

## Main Questions and Answers at the Credit Saison FY2022 Financial Results Briefing

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### Q1.

(p.13) With respect to the capital policy, you postponed the announcement of the purchase of treasury stock while the dividend was raised this time. Are we to understand that the suspension of the announcement is due to external factors at this point and that your stance on the purchase remains unchanged? Additionally, could you share with us the size of surplus capital as of March 31, 2023, if you have anything to comment on.

### A1.

Regarding the purchase of treasury stock, as there are effects of both internal and external factors at this moment, we have decided to put off the announcement. As we explained in the Financial Results Briefing of First Half of FY2022, when the appropriate timing comes, we will pass a resolution at the Board of Directors meeting and make the announcement.

With respect to the sense of the size of surplus capital, we are in no position to make any comment at this moment. Until now, we have announced the status of term-end surplus capital at the time of publicizing the Financial Results Briefing of First Half of the following fiscal year. From the current fiscal year, we plan to announce the term-end status and the first-half status when announcing the Financial Results Briefing of 1st Quarter of the following fiscal year and 3rd Quarter of the current fiscal year, respectively. We are in the middle of preparing a system that allows us to give you information earlier than before.

### Q2.

(p.15) The plan for FY2023 announced by you forecasts that consolidated contribution will grow significantly. You gave us an explanation on the global business. I ask you to explain the breakdown of the forecast that consolidated contribution excluding the global business will grow by nearly 5 billion yen.

### A2.

Regarding the reason that consolidated contribution has increased in the plan for FY2023, Baba explained the difference in FY2022 between consolidated and non-consolidated bases. Namely, allowance for doubtful accounts of about 10 billion yen was made in FY2022, which includes an increase of 7.2 billion yen with an eye on the future. As a result, consolidated contribution for FY2022 decreased. That makes the year-on-year difference in consolidated contribution for FY2023 look higher than in other years.

**Q3.**

(p.7) You touched on the latest change to the situation of credit costs, which had been recorded in the 4th quarter, and referred to zero-interest and unsecured loans in Financial Results Digest. Could you share with us which business you think will incur the costs.

**A3.**

Regarding the credit costs added to the provision in the 4th quarter, we have increased the costs by taking into account changes that occurred around March and April. Subrogation payments for SMEs, leases, and credit guarantees are increasing.

In addition, as we have expanded credit flexibly in the corporate card field, we have made a conservative provision because we are likely to incur credit costs in this field.

**Q4.**

Regarding Q3, am I to understand that this provision is a little different in nature from conservative provisions for ECL during the pandemic?

**A4.**

Yes. We, too, have been aware of the possibility that credit loss will manifest itself over time. We have taken the current change into account and made the provision. In addition, we have given high-value credit to some corporate cards. Considering that the unit cost per case may also rise, we have made the provision.

**Q5.**

(p.19) Regarding the IPO in India, is it from the viewpoint that invested capital can be recouped or is it a strategy of further growing the balance sheet by adding equity? Could you let us know your intention.

**A5.**

Our business in India has raised its name recognition in certain fields, including securing human resources and funds, as we are aiming at business growth. Consequently, our business has already reached the status that Kisetsu Saison Finance has a certain level of presence in India's nonbank market.

It will become possible to upgrade credit ratings and secure human resources flexibly by executing an IPO. Simultaneously, by reinforcing the capital side, we hope to transform the business into a corporate entity that can further grow. From those three points, we are considering the IPO.

**Q6.**

(p.13) You raised dividends this time. With profit expanding, the dividend payout ratio is 25.5%, which is not so different from the thinking of the payout ratio that you followed last year.

Among nonbanks, leasing companies and others have increased their dividend payout ratios, exceeding 30% in general.

What do you think of your future move and the current level? Could you let us know your thinking.

**A6.**

As you mentioned, we are aware that 25% is low in a situation where the average payout ratio in Japan exceeds 30%.

On the other hand, we will consider the significance of the accumulation of capital as a nonbank business, and we have problems such as the issue of a PBR of less than one. Therefore, please let us discuss and reach a resolution internally. We are thinking of announcing how we will respond at an early stage in the current fiscal year. We are also considering to make an announcement on the payout ratio and purchase of treasury stock simultaneously.

**Q7.**

When I took a look at the plan to issue new cards, I found that the results for FY2022 was 1.7 million cards and the FY2023 plan is 1.75 million cards, which fails to show a large increase. Could you share with us the thinking behind this plan.

**A7.**

Since last fiscal year, the pandemic has come to an end, and the sales activities of retailing businesses have been returning to normal. Regarding our acquisition of new customers, we have changed to a method for acquisition that will facilitate operation.

For instance, in issuing digital cards in the rent guarantee channel, we have intensively driven acquisitions that link with payment. A few years ago, we changed the policy and are working to capture customers with whom we can expect operations with high LTV, instead of seeking to increase the number.

Furthermore, we are working on a new alliance in parallel. Regrettably, we are in no position to announce it here because of the convenience of the other party. However, we think that we will be able to announce a new large-scale alliance soon. At that time, we would like to consider adding to the number.

**Q8.**

You mentioned that you are reviewing the surplus capital level. Which factors are you reviewing? Will the surplus capital rise or fall from the level that you revealed last time? Could you give us a sense of tendency to the extent possible.

**A8.**

With regard to surplus capital, we have computed risk capital and surplus capital for 20 years or so. A few years ago, we started disclosing them in IR and others. Such data have accumulated, and we have run business in a conservative manner. Moreover, our global business has expanded. So this time around, we have started a review.

Regarding the direction, the sense of surplus is expected to go up a little from the past, but I would like to ask you to wait for detailed numbers until we make an announcement.

**Q9.**

(p.30) The asset balance of Saison Fundex has increased. Could you make comments, if any, on this asset risk and the future policy of adding assets.

Besides, I believe that you have entered into guarantee agreements with companies in specific areas, but please confirm whether or not contribution from specific companies has been incorporated to some extent.

**A9.**

Saison Fundex, which originally focused on making unsecured card loans, has reshuffled its business portfolio, including real estate finance, guarantees and business loans for real estate, as the real estate market has been brisk. There has been few cases of loan losses until now, but we expect this environment to change sooner or later. Accordingly, we are following the strategy of expanding business while performing asset control and risk control.

In addition, we do not recognize that there is much inflow from specific companies.