	FY2018 (From April 1, 2018 to March 31, 2019)
Statutory effective tax rate	30.62	30.62
Income or loss on investments using equity method	(3.25)	1.49
Non-deductible expenses for tax purposes	0.35	0.19
Non-taxable income for tax purposes	(10.57)	(0.11)
Unrecognized deferred tax assets	0.74	2.79
Other	(0.36)	0.91
Average effective tax rate	17.53	35.89

The Group is subject to corporate tax, inhabitant tax, and business tax. The Group's statutory effective tax rates calculated based on these taxes for FY2019 and FY2018 are both 30.62%. Overseas subsidiaries, however, are subject to local corporate and other taxes.

21. TRADE AND OTHER PAYABLES

The breakdown of trade and other payables is as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2019 (As of March 31, 2020)	FY2018 (As of March 31, 2019)	FY2019 (As of March 31, 2020)
Accounts payable – trade	¥223,967	¥306,314	$2,057,958
Accounts payable – other	6,959	8,415	63,950
Total	¥230,927	¥314,729	$2,121,908

22. BONDS AND BORROWINGS

The breakdown of bonds and borrowings is as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2019 (As of March 31, 2020)	FY2018 (As of March 31, 2019)	FY2019 (As of March 31, 2020)
Bonds payable	¥465,306	¥413,401	$4,275,538
Borrowings	1,377,002	1,279,417	12,652,784
Lease liabilities	21,256	–	195,317
Commercial papers	550,000	511,000	5,053,753
Total	¥2,413,565	¥2,203,818	$22,177,393

The details of bonds payable are as follows:

Company name	Issue	Issuance date	FY2019 (As of March 31, 2020) (Millions of yen)	FY2018 (As of March 31, 2019) (Millions of yen)	FY2019 (As of March 31, 2020) (Thousands of U.S. dollars)	Coupon rate (%)	Collateral	Redemption date
Credit Saison Co., Ltd.	The 44th unsecured straight bonds	August 30, 2012	¥9,996 ¥ [9,996]	¥9,985	$91,850 $ [91,850]	0.27636 per year (variable)	Unsecured bonds	August 28, 2020
Credit Saison Co., Ltd.	The 46th unsecured straight bonds	April 25, 2013	10,000 [10,000]	9,992	91,889 [91,889]	0.70 per year	Unsecured bonds	April 24, 2020
Credit Saison Co., Ltd.	The 47th unsecured straight bonds	June 14, 2013	9,999 [9,999]	9,991	91,883 [91,883]	0.879 peryear	Unsecured bonds	June 12, 2020
Credit Saison Co., Ltd.	The 48th unsecured straight bonds	October 21, 2013	14,972	14,963	137,578	1.038 per year	Unsecured bonds	October 20, 2023
Credit Saison Co., Ltd.	The 49th unsecured straight bonds	January 31, 2014	9,973	9,966	91,647	1.023 per year	Unsecured bonds	January 31, 2024
Credit Saison Co., Ltd.	The 50th unsecured straight bonds	April 24, 2014	9,976	9,970	91,672	0.904 per year	Unsecured bonds	April 24, 2024
Credit Saison Co., Ltd.	The 51st unsecured straight bonds	June 18, 2014	9,975	9,969	91,662	0.884 per year	Unsecured bonds	June 18, 2024
Credit Saison Co., Ltd.	The 52nd unsecured straight bonds	July 31, 2014	19,945	19,932	183,274	0.826 per year	Unsecured bonds	July 31, 2024
Credit Saison Co., Ltd.	The 53rd unsecured straight bonds	October 24, 2014	14,984	14,973	137,683	0.435 per year	Unsecured bonds	October 22, 2021
Credit Saison Co., Ltd.	The 54th unsecured straight bonds	July 31, 2015	–	29,987 [29,987]	–	0.256 per year	Unsecured bonds	July 31, 2019
Credit Saison Co., Ltd.	The 56th unsecured straight bonds	September 25, 2015	19,960	19,943	183,407	0.538 per year	Unsecured bonds	September 22, 2022
Credit Saison Co., Ltd.	The 57th unsecured straight bonds	January 29, 2016	14,985 [14,985]	14,968	137,697 [137,697]	0.42 per year	Unsecured bonds	January 29, 2021

Company name	Issue	Issuance date	FY2019 (As of March 31, 2020) (Millions of yen)	FY2018 (As of March 31, 2019) (Millions of yen)	FY2019 (As of March 31, 2020) (Thousands of U.S. dollars)	Coupon rate (%)	Collateral	Redemption date
Credit Saison Co., Ltd.	The 58th unsecured straight bonds	April 28, 2016	19,975	19,953	183,550	0.30 per year	Unsecured bonds	April 28, 2021
Credit Saison Co., Ltd.	The 59th unsecured straight bonds	October 31, 2016	9,948	9,944	91,417	0.77 per year	Unsecured bonds	October 31, 2031
Credit Saison Co., Ltd.	The 60th unsecured straight bonds	October 31, 2016	9,984	9,974	91,744	0.08 per year	Unsecured bonds	October 29, 2021
Credit Saison Co., Ltd.	The 61st unsecured straight bonds	March 31, 2017	19,516	19,477	179,332	0.24236 per year (variable)	Unsecured bonds	March 31, 2032
Credit Saison Co., Ltd.	The 62nd unsecured straight bond	May 31, 2017	24,940	24,912	229,165	0.16 per year	Unsecured bonds	May 31, 2022
Credit Saison Co., Ltd.	The 63rd unsecured straight bond	May 31, 2017	9,978	9,969	91,692	0.16 per year	Unsecured bonds	May 31, 2022
Credit Saison Co., Ltd.	The 64th unsecured straight bonds	June 15, 2017	9,935	9,931	91,292	1.00 per year	Unsecured bonds	June 15, 2037
Credit Saison Co., Ltd.	The 65th unsecured straight bonds	July 31, 2017	9,957	9,951	91,494	0.38 per year	Unsecured bonds	July 30, 2027
Credit Saison Co., Ltd.	The 66th unsecured straight bonds	December 22, 2017	29,970 [29,970]	29,931	275,390 [275,390]	0.09 per year	Unsecured bonds	December 22, 2020
Credit Saison Co., Ltd.	The 67th unsecured straight bonds	April 27, 2018	19,971	19,944	183,507	0.06 per year	Unsecured bonds	April 30, 2021
Credit Saison Co., Ltd.	The 68th unsecured straight bonds	April 27, 2018	14,906	14,901	136,973	0.99 per year	Unsecured bonds	April 30, 2038
Credit Saison Co., Ltd.	The 69th unsecured straight bonds	June 19, 2018	9,967	9,957	91,590	0.18 per year	Unsecured bonds	June 19, 2023
Credit Saison Co., Ltd.	The 70th unsecured straight bonds	July 31, 2018	19,925	19,903	183,088	0.18 per year	Unsecured bonds	July 31, 2023
Credit Saison Co., Ltd.	The 71st unsecured straight bonds	November 30, 2018	9,958	9,951	91,508	0.31 per year	Unsecured bonds	November 28, 2025
Credit Saison Co., Ltd.	The 72nd unsecured straight bonds	January 31, 2019	9,938	9,931	91,322	0.48 per year	Unsecured bonds	January 31, 2029
Credit Saison Co., Ltd.	The 73rd unsecured straight bonds	March 15, 2019	9,937	9,931	91,315	0.48 per year	Unsecured bonds	March 15, 2029
Credit Saison Co., Ltd.	The 74th unsecured straight bonds	April 19, 2019	11,917	–	109,509	1.00 per year	Unsecured bonds	April 19, 2039
Credit Saison Co., Ltd.	The 75th unsecured straight bonds	July 31, 2019	9,956	–	91,482	0.20 per year	Unsecured bonds	July 31, 2025

Company name	Issue	Issuance date	FY2019 (As of March 31, 2020) (Millions of yen)	FY2018 (As of March 31, 2019) (Millions of yen)	FY2019 (As of March 31, 2020) (Thousands of U.S. dollars)	Coupon rate (%)	Collateral	Redemption date
Credit Saison Co., Ltd.	The 76th unsecured straight bonds	July 31, 2019	9,946	–	91,394	0.30 per year	Unsecured bonds	July 31, 2029
Credit Saison Co., Ltd.	The 77th unsecured straight bonds	October 18, 2019	9,952	–	91,449	0.23 per year	Unsecured bonds	October 16, 2026
Credit Saison Co., Ltd.	The 78th unsecured straight bonds	October 31, 2019	19,894	–	182,801	0.23 per year	Unsecured bonds	October 30, 2026
Credit Saison Co., Ltd.	The 79th unsecured straight bonds	January 31, 2020	19,911	–	182,961	0.22 per year	Unsecured bonds	January 31, 2025
Omnibus K.K.	The 1st unsecured straight bonds	January 31, 2018	48 [16]	64 [16]	441 [147]	0.12 per year (variable)	Unsecured bonds	January 31, 2023
Omnibus K.K.	The 2nd unsecured straight bonds	March 30, 2018	30 [10]	40 [10]	275 [91]	0.12 per year (variable)	Unsecured bonds	March 31, 2023
Omnibus K.K.	The 3rd unsecured straight bonds	March 29, 2019	64 [16]	80 [16]	588 [147]	0.13 per year (variable)	Unsecured bonds	March 29, 2024
Total			¥465,306 ¥ [74,994]	¥413,401 ¥ [30,029]	$4,275,538 $ [689,096]			

(Note) Coupon rates represent the stated interest rate for the outstanding balance of bonds at the end of the reporting period.
The figures in brackets in the balance columns represent the current portion.

The details of borrowings are as follows:

Classification	Millions of yen		Thousands of U.S. dollars	Average interest rate (%)	Repayment period
	FY2019 (As of March 31, 2020)	FY2018 (As of March 31, 2019)	FY2019 (As of March 31, 2020)		
Short-term loans payable	¥256,504	¥239,960	$2,356,925	0.39	–
Long-term loans payable	1,073,764	1,017,872	9,866,437	0.40	2020 – 2037
Long-term loans payable under securitized receivables	46,733	20,000	429,421	0.37	2020 – 2055
Lease obligations	–	1,584	–	–	–
Total	¥1,377,002	¥1,279,417	$12,652,784	–	–

(Notes) 1. Short-term borrowings refer to loans with a contractual borrowing period of one year or less.
2. Average interest rate represents the weighted average of stated interest rates for the outstanding balance of borrowings at the end of the reporting period.

For details on collateral, please refer to Note "37. Collateral."

23. OTHER FINANCIAL LIABILITIES

The breakdown of other financial liabilities is as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2019 (As of March 31, 2020)	FY2018 (As of March 31, 2019)	FY2019 (As of March 31, 2020)
Derivative liabilities	¥7,720	¥8,934	$70,944
Guarantee deposits received	4,096	3,814	37,640
Deposits received	12,647	13,570	116,216
Other	2,154	2,122	19,798
Total	¥26,619	¥28,441	$244,600

24. PROVISIONS

(1) Reconciliation

The breakdown of provisions and the fluctuation during the period are as follows:

FY2019 (From April 1, 2019 to March 31, 2020)

(Millions of yen)

	Provision for point card certificates	Provision for loss on interest repayments	Other provisions	Total
Balance at beginning of period	¥104,963	¥17,762	¥1,530	¥124,256
Increases	14,968	11,180	64	26,213
Decreases (utilized)	9,992	6,045	41	16,079
Decreases (other)	–	–	–	–
Balance at end of period	109,938	22,897	1,554	134,390

(Thousands of U.S. dollars)

	Provision for point card certificates	Provision for loss on interest repayments	Other provisions	Total
Balance at beginning of period	$964,467	$163,213	$14,065	$1,141,747
Increases	137,539	102,733	596	240,868
Decreases (utilized)	91,820	55,550	377	147,748
Decreases (other)	–	–	–	–
Balance at end of period	1,010,186	210,396	14,284	1,234,867

(2) 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.

(3) 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.

(4) 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.

25. EMPLOYEE BENEFITS

Employees of the Group can choose either a defined contribution pension plan or a prepaid retirement allowance plan for their retirement plan.

Amounts recognized as expenses associated with the defined contribution pension plan are as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2019 (From April 1, 2019 to March 31, 2020)	FY2018 (From April 1, 2018 to March 31, 2019)	FY2019 (From April 1, 2019 to March 31, 2020)
Contributions paid to the defined contribution pension	¥1,194	¥1,232	$10,980

(Note) Contributions paid are included in "Selling, general and administrative expenses" in the consolidated statement of income.

26. OTHER LIABILITIES

The breakdown of other liabilities is as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2019 (As of March 31, 2020)	FY2018 (As of March 31, 2019)	FY2019 (As of March 31, 2020)
Accrued expenses	¥20,953	¥17,689	$192,530
Contract liabilities	8,004	5,493	73,554
Accrued paid absences	3,152	3,155	28,970
Provision for bonuses	2,603	2,838	23,923
Other	11,061	7,850	101,635
Total	¥45,775	¥37,026	$420,614

27. EQUITY AND OTHER COMPONENTS OF EQUITY

(1) Number of shares authorized and shares issued

Reconciliation for the numbers of shares authorized and shares issued is as follows:

	Number of shares authorized	Number of shares issued
FY2018 (As of April 1, 2018)	300,000,000	185,444,772
Change	–	–
FY2018 (As of March 31, 2019)	300,000,000	185,444,772
Change	–	–
FY2019 (As of March 31, 2020)	300,000,000	185,444,772

(Note) The shares issued by the Company are common stock with no par value that have no restrictions on any rights. The shares issued have been fully paid up.

(2) Treasury shares

The Companies Act of Japan (the "Companies Act") provides that, by a resolution of the General Meeting of Shareholders, a company may acquire treasury shares after determining the number of shares to be acquired, the total amount of acquisition cost, and other details as long as the acquisition is within the range of the distributable amount. Under the Companies Act, treasury shares can also be acquired through market transactions or tender offers in accordance with the Articles of Incorporation by resolution of the Board of Directors.

Reconciliation of treasury shares during the period is as follows:

	Number of shares	Amount (Millions of yen)
FY2018 (As of April 1, 2018)	22,112,371	¥52,880
Change	331	0
FY2018 (As of March 31, 2019)	22,112,702	52,881
Change	7,100,694	10,000
FY2019 (As of March 31, 2020)	29,213,396	62,881

	Number of shares	Amount (Thousands of U.S. dollars)
FY2018 (As of March 31, 2019)	22,112,702	$485,905
Change	7,100,694	91,891
FY2019 (As of March 31, 2020)	29,213,396	577,797

(Note) The number of the Company's shares held by associates is 350,000 shares as of March 31, 2020 and 2019.

(3) Capital surplus

The Companies Act provides that at least half of payment or contribution for the issuance of shares shall be credited to share capital, and the remaining amount may be credited to legal capital surplus included in capital surplus. The Companies Act also provides that legal capital reserve may be credited to share capital pursuant to a resolution at the General Meeting of Shareholders.

(4) Retained earnings

The Companies Act provides that an amount equal to 10% of the dividends paid from surplus must be transferred to legal capital reserve and legal retained earnings until the aggregate amount of legal capital reserve and legal retained earnings equals 25% of share capital. The amount accumulated in legal retained earnings may be used to offset deficit. Further, legal retained earnings may be reversed pursuant to a resolution at the General Meeting of Shareholders.

(5) Other components of equity

(Millions of yen)

	Equity instruments measured at fair value through other comprehensive income	Debt instruments measured at fair value through other comprehensive income	Effective portion of cash flow hedges	Exchange differences on translation of foreign operations	Other	Total
FY2018 (As of April 1, 2018)	¥36,771	¥–	¥(458)	¥(399)	¥0	¥35,913
Effects of changes in accounting standards	810	12	(4,217)	50	–	(3,343)
Increase (decrease) during the period	(8,964)	(7)	(1,534)	240	63	(10,203)
Transfer to retained earnings	(298)	–	–	–	(63)	(362)
FY2018 (As of March 31, 2019)	28,318	5	(6,210)	(108)	0	22,004
Increase (decrease) during the period	(11,411)	10	962	(992)	(43)	(11,474)
Transfer to retained earnings	(8,417)	–	–	–	48	(8,369)
FY2019 (As of March 31, 2020)	8,489	15	(5,248)	(1,100)	4	2,161

(Thousands of U.S. dollars)

	Equity instruments measured at fair value through other comprehensive income	Debt instruments measured at fair value through other comprehensive income	Effective portion of cash flow hedges	Exchange differences on translation of foreign operations	Other	Total
FY2018 (As of March 31, 2019)	$260,207	$48	$(57,068)	$(994)	$–	$202,192
Increase (decrease) during the period	(104,852)	93	8,845	(9,117)	(403)	(105,434)
Transfer to retained earnings	(77,345)	–	–	–	444	(76,901)
FY2019 (As of March 31, 2020)	78,009	141	(48,222)	(10,111)	41	19,857

28. DIVIDENDS

(1) Dividends paid

Resolution	Classes 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 20, 2018	Common stock	Retained earnings	¥5,719 *$52,553	¥35 *$0.32	March 31, 2018	June 21, 2018
Ordinary General Meeting of Shareholders held on June 20, 2019	Common stock	Retained earnings	7,353 *67,568	45 *0.41	March 31, 2019	June 21, 2019

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

Resolution	Classes 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 18, 2020	Common stock	Retained earnings	¥7,033 *$64,632	¥45 *$0.41	March 31, 2020	June 19, 2020

29. REVENUE

(1) Breakdown of revenue

The breakdown of revenue recognized from contracts with customers and other sources is as follows:

FY2019 (From April 1, 2019 to March 31, 2020)

(Millions of yen)

	Revenue recognized from contracts with customers	Revenue recognized from other sources	Total
Revenue from the payment business	¥ 141,440	¥ 88,720	¥ 230,160
Revenue from the lease business	–	12,266	12,266
Revenue from the finance business	–	43,112	43,112
Revenue from the real estate-related business	56,159	6,147	62,307
Revenue from the entertainment business	48,493	–	48,493
Finance income	–	771	771
Total	¥ 246,093	¥ 151,019	¥ 397,112

(Thousands of U.S. dollars)

	Revenue recognized from contracts with customers	Revenue recognized from other sources	Total
Revenue from the payment business	$1,299,644	$815,222	$2,114,867
Revenue from the lease business	–	112,713	112,713
Revenue from the finance business	–	396,149	396,149
Revenue from the real estate-related business	516,030	56,489	572,520
Revenue from the entertainment business	445,591	–	445,591
Finance income	–	7,086	7,086
Total	$2,261,266	$1,387,662	$3,648,928

Revenue recognized from other sources includes interest and dividend income based on IFRS 9 and lease income based on IFRS 16.

Interest and dividend income is recognized as revenue in accordance with IFRS 9, and income from the Lease business, and also from real estate rentals in the Real estate-related business, is recognized as revenue in accordance with IFRS 16. Revenue recognized in accordance with IFRS 9 amounted to ¥135,582 million (U.S. $1,245,816 thousand) for FY2019. Revenue recognized in accordance with IFRS 16 amounted to ¥15,437 million (U.S. $141,845 thousand) for FY2019.

FY2018 (From April 1, 2018 to March 31, 2019)

(Millions of yen)

	Revenue recognized from contracts with customers	Revenue recognized from other sources	Total
Revenue from the payment business	¥138,459	¥87,791	¥226,250
Revenue from the lease business	–	12,579	12,579
Revenue from the finance business	–	39,231	39,231
Revenue from the real estate-related business	36,090	6,008	42,098
Revenue from the entertainment business	50,827	–	50,827
Finance income	–	854	854
Total	¥225,376	¥146,465	¥371,842

Revenue recognized from other sources includes interest and dividend income based on IFRS 9 and lease income based on IAS 17.

Interest and dividend income was recognized as revenue in accordance with IFRS 9, and income from the Lease business, and also from real estate rentals in the Real estate-related business, was recognized as revenue in accordance with IAS 17. Revenue recognized in accordance with IFRS 9 amounted to ¥130,866 million for FY2018. Revenue recognized in accordance with IAS 17 amounted to ¥15,599 million for FY2018.

(2) Contract balance

The breakdown of contract balances is as follows:

FY2019 (From April 1, 2019 to March 31, 2020)

	Millions of yen		Thousands of U.S. dollars	
	FY2019 (As of April 1, 2019)	FY2019 (As of March 31, 2020)	FY2019 (As of April 1, 2019)	FY2019 (As of March 31, 2020)
Receivables arising from contracts with customers				
Trade and other receivables	¥112,457	¥97,091	$1,033,334	$892,140
Contract liabilities	5,493	8,004	50,474	73,554

FY2018 (From April 1, 2018 to March 31, 2019)

	Millions of yen	
	FY2018 (As of April 1, 2018)	FY2018 (As of March 31, 2019)
Receivables arising from contracts with customers		
Trade and other receivables	¥103,118	¥112,457
Contract liabilities	6,090	5,493

Contract liabilities mainly represent a deferred portion of annual membership fees. The amounts of revenue recognized in FY2019 and FY2018 that were included in the beginning balance of contract liabilities were ¥4,413 million (U.S. $40,550 thousand) and ¥4,694 million, respectively.

None of the revenue recognized in FY2019 and FY2018 arose from performance obligations satisfied (or partially satisfied) in previous periods.

(3) Transaction price allocated to remaining performance obligations

The Group has adopted a practical expedient and omitted information on remaining performance obligations, given that there were no significant transactions for which an individual estimated contract period exceeds one year.

30. COST OF SALES

The breakdown of cost of sales is as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2019 (From April 1, 2019 to March 31, 2020)	FY2018 (From April 1, 2018 to March 31, 2019)	FY2019 (From April 1, 2019 to March 31, 2020)
Cost of sales for the real estate-related business:			
For real estate sales	¥40,354	¥19,940	$370,799
For real estate rentals	2,348	2,075	21,583
Other	3,327	2,905	30,577
Subtotal	46,030	24,921	422,960
Cost of sales for the entertainment business			
Cost of goods	39,497	41,844	362,926
Sundry expenses	174	221	1,602
Subtotal	39,671	42,066	364,529
Total	¥85,702	¥66,987	$787,490

31. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

The breakdown of selling, general and administrative expenses is as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2019 (From April 1, 2019 to March 31, 2020)	FY2018 (From April 1, 2018 to March 31, 2019)	FY2019 (From April 1, 2019 to March 31, 2020)
Advertising expenses	¥24,872	¥24,320	$228,545
Provision for point card certificates	14,968	13,033	137,539
Provision for loss on interest repayments	11,180	176	102,733
Employee benefit expenses	48,589	50,888	446,472
Commission expenses	75,622	74,888	694,870
Depreciation	26,455	22,474	243,090
Other	35,221	35,191	323,634
Total	¥236,910	¥220,974	$2,176,885

32. FINANCE INCOME AND FINANCE COSTS

(1) Finance income

The breakdown of finance income is as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2019 (From April 1, 2019 to March 31, 2020)	FY2018 (From April 1, 2018 to March 31, 2019)	FY2019 (From April 1, 2019 to March 31, 2020)
Interest income	¥771	¥703	$7,086
Other	–	150	–
Total	¥771	¥854	$7,086

(2) Finance costs

The breakdown of finance costs is as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2019 (From April 1, 2019 to March 31, 2020)	FY2018 (From April 1, 2018 to March 31, 2019)	FY2019 (From April 1, 2019 to March 31, 2020)
Interest expenses	¥9,804	¥9,221	$90,093
Other	666	656	6,124
Total	¥10,471	¥9,878	$96,217

33. OTHER INCOME AND OTHER EXPENSES

(1) Other income

The breakdown of other income is as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2019 (From April 1, 2019 to March 31, 2020)	FY2018 (From April 1, 2018 to March 31, 2019)	FY2019 (From April 1, 2019 to March 31, 2020)
Dividend income	¥1,428	¥1,474	$13,121
Gain on bad debts recovered	1,200	1,151	11,026
Distribution income from investment partnerships	163	138	1,500
Gain on valuation of investment securities	716	211	6,585
Gain on sale of investments in subsidiaries and associates	743	–	6,835
Other	1,333	1,162	12,249
Total	¥5,585	¥4,138	$51,319

(2) Other expenses

The breakdown of other expenses is as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2019 (From April 1, 2019 to March 31, 2020)	FY2018 (From April 1, 2018 to March 31, 2019)	FY2019 (From April 1, 2019 to March 31, 2020)
Impairment losses on non-financial assets	¥7,176	¥226	$65,942
Impairment losses related to associates and joint ventures accounted for using equity method	–	506	–
Loss on valuation of investment securities (e.g. stocks)	627	1,266	5,766
System transfer cost	–	3,299	–
Other	1,416	346	13,018
Total	¥9,220	¥5,643	$84,727

34. OTHER COMPREHENSIVE INCOME

Amounts incurred during the period, reclassification adjustments, and tax effects for each component of other comprehensive income are as follows:

FY2019 (From April 1, 2019 to March 31, 2020)

(Millions of yen)

	Amount incurred during the period	Reclassification adjustment	Before tax effect	Tax effect	After tax effect
Items that will not be reclassified subsequently to profit or loss					
Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	¥(15,738)	¥–	¥(15,738)	¥4,760	¥(10,978)
Share of other comprehensive income of investments accounted for using equity method	(312)	–	(312)	(164)	(476)
Items that may be reclassified to profit or loss					
Net change in fair value of debt instruments measured at fair value through other comprehensive income	11	–	11	(1)	10
Effective portion of cash flow hedges	(665)	2,043	1,377	(421)	955
Exchange differences on translation of foreign operations	(687)	–	(687)	–	(687)
Share of other comprehensive income of investments accounted for using equity method	(317)	4	(312)	1	(311)
Total	¥(17,709)	¥2,048	¥(15,661)	¥4,173	¥(11,487)

(Thousands of U.S. dollars)

	Amount incurred during the period	Reclassification adjustment	Before tax effect	Tax effect	After tax effect
Items that will not be reclassified to profit or loss					
Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	$(144,614)	$–	$(144,614)	$43,740	$(100,873)
Share of other comprehensive income of investments accounted for using equity method	(2,869)	–	(2,869)	(1,512)	(4,382)
Items that may be reclassified to profit or loss					
Net change in fair value of debt instruments measured at fair value through other comprehensive income	107	–	107	(14)	93
Effective portion of cash flow hedges	(6,118)	18,777	12,658	(3,875)	8,782
Exchange differences on translation of foreign operations	(6,312)	–	(6,312)	–	(6,312)
Share of other comprehensive income of investments accounted for using equity method	(2,918)	45	(2,872)	9	(2,863)
Total	$ (162,727)	$18,822	$ (143,904)	$38,347	$ (105,556)

FY2018 (From April 1, 2018 to March 31, 2019)

(Millions of yen)

	Amount incurred during the period	Reclassification adjustment	Before tax effect	Tax effect	After tax effect
Items that will not be reclassified subsequently to profit or loss					
Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	¥(13,185)	¥–	¥(13,185)	¥4,222	¥(8,963)
Share of other comprehensive income of investments accounted for using equity method	62	–	62	–	62
Items that may be reclassified to profit or loss					
Net change in fair value of debt instruments measured at fair value through other comprehensive income	(2)	–	(2)	(5)	(7)
Effective portion of cash flow hedges	(4,246)	2,025	(2,220)	679	(1,540)
Exchange differences on translation of foreign operations	(28)	–	(28)	–	(28)
Share of other comprehensive income of investments accounted for using equity method	256	9	265	–	265
Total	¥(17,144)	¥2,034	¥(15,109)	¥4,896	¥(10,213)

35. EARNINGS PER SHARE

(1) Basis for calculating basic earnings per share

		FY2019 (From April 1, 2019 to March 31, 2020)	FY2018 (From April 1, 2018 to March 31, 2019)
Profit attributable to owners of parent	(Millions of yen)	¥22,863	¥30,517
	*Thousands of U.S. dollars	*$210,085	
Profit not attributable to common stock-holders of the parent	(Millions of yen)	–	–
	*Thousands of U.S. dollars	*–	
Profit used for calculating basic earnings per share	(Millions of yen)	22,863	30,517
	*Thousands of U.S. dollars	*210,085	
Weighted-average number of common stock	(Thousands of shares)	159,401	163,332
Basic earnings per share	(Yen)	143.43	186.84
	*U.S. dollars	*1.32	

(2) Basis for calculating diluted earnings per share

		FY2019 (From April 1, 2019 to March 31, 2020)	FY2018 (From April 1, 2018 to March 31, 2019)
Profit used for calculating basic earnings per share	(Millions of yen)	¥22,863	¥30,517
	*Thousands of U.S. dollars	*$210,085	
Adjustment to profit	(Millions of yen)	(137)	–
	*Thousands of U.S. dollars	*(1,263)	
Profit used to calculate diluted earnings per share	(Millions of yen)	22,726	30,517
	*Thousands of U.S. dollars	*208,822	
Weighted-average number of common stock	(Thousands of shares)	159,401	163,332
Increase in common stock	(Thousands of shares)	–	–
Weighted-average number of common stock after dilution	(Thousands of shares)	159,401	163,332
Diluted earnings per share	(Yen)	142.57	186.84
	*U.S. dollars	*1.31	
Summary of potential shares not included in the calculation of diluted earnings per share as they have no dilutive effect		–	Share acquisition rights issued by a subsidiary (Qubitous Co., Ltd. Common stock: 530 shares)

36. CASH FLOW INFORMATION

(1) Significant non-cash transactions

Significant non-cash transactions consist of the following:

	Millions of yen		Thousands of U.S. dollars
	FY2019 (From April 1, 2019 to March 31, 2020)	FY2018 (From April 1, 2018 to March 31, 2019)	FY2019 (From April 1, 2019 to March 31, 2020)
Acquisition of assets under leases	¥3,369	¥468	$30,961

(2) Changes in liabilities arising from financing activities

See the following reconciliation:

FY2019 (From April 1, 2019 to March 31, 2020)

(Millions of yen)

	As of April 1, 2019	Adjustments for the application of IFRS 16	As of April 1, 2019 (after adjustments)	Changes arising from cash flows	Non-cash changes		As of March 31, 2020
					Adjustment due to use of the effective interest method	Other	
Short-term loans payable	¥239,960	¥–	¥239,960	¥16,544	¥–	¥–	¥256,504
Commercial papers	511,000	–	511,000	39,000	–	–	550,000
Long-term loans payable	1,017,872	–	1,017,872	56,070	(178)	–	1,073,764
Long-term loans payable under securitized receivables	20,000	–	20,000	26,733	–	–	46,733
Bonds payable	413,401	–	413,401	51,510	394	–	465,306
Lease liabilities	1,584	20,902	22,486	(4,616)	–	3,386	21,256
Total	¥2,203,818	¥20,902	¥2,224,721	¥185,242	¥215	¥3,386	¥2,413,565

(Thousands of U.S. dollars)

	As of April 1, 2019	Adjustments for the application of IFRS 16	As of April 1, 2019(after adjustments)	Changes arising from cash flows	Non-cash changes		As of March 31, 2020
					Adjustment due to use of the effective interest method	Other	
Short-term loans payable	$2,204,906	$–	$2,204,906	$152,018	$–	$–	$2,356,925
Commercial papers	4,695,396	–	4,695,396	358,357	–	–	5,053,753
Long-term loans payable	9,352,869	–	9,352,869	515,207	△1,640	–	9,866,437
Long-term loans payable under securitized receivables	183,772	–	183,772	245,649	–	–	429,421
Bonds payable	3,798,602	–	3,798,602	473,314	3,621	–	4,275,538
Lease liabilities	14,557	192,065	206,622	△42,421	–	31,115	195,317
Total	$20,250,105	$192,065	$20,442,170	$1,702,125	$1,981	$31,115	$22,177,393

FY2018 (From April 1, 2018 to March 31, 2019)

(Millions of yen)

	As of April 1, 2018	Changes arising from cash flows	Non-cash changes		As of March 31, 2019
			Adjustment due to use of the effective interest method	Other	
Short-term loans payable	¥247,960	¥(8,000)	¥–	¥–	¥239,960
Commercial papers	389,500	121,500	–	–	511,000
Long-term loans payable	957,558	60,535	(206)	(14)	1,017,872
Long-term loans payable under securitized receivables	20,000	–	–	–	20,000
Bonds payable	338,507	74,521	372	–	413,401
Lease obligations	1,681	(603)	–	506	1,584
Total	¥1,955,207	¥247,954	¥165	¥491	¥2,203,818

37. COLLATERAL

The breakdown of assets pledged as collateral is as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2019 (As of March 31, 2020)	FY2018 (As of March 31, 2019)	FY2019 (As of March 31, 2020)
Trade and other receivables	¥46,733	¥20,000	$429,421
Other current financial assets	1,511	1,511	13,884

38. OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The following is quantitative information about the financial assets and liabilities offset in the consolidated statement of financial position, and the financial assets and liabilities not offset but subject to enforceable master netting agreements or similar agreements.

The right of set-off for master netting agreements arises only after the occurrence of defaults or other prescribed circumstances that are not expected to occur in the ordinary course of business activities. For financial instruments and collateral received, an enforceable right of set-off arises only when such circumstances occur. Of the financial assets held by the Group, only master netting agreements on derivatives fall into such circumstances.

(Millions of yen)

	FY2019 (As of March 31, 2020)					
	Total amount of recognized financial assets and liabilities	Amount offset	Net amount presented in the consolidated statement of financial position	Amount subject to enforceable master netting agreements or similar agreements not included in "Amount offset" as shown in the left column		Net amounts
				Financial instruments	Collateral received	
Financial assets						
Trade and other receivables	¥6,405	¥(6,388)	¥16	¥–	¥–	¥16
Other financial assets (derivative assets)	164	–	164	(164)	–	–
Financial liabilities						
Trade and other payables	15,257	(6,388)	8,868	–	–	8,868
Other financial liabilities (derivative liabilities)	4,392	–	4,392	(164)	–	4,227

(Thousands of U.S. dollars)

	FY2019 (As of March 31, 2020)					
	Total amount of recognized financial assets and liabilities	Amount offset	Net amount presented in the consolidated statement of financial position	Amount subject to enforceable master netting agreements or similar agreements not included in "Amount offset" as shown in the left column		Net amounts
				Financial instruments	Collateral received	
Financial assets						
Trade and other receivables	$58,853	$(58,706)	$147	$–	$–	$147
Other financial assets (derivative assets)	1,514	–	1,514	(1,514)	–	–
Financial liabilities						
Trade and other payables	140,197	(58,706)	81,491	–	–	81,491
Other financial liabilities (derivative liabilities)	40,357	–	40,357	(1,514)	–	38,842

(Millions of yen)

	FY2018 (As of March 31, 2019)					
	Total amount of recognized financial assets and liabilities	Amount offset	Net amount presented in the consolidated statement of financial position	Amount subject to enforceable master netting agreements or similar agreements not included in "Amount offset" as shown in the left column		Net amounts
				Financial instruments	Collateral received	
Financial assets						
Trade and other receivables	¥10,888	¥(10,662)	¥226	¥–	¥–	¥226
Other financial assets (derivative assets)	0	–	0	(0)	–	–
Financial liabilities						
Trade and other payables	13,162	(10,662)	2,500	–	–	2,500
Other financial liabilities (derivative liabilities)	1,159	–	1,159	(0)	–	1,159

39. FINANCIAL INSTRUMENTS

(1) Classification of financial instruments

(a) Measurement basis for financial instruments

The measurement basis for financial assets is as follows:

(Millions of yen)

	FY2019 (As of March 31, 2020)				
	Measured at fair value through profit or loss	Debt instruments measured at fair value through other comprehensive income	Equity instruments measured at fair value through other comprehensive income	Measured at amortized cost	Total
Assets					
Cash and cash equivalents	¥–	¥–	¥–	¥109,761	¥109,761
Trade and other receivables	22,719	3,071	–	2,539,617	2,565,409
Operational investment securities	48,789	–	–	–	48,789
Investment securities	20,629	–	40,095	–	60,724
Other financial assets	432	–	–	13,473	13,905
Total	¥92,571	¥3,071	¥40,095	¥2,662,852	¥2,798,590

(Thousands of U.S. dollars)

	FY2019 (As of March 31, 2020)				
	Measured at fair value through profit or loss	Debt instruments measured at fair value through other comprehensive income	Equity instruments measured at fair value through other comprehensive income	Measured at amortized cost	Total
Assets					
Cash and cash equivalents	$–	$–	$–	$1,008,558	$1,008,558
Trade and other receivables	208,764	28,226	–	23,335,638	23,572,629
Operational investment securities	448,309	–	–	–	448,309
Investment securities	189,555	–	368,422	–	557,977
Other financial assets	3,974	–	–	123,799	127,773
Total	$850,604	$28,226	$368,422	$24,467,996	$25,715,249

(Millions of yen)

	FY2018 (As of March 31, 2019)				
	Measured at fair value through profit or loss	Debt instruments measured at fair value through other comprehensive income	Equity instruments measured at fair value through other comprehensive income	Measured at amortized cost	Total
Assets					
Cash and cash equivalents	¥–	¥–	¥–	¥82,642	¥82,642
Trade and other receivables	24,669	2,837	–	2,365,689	2,393,197
Operational investment securities	39,973	–	–	–	39,973
Investment securities	20,522	–	71,030	–	91,553
Other financial assets	0	–	–	11,915	11,916
Total	¥85,166	¥2,837	¥71,030	¥2,460,248	¥2,619,283

The measurement basis for financial liabilities is as follows:

(Millions of yen)

	FY2019 (As of March 31, 2020)			
	Measured at fair value through profit or loss	Measured at amortized cost	Financial guarantee contract	Total
Liabilities				
Trade and other payables	¥–	¥230,927	¥–	¥230,927
Financial guarantee liabilities	–	–	10,206	10,206
Bonds and borrowings	–	2,413,565	–	2,413,565
Other financial liabilities	7,720	18,898	–	26,619
Total	¥7,720	¥2,663,391	¥10,206	¥2,681,319

(Thousands of U.S. dollars)

	FY2019 (As of March 31, 2020)			
	Measured at fair value through profit or loss	Measured at amortized cost	Financial guarantee contract	Total
Liabilities				
Trade and other payables	$–	$2,121,908	$–	$2,121,908
Financial guarantee liabilities	–	–	93,787	93,787
Bonds and borrowings	–	22,177,393	–	22,177,393
Other financial liabilities	70,944	173,655	–	244,600
Total	$70,944	$24,472,957	$93,787	$24,637,690

(Millions of yen)

	FY2018 (As of March 31, 2019)			
	Measured at fair value through profit or loss	Measured at amortized cost	Financial guarantee contract	Total
Liabilities				
Trade and other payables	¥–	¥314,729	¥–	¥314,729
Financial guarantee liabilities	–	–	8,305	8,305
Bonds and borrowings	–	2,203,818	–	2,203,818
Other financial liabilities	8,934	19,507	–	28,441
Total	¥8,934	¥2,538,055	¥8,305	¥2,555,295

(b) Investments in equity instruments designated at fair value through other comprehensive income

Certain securities classified as equity instruments are designated as those measured at fair value through other comprehensive income.

The Group holds those designated equity instruments in order to strengthen business relationships with its counterparties, not to secure profit through short-term trading. Accordingly, the Group has determined that unrecognized gains and losses arising from those securities are appropriate to be recognized in other comprehensive income rather than in profit or loss.

Details and fair values of securities designated as measured at fair value through other comprehensive income are as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2019 (As of March 31, 2020)	FY2018 (As of March 31, 2019)	FY2019 (As of March 31, 2020)
Listed stocks	¥40,095	¥71,030	$368,422

Among the above, the fair value of the major issues is as follows:

Issue	Millions of yen		Thousands of U.S. dollars
	FY2019 (As of March 31, 2020)	FY2018 (As of March 31, 2019)	FY2019 (As of March 31, 2020)
Seven & i Holdings Co., Ltd.	¥12,249	¥14,304	$112,553
Ryohin Keikaku Co., Ltd.	7,670	17,715	70,477
Mitsui Fudosan Co., Ltd.	3,336	4,963	30,662
Ho Chi Minh City Development Joint Stock Commercial Bank	2,377	4,140	21,842
Digital Garage, Inc.	2,263	2,126	20,800
SEIBU HOLDINGS Inc.	1,729	2,820	15,896
Daiwa Securities Group Inc.	1,645	–	15,121
Takashimaya Company, Ltd.	1,609	2,437	14,787
Idemitsu Kosan Co., Ltd.	1,415	2,116	13,005
Mizuho Leasing Company, Ltd.	1,411	1,751	12,971
Monex Group, Inc.	634	1,421	5,832
Kyushu Railway Company	620	–	5,696

As a result of reviewing business relations with its counterparties, the Group has disposed of and derecognized certain financial instruments designated as equity instruments measured at fair value through other comprehensive income. Fair value at the time of derecognition, cumulative gains or losses, and dividend income are as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2019 (From April 1, 2019 to March 31, 2020)	FY2018 (From April 1, 2018 to March 31, 2019)	FY2019 (From April 1, 2019 to March 31, 2020)
Fair value at the time of derecognition	¥17,924	¥584	$164,704
Cumulative gains (losses) on disposal	12,621	309	115,978

	Millions of yen		Thousands of U.S. dollars
	FY2019 (From April 1, 2019 to March 31, 2020)	FY2018 (From April 1, 2018 to March 31, 2019)	FY2019 (From April 1, 2019 to March 31, 2020)
Dividends from equity instruments derecognized during the period	¥209	¥6	$1,924
Dividends from equity instruments held at the end of the reporting period	1,017	1,336	9,345
Total	¥1,226	¥1,342	$11,270

Cumulative gains and losses recognized as other components of equity are reclassified from other components of equity to retained earnings upon disposal or a significant decline in fair value.

The amount reclassified are ¥8,417 million (U.S. $77,345 thousand) and ¥202 million for FY2019 and FY2018, respectively.

(2) Gains and losses on financial instruments

Analysis of gains and losses on financial instruments held by the Group is provided below.

(a) Net gains and losses on financial instruments

FY2019 (From April 1, 2019 to March 31, 2020)

(Millions of yen)

	Measured at amortized cost		Measured at fair value through profit or loss	Debt instruments measured at fair value through other comprehensive income	Equity instruments designated as measured at fair value through other comprehensive income	Total
	Financial assets	Financial liabilities				
Revenue						
Interest income calculated using the effective interest method	¥111,976	¥–	¥–	¥190	¥–	¥112,167
Gain (Loss) on valuation of operational investment securities	–	–	86	–	–	86
Dividend income	–	–	2,580	–	–	2,580
Other	1,706	–	–	–	–	1,706
Total	113,683	–	2,667	190	–	116,541
Finance costs						
Interest expenses	–	9,804	–	–	–	9,804
Other	–	666	–	–	–	666
Total	–	10,471	–	–	–	10,471
Impairment losses on financial assets	29,315	–	–	22	–	29,338
Other income						
Dividend income	–	–	201	–	1,226	1,428
Gain on bad debts recovered	1,200	–	–	–	–	1,200
Distribution income from investment partnerships	–	–	163	–	–	163
Gain on sale of shares of subsidiaries and associates	–	–	743	–	–	743
Gain on valuation of investment securities	–	–	716	–	–	716
Other	77	0	–	–	–	77
Total	1,277	0	1,825	–	1,226	4,329
Other expenses						
Loss on valuation of investment securities(e.g. stocks)	–	–	627	–	–	627
Other	–	19	82	–	–	101
Total	¥–	¥19	¥709	¥–	¥–	¥729

(Thousands of U.S. dollars)

	Measured at amortized cost		Measured at fair value through profit or loss	Debt instruments measured at fair value through other comprehensive income	Equity instruments designated as measured at fair value through other comprehensive income	Total
	Financial assets	Financial liabilities				
Revenue						
Interest income calculated by using the effective interest method	$1,028,911	$–	$–	$1,752	$–	$1,030,663
Gain (Loss) on valuation of operational investment securities	–	–	795	–	–	795
Dividend income	–	–	23,712	–	–	23,712
Other	15,684	–	–	–	–	15,684
Total	1,044,596	–	24,507	1,752	–	1,070,856
Finance costs						
Interest expenses	–	90,093	–	–	–	90,093
Other	–	6,124	–	–	–	6,124
Total	–	96,217	–	–	–	96,217
Impairment losses on financial assets	269,372	–	–	203	–	269,576
Other income						
Dividend income	–	–	1,850	–	11,270	13,121
Gain on bad debts recovered	11,026	–	–	–	–	11,026
Distribution income from investment partnerships	–	–	1,500	–	–	1,500
Gain on sale of shares of subsidiaries and associates	–		6,835			6,835
Gain on valuation of investment securities	–	–	6,585	–	–	6,585
Other	708	2	–	–	–	711
Total	11,734	2	16,771	–	11,270	39,780
Other expenses						
Loss on valuation of investment securities(e.g. stocks)	–	–	5,766	–	–	5,766
Other	–	176	757	–	–	934
Total	$–	$176	$6,523	$–	$–	$6,700

FY2018 (From April 1, 2018 to March 31, 2019)

(Millions of yen)

	Measured at amortized cost		Measured at fair value through profit or loss	Debt instruments measured at fair value through other comprehensive income	Equity instruments designated as measured at fair value through other comprehensive income	Total
	Financial assets	Financial liabilities				
Revenue						
Interest income calculated using the effective interest method	¥107,045	¥–	¥–	¥175	¥–	¥107,221
Gain (Loss) on valuation of operational investment securities	–	–	(275)	–	–	(275)
Dividend income	–	–	2,962	–	–	2,962
Other	1,810	–	14	19	–	1,844
Total	108,856	–	2,701	194	–	111,752
Finance costs						
Interest expenses	–	9,221	–	–	–	9,221
Other	–	472	184	–	–	656
Total	–	9,693	184	–	–	9,878
Impairment losses on financial assets	26,272	–	–	79	–	26,352
Other income						
Dividend income	–	–	132	–	1,342	1,474
Gain on bad debts recovered	1,151	–	–	–	–	1,151
Distribution income from investment partnerships	–	–	138	–	–	138
Gain on valuation of investment securities	–	–	211	–	–	211
Other	13	–	–	–	–	13
Total	1,165	–	482	–	1,342	2,990
Other expenses						
Loss on valuation of investment securities(e.g. stocks)	–	–	1,266	–	–	1,266
Other	0	24	–	–	–	24
Total	¥0	¥24	¥1,266	¥–	¥–	¥1,290

(b) Gains and losses arising from the derecognition of financial assets measured at amortized cost

There are no pertinent items.

(3) Fair value measurement of financial instruments

(a) Fair value hierarchy

Classification based on fair value hierarchy

The Group analyses financial assets and financial liabilities measured at fair value or those whose fair value is disclosed in the notes. The following shows the classification of fair value from Level 1 to Level 3 based on the fair value hierarchy.

The levels under the fair value hierarchy are defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Fair value, other than Level 1, that is determined by directly or indirectly using the observable price

Level 3: Fair value determined by using valuation techniques that incorporate unobservable inputs

(b) Valuation techniques and inputs used in fair value measurement

Assets

1) Cash and cash equivalents

Cash and cash equivalents are stated at carrying amount because the fair value approximates the carrying amount due to short maturity.

2) Trade and other receivables

(i) Accounts receivable – installment

Accounts receivable – installment with variable interest rates reflects market interest rates in the short term. Thus, accounts receivable – installment is 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.

(ii) 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.

3) 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("WACC"), price earnings ratio("PER") and price book-value ratio("PBR"), are used.

4) Other financial assets

Derivatives are classified as financial assets or liabilities measured at fair value through profit or loss and are measured at prices provided by counterpart financial institutions. Financial assets other than derivatives are stated at carrying amounts, which approximately represent their fair values because of the short settlement period.

Liabilities

1) Trade and other payables

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

2) Bonds and borrowings

(i) Short-term loans payable

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

(ii) Commercial papers

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

(iii) 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.

(iv) 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("OTC") 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 "(iii) Long-term loans payable."

(v) 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

Derivatives are disclosed in "Assets, 4) Other financial assets." Other financial liabilities, except for derivatives, are stated at the carrying amount as the fair value approximates the carrying amount because of the short settlement period.

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 ¥399,948 million (U.S. $3,674,984 thousand). The liability amount recognized in the consolidated statement of financial position is ¥10,206 million (U.S. $93,787 thousand) as of March 31, 2020, and the fair value is ¥26,163 million (U.S. $240,403 thousand) (asset).

The amount of financial guarantee contracts classified as contingent liabilities is ¥372,237 million. The liability amount recognized in the consolidated statement of financial position is ¥8,305 million as of March 31,2019, and the fair value is ¥21,538 million (asset).

(c) Financial instruments measured at fair value and the fair value hierarchy

Financial instruments measured at fair value in the consolidated statement of financial position and the breakdown by level of the fair value hierarchy are as follows:

(Millions of yen)

	FY2019 (As of March 31, 2020)			
	Level 1	Level 2	Level 3	Total
Assets				
Assets measured at fair value through profit or loss				
Trade and other receivables	¥–	¥22,719	¥–	¥22,719
Operational investment securities	–	–	48,789	48,789
Investment securities	–	1,193	19,435	20,629
Other financial assets	–	432	–	432
Equity instruments measured at fair value through other comprehensive income				
Investment securities	36,695	3,399	–	40,095
Debt instruments measured at fair value through other comprehensive income				
Trade and other receivables	–	–	3,071	3,071
Total	36,695	27,745	71,297	135,738
Liabilities				
Measured at fair value through profit or loss				
Other financial liabilities	–	7,720	–	7,720
Total	¥–	¥7,720	¥–	¥7,720

(Thousands of U.S. dollars)

	FY2019 (As of March 31, 2020)			
	Level 1	Level 2	Level 3	Total
Assets				
Assets measured at fair value through profit or loss				
Trade and other receivables	$–	$208,764	$–	$208,764
Operational investment securities	–	–	448,309	448,309
Investment securities	–	10,966	178,588	189,555
Other financial assets	–	3,974	–	3,974
Equity instruments measured at fair value through other comprehensive income				
Investment securities	337,184	31,237	–	368,422
Debt instruments measured at fair value through other comprehensive income				
Trade and other receivables	–	–	28,226	28,226
Total	337,184	254,943	655,125	1,247,253
Liabilities				
Measured at fair value through profit or loss				
Other financial liabilities	–	70,944	–	70,944
Total	$–	$70,944	$–	$70,944

(Millions of yen)

	FY2018 (As of March 31, 2019)			
	Level 1	Level 2	Level 3	Total
Assets				
Assets measured at fair value through profit or loss				
Trade and other receivables	¥–	¥24,669	¥–	¥24,669
Operational investment securities	–	–	39,973	39,973
Investment securities	–	1,472	19,050	20,522
Other financial assets	–	0	–	0
Equity instruments measured at fair value through other comprehensive income				
Investment securities	61,237	9,793	–	71,030
Debt instruments measured at fair value through other comprehensive income				
Trade and other receivables	–	–	2,837	2,837
Total	61,237	35,935	61,861	159,034
Liabilities				
Measured at fair value through profit or loss				
Other financial liabilities	–	8,934	–	8,934
Total	¥–	¥8,934	¥–	¥8,934

(d) Transfer between Level 1 and Level 2

Transfers between levels of the fair value hierarchy are recognized on the day when the event or change in circumstances that caused the transfer occurred. The Group did not recognize any material transfers between Level 1 and Level 2 for each fiscal year.

(e) Significant unobservable inputs

Significant unobservable inputs used to measure the fair value of financial instruments classified as Level 3 in the consolidated statement of financial position are as follows:

	FY2019 (As of March 31, 2020)				
	Fair value (Millions of yen)	Fair value (Thousands of U.S. dollars)	Valuation techniques	Unobservable inputs	Range
Measured at fair value through profit or loss					
Operational investment securities	¥48,789	$448,309	Capitalization method	Capitalization rate	3.4% – 6.5%
			Net asset value	–	–
Investment securities	19,435	178,588	Discounted cash flow	WACC	4.68% – 9.05%
			Market prices of comparable companies	PER	8.9 – 24.1
				PBR	0.9 – 2.1
			Net asset value	–	–
Measured at fair value through other comprehensive income					
Trade and other receivables	3,071	28,226	Discounted cash flow	Discount rate	2.97% – 18.10%
Total	¥71,297	$655,125			

	FY2018 (As of March 31, 2019)			
	Fair value (Millions of yen)	Valuation techniques	Unobservable inputs	Range
Measured at fair value through profit or loss				
Operational investment securities	¥39,973	Capitalization method	Capitalization rate	3.4% – 6.6%
		Net asset value	–	–
Investment securities	19,050	Discounted cash flow	WACC	4.18% – 9.06%
		Market prices of comparable companies	PER	10.0 – 26.8
			PBR	1.2 – 2.4
		Net asset value	–	–
Measured at fair value through other comprehensive income				
Trade and other receivables	2,837	Discounted cash flow	Discount rate	2.97% – 15.31%
Total	¥61,861			

(Notes) 1. Operational investment securities are mainly composed of investments in funds for real estate.
2. Investment securities are mainly composed of unlisted stocks and investments in funds for unlisted stocks.

(f) Reconciliation of financial instruments classified as Level 3

The following is the reconciliation of financial assets measured at fair value and classified as Level 3 in the consolidated statement of financial position.

(Millions of yen)

	FY2019 (From April 1, 2019 to March 31, 2020)		
	Financial assets measured at fair value through profit or loss	Financial assets measured at fair value through other comprehensive income	Total
Balance at beginning of period	¥59,024	¥2,837	¥61,861
Total gains and losses	2,528	180	2,708
Profit or loss (Note 1)	2,528	168	2,696
Other comprehensive income (Note 2)	–	11	11
Purchases	22,820	246	23,067
Sales	(16,147)	(192)	(16,340)
Other	–	–	–
Balance at end of period	68,225	3,071	71,297
Changes in unrealized gains or losses recognized in profit or loss on assets held at the end of the reporting period (Note 1)	209	–	209

(Thousands of U.S. dollars)

	FY2019 (From April 1, 2019 to March 31, 2020)		
	Financial assets measured at fair value through profit or loss	Financial assets measured at fair value through other comprehensive income	Total
Balance at beginning of period	$542,351	$26,072	$568,424
Total gains and losses	23,229	1,655	24,885
Profit or loss (Note 1)	23,229	1,548	24,778
Other comprehensive income (Note 2)	–	107	107
Purchases	209,693	2,263	211,957
Sales	(148,377)	(1,765)	(150,142)
Other	–	–	–
Balance at end of period	626,898	28,226	655,125
Changes in unrealized gains or losses recognized in profit or loss on assets held at the end of the reporting period (Note 1)	1,921	–	1,921

(Millions of yen)

	FY2018 (From April 1, 2018 to March 31, 2019)		
	Financial assets measured at fair value through profit or loss	Financial assets measured at fair value through other comprehensive income	Total
Balance at beginning of period	¥55,068	¥2,007	¥57,075
Total gains and losses	1,277	90	1,367
Profit or loss (Note 1)	1,277	88	1,366
Other comprehensive income (Note 2)	–	1	1
Purchases	16,720	1,358	18,078
Sales	(14,041)	(618)	(14,660)
Other	–	–	–
Balance at end of period	59,024	2,837	61,861
Changes in unrealized gains or losses recognized in profit or loss on assets held at the end of the reporting period (Note 1)	(807)	(80)	(887)

(Notes) 1. Amount is included in "Revenue from the payment business," "Revenue from the finance business," "Revenue from the real estate-related business," "Other income," as well as "Impairment losses on financial assets" and "Other expenses" per the consolidated statement of income.

2. Amount is included in "Net change in fair value of debt instruments measured at fair value through other comprehensive income" per the consolidated statement of comprehensive income.

(g) Valuation processes used by the Group (Level 3)

Valuations and procedures to determine the fair value of financial instruments classified as Level 3 are undertaken by the Group's independent administrative division, which is responsible for checking on a regular basis the details of investees' businesses, the availability of their business plans, and comparable listed companies to determine whether or not fair value measurements, including valuation models, are appropriate.

(h) Sensitivity analysis of fair value measurement classified as Level 3

Fair value measurements classified as Level 3 are conducted using valuation techniques based on inputs, such as prices and rates, whose fair values are not observable in the market. The following sensitivity analysis shows the effect on profit or loss and other comprehensive income for changes in unobservable inputs within a reasonably possible range which are used to measure the fair value of financial assets classified as Level 3 in the consolidated statement of financial position. Sensitivity analysis is conducted by taking account of the type of financial instruments and market conditions at the time of analysis. Changes in significant assumptions for each valuation technique are set as follows:

・ Capitalization method: Capitalization rate changes within the range of plus/minus 0.5%

・ Discounted cash flow method: WACC changes within the range of plus/minus 1%

・ Market multiple method: PBR and PER change within the range of plus/minus 0.1 and plus/minus 1.0, respectively

When fair values of operational investment securities, investment securities, and trade and other receivables classified as Level 3 are measured through a valuation technique other than the above using reasonably possible alternative assumptions for unobservable inputs, such fair values would not be included in the table below if the change in fair value is not material.

(Millions of yen)

	FY2019 (As of March 31, 2020)				
	Total fair value	Impact on profit or loss		Impact on other comprehensive income	
		Favorable changes	Unfavorable changes	Favorable changes	Unfavorable changes
Measured at fair value through profit or loss					
Operational investment securities	¥9,099	¥2,833	¥(2,271)	¥–	¥–
Investment securities	7,127	1,263	(917)	–	–
Measured at fair value through other comprehensive income					
Trade and other receivables	–	–	–	–	–

(Thousands of U.S. dollars)

	FY2019 (As of March 31, 2020)				
	Total fair value	Impact on profit or loss		Impact on other comprehensive income	
		Favorable changes	Unfavorable changes	Favorable changes	Unfavorable changes
Measured at fair value through profit or loss					
Operational investment securities	$83,613	$26,039	$(20,870)	$–	$–
Investment securities	65,490	11,606	(8,434)	–	–
Measured at fair value through other comprehensive income					
Trade and other receivables	–	–	–	–	–

(Millions of yen)

	FY2018 (As of March 31, 2019)				
	Total fair value	Impact on profit or loss		Impact on other comprehensive income	
		Favorable changes	Unfavorable changes	Favorable changes	Unfavorable changes
Measured at fair value through profit or loss					
Operational investment securities	¥10,156	¥2,806	¥(2,278)	¥–	¥–
Investment securities	6,141	1,022	(748)	–	–
Measured at fair value through other comprehensive income					
Trade and other receivables	–	–	–	–	–

(i) Financial instruments that are not measured at fair value and the fair value hierarchy

Fair value of financial instruments that are not measured at fair value and the fair value hierarchy by level is as follows. Financial instruments whose fair values approximate carrying amount are not disclosed.

(Millions of yen)

	FY2019 (As of March 31, 2020)				
	Fair value				Total carrying amount
	Level 1	Level 2	Level 3	Total	
Assets					
Trade and other receivables	¥–	¥1,515,560	¥1,106,877	¥2,622,437	¥2,539,617
Total	–	1,515,560	1,106,877	2,622,437	2,539,617
Liabilities					
Financial guarantee liabilities (assets)	–	–	(26,163)	(26,163)	10,206
Bonds and borrowings (assets)	–	2,415,980	–	2,415,980	2,413,565
Total (assets)	¥–	¥2,415,980	¥(26,163)	¥2,389,817	¥2,423,772

(Thousands of U.S. dollars)

	FY2019 (As of March 31, 2020)				
	Fair value				Total carrying amount
	Level 1	Level 2	Level 3	Total	
Assets					
Trade and other receivables	$–	$13,925,942	$10,170,698	$24,096,640	$23,335,638
Total	–	13,925,942	10,170,698	24,096,640	23,335,638
Liabilities					
Financial guarantee liabilities (assets)	–	–	(240,403)	(240,403)	93,787
Bonds and borrowings (assets)	–	22,199,582	–	22,199,582	22,177,393
Total (assets)	$–	$22,199,582	$(240,403)	$21,959,178	$22,271,181

(Millions of yen)

	FY2018 (As of March 31, 2019)				
	Fair value				Total carrying amount
	Level 1	Level 2	Level 3	Total	
Assets					
Trade and other receivables	¥–	¥1,376,128	¥1,075,178	¥2,451,306	¥2,365,689
Total	–	1,376,128	1,075,178	2,451,306	2,365,689
Liabilities					
Financial guarantee liabilities(assets)	–	–	(21,538)	(21,538)	8,305
Bonds and borrowings(assets)	–	2,218,438	–	2,218,438	2,203,818
Total(assets)	¥–	¥2,218,438	¥(21,538)	¥2,196,900	¥2,212,124

(4) Financial risk management

The Group is engaged in the Payment business, Lease business, Finance business, Real estate-related business, and Entertainment business. In conducting these businesses, the Group is exposed to financial risks, including credit risk, liquidity risk, and market risk. The Group conducts risk management to reduce such financial risks.

Additionally, the Group uses derivatives to hedge interest rate fluctuation risks and other risks. It is the Group's policy not to enter into any derivative transactions for speculative purposes. The Group enters into and manages derivative transactions only after obtaining management approval in accordance with internal regulations, which also specify the authority for transactions, trading limit and others.

1) Credit risk management (and impairment loss on financial assets)

(a) Overview of credit 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, 2020, 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. They are exposed to respective issuers' credit risks.

(b) 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 Asset-Liability Management (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.

(c) Changes in allowance for doubtful accounts

Details of allowance for doubtful accounts for FY2019 are as follows:

(Millions of yen)

	FY2019 (From April 1, 2019 to March 31, 2020)	
	Beginning of the year	End of the year
Financial instruments measured at amortized cost		
Trade and other receivables	¥47,359	¥49,035
Other current financial assets	11	132
Financial instruments measured at fair value through other comprehensive income		
Trade and other receivables	229	244
Total	¥47,600	¥49,412

(Thousands of U.S. dollars)

	FY2019 (From April 1, 2019 to March 31, 2020)	
	Beginning of the year	End of the year
Financial instruments measured at amortized cost		
Trade and other receivables	$435,169	$450,569
Other current financial assets	104	1,213
Financial instruments measured at fair value through other comprehensive income		
Trade and other receivables	2,106	2,249
Total	$437,381	$454,032

Details of allowance for doubtful accounts for FY2018 are as follows:

(Millions of yen)

	FY2018 (From April 1, 2018 to March 31, 2019)	
	Beginning of the year	End of the year
Financial instruments measured at amortized cost		
Trade and other receivables	¥48,565	¥47,359
Other current financial assets	8	11
Financial instruments measured at fair value through other comprehensive income		
Trade and other receivables	149	229
Total	¥48,724	¥47,600

Trade and other receivables (financial instruments measured at amortized cost)

(Millions of yen)

	FY2019 (From April 1, 2019 to March 31, 2020)						
	12-month expected credit losses	Lifetime expected credit losses				Purchased or originated credit-impaired financial assets	Total
		Financial assets for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets		Credit-impaired financial assets at the reporting date	Financial assets for which allowance for doubtful accounts is always measured at an amount equal to lifetime expected credit losses		
		Assessment on a collective basis	Assessment on an individual basis				
Allowance for doubtful accounts at beginning of period	¥6,752	¥2,081	¥–	¥35,849	¥402	¥2,274	¥47,359
Changes in allowance for doubtful accounts resulting from addition or collection	304	(97)	–	(13,886)	1,030	8,945	(3,702)
Changes due to change in stages:							
Transfer to lifetime expected credit losses	(62)	1,569	–	(167)	–	–	1,339
Transfer to credit-impaired financial instruments	(110)	(775)	–	19,110	–	–	18,224
Transfer to 12-month expected credit losses	26	(583)	–	–	–	–	(557)
Changes in risk variables	2,168	653	–	1,836	(47)	(1,308)	3,303
Write-off	(45)	–	–	(9,449)	–	(7,436)	(16,931)
Allowance for doubtful accounts at end of period	9,032	2,847	–	33,293	1,386	2,475	49,035

(Thousands of U.S. dollars)

	FY2019 (From April 1, 2019 to March 31, 2020)						
	12-month expected credit losses	Lifetime expected credit losses				Purchased or originated credit-impaired financial assets	Total
		Financial assets for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets		Credit-impaired financial assets at the reporting date	Financial assets for which allowance for doubtful accounts is always measured at an amount equal to lifetime expected credit losses		
		Assessment on a collective basis	Assessment on an individual basis				
Allowance for doubtful accounts at beginning of period	$62,042	$19,122	$–	$329,409	$3,696	$20,898	$435,169
Changes in allowance for doubtful accounts resulting from addition or collection	2,796	(896)	–	(127,597)	9,472	82,201	(34,023)
Changes due to change in stages:							
Transfer to lifetime expected credit losses	(576)	14,421	–	(1,535)	–	–	12,309
Transfer to credit-impaired financial instruments	(1,011)	(7,125)	–	175,598	–	–	167,461
Transfer to 12-month expected credit losses	241	(5,363)	–	–	–	–	(5,122)
Changes in risk variables	19,923	6,008	–	16,875	(432)	(12,021)	30,353
Write-off	(418)	–	–	(86,830)	–	(68,329)	(155,579)
Allowance for doubtful accounts at end of period	82,997	26,167	–	305,919	12,735	22,749	450,569

(Millions of yen)

	FY2018 (From April 1, 2018 to March 31, 2019)						
	12-month expected credit losses	Lifetime expected credit losses				Purchased or originated credit-impaired financial assets	Total
		Financial assets for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets		Credit-impaired financial assets at the reporting date	Financial assets for which allowance for doubtful accounts is always measured at an amount equal to lifetime expected credit losses		
		Assessment on a collective basis	Assessment on an individual basis				
Allowance for doubtful accounts at beginning of period	¥6,797	¥2,218	¥–	¥36,009	¥406	¥3,134	¥48,565
Changes in allowance for doubtful accounts resulting from addition or collection	305	(151)	–	(13,103)	(2)	6,945	(6,005)
Changes due to change in stages:							
Transfer to lifetime expected credit losses	(61)	1,619	–	(236)	–	–	1,321
Transfer to credit-impaired financial instruments	(146)	(810)	–	19,546	–	–	18,589
Transfer to 12-month expected credit losses	34	(772)	–	–	–	–	(737)
Changes in risk variables	(113)	(23)	–	2,418	–	(1,729)	551
Write-off	(62)	–	–	(8,784)	(1)	(6,075)	(14,924)
Allowance for doubtful accounts at end of period	6,752	2,081	–	35,849	402	2,274	47,359

For the fiscal year ended March 31, 2020 and 2019, undiscounted expected credit losses related to purchased or originated credit-impaired financial assets upon initial recognition amounted to

¥13,385 million(U.S. $122,992 thousand) and ¥12,582 million.

Financial guarantee liabilities

(Millions of yen)

	FY2019 (From April 1, 2019 to March 31, 2020)						
	12-month expected credit losses	Lifetime expected credit losses				Financial instruments purchased or originated credit-impaired	Total
		Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets		Credit-impaired financial instruments at the reporting date	Financial instruments for which financial guarantee liabilities are always measured at an amount equal to the lifetime expected credit losses		
		Assessment on a collective basis	Assessment on an individual basis				
Financial guarantee liabilities at beginning of period	¥5,389	¥2,624	¥–	¥291	¥–	¥–	¥8,305
Changes in financial guarantee liabilities resulting from addition or collection	35	(607)	–	(17)	–	–	(589)
Changes due to change in stages:							
Transfer to lifetime expected credit losses	(136)	1,934	–	(10)	–	–	1,787
Transfer to credit-impaired financial instruments	(137)	(848)	–	6,176	–	–	5,189
Transfer to 12-month expected credit losses	36	(468)	–	–	–	–	(431)
Changes in risk variables	1,309	789	–	1,612	–	–	3,710
Write-off	(0)	–	–	(7,763)	–	–	(7,764)
Financial guarantee liabilities at end of period	6,495	3,423	–	287	–	–	10,206

(Thousands of U.S. dollars)

	FY2019 (From April 1, 2019 to March 31, 2020)						
	12-month expected credit losses	Lifetime expected credit losses				Financial instruments purchased or originated credit-impaired	Total
		Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets		Credit-impaired financial instruments at the reporting date	Financial instruments for which financial guarantee liabilities are always measured at an amount equal to the lifetime expected credit losses		
		Assessment on a collective basis	Assessment on an individual basis				
Financial guarantee liabilities at beginning of period	$49,525	$24,112	$–	$2,681	$–	$–	$76,319
Changes in financial guarantee liabilities resulting from addition or collection	323	△5,579	–	(164)	–	–	(5,420)
Changes due to change in stages:							
Transfer to lifetime expected credit losses	(1,257)	17,775	–	(97)	–	–	16,420
Transfer to credit-impaired financial instruments	(1,267)	△7,800	–	56,751	–	–	47,682
Transfer to 12-month expected credit losses	333	△4,301	–	–	–	–	(3,967)
Changes in risk variables	12,029	7,251	–	14,812	–	–	34,094
Write-off	(0)	–	–	(71,340)	–	–	(71,341)
Financial guarantee liabilities at end of period	59,686	31,458	–	2,643	–	–	93,787

(Millions of yen)

	FY2018 (From April 1, 2018 to March 31, 2019)						
		Lifetime expected credit losses					
	12-month expected credit losses	Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets		Credit-impaired financial instruments at the reporting date	Financial instruments for which financial guarantee liabilities are always measured at an amount equal to the lifetime expected credit losses	Financial instruments purchased or originated credit-impaired	Total
		Assessment on a collective basis	Assessment on an individual basis				
Financial guarantee liabilities at beginning of period	¥4,632	¥2,081	¥–	¥331	¥–	¥–	¥7,045
Changes in financial guarantee liabilities resulting from addition or collection	63	(495)	–	(18)	–	–	(450)
Changes due to change in stages:							
Transfer to lifetime expected credit losses	(116)	1,704	–	(13)	–	–	1,575
Transfer to credit-impaired financial instruments	(112)	(730)	–	6,279	–	–	5,436
Transfer to 12-month expected credit losses	25	(340)	–	–	–	–	(315)
Changes in risk variables	897	404	–	1,079	–	–	2,382
Write-off	(0)	–	–	(7,367)	–	–	(7,367)
Financial guarantee liabilities at end of period	5,389	2,624	–	291	–	–	8,305

There is no significant change in the gross carrying amount of trade and other receivables (i.e., financial instruments measured at amortized cost) that could affect the change in allowance for doubtful accounts for the fiscal year ended March 31, 2020 and March 31, 2019.

(d) Modified financial instruments

Contractual cash flows have been modified for certain financial instruments whose estimated credit losses were originally measured at an amount equal to lifetime expected credit losses. The following are amortized costs before modification and modification gain or loss recognized for the financial instruments. There are no financial instruments that have been modified since initial recognition at a time when they were measured at lifetime expected credit losses and for which financial guarantee liabilities were changed to an amount equal to 12-month expected credit losses for the fiscal year ended March 31, 2020.

	Millions of yen		Thousands of U.S. dollars
	FY2019 (As of March 31, 2020)	FY2018 (As of March 31, 2019)	FY2019 (As of March 31, 2020)
Amortized cost before modification	¥22,762	¥19,282	$209,154
Modification gain (loss)	(2,848)	(2,267)	(26,176)

(e) Write-off

The following is the amount of financial assets directly written off for which the Group continues its collecting activities:

	Millions of yen		Thousands of U.S. dollars
	FY2019 (As of March 31, 2020)	FY2018 (As of March 31, 2019)	FY2019 (As of March 31, 2020)
Uncollectible balance	¥1,260	¥1,168	$11,581

(f) Maximum exposure to credit risk before considering collateral and other credit enhancements

(Millions of yen)

	FY2019 (As of March 31, 2020)	
	Financial instruments to which impairment requirements of IFRS 9 are applied	Financial instruments to which impairment requirements of IFRS 9 are not applied
Credit risk related to assets in the consolidated statement of financial position:		
Trade and other receivables		
Measured at amortized cost	¥2,539,617	¥–
Measured at fair value through profit or loss	–	22,719
Debt instruments measured at fair value through other comprehensive income	3,071	–
Other financial assets	13,473	432
Credit risk related to items other than assets in the consolidated statement of financial position:		
Loan commitments	3,918,464	–
Financial guarantee contracts	389,741	–
Total	¥6,864,368	¥23,152

(Thousands of U.S. dollars)

	FY2019 (As of March 31, 2020)	
	Financial instruments to which impairment requirements of IFRS 9 are applied	Financial instruments to which impairment requirements of IFRS 9 are not applied
Credit risk related to assets in the consolidated statement of financial position:		
Trade and other receivables		
Measured at amortized cost	$23,335,638	$–
Measured at fair value through profit or loss	–	208,764
Debt instruments measured at fair value through other comprehensive income	28,226	–
Other financial assets	123,799	3,974
Credit risk related to items other than assets in the consolidated statement of financial position:		
Loan commitments	36,005,372	–
Financial guarantee contracts	3,581,196	–
Total	$63,074,232	$212,739

(Millions of yen)

	FY2018 (As of March 31, 2019)	
	Financial instruments to which impairment requirements of IFRS 9 are applied	Financial instruments to which impairment requirements of IFRS 9 are not applied
Credit risk related to assets in the consolidated statement of financial position:		
Trade and other receivables		
Measured at amortized cost	¥2,365,689	¥–
Measured at fair value through profit or loss	–	24,669
Debt instruments measured at fair value through other comprehensive income	2,837	–
Other financial assets	11,915	0
Credit risk related to items other than assets in the consolidated statement of financial position:		
Loan commitments	3,930,239	–
Financial guarantee contracts	363,931	–
Total	¥6,674,614	¥24,670

(g) Quantitative information about credit-impaired financial instruments as of March 31, 2020 as well as the amount of associated collateral and other credit enhancements held for security purposes

(Millions of yen)

	FY2019 (As of March 31, 2020)		
	Maximum exposure to credit risk	Collateral and other credit enhancements	Net of collateral and other credit enhancements
Trade and other receivables			
Measured at amortized cost	¥69,560	¥19,165	¥50,395
Debt instruments measured at fair value through other comprehensive income	3,071	3,013	58
Other financial assets	–	–	–
Financial guarantee contracts	690	482	207
Total	¥73,323	¥22,661	¥50,662

(Thousands of U.S. dollars)

	FY2019 (As of March 31, 2020)		
	Maximum exposure to credit risk	Collateral and other credit enhancements	Net of collateral and other credit enhancements
Trade and other receivables			
Measured at amortized cost	$639,169	$176,100	$463,069
Debt instruments measured at fair value through other comprehensive income	28,226	27,689	537
Other financial assets	–	–	–
Financial guarantee contracts	6,348	4,437	1,911
Total	$673,745	$208,227	$465,517

(Millions of yen)

	FY2018 (As of March 31, 2019)		
	Maximum exposure to credit risk	Collateral and other credit enhancements	Net of collateral and other credit enhancements
Trade and other receivables			
Measured at amortized cost	¥61,772	¥16,286	¥45,486
Debt instruments measured at fair value through other comprehensive income	2,837	2,771	66
Other financial assets	–	–	–
Financial guarantee contracts	651	429	222
Total	¥65,261	¥19,486	¥45,774

The amount of collateral and other credit enhancements represents fair value of collateralized real estate for purchased receivables.

(h) Quantitative information about maximum exposure to credit risk, collateral held, and other credit enhancements for financial assets to which impairment requirements of IFRS 9 are not applied.

(Millions of yen)

	FY2019 (As of March 31, 2020)		
	Maximum exposure to credit risk	Collateral and other credit enhancements	Net of collateral and other credit enhancements
Trade and other receivables			
Measured at fair value through profit or loss	¥22,719	¥2,906	¥19,812
Operational investment securities/investment securities			
Measured at fair value through profit or loss	69,418	–	69,418
Equity instruments measured at fair value through other comprehensive income	40,095	–	40,095
Other financial assets	432	–	432
Total	¥132,666	¥2,906	¥129,759

(Thousands of U.S. dollars)

	FY2019 (As of March 31, 2020)		
	Maximum exposure to credit risk	Collateral and other credit enhancements	Net of collateral and other credit enhancements
Trade and other receivables			
Measured at fair value through profit or loss	$208,764	$26,710	$182,054
Operational investment securities/investment securities			
Measured at fair value through profit or loss	637,865	–	637,865
Equity instruments measured at fair value through other comprehensive income	368,422	–	368,422
Other financial assets	3,974	–	3,974
Total	$1,219,026	$26,710	$1,192,316

(Millions of yen)

	FY2018 (As of March 31, 2019)		
	Maximum exposure to credit risk	Collateral and other credit enhancements	Net of collateral and other credit enhancements
Trade and other receivables			
Measured at fair value through profit or loss	¥24,669	¥1,307	¥23,362
Operational investment securities/investment securities			
Measured at fair value through profit or loss	60,496	–	60,496
Equity instruments measured at fair value through other comprehensive income	71,030	–	71,030
Other financial assets	0	–	0
Total	¥156,197	¥1,307	¥154,889

The amount of collateral and other credit enhancements represents fair value of collateralized real estate for non-recourse loans.

(i) Analysis of concentration of credit risk

An analysis of concentration of credit risk for each year is as follows.

i) The Group's credit risk exposure related to trade and other receivables, other financial assets, and loan commitments is as follows.

(Millions of yen)

	FY2019 (As of March 31, 2020)						
	Financial instruments to which impairment requirements of IFRS 9 are applied						
		Financial instruments for which allowance for doubtful accounts is measured at an amount equal to lifetime expected credit losses					
	Financial instruments for which allowance for doubtful accounts is measured at an amount equal to 12-month expected credit losses	Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets	Credit-impaired financial instruments at the reporting date	Financial instruments for which allowance for doubtful accounts is always measured at an amount equal to lifetime expected credit losses	Credit-impaired financial instruments purchased or originated	Financial instruments to which impairment requirements of IFRS 9 are not applied	Total
Credit risk related to assets in the consolidated statement of financial position:							
Trade and other receivables							
Payment business							
Normal receivables	¥1,206,826	¥–	¥–	¥101,722	¥–	¥–	¥1,308,548
Delinquent receivables (short- to medium-term)	–	8,630	–	–	–	–	8,630
Delinquent receivables (long-term)	–	–	47,643	1,137	19,904	–	68,684
Subtotal	1,206,826	8,630	47,643	102,859	19,904	–	1,385,864
Lease business							
Normal receivables	311,908	–	–	357	–	–	312,265
Delinquent receivables (short- to medium-term)	–	5,666	–	–	–	–	5,666
Delinquent receivables (long-term)	–	–	7,929	155	–	–	8,085
Subtotal	311,908	5,666	7,929	512	–	–	326,016
Finance business							
Normal receivables	796,980	–	–	–	–	22,719	819,700
Delinquent receivables (short- to medium-term)	–	2,562	–	–	–	–	2,562
Delinquent receivables (long-term)	–	–	5,813	8	4,477	–	10,300
Subtotal	796,980	2,562	5,813	8	4,477	22,719	832,563
Real estate-related business	0	–	34	344	20,789	–	21,168
Other	47,022	–	1,809	0	–	–	48,831
Total	2,362,737	16,859	63,230	103,725	45,171	22,719	2,614,444
Other financial assets	13,605	–	–	–	–	432	14,037
Credit risk related to items other than assets in the consolidated statement of financial position:							
Loan commitments							
Payment business	3,905,981	–	–	–	–	–	3,905,981
Other loan commitments	12,483	–	–	–	–	–	12,483

(Thousands of U.S. dollars)

	FY2019 (As of March 31, 2020)						
	Financial instruments to which impairment requirements of IFRS 9 are applied					Financial instruments to which impairment requirements of IFRS 9 are not applied	Total
	Financial instruments for which allowance for doubtful accounts is measured at an amount equal to 12-month expected credit losses	Financial instruments for which allowance for doubtful accounts is measured at an amount equal to lifetime expected credit losses			Credit-impaired financial instruments purchased or originated		
		Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets	Credit-impaired financial instruments at the reporting date	Financial instruments for which allowance for doubtful accounts is always measured at an amount equal to lifetime expected credit losses			
Credit risk related to assets in the consolidated statement of financial position:							
Trade and other receivables							
Payment business							
Normal receivables	$11,089,094	$–	$–	$934,693	$–	$–	$12,023,788
Delinquent receivables (short- to medium-term)	–	79,301	–	–	–	–	79,301
Delinquent receivables (long-term)	–	–	437,777	10,447	182,895	–	631,120
Subtotal	11,089,094	79,301	437,777	945,141	182,895	–	12,734,211
Lease business							
Normal receivables	2,866,013	–	–	3,282	–	–	2,869,296
Delinquent receivables (short- to medium-term)	–	52,064	–	–	–	–	52,064
Delinquent receivables (long-term)	–	–	72,863	1,428	–	–	74,291
Subtotal	2,866,013	52,064	72,863	4,710	–	–	2,995,651
Finance business							
Normal receivables	7,323,173	–	–	–	–	208,764	7,531,937
Delinquent receivables (short- to medium-term)	–	23,547	–	–	–	–	23,547
Delinquent receivables (long-term)	–	–	53,420	81	41,144	–	94,646
Subtotal	7,323,173	23,547	53,420	81	41,144	208,764	7,650,132
Real estate-related business	3	–	313	3,165	191,022	–	194,505
Other	432,070	–	16,628	0	–	–	448,698
Total	21,710,355	154,914	581,003	953,098	415,062	208,764	24,023,199
Other financial assets	125,013	–	–	–	–	3,974	128,987
Credit risk related to items other than assets in the consolidated statement of financial position:							
Loan commitments							
Payment business	35,890,670	–	–	–	–	–	35,890,670
Other loan commitments	114,701	–	–	–	–	–	114,701

(Millions of yen)

	FY2018 (As of March 31, 2019)						
	Financial instruments to which impairment requirements of IFRS 9 are applied					Financial instruments to which impairment requirements of IFRS 9 are not applied	Total
	Financial instruments for which allowance for doubtful accounts is measured at an amount equal to 12-month expected credit losses	Financial instruments for which allowance for doubtful accounts is measured at an amount equal to lifetime expected credit losses			Credit-impaired financial instruments purchased or originated		
		Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets	Credit-impaired financial instruments at the reporting date	Financial instruments for which allowance for doubtful accounts is always measured at an amount equal to lifetime expected credit losses			
Credit risk related to assets in the consolidated statement of financial position:							
Trade and other receivables							
Payment business							
Normal receivables	¥1,220,932	¥–	¥–	¥111,657	¥–	¥–	¥1,332,590
Delinquent receivables (short- to medium-term)	–	8,117	–	–	–	–	8,117
Delinquent receivables (long-term)	–	–	46,694	1,042	17,235	–	64,972
Subtotal	1,220,932	8,117	46,694	112,699	17,235	–	1,405,680
Lease business							
Normal receivables	291,668	–	–	31	–	–	291,700
Delinquent receivables (short- to medium-term)	–	5,628	–	–	–	–	5,628
Delinquent receivables (long-term)	–	–	8,321	178	–	–	8,500
Subtotal	291,668	5,628	8,321	210	–	–	305,829
Finance business							
Normal receivables	638,266	–	–	–	–	24,669	662,936
Delinquent receivables (short- to medium-term)	–	2,115	–	–	–	–	2,115
Delinquent receivables (long-term)	–	–	6,115	8	4,269	–	10,394
Subtotal	638,266	2,115	6,115	8	4,269	24,669	675,446
Real estate-related business	3	–	34	410	18,243	–	18,691
Other	33,089	–	1,819	0	–	–	34,909
Total	2,183,961	15,861	62,985	113,330	39,749	24,669	2,440,556
Other financial assets	11,927	–	–	–	–	0	11,927
Credit risk related to items other than assets in the consolidated statement of financial position:							
Loan commitments							
Payment business	3,914,114	–	–	–	–	–	3,914,114
Other loan commitments	16,125	–	–	–	–	–	16,125

(Note) Definitions of terms in the table are as follows:

Normal receivables : Non-delinquent receivables

Delinquent receivables (short- to medium-term) : Receivables for which contractual payments are past due more than 30 days but not more than 90 days

Delinquent receivables (long-term) : Receivables for which contractual payments are past due more than 90 days, restructured loans, or other receivables

ii) The Group's credit risk exposure related to financial guarantee contracts is as follows:

(Millions of yen)

	FY2019 (As of March 31, 2020)				
	Financial instruments for which financial guarantee liabilities are measured at an amount equal to 12-month expected credit losses	Financial instruments for which financial guarantee liabilities are measured at an amount equal to lifetime expected credit losses		Credit-impaired financial instruments purchased or originated	Total
		Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets	Credit-impaired financial instruments at the reporting date		
Customers related to retail loans provided by partner financial institutions	¥250,735	¥9,263	¥425	¥–	¥260,424
Customers related to loans with pictures pledged as collateral provided by partner financial institutions	47	–	–	–	47
Customers related to rent guarantee business	47,922	–	–	–	47,922
Borrowings entered into by GFINSERVICES (S) PTE. LTD.	992	–	–	–	992
Customers related to mortgage loans provided by partner financial institutions	84,716	3,166	553	–	88,436
Customers related to housing loans provided by partner financial institutions	2,125	–	–	–	2,125
Total	¥386,539	¥12,430	¥978	¥–	¥399,948

(Thousands of U.S. dollars)

	FY2019 (As of March 31, 2020)				
	Financial instruments for which financial guarantee liabilities are measured at an amount equal to 12-month expected credit losses	Financial instruments for which financial guarantee liabilities are measured at an amount equal to lifetime expected credit losses		Credit-impaired financial instruments purchased or originated	Total
		Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets	Credit-impaired financial instruments at the reporting date		
Customers related to retail loans provided by partner financial institutions	$2,303,914	$85,121	$3,909	$–	$2,392,945
Customers related to loans with pictures pledged as collateral provided by partner financial institutions	433	–	–	–	433
Customers related to rent guarantee business	440,342	–	–	–	440,342
Borrowings entered into by GFINSERVICES (S) PTE. LTD.	9,115	–	–	–	9,115
Customers related to mortgage loans provided by partner financial institutions	778,433	29,096	5,082	–	812,612
Customers related to housing loans provided by partner financial institutions	19,533	–	–	–	19,533
Total	$3,551,773	$114,218	$8,991	$–	$3,674,984

(Millions of yen)

	FY2018 (As of March 31, 2019)				
	Financial instruments for which financial guarantee liabilities are measured at an amount equal to 12-month expected credit losses	Financial instruments for which financial guarantee liabilities are measured at an amount equal to lifetime expected credit losses		Credit-impaired financial instruments purchased or originated	Total
		Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets	Credit-impaired financial instruments at the reporting date		
Customers related to retail loans provided by partner financial institutions	¥263,748	¥9,059	¥450	¥–	¥273,258
Customers related to loans with pictures pledged as collateral provided by partner financial institutions	54	–	–	–	54
Customers related to rent guarantee business	21,566	–	–	–	21,566
Borrowings entered into by GFINSERVICES (S) PTE. LTD.	1,064	–	–	–	1,064
Customers related to mortgage loans provided by partner financial institutions	70,313	2,578	492	–	73,384
Customers related to housing loans provided by partner financial institutions	2,908	–	–	–	2,908
Total	¥359,655	¥11,637	¥943	¥–	¥372,237

(j) Carrying amount of non-financial assets obtained by the Group through exercising its right to collateral or other credit enhancements in FY2018

	Millions of yen		Thousands of U.S. dollars
	FY2019 (As of March 31, 2020)	FY2018 (As of March 31, 2019)	FY2019 (As of March 31, 2020)
Non-financial assets			
Real estate for sales	¥726	¥5,313	$6,673
Total	¥726	¥5,313	$6,673

2) Liquidity risk

(a) Overview of liquidity risk

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.

(b) Liquidity risk management

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.

(c) Maturity analysis for financial liabilities

Operating lease obligations are stated in Note "42. Leases."
The Group could be required to provide guarantees or execute commitments for the maximum exposure amount within one year under financial guarantee contracts and loan commitments. The details of maximum exposure are stated in Note "1) Credit risk management (and impairment loss on financial assets)."
Derivatives are stated in the net amount of assets and liabilities.

(Millions of yen)

	FY2019 (As of March 31, 2020)							
	Carrying amount	Total	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Non-derivative liabilities								
Trade and other payables	¥230,927	¥230,927	¥230,927	¥–	¥–	¥–	¥–	¥–
Bonds and borrowings								
Bonds payable	465,306	479,155	75,147	66,730	56,581	56,373	60,895	163,427
Borrowings	1,377,002	1,397,128	402,012	118,218	131,035	111,496	148,719	485,645
Commercial papers	550,000	550,010	550,010	–	–	–	–	–
Lease liabilities	21,256	21,332	4,374	3,522	2,600	2,315	1,995	6,524
Other financial liabilities	18,898	18,898	18,230	16	72	253	–	324
Derivatives								
Cash flow hedges	7,556	8,231	1,814	1,569	1,398	1,109	812	1,526
Total	¥2,670,948	¥2,705,683	¥1,282,517	¥190,058	¥191,687	¥171,548	¥212,422	¥657,448

(Thousands of U.S. dollars)

	FY2019 (As of March 31, 2020)							
	Carrying amount	Total	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Non-derivative liabilities								
Trade and other payables	$2,121,908	$2,121,908	$2,121,908	$–	$–	$–	$–	$–
Bonds and borrowings								
Bonds payable	4,275,538	4,402,789	690,507	613,163	519,902	517,996	559,543	1,501,674
Borrowings	12,652,784	12,837,713	3,693,947	1,086,271	1,204,037	1,024,500	1,366,530	4,462,424
Commercial papers	5,053,753	5,053,847	5,053,847	–	–	–	–	–
Lease liabilities	195,317	196,013	40,194	32,366	23,891	21,279	18,334	59,946
Other financial liabilities	173,655	173,655	167,517	155	669	2,326	–	2,985
Derivatives								
Cash flow hedges	69,430	75,633	16,668	14,425	12,847	10,198	7,467	14,024
Total	$24,542,387	$24,861,561	$11,784,593	$1,746,383	$1,761,349	$1,576,301	$1,951,876	$6,041,057

(Millions of yen)

	FY2018 (As of March 31, 2019)							
	Carrying amount	Total	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Non-derivative liabilities								
Trade and other payables	¥314,729	¥314,729	¥314,729	¥–	¥–	¥–	¥–	¥–
Bonds and borrowings								
Bonds payable	413,401	425,669	30,067	76,651	66,447	56,297	56,089	140,114
Borrowings	1,279,417	1,297,352	333,593	125,626	100,584	130,262	110,519	496,766
Commercial papers	511,000	511,008	511,008	–	–	–	–	–
Other financial liabilities	19,507	19,507	19,193	74	6	45	–	186
Derivatives								
Cash flow hedges	8,933	10,150	2,050	1,797	1,559	1,388	1,099	2,255
Total	¥2,546,989	¥2,578,417	¥1,210,641	¥204,150	¥168,598	¥187,994	¥167,708	¥639,322

(d) Loan commitment (as a lessee)

The Group 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
	FY2019 (As of March 31, 2020)	FY2018 (As of March 31, 2019)	FY2019 (As of March 31, 2020)
Total amount of commitments	¥225,000	¥225,000	$2,067,444
Borrowings made under the commitment	–	–	–
Net amount	¥225,000	¥225,000	$2,067,444

3) Market risks

(a) Overview of market risks

(i) Interest rate risk

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. The Group also has financial assets that accrue interest income, including revolving payment receivables, receivables from credit card cash advance, and finance-related receivables.

As the Group is significantly affected by interest rate fluctuations, the Group mitigates interest rate risks by promoting the use of 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.

(ii) Price fluctuation risks

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 investments are exposed to fluctuation risks in stock prices and issuers' creditworthiness.

(b) Market risk management

(i) Interest rate risks

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 monitors 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

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.

(c) Status of market risks

(i) Interest rate risk

Financial instruments affected by interest rate risks, 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 are 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, 2020, rises by one basis point (0.01%), profit before tax for the fiscal year ended March 31, 2020, will decrease by ¥17 million (U.S. $158 thousand) (¥23 million for the fiscal year ended March 31, 2019), and conversely, when the benchmark interest rate falls by one basis point (0.01%), profit before tax for the fiscal year ended March 31, 2020, will increase by ¥17 million (U.S. $158 thousand) (¥ 23 million for the fiscal year ended March 31, 2019). 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.

(ii) Price fluctuation risks

Marketable equity instruments held by the Group are exposed to price (stock price) fluctuation risk.

When stock prices of marketable equity instruments as of March 31, 2020, rise by 1%, accumulated other comprehensive income (net of tax) increases by ¥406 million (U.S. $3,733 thousand) for the fiscal year ended March 31, 2020 (¥698 million for the fiscal year ended March 31, 2019). Conversely, when stock prices of marketable equity instruments fall by 1%, accumulated other comprehensive income (net of tax) decreases by ¥406 million (U.S. $3,733 thousand) for the fiscal year ended March 31, 2020 (¥698 million for the fiscal year ended March 31, 2019). The effect assumes that risk variables other than stock prices remain constant and that there are no correlations between stock prices and other risk variables. When actual stock prices go beyond the reasonably estimated range, it could have a greater impact on profit or loss compared to the estimated amount.

(5) Derivatives and hedge accounting

1) Risk management policies

The Group uses derivatives to hedge interest rate risks and other risks. Derivative transactions entered into by the Group are limited to those backed by actual demand, and no derivative transactions are entered into for speculative purposes. When a natural hedge is unavailable against market risks, the Group designates derivative transactions as hedges based on risk management policies and applies hedge accounting.
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.
The Group only applies cash flow hedges for hedge accounting.

Cash flow hedges
The Group applies cash flow hedges by entering into interest rate swap contracts with floating-rate receipt/fixed-rate payment to avoid risks arising from changes in future cash flows of bonds and borrowings with floating rates.
The hedge ratio is 1:1 since the Group uses the interest rate swap as a hedging instrument in a cash flow hedge to hedge borrowings (hedged item) by the same amount.

2) Nominal amount of major derivative contracts subject to hedge designation

(Millions of yen)

	FY2019 (As of March 31, 2020)					
	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Interest rate swaps						
Nominal amount of hedging instrument	¥53,500	¥33,600	¥54,070	¥51,000	¥72,950	¥210,570
Average rate	0.73%	0.44%	0.40%	0.48%	0.51%	0.34%

(Thousands of U.S. dollars)

	FY2019 (As of March 31, 2020)					
	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Interest rate swaps						
Nominal amount of hedging instrument	$491,592	$308,738	$496,829	$468,620	$670,311	$1,934,852
Average rate	0.73%	0.44%	0.40%	0.48%	0.51%	0.34%

(Millions of yen)

	FY2018 (As of March 31, 2019)					
	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Interest rate swaps						
Nominal amount of hedging instrument	¥25,800	¥53,800	¥33,900	¥54,370	¥51,300	¥240,920
Average rate	0.64%	0.73%	0.44%	0.40%	0.48%	0.43%

Hedge ineffectiveness arises since terms of the hedged items and hedging instruments do not always match perfectly (e.g., difference in interest payment dates).

3) Hedging instruments

(Millions of yen)

	FY2019 (As of March 31, 2020)					
	Notional amount of hedging instruments	Carrying amount of hedging instruments		Line item including hedging instruments on the consolidated statement of financial position	Changes in fair value of hedging instruments used to calculate the ineffective portion of hedge	
		Assets	Liabilities		Assets	Liabilities
Cash flow hedges Interest rate fluctuation risk						
Interest rate swaps	¥475,690	¥164	¥7,720	Other financial assets or other financial liabilities	¥164	¥7,720

(Thousands of U.S. dollars)

	FY2019 (As of March 31, 2020)					
	Notional amount of hedging instruments	Carrying amount of hedging instruments		Line item including hedging instruments on the consolidated statement of financial position	Changes in fair value of hedging instruments used to calculate the ineffective portion of hedge	
		Assets	Liabilities		Assets	Liabilities
Cash flow hedges Interest rate fluctuation risk						
Interest rate swaps	$4,370,945	$1,514	$70,945	Other financial assets or other financial liabilities	$1,514	$70,944

(Millions of yen)

	FY2018 (As of March 31, 2019)					
	Notional amount of hedging instruments	Carrying amount of hedging instruments		Line item including hedging instruments on the consolidated statement of financial position	Changes in fair value of hedging instruments used to calculate the ineffective portion of hedge	
		Assets	Liabilities		Assets	Liabilities
Cash flow hedges Interest rate fluctuation risk						
Interest rate swaps	¥460,090	¥0	¥8,934	Other financial assets or other financial liabilities	¥0	¥8,934

4) Hedged items

(Millions of yen)

	FY2019 (As of March 31, 2020)		
	Changes in fair value of hedged items used to calculate the ineffective portion of hedge	Balance of the effective portion of cash flow hedges (for continuing hedge that is accounted for in accordance with IFRS 9 (2014).6.5.11)	Balances remaining in the effective portion of the cash flow hedge arising from any hedging relationships for which the hedge accounting is no longer applied
Cash flow hedges Interest rate fluctuation risk Bonds and borrowings	¥7,684	¥7,556	¥–

(Thousands of U.S. dollars)

	FY2019 (As of March 31, 2020)		
	Changes in fair value of hedged items used to calculate the ineffective portion of hedge	Balance of the effective portion of cash flow hedges (for continuing hedge that is accounted for in accordance with IFRS 9 (2014).6.5.11)	Balances remaining in the effective portion of the cash flow hedge arising from any hedging relationships for which the hedge accounting is no longer applied
Cash flow hedges Interest rate fluctuation risk Bonds and borrowings	$70,612	$69,430	$–

(Millions of yen)

	FY2018 (As of March 31, 2019)		
	Changes in fair value of hedged items used to calculate the ineffective portion of hedge	Balance of the effective portion of cash flow hedges (for continuing hedge that is accounted for in accordance with IFRS 9 (2014).6.5.11)	Balances remaining in the effective portion of the cash flow hedge arising from any hedging relationships for which the hedge accounting is no longer applied
Cash flow hedges Interest rate fluctuation risk Bonds and borrowings	¥9,028	¥8,933	¥–

5) Effect on the consolidated statement of income and the consolidated statement of comprehensive income as a result of applying hedge accounting

(Millions of yen)

	FY2019 (As of March 31, 2020)					
	Changes in value of hedging instruments recognized in other comprehensive income	Ineffective portion recognized in profit or loss	Line item in profit or loss (including ineffective portion of hedge)	Amount reclassified from net change in fair value of cash flow hedges to profit or loss		Line item for which profit or loss was affected upon reclassification
				Amounts for which hedge accounting had previously been used, but the hedged future cash flows are no longer expected to occur	Amounts that have been reclassified because the hedged item has affected profit or loss	
Cash flow hedges Interest rate fluctuation risk Bonds and borrowings	¥(665)	¥–	¥–	¥–	¥2,043	Finance costs

(Thousands of U.S. dollars)

	FY2019 (As of March 31, 2020)					
	Changes in value of hedging instruments recognized in other comprehensive income	Ineffective portion recognized in profit or loss	Line item in profit or loss (including ineffective portion of hedge)	Amount reclassified from net change in fair value of cash flow hedges to profit or loss		Line item for which profit or loss was affected upon reclassification
				Amounts for which hedge accounting had previously been used, but the hedged future cash flows are no longer expected to occur	Amounts that have been reclassified because the hedged item has affected profit or loss	
Cash flow hedges Interest rate fluctuation risk Bonds and borrowings	$(6,118)	$–	$–	$–	$18,777	Finance costs

(Millions of yen)

	FY2018 (As of March 31, 2019)					
	Changes in value of hedging instruments recognized in other comprehensive income	Ineffective portion recognized in profit or loss	Line item in profit or loss (including ineffective portion of hedge)	Amount reclassified from net change in fair value of cash flow hedges to profit or loss		Line item for which profit or loss was affected upon reclassification
				Amounts for which hedge accounting had previously been used, but the hedged future cash flows are no longer expected to occur	Amounts that have been reclassified because the hedged item has affected profit or loss	
Cash flow hedges Interest rate fluctuation risk Bonds and borrowings	¥(4,246)	¥–	¥–	¥–	¥2,025	Finance costs

6) Changes in amounts recognized in other comprehensive income

	Millions of yen		Thousands of U.S. dollars
	FY2019 (From April 1, 2019 to March 31, 2020)	FY2018 (From April 1, 2018 to March 31, 2019)	FY2019 (From April 1, 2019 to March 31, 2020
	Interest rate fluctuation risk		
Beginning of the year	¥(8,933)	¥(6,713)	$(82,088)
Amount occurring during the period	(665)	(4,246)	(6,118)
Amount reclassified to profit or loss	2,043	2,025	18,777
End of the year	(7,556)	(8,933)	(69,430)

40. CAPITAL MANAGEMENT

The basic policy for capital management of the Group is to ensure financial soundness by maintaining an appropriate equity level and a debt/equity structure that is commensurate with operating risks.
The Group monitors the ratio of equity attributable to owners of parent to total assets as a key metric for capital management purposes. The ratios of equity attributable to owners of parent to total assets as of March 31, 2020 and 2019 are 14.44%, and 15.28%, respectively.
The Group is not subject to any significant capital restrictions.

41. CURRENT AND NON-CURRENT CLASSIFICATIONS

The classification of current and non-current assets and liabilities to be collected or settled is as follows:

(Millions of yen)

	FY2019 (As of March 31, 2020)		
	Within one year	Over one year	Total
Assets			
Cash and cash equivalents	¥109,761	¥–	¥109,761
Trade and other receivables	1,256,631	1,308,777	2,565,409
Inventories	31,409	103,971	135,380
Operational investment securities	–	48,789	48,789
Investment securities	–	60,724	60,724
Other financial assets	7,732	6,173	13,905
Property, plant and equipment	–	29,414	29,414
Right-of-use assets	–	17,565	17,565
Intangible assets	–	181,058	181,058
Investment property	–	61,508	61,508
Investments accounted for using equity method	–	77,198	77,198
Deferred tax assets	–	47,910	47,910
Other assets	6,344	2,257	8,601
Total assets	1,411,879	1,945,350	3,357,229
Liabilities			
Trade and other payables	230,927	–	230,927
Financial guarantee liabilities	10,206	–	10,206
Bonds and borrowings	1,030,917	1,382,648	2,413,565
Other financial liabilities	16,852	9,767	26,619
Income taxes payable	9,364	–	9,364
Provision for point card certificates	12,050	97,888	109,938
Provision for loss on interest repayments	6,818	16,079	22,897
Other provisions	567	986	1,554
Deferred tax liabilities	–	903	903
Other liabilities	43,129	2,645	45,775
Total liabilities	¥1,360,834	¥1,510,919	¥2,871,753

(Thousands of U.S. dollars)

	FY2019 (As of March 31, 2020)		
	Within one year	Over one year	Total
Assets			
Cash and cash equivalents	$1,008,558	$–	$1,008,558
Trade and other receivables	11,546,742	12,025,887	23,572,629
Inventories	288,608	955,354	1,243,962
Operational investment securities	–	448,309	448,309
Investment securities	–	557,977	557,977
Other financial assets	71,048	56,725	127,773
Property, plant and equipment	–	270,279	270,279
Intangible assets	–	161,403	161,403
Right-of-use assets	–	1,663,680	1,663,680
Investment property	–	565,183	565,183
Investments accounted for using equity method	–	709,351	709,351
Deferred tax assets	–	440,232	440,232
Other assets	58,298	20,741	79,039
Total assets	12,973,255	17,875,127	30,848,383
Liabilities			
Trade and other payables	2,121,908	–	2,121,908
Financial guarantee liabilities	93,787	–	93,787
Bonds and borrowings	9,472,729	12,704,663	22,177,393
Other financial liabilities	154,848	89,751	244,600
Income taxes payable	86,044	–	86,044
Provision for point card certificates	110,728	899,457	1,010,186
Provision for loss on interest repayments	62,649	147,747	210,396
Other provisions	5,218	9,065	14,284
Deferred tax liabilities	–	8,299	8,299
Other liabilities	396,303	24,310	420,614
Total liabilities	$12,504,220	$13,883,295	$26,387,515

(Millions of yen)

	FY2018 (As of March 31, 2019)		
	Within one year	Over one year	Total
Assets			
Cash and cash equivalents	¥82,642	¥–	¥82,642
Trade and other receivables	1,251,738	1,141,458	2,393,197
Inventories	2,628	148,757	151,385
Operational investment securities	–	39,973	39,973
Investment securities	–	91,553	91,553
Other financial assets	5,568	6,347	11,916
Property, plant and equipment	–	29,341	29,341
Intangible assets	–	219,972	219,972
Investment property	–	56,683	56,683
Investments accounted for using equity method	–	92,752	92,752
Deferred tax assets	–	32,148	32,148
Other assets	9,781	1,116	10,897
Total assets	1,352,360	1,860,105	3,212,465
Liabilities			
Trade and other payables	314,729	–	314,729
Financial guarantee liabilities	8,305	–	8,305
Bonds and borrowings	873,170	1,330,648	2,203,818
Other financial liabilities	17,737	10,703	28,441
Income taxes payable	3,120	–	3,120
Provision for point card certificates	11,697	93,266	104,963
Provision for loss on interest repayments	5,937	11,824	17,762
Other provisions	541	988	1,530
Deferred tax liabilities	–	1,025	1,025
Other liabilities	35,866	1,159	37,026
Total liabilities	¥1,271,106	¥1,449,617	¥2,720,724

42. LEASES

(1) Lessee

1) Finance lease

The Group mainly leases buildings, land and other real estate. The real estate is mainly used as stores and offices, and the contract terms range from 1 year (buildings) to 60 years (land).
The comparative information for the year ended March 31, 2019 is disclosed in accordance with IAS 17 "Leases".

FY2019 (As of March 31, 2020)

The following is the breakdown of profit and loss related to leases.

	Millions of yen	Thousands of U.S. dollars
	FY2019 (From April 1, 2019 to March 31, 2020)	FY2019 (From April 1, 2019 to March 31, 2020
Depreciation charge for right-of-use assets		
Buildings	¥ 3,638	$33,432
Other	652	5,992
Total	4,290	39,424
Interest expense on lease liabilities	137	1,261
Total cash outflow for leases	¥4,901	$45,041

The following is the breakdown of carrying amount of right-of-use assets.

	Millions of yen		Thousands of U.S. dollars	
	As of April 1, 2019	FY2019 (As of March 31, 2020)	As of April 1, 2019	FY2019 (As of March 31, 2020)
Right-of-use assets				
Buildings	¥13,970	¥13,494	$128,366	$123,991
Other	4,508	4,071	41,426	37,411
Total	¥18,478	¥17,565	$169,792	$161,403

The amount of increase in right-of-use assets is ¥3,388 million (U.S. $31,132 thousand) for FY2019.
For a maturity analysis of lease liabilities, please refer to Note "39. Financial Instruments, (4) Financial risk management, 1) Liquidity risk."

FY2018 (As of March 31, 2019)

1) Finance lease

The following is the breakdown of the future minimum lease payments by year under finance leases and components of present value.

(Millions of yen)

	FY2018 (As of March 31, 2019)	
	Future minimum lease payments	Present value
Due within one year	¥486	¥457
Due after one year through five years	1,175	1,111
Due after five years	16	15
Total	1,679	1,584
Less: Amount equivalent to interest	(94)	
Finance lease obligations (present value of future minimum lease payments)	1,584	

2) Operating lease

The Group leases real estate as well as equipment and others under operating leases.
The following is the breakdown of the future minimum lease payments by year of payment under non-cancellable operating leases.

(Millions of yen)

	Future minimum lease payments
	FY2018 (As of March 31, 2019)
Due within one year	¥233
Due after one year through five years	707
Due after five years	1,586
Total	¥2,526

Lease payments under operating leases for FY2018 were ¥189 million.

(2) Lessor

The Group rents office automation (OA) equipment, cooking equipment, air-conditioning equipment, and others.
The comparative information for the year ended March 31, 2019 is in accordance with IAS 17 "Leases"

FY2019 (As of March 31, 2020)

1) Finance lease

Finance income on the net investment in the lease for FY2019 was ¥10,792 million (U.S. $99,166 thousand).

The maturity analysis of the lease payments receivable (undiscounted) under finance leases is as follows.

	Millions of yen	Thousands of U.S. dollars
	FY2019 (As of to March 31, 2020)	FY2019 (As of March 31, 2020
Due within one year	¥75,418	$692,995
Due after one year through two years	66,967	615,337
Due after two year through three years	56,059	515,107
Due after three year through four years	42,265	388,362
Due after four year through five years	26,296	241,633
Due after five years	14,822	136,200
Total	281,830	2,589,636
Interest expense on lease liabilities	23,788	218,584
Total cash outflow for leases	258,041	2,371,051

2) Operating lease

Revenue from the real estate-related business for FY2019 was ¥4,644 million (U.S. $42,678 thousand).

The maturity analysis of the lease payments receivable (undiscounted) under operating lease is as follows.

	Millions of yen	Thousands of U.S. dollars
	FY2019 (As of March 31, 2020)	FY2019 (As of March 31, 2020
Due within one year	¥1,440	$13,235
Due after one year through two years	1,365	12,551
Due after two year through three years	1,126	10,349
Due after three year through four years	891	8,193
Due after four year through five years	179	1,649
Due after five years	2,223	20,434
Total	7,227	66,413

FY2018 (As of March 31, 2019)

1) Finance lease

The following is the breakdown of the future minimum lease payments by year of payment under finance leases and components of present value.

(Millions of yen)

	FY2018 (As of March 31, 2019)	
	Future minimum lease payments to be received	Present value
Due within one year	¥70,653	¥61,615
Due after one year through five years	179,784	165,866
Due after five years	13,971	13,609
Total	264,409	241,091
Less: Unearned finance income	(23,318)	
Present value of total future minimum lease payments to be received	241,091	

Allowance for doubtful accounts on the uncollectible amount of total minimum lease payments to be received as of March 31, 2019, was ¥5,492 million.

2) Operating lease

The following is the breakdown of the future minimum lease to be received by year of payment under non-cancellable operating leases.

(Millions of yen)

	Future minimum lease payments to be received
	FY2018 (As of March 31, 2019)
Due within one year	¥1,821
Due after one year through five years	2,183
Due after five years	2,416
Total	¥6,422

43. RELATED PARTIES

(1) Related party transactions

Related party transactions are as follows:
FY2019 (From April 1, 2019 to March 31, 2020)

(Millions of yen)

Type of related party	Name	Transaction	Transaction amount	Account name	Outstanding balance	Allowance for doubtful accounts on the outstanding balance
Associate	Seven CS Card Service Co., Ltd.	Settlement with affiliated stores and collection of accounts receivable – installment (Note1)	¥720,706	Trade and other receivables	¥36,330	¥0
Associate	UC Card Co., Ltd.	Proceeds from sale of shares of subsidiaries and associates (Note2)	20,370	–	–	–

(Thousands of U.S. dollars)

Type of related party	Name	Transaction	Transaction amount	Account name	Outstanding balance	Allowance for doubtful accounts on the outstanding balance
Associate	Seven CS Card Service Co., Ltd.	Settlement with affiliated stores and collection of accounts receivable – installment (Note1)	$ 6,622,312	Trade and other receivables	$333,830	$3
Associate	UC Card Co., Ltd.	Proceeds from sale of shares of subsidiaries and associates (Note2)	187,176	–	–	–

(Note) 1. Fees for settlement with affiliated stores and collection of accounts receivable - installment are determined based on quoted market prices and other factors.
2. The sale price of the shares was determined by taking into account the net assets of UC Card Co., Ltd.

FY2018 (From April 1, 2018 to March 31, 2019)

(Millions of yen)

Type of related party	Name	Transaction	Transaction amount	Account name	Outstanding balance	Allowance for doubtful accounts on the outstanding balance
Associate	Seven CS Card Service Co., Ltd.	Settlement with affiliated stores and collection of accounts receivable – installment (Note)	¥726,690	Trade and other receivables	¥43,186	¥0
Associate	UC Card Co., Ltd.	Settlement with affiliated stores and collection of accounts receivable – installment (Note)	1,203,390	Trade and other payables	72,253	–
				Other assets	6,444	0

(Note) Fees for settlement with affiliated stores and collection of accounts receivable - installment are determined based on quoted market prices and other factors.

(2) Compensation for management personnel

The remuneration for key management personnel is as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2019 (From April 1, 2019 to March 31, 2020)	FY2018 (From April 1, 2018 to March 31, 2019)	FY2019 (From April 1, 2019 to March 31, 2020)
Remuneration for key management personnel	¥492	¥521	$4,527

44. COMMITMENTS

The commitments of expenditure after the reporting date are as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2019 (As of March 31, 2020)	FY2018 (As of March 31, 2019)	FY2019 (As of March 31, 2020)
Contractual commitments for acquisition of intangible assets	¥2,330	¥–	$ 21,415

The Company and some of its consolidated subsidiaries 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
	FY2019 (As of March 31, 2020)	FY2018 (As of March 31, 2019)	FY2019 (As of March 31, 2020)
Total loan commitments	¥4,146,531	¥4,153,470	$38,100,995
Balance of loans taken out	228,066	223,230	2,095,623
Net loan commitments	3,918,464	3,930,239	36,005,372

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 the loan commitments will be taken out.

45. CONTINGENCIES

Debt guarantee

For debt guarantee, please refer to Note "39. Financial Instruments, (4) Financial risk management, 1) Credit risk management (and impairment loss on financial assets), (i) Analysis of concentration of credit risk."

46. INVOLVEMENT WITH SUBSIDIARIES

(1) Composition of the Group

Name	Address	Capital stock (Millions of yen)	Description of major businesses	Percentage of voting rights held by the Company (%)	Relationship with the Company
(Consolidated subsidiaries)					
Saison Fundex Corporation	Toshima-ku, Tokyo	¥4,500	Payment business and finance business	100.0 (–)	The Company provides credit card settlement agency services and lending services through the Company's automated teller machines (ATM) on behalf of this subsidiary. It also has extended loans to this subsidiary. Concurrent positions/offices held by directors: Yes
Concerto Inc.	Toshima-ku, Tokyo	2,216	Real estate-related business and entertainment business	100.0 (–)	The Company leases office equipment to this subsidiary and rents office buildings from this subsidiary. The Company also makes advance payments for this subsidiary based on the card membership agreement. Concurrent positions/offices held by directors: Yes
JPN COLLECTION SERVICE CO., LTD.	Asaka-shi, Saitama	1,053	Payment business	100.0 (100.0)	The Company outsources part of its debt collection activities to this subsidiary. The Company also rents office equipment to this subsidiary. Concurrent positions/offices held by directors: Yes
Atrium Servicing Co., Ltd.	Chiyoda-ku, Tokyo	500	Real estate-related business	100.0 (100.0)	–
Qubitous Co., Ltd. (Note 5)	Toshima-ku, Tokyo	100	Payment business	100.0 (–)	The Company outsources card service operations to this subsidiary. Concurrent positions/offices held by directors: Yes
Worknet Co., Ltd.	Toshima-ku, Tokyo	100	Payment business	100.0 (100.0)	–
Saison Personalplus Co., Ltd.	Toshima-ku, Tokyo	82	Payment business	100.0 (–)	The Company receives personnel placement services from this subsidiary. Concurrent positions/offices held by directors: Yes
Atrium Co., Ltd.	Chiyoda-ku, Tokyo	50	Real estate-related business	100.0 (–)	This subsidiary provides guarantee for the Company's real estate mortgage loan customers. The Company also rents office equipment and has extended loans to this subsidiary. Concurrent positions/offices held by directors: Yes
JBM Consultant Co., Ltd.	Kita-ku,Osaka-shi, Osaka	10	Payment business	100.0 (100.0)	–
Hayabusa Trust Co., Ltd.	Chiyoda-ku, Tokyo	10	Real estate-related business	100.0 (100.0)	–
Phoenix One Co., Ltd.	Chiyoda-ku, Tokyo	1	Real estate-related business	100.0 (100.0)	–
Ell Blue LLC	Chiyoda-ku, Tokyo	0	Real estate-related business	– (100.0)	–
PT. Saison Modern Finance	Jakarta, Indonesia	IDR 166.6 billion	Payment business	82.0 (–)	The Company has extended loans to this subsidiary.
22 other consolidated subsidiaries					

Name	Address	Capital stock (Millions of yen)	Description of major businesses	Percentage of voting rights held by the Company (%)	Relationship with the Company
(Companies accounted for using equity method)					
Idemitsu Credit Co., Ltd.	Sumida-ku, Tokyo	1,950	Payment business	50.0 (–)	This company outsources card services to the Company. Concurrent positions/offices held by directors: Yes
Saison Information Systems, Co., Ltd. (Note 3)	Minato-ku, Tokyo	1,367	Payment business	46.8 (–)	The Company outsources its system development and information processing to this company.
Resona Card Co., Ltd.	Koto-ku, Tokyo	1,000	Payment business	22.4 (–)	This company outsources card services to the Company.
Eplus Inc.	Shibuya-ku, Tokyo	972	Entertainment business	50.0 (–)	The Company makes advance payments for this company based on the card membership agreement. Concurrent positions/offices held by directors: Yes
Seven CS Card Service Co., Ltd.	Chiyoda-ku, Tokyo	100	Payment business	49.0 (–)	This company outsources card services to the Company. Concurrent positions/offices held by directors: Yes
Takashimaya Financial Partners co.,Ltd. (Note 6)	Chuo-ku, Tokyo	100	Payment business	30.5 (–)	This company outsources card services to the Company.
Daiwa House Financial Co., Ltd.	Chuo-ku, Osaka-shi, Osaka	100	Payment business	30.0 (–)	This company outsources card services to the Company. Concurrent positions/offices held by directors: Yes
Shizugin Saison Card Co., Ltd.	Suruga-ku, Shizuoka-shi, Shizuoka	50	Payment business	50.0 (–)	This company outsources card services to the Company. Concurrent positions/offices held by directors: Yes
HD SAISON Finance Company Limited	Ho Chi Minh City, Vietnam	VND 2,000.0 billion	Payment business	49.0 (–)	Concurrent positions/offices held by directors: Yes
22 other companies accounted for using equity method					

(Notes)
1. The names of the businesses in the "Description of major businesses" column represents the names of the reportable segments described in Note "7. Operating Segments."
2. Figures in brackets in the "Percentage of voting rights owned by the Company" column represent the percentage of voting rights indirectly held by the Company.
3. This company files a Securities Report.
4. This company transferred its UC CARD stock to UC CARD. As a result, UC CARD ceased to be a company accounted for using equity method of the Company from the third quarter of the fiscal year ended March 31, 2020.
5. 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., a consolidated subsidiary of the Company. The effective date of merger was April 1, 2020.
6. Takashimaya Credit Co., Ltd. merged with Takashimaya Insurance Co., Ltd. on March 1 2020. The company name has been changed to Takashimaya Financial Partners co., Ltd.
7. There is no company that falls under a specified subsidiary.

(2) Termination of the comprehensive business alliance with Mizuho Bank

The comprehensive business alliance agreement implemented under the Basic Agreement for Comprehensive Business Alliance executed by and among Mizuho Bank, Ltd. ("Mizuho Bank"), UC CARD Co., Ltd. ("UC CARD"), Qubitous Co., Ltd. ("Qubitous"), and the Company on December 24, 2004 (as amended) was terminated on October 1,2019, and the following accounting treatments were performed.

(a) Company split of Qubitous

1) Overview of transactions

Qubitous, the joint processing company for the Company and Mizuho Bank, transferred its outsourced processing services from UC CARD to UC CARD and carried out a company split.

2) Overview of company split

(i) Description of businesses subject to the company split

Outsourced processing services from UC CARD

(ii) Assets and liabilities succeeded upon the company split as of September 30,2019

(Millions of yen)

Assets		Liabilities	
Items	Amount	Items	Amount
Other financial assets	¥124	Trade and other payables	¥699
Property, plant and equipment	59	Other liabilities	619
Intangible assets	26,029		
Other assets	335		
Total	¥26,547	Total	¥1,319

(Thousands of U.S. dollars)

Assets		Liabilities	
Items	Amount	Items	Amount
Other financial assets	$ 1,140	Trade and other payables	$ 6,427
Property, plant and equipment	544	Other liabilities	5,693
Intangible assets	239,175		
Other assets	3,079		
Total	$ 243,939	Total	$ 12,120

（Note）There were no cash and cash equivalents.

3) Effective date of the company split

October 1, 2019

4) Overview of the successor company（as of March 31,2019）

Trade name	UC CARD Co., Ltd.
Location of head office	1-1-5,Uchisaiwai-cho,Chiyoda-ku,Tokyo
Title and name of Representative	Nobuaki Kitajima, President and CEO
Business content	Credit card business
Capital	¥500 million
Date of incorporation	October 1,2005
Fiscal year-end	March
Major shareholders and shareholding ratios	Mizuho Bank, Ltd.: 51%　CREDIT SAISON CO.,LTD.: 31%　NTT DOCOMO,INC.: 18%

5) Method of the company split

An absorption-type split under which Qubitous was the split company and UC CARD was the succeeding company

6) Overview of accounting treatments

For the fiscal year ended March 31, 2020, the gain or loss on transfer, which was the difference between the consideration for the company split and the net assets based on the book value of the assets and liabilities related to the succeeded business immediately prior to the succession, was recognized as a gain on sale of businesses of ¥82 million(U.S. $762 thousand) in “other income” in the consolidated statement of income. The consideration for the company split received from UC CARD was ¥25,311 million (U.S. $232,581 thousand). All consideration transferred had been settled in cash.

(b) Cancellation of investment in Qubitous by Mizuho Bank

1) Overview of transactions

The Company acquired all Qubitous stock held by Mizuho Bank. Mizuho Bank transferred all of its Qubitous stock acquisition rights to Qubitous. As a result, Oubitous became a 100% subsidiary of the Company.

(c) Cancellation of investment in UC CARD by the Company

1) Overview of transactions

The company transferred its UC CARD stock to UC CARD. As a result, UC CARD ceased to be a company accounted for using equity method of the Company from the third quarter of the fiscal year ended March 31, 2020.

2) Overview of accounting treatments

For the fiscal year ended March 31, 2020, a gain on sale of investments in subsidiaries and associates of ¥545 million (U.S. $5,013 thousand) was recognized in “other income” due to the transfer of UC CARD stock.

(3) Merger with Qubitous, a consolidated subsidiary of the Company

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.

(a) Overview of transactions

1) Summary of the merged company and its business

Name of the merged company： Qubitous Co., Ltd.

Business content： Outsourced credit card processing services

2) Effective date of merger

April 1, 2020

（*）Since this merger was a simplified merger for the Company pursuants to Article 796(2) of the Companies Act and a short form merger for Qubitous Co., Ltd. pursuants to Article 784(1) of the same act, it was executed without acquiring approval for the merger contract at the general meeting of shareholders of the Company and Qubitous Co., Ltd.

3) Merger method

The method of the merger is an absorption-type merger with the Company as the surviving company and Qubitous Co., Ltd. as the dissolved company.

4) Other matters regarding the overview of transactions

On October 1, 2019, the Company completed the acquisition of Qubitous Co., Ltd. as a wholly-owned subsidiary, which the Company previously managed as a consolidated subsidiary engaged in outsourced processing services of the Company’s credit card transactions. Following the acquisition, the Company decided the merger with Qubitous Co., Ltd. to carry out business management as a single entity, which was considered as the best practice for the effective use of Group management resources and the achievement of management efficiency.

(b) Overview of accounting treatments

Due to the deferred tax asset recognised from the absorption merger, deferred tax asset increased by ¥4,624 million (U.S. $42,494 thousand) for the fiscal year ended March 31, 2020. Income tax expense decreased by the same amount and profit increased by the same amount.

47. SUBSEQUENT EVENT

There are no relevant items except for the items described in the Note “46. Involvement with subsidiaries, (3) Merger with Qubitous, a consolidated subsidiary of the Company”.

(2) OTHERS

Quarterly information for FY2019

(Cumulative period)	Three months ended June 30, 2019	Six months ended September 30, 2019	Nine months ended December 31, 2019	Fiscal year ended March 31, 2020
Net revenue (Millions of yen)	¥77,488	¥159,285	¥237,755	¥311,410
Profit before tax (Millions of yen)	14,280	25,159	40,665	27,458
Profit attributable to owners of parent (Millions of yen)	9,901	18,637	34,076	22,863
Basic earnings per share (Yen)	60.71	115.33	212.54	143.43

(Accounting period)	Three months ended June 30, 2019	Six months ended September 30, 2019	Nine months ended December 31, 2019	Fiscal year ended March 31, 2020
Basic earnings(losses) per share (Yen)	¥60.71	¥54.50	¥97.91	¥ (71.67)

(Cumulative period)	Three months ended June 30, 2019	Six months ended September 30, 2019	Nine months ended December 31, 2019	Fiscal year ended March 31, 2020
Net revenue (Thousands of U.S. dollars)	$712,010	$1,463,615	$2,184,650	$2,861,438
Profit before tax (Thousands of U.S. dollars)	131,221	231,183	373,658	252,308
Profit attributable to owners of parent (Thousands of U.S. dollars)	90,983	171,251	313,116	210,085
Basic earnings per share (U.S. dollars)	0.56	1.06	1.95	1.32

(Accounting period)	Three months ended June 30, 2019	Six months ended September 30, 2019	Nine months ended December 31, 2019	Fiscal year ended March 31, 2020
Basic earnings(losses) per share (U.S. dollars)	$0.56	$0.50	$0.90	$(0.66)

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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, 2020, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows 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, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

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 2 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.

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 IFRSs, 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 IFRSs 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 IFRSs, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

Deloitte Touche Tohmatsu LLC

June 18, 2020