

Financial Results Briefing for the First Half of FY2024

November 14, 2024

Credit Saison Co., Ltd.

Tokyo Stock Exchange Prime Market, Securities Code: 8253

Credit Saison Co., Ltd.

Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2025

November 15, 2024

[Speakers]

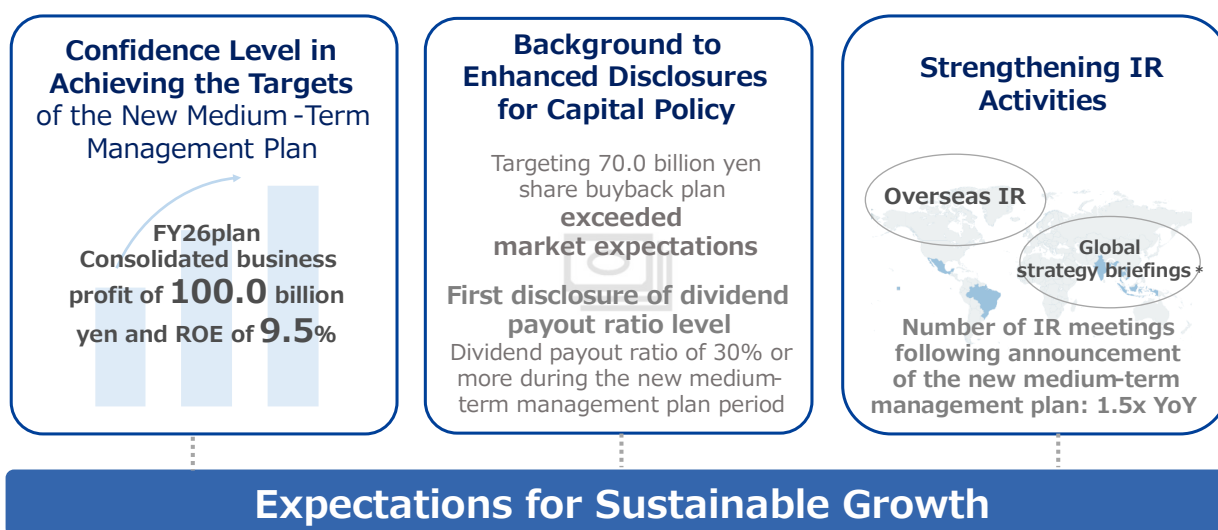
Katsumi Mizuno

Representative, Executive President and COO

Masaki Negishi

Managing Executive Officer, CFO

Key Points of Market Interest following the Announcement of the New Medium-Term Management Plan



 [Click here to view explanatory materials from the Global Strategy Briefing](#)

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Mizuno: Thank you for joining us today. I am Mizuno of Credit Saison. We would like to begin the financial results briefing for Q2 of FY2024.

First, let me give you an update on the progress of the medium-term management plan. Since the announcement of our new medium-term management plan on May 15, we have listed three points that have attracted attention from the market.

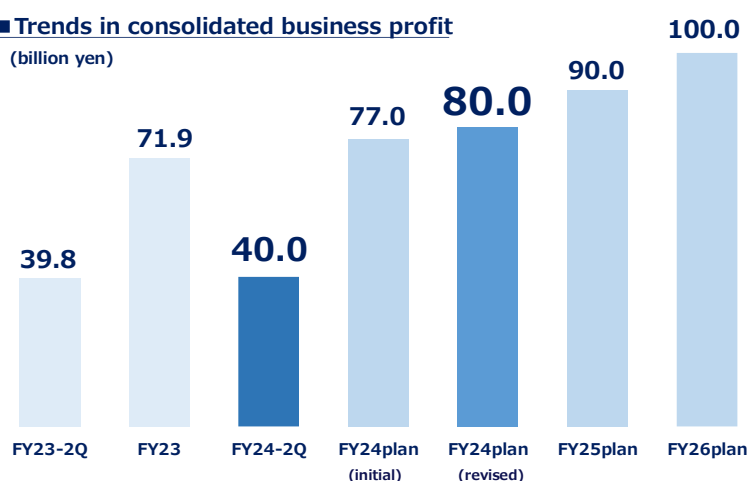
The first is the level of confidence in achieving the goals of this medium-term management plan. We are targeting for consolidated business profit and ROE of JPY100 billion and 9.5%, respectively, in FY2026. As for our capital policy, we enhanced our disclosure this time.

Against this backdrop, we have purchased our treasury stock of about JPY70 billion, more than the market had expected, achieving the payout ratio of more than 30%. Credit Saison has not clearly announced this kind of capital policy in the past, and I think this part is clearly attracting the attention.

The third point is to strengthen IR activities. I also went to overseas IR meetings this time. We have actively involved in the close IR meeting with investors, and the executives in charge of individual areas, such as global and DX, have talked directly with investors and explained in detail our approach and the progress. I think these three things are the focus of that market. Naturally, the premise for this is the expectation of sustainable growth.

Strong Start to the New Medium-Term Management Plan: Steadily Improving Earnings Power and Upward Revisions to Earnings Forecasts

■ Trends in consolidated business profit
(billion yen)



2Q (April-September 2024)

Consolidated Business Profit

40.0
billion yen

YoY **100.5%** Progress Rate **50.0%**

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Now please move on to page four.

As announced yesterday, in H1 of the first year of the new medium-term management plan, our earning capacity has steadily improved, and we have revised our earnings forecast upward.

The original plan for FY2024 was JPY77 billion, but this has been revised upward to JPY80 billion. The consolidated business profit for H1 was JPY40 billion, with a progress rate of 50%.

2Q Financial Results Digest

Net revenue

- ✓ **Our three pillars of growth** (global business, payment business, and finance business) are the drivers for **increased revenue**.

Business profit

- ✓ **The global business** saw steady growth in its lending business, **the finance business** had expanded profit contribution from Saison Fundex, and expanded profits from collaboration with Suruga Bank, **the payment business** solidly expanded due to factors such as double-digit YoY growth in card shopping revolving balances, **profits increased** after overcoming special factors (recording valuation losses on investments in the global business's investment business, and the absence of gains on the sale of real estate trust beneficiary rights recorded in the previous fiscal year in the real estate-related business)

Profit attributable to owners of parent

- ✓ Profits decreased due to the impact of recording an amount equivalent to gain on negative goodwill due to the conversion of Suruga Bank into an affiliated company accounted for by the equity -method application to Suruga Bank in the previous year as investment profit under the equity method.

Full-year earnings forecast

- ✓ Despite special factors such as recording valuation losses on investments in the global business and the reversal of special allowance recorded during the COVID-19 pandemic to prepare for potential future increases in delinquent receivables, **our full-year earnings forecast has been revised upward to 80.0 billion yen (an increase of +3.0 billion yen from the initial plan) due to the improved earning power of core businesses.**

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Please see page five for the digest of the financial results for H1 of the year.

First, for net income, I believe we have made a very good start with increased revenues in all three of our growth pillars: global, payments, and finance businesses.

As for the business profit, I will explain later in this report, but in global business, the lending business is growing steadily. However, we have posted a valuation loss on some of our investments in venture investments, so in total, it is a loss. However, our main business, the lending business, is performing very well.

Second, in the finance business, I believe that the two major growth drivers are the increased profit contribution from Saison Fundex and the increased profit from the collaboration with Suruga Bank.

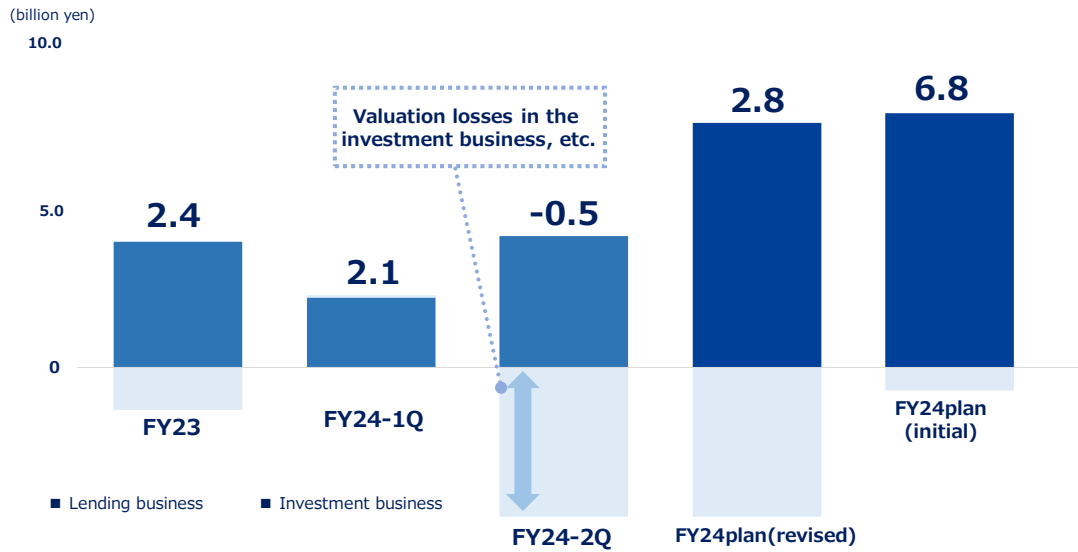
In the payment business, there was double-digit growth in the shopping revolving balance and, as we additionally announced in August, an increase in the revolving rate, et cetera. This has offset the loss of special factors, a revaluation loss in the global investment business, which I mentioned earlier, and reaction of the absence of gain on sales of real estate trust beneficiary rights, which was recorded in the real estate-related business last fiscal year, resulting in an increase in the profit.

Interim income decreased due to the absence of the gain on negative goodwill generated by the equity-method acquisition of Suruga Bank in the previous fiscal year.

As I mentioned earlier, our full-year earnings forecast has been revised upward to JPY80 billion, an increase of JPY3 billion from our initial forecast, as we believe that the improvement of our earnings capabilities is prominent, despite the special factors such as the write-down of our investment in the global investment business and the reversal of the special allowance for overdue receivables in the COVID-19 pandemic.

Trands in Business Profit in the Global segment

- ✓ While the lending business grew due to expansion of the business in India, a business loss was recorded due to valuation losses on investments.



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Next, this is a summary of our main businesses.

First, the global business. As I mentioned earlier, we have recorded some valuation losses in the investment business, but the lending business is performing well.

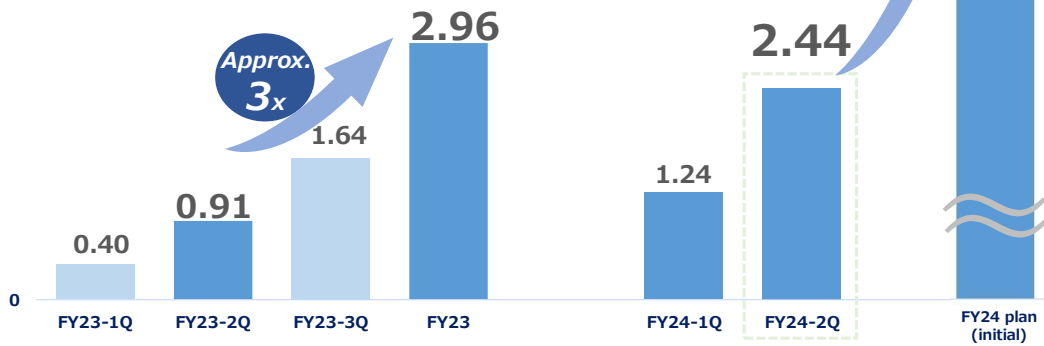
The initial plan for FY2024 was JPY6.8 billion, but including the valuation loss mentioned earlier, we expect to end up with JPY2.8 billion.

Credit Saison India: Trends in Profit Contribution



- ✓ Steady progress toward the initial plan
- ✓ Aiming for healthy and sustainable growth to achieve 20 billion yen by FY26 (the final year of the new medium-term management plan)

(billion yen)
10.0
≈
5.0



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Please see page eight.

This is the current contribution profit trend of the Indian business, which is one of the growth drivers of our global business.

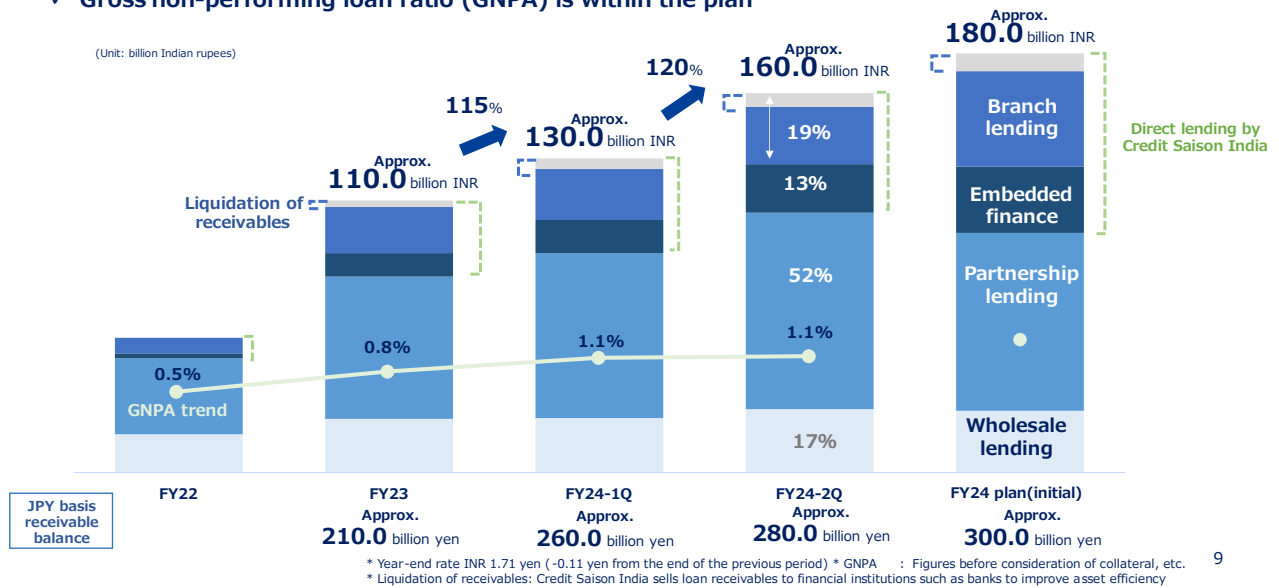
Last fiscal year, the full-year contribution profit for FY2023 was JPY2.9 billion, or a little less than JPY3 billion, while the half-yearly profit for FY2024 is JPY2.4 billion, so I think we are doing very well, earning the results of last year in the past six months.

Credit Saison India: Receivable Balance



- ✓ Steady increased centered on direct lending toward the FY24 plan of 300.0 billion yen
- ✓ Gross non-performing loan ratio (GNPA) is within the plan

(Unit: billion Indian rupees)



* Year-end rate INR 1.71 yen (-0.11 yen from the end of the previous period) * GNPA : Figures before consideration of collateral, etc.
 * Liquidation of receivables: Credit Saison India sells loan receivables to financial institutions such as banks to improve asset efficiency

Please see page nine.

This is the change in the receivables balance.

It is bit difficult to evaluate in Japanese yen as there is an effect of exchange rate. However, against the initial plan for FY2024 of a balance of approximately JPY300 billion, we have already reached JPY280 billion as of H1 of the year. I believe that we are making steady progress in increasing the receivables balance.

On the other hand, the non-performing loan ratio, GNPA, is 1.1%, which is very low compared to the non-performing loan ratio among non-banks in India. Since there is no particular concern for an increase in risk from Q1 to Q2 of FY2024, we believe that we are in control of the risk.

Credit Saison India: Wholesale & Partnership Lending

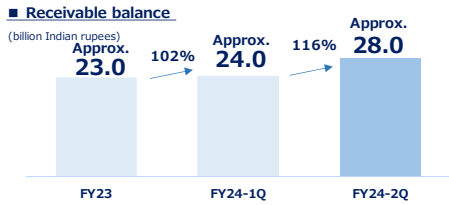


✓ These verticals have contributed to steady growth of Credit Saison India while increasing new partners



Wholesale lending

Lending to NBFCs and emerging lenders

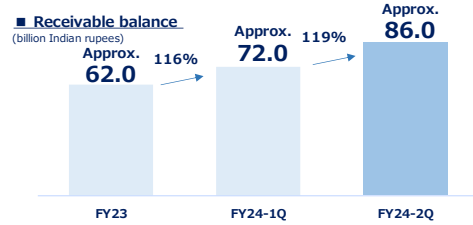


Number of active partners



Partnership lending

Co-lending with Fintech



Number of active partners



Next, page 10.

This shows the progress for each of the lending methods we are conducting in India.

The first is wholesale lending. This is loans to emerging non-bank lenders, which have been steadily expanding to 75 companies as of the end of September 2024.

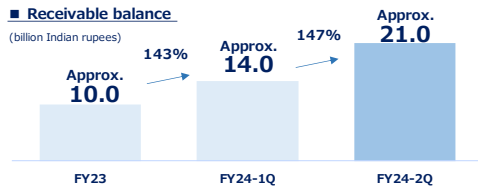
Next is partnership lending. This is a joint lending with Fintech. As of the end of September 2024, we had 14 companies, and we plan to add two or three more. In both cases, the receivables balance has remained very strong.

Credit Saison India: Progress in Direct Lending

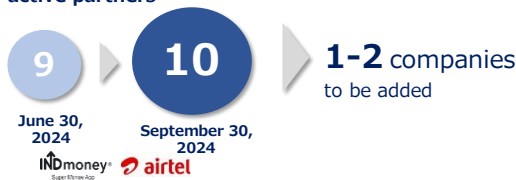
- ✓ Embedded Finance steadily increased its receivables and its partners
- ✓ Branch Lending increased the number of branches to expand its business

Embedded finance

Direct consumer lending through integration into the apps of non-financial companies

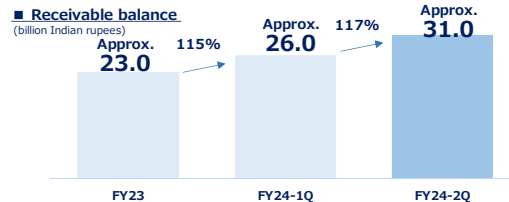


Number of active partners



Branch lending

Direct lending to small and micro enterprises by using branches across India



Number of branches



Differentiation points

- ✓ Speedy and attentive customer service
 - ✓ Competitive interest rates based on AAA rating*
 - ✓ Diversified products
- *Long-term credit rating by Indian rating agencies CARE and CRISIL

Guarantee program for Indian micro, small, and medium enterprises that guarantees a certain percentage of loans (P.12)

Please see page 11.

These are the two important products in the medium-term plan, which we will lend directly to consumers.

First, embedded finance. This is the method we lend directly to consumers by incorporating the application into non-financial companies. We had 10 companies as of the end of September 2024, with one or two more to be added in the future. The receivable balance is 147% of Q1, which is continuing to grow steadily.

On the other hand, in the branch lending, centering on SMEs, we had 52 branches as of the end of September 2024, up from 46 branches as of the end of June 2024, which is in increasing trend. The receivable balance also increased 17% from Q1 to Q2, and I think we are doing very well here too.

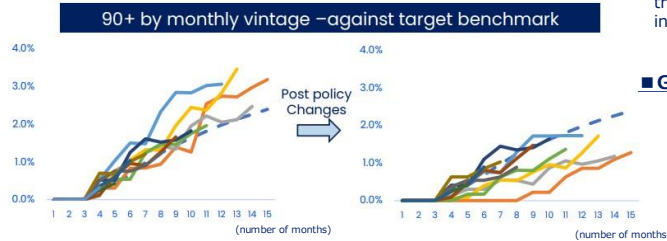
<Appendix> Risk-Related information



■ Credit Saison India's risk control initiatives

<For consumers>

- ✓ Real-time monitoring of receivables trends, and, when overdue receivables exceed the benchmark line, credit models are promptly reviewed and new models are verified through backtesting.



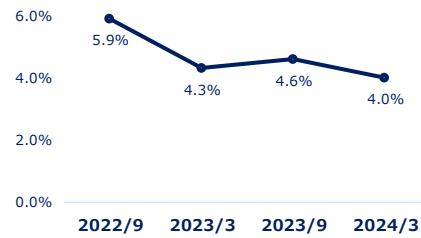
<For small and micro enterprises>

- ✓ Sophisticated underwriting through the use of reliable data and on-site surveys
- ✓ Cross-check consistency by comparing information from multiple perspectives, including customer declarations and third parties' data
- ✓ Increased credit managers as well as expansion of branches

■ Guarantee System for Small and Micro Enterprises in India

- ✓ A guarantee system established by the government to support funding for small and micro enterprises with the aim of promoting job creation and economic development.
- ✓ For example, "CGTMSE," which guarantees a certain percentage of loans to enable unsecured lending to small and micro enterprises, and "CGFMU," which provides guarantees for a certain percentage of factoring transactions to mitigate risks for factoring companies and financial institutions.

■ GNPA trends in the non-bank sector in India



*RBI, Financial Stability Report, Sectorial GNPA ratio of NBFCs, Total

Next, page 12.

As for the non-performing loan ratio to total outstanding loans that I mentioned earlier, please see the table on the lower right-hand side. As of March 2024, the non-performing loan ratio for the non-bank industry in India as a whole was around 4%. Since our company's ratio is 1.1%, I think we are doing a very good job of controlling risk.

The method we use is shown on the left side. For both consumers and SMEs, we are fully utilizing the data; and especially for SMEs, in addition to the use of the data, we are utilizing our study of orders received with a high degree of accuracy, which has been very effective in providing credit.

<appendix> Governance Structure

Updated and republish



- ✓ Strengthen Japan-IHQ support system to support the rapidly expanding CS India business and build a further strong governance system with Mizuho bank



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Next, page 13.

On the other hand, there are some who say how the governance structure is. Mizuho Bank invested in the Company in February of this year, and Mizuho Bank has dispatched one of its directors to the Company.

We have a former executive director of the central bank as an outside director of our Indian business, and although several other companies have recently suspended its new lending to non-banks in India due to regulation recently, we had expected such regulations to be imposed, and our ex-central bank director is giving detailed instruction on this issue.

We believe that the fact that we are able to take various measures ahead of time is one of our strengths.

<appendix> Organization structure

✓ Board consists diversified members, including an independent director who retired as an Executive Director from the Reserve Bank of India (India's central bank)



Please see page 14, the current organizational structure.

The board members are a mixture of Japanese and Indian, but those in charge of operation shown below are all Indian nationals. We have a system in place that will allow us to expand steadily, with members who are quite knowledgeable about the market.

Expanding Profits and Enhancing Competitiveness through Group Businesses

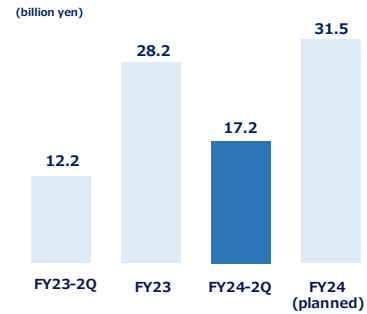


2Q (April-September 2024)

Finance Business profit: **17.2 billion yen**

YoY
141%

Progress rate
55%



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Next, the finance business for overview of our main business. Please see page 16.

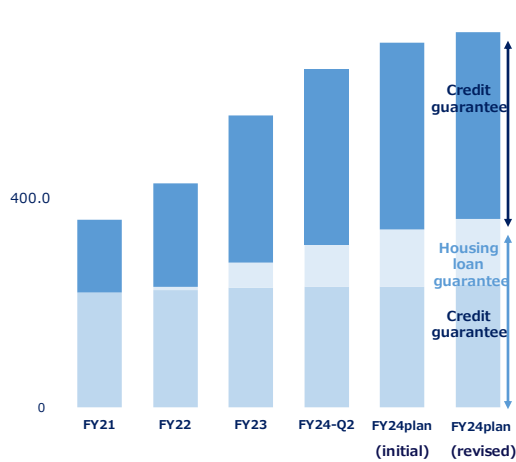
In terms of expanding profits and improving competitiveness in the Group business, these three companies, Fundex, our company, and Suruga Bank, are the three companies that are driving the growth drivers.

As for the results for Q2, the profit from the finance business was JPY17.2 billion, 141% of the previous year's level, and the progress rate for the full year was 55%, which means that the business is also performing very well.

Credit Saison x Saison Fundex [Guarantee business]

Trends in guarantee balance

(billion yen)



*Trends over approximately 15 months from April 2023 to June 2024

Towards expansion of off-bs ratio

*Off-BS ratio for the Finance Business



Leveraging our strength in handling long-term guarantees backed by real estate, our guarantee balance has surpassed **300.0 billion yen** (approx. 1.5x the balance in 15 months* ⇒ increase of approx. 100.0 billion yen)

For individuals, sole proprietors and corporations

Secured guarantees (real estate-backed loan guarantees)

Approx. 45 affiliated financial institutions

Expanded affiliated financial institutions by approaching Free loan partners (YoY increase of +16)

For individuals and sole proprietors

Secured guarantees (housing loan guarantees)

32 affiliated financial institutions

*Launched in April 2022

Stable balance trend by responding to diverse funding needs

For individuals and sole proprietors

Unsecured guarantees (non-secured free loan guarantees)

Approx. 400 affiliated financial institutions

Please see page 17.

This is a guarantee business of Credit Saison and Saison Fundex. In particular, the guarantee balance for Saison Fundex has exceeded JPY300 billion, taking advantage of the Company's strength in providing long-term guarantees while utilizing real estate collateral.

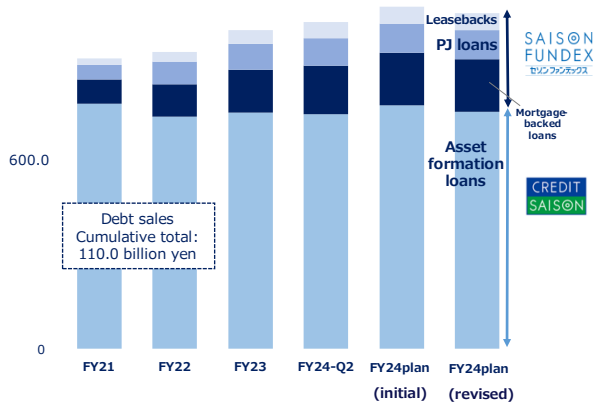
We are also expanding our free loan and mortgage loan guarantees, and I believe that this is contributing to the expansion of our business, even though it is off-balance.

Credit Saison × Saison Fundex [Real Estate Finance Business]

■ Trends in receivables balance

(billion yen)

1,200.0



✓ A product lineup that meets a wide variety of needs and a flexible screening system; Steady growth in outstanding balance due to promotion effects, etc.

✓ Strengthening relationships with major partners in investment condominiums, and expanding new partnerships

✓ Accumulating high-quality receivables
Reducing risk by focusing on properties in the Tokyo metropolitan area

✓ Expanding products to meet diverse needs

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Next, page 18.

This is the real estate finance business, another initiative by Saison Fundex and our company.

The Fundex has a flexible screening system that combines several products, such as leaseback and project loans, and with the effectiveness of the promotional activities, the receivable balance is steadily increasing.

In terms of our asset-building loans, I believe that the balance is expanding very steadily as we strengthen our relationships with our major business partners.

Credit Saison × Suruga Bank

Neo Finance Solution Company



■ Expanding products in the finance field

- ✓ **Housing loan guarantee business**
(launched in October 2023)
At Suruga Bank, began handling housing loans with Credit Saison guarantees
- ✓ **Joint development of real estate finance**
(launched in November 2023)
Began jointly providing "collaboration loans"
- ✓ **Housing loans**
(launched in March 2024)
Credit Saison began handling Suruga Bank's housing loans
Addresses customer needs such as those of foreign nationals without permanent residency and those with high-value loans

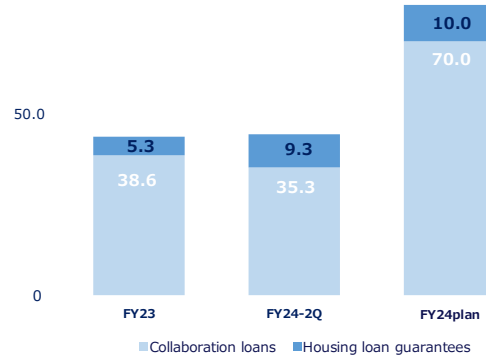
In other segments as well, we are promoting initiatives that utilize the resources of both companies

■ Finance field / new loan amounts

*Total of collaboration loans and housing loans

FY24-27 plan
80.0-85.0
billion yen/year

(billion yen)
100.0



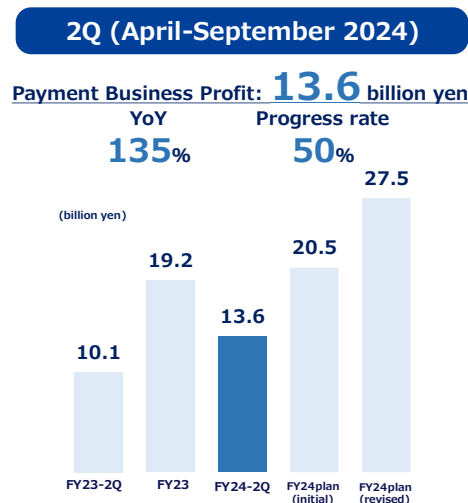
Please see page 19.

This is the progress of the initiatives of Credit Saison and Suruga Bank.

Although we have not introduced any new products, in the second year of our collaboration with Suruga Bank on loans and mortgage guarantees, against our initial estimate of JPY70 billion per year, new loans are JPY44.6 billion as of the end of H1 of FY2024.

Based on our current progress, we expect to have JPY80 billion to JPY85 billion of new loans for FY2024.

Overcoming Interest Rate Increases and Achieving Sustainable Growth Structural Reforms in the Payment Business



*Premium Strategy: ·· Expand from mass market (individuals) to the premium/corporations(sole proprietorships/SMEs) market

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Next, the third major businesses, the payment business. Please see page 21.

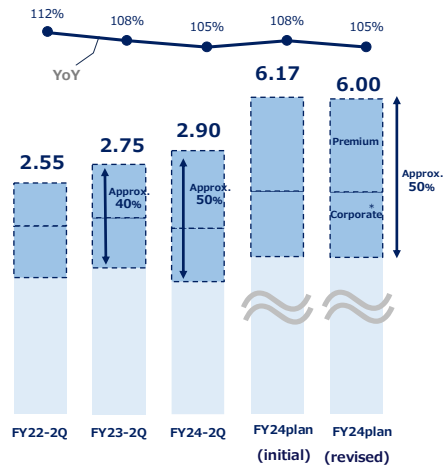
Part of our strategy is to set ourselves apart from other companies, and we do not incorporate ourselves into the competition in the economic sphere through the use of points.

As to how we will win, we are focusing on three structural reforms: promoting a premium strategy, developing businesses while taking profitability into consideration, and improving productivity through the use of DX and AI.

As a result of the successful functioning of these initiatives, the payment business earned JPY13.6 billion in H1 of the fiscal year, 135% of the previous year's level; and the progress rate to the upward-revised plan of JPY27.5 billion is 50%, half of the plan.

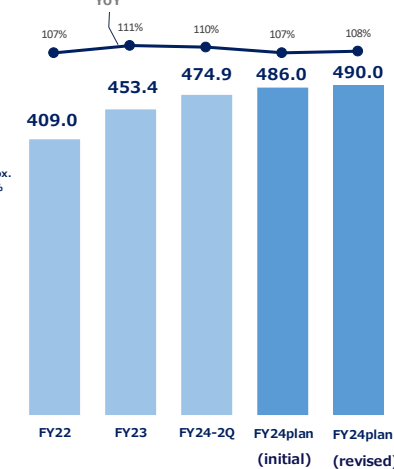
Key Indicators

■ Shopping transaction volume (trillion yen)



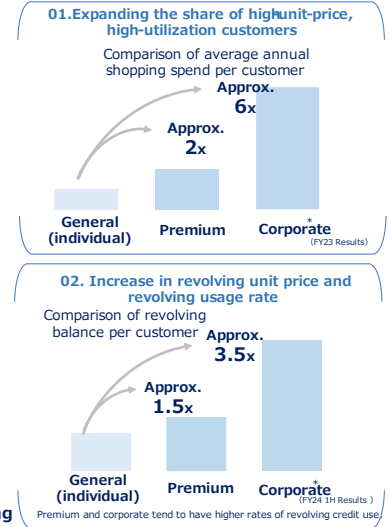
Transaction volume has increased by promoting our premium strategy
Share of high-unit-price and high-utilization customers has expanded

■ Card shopping revolving balance (billion yen)



Our premium strategy has raised shopping transaction volumes, and our card shopping revolving balance is steadily increasing by bringing in younger customers with high revolving payment needs

Improving Profitability through Our Premium Strategy



*corporate (sole proprietorships/SMEs) 22

Please see page 22.

As for the key indicators, we have set a plan to increase the ratio of premium customers and corporate customers, mainly SMEs, to 55% in our medium-term management plan. We are at 50% currently, and we expect to achieve this ratio at an early stage.

On the right is the shopping revolving balance. The plan at the beginning of the fiscal year was JPY486 billion, and although we announced an increase in the revolving credit fee rate in August, the rate has remained steady since then. I believe that we are making good progress in our efforts to build up our earning power.

Establishment of a Stable Member Base



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

Next, page 23.

In order to establish a stable membership base, we will be moving forward with a new alliance with CAINZ this fall. Consumers join the membership with the entrance card, the general card at first; then the status will be moved up to Gold, Platinum, and Diamond, with the Diamond card at the highest which will be through the invitation only.

We would like to continue to expand the rank advancement from the Entrance Card in this way.

Alliance Strategies to Achieve Premium Strategy

A diverse network of alliances made possible by our status as an independent non-bank

New Alliance Strategy

Targeting digital services with growth potential,
Creating multiple monetization points against the
backdrop of both companies' economic spheres



- ✓ Comprehensive collaboration to provide a variety of services with cards as the core
- ✓ Reaching out to a customer base that we have not been able to connect with so far, especially the younger generation
- ✓ Cost-effective operations by utilizing partner media and content

Deepen initiatives with existing business partners

Leveraging the strengths and resources of
both companies Pursuit of further synergies

- ✓ **Deepening efforts to leverage group content**
 - Providing special value for ALL Saison members
 - Acquisition of members in new areas
- ✓ **Promotion of premium cards to business partners**
 - Gold card promotion for employees of partner companies
 - Increased loyalty through product revisions
- ✓ **Marketing collaboration using membership data**
 - Combined approach to the premium (affluent) segment
 - Realization of digital-based collaborative services

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Next, page 24.

As I mentioned earlier, we are not affiliated with any economic zone, and our diverse network of alliances, which is possible because we are an independent non-bank, has been attracting an increasing number of inquiries recently.

As for new alliances, we will announce them later, but we are in the process of talking with several companies about promoting new payment businesses that target digital services with growth potential and that combine the economic spheres of the two parties well. I believe that this will make a very effective contribution to the acquisition of so-called entrance cards, as I mentioned earlier.

Progress on Initiatives to Improve Profitability

Expanding asset revenue

Improve profitability rate

Increase revolving fee rates

- ✓ Customer notifications started in August 2024. The impact of customer attrition from this measure is minimal (within the expected range)
- ✓ Increased revolving fee rate for the Saison brand to a maximum of 18% (applied from November withdrawals)

Revenue impact

An average rate increase of 2 points is expected to contribute an additional approx. 10 billion yen annually.

Considering rate increases for the UC brand as well (targeting implementation from the next fiscal year onward)

Releasing new features

Launch of a "post-purchase revolving payments" service

- ✓ From October 15, 2024, launch of a service that allows customers to later change their one-time payments or lump-sum bonus payments for shopping into revolving payments

Following the release of the service, it has led to usage by younger customers and by customers who previously only used one-time payments

Diversifying revenue sources

We are promoting the design of appropriate fees that match the services provided, while also closely monitoring customers and the macro environment

- ✓ Raising annual membership fees while constantly improving added value

Renewal of Saison Rose Gold AMEX

Travel insurance and Priority Pass annual fee incentives, Enhanced travel -related services

⇒New member numbers grew approximately three times that of the previous year.
(FY24 1H results / YoY change)

- ✓ —Introducing service fees for inactive members, applicable to certain cards, to maintain the continued provision of card benefits and system usage (scheduled to begin with August 2025 withdrawals)
- ✓ Revising statement issuance fees in consideration of the increase in postal rates

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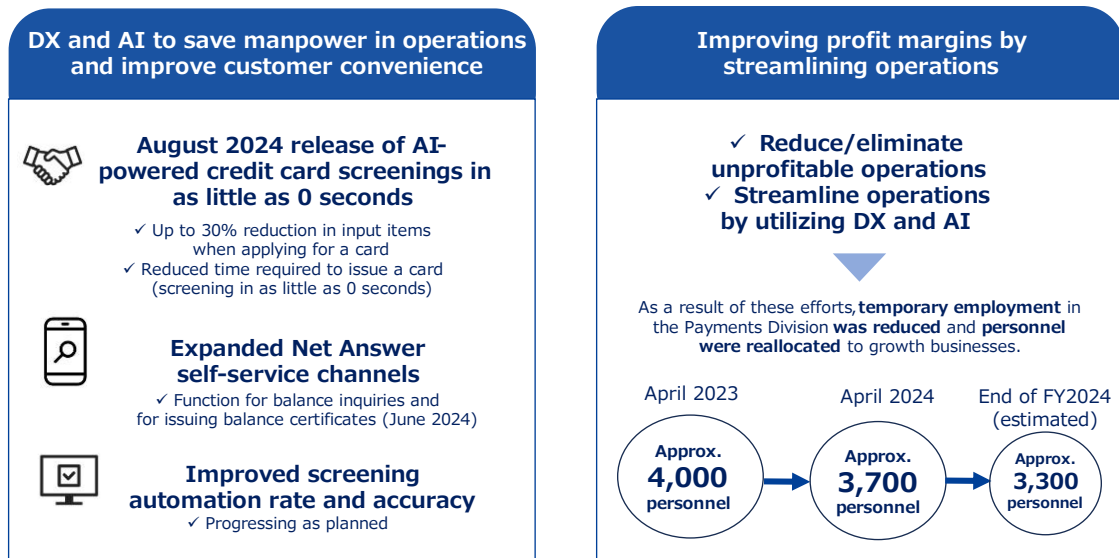
Next, page 25.

This is the progress in our efforts to improve profitability.

As I mentioned earlier, we have raised the revolving commission rate to a maximum of 18%. We are also considering raising the fee rate for the UC brand in the next fiscal year and thereafter. The other progress is in "revolving afterwards service" started in October, which has been steady to the initial plan. This is the service that allows you to change the payment to revolving afterwards.

In order to diversify our revenue sources, we will revise the fees for sending paper statements, collect fees from inactive customers, and raise the annual membership fee, among others.

A Foundation that Supports Structural Reforms



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Next, page 26.

As the infrastructure to support structural reforms, in our effort to reduce manpower and improve customer convenience through the use of DX and AI, we will have the minimum zero-second screening for credit card using AI. The other effort is to improve the automation rate and accuracy of screening, which is greatly contributing to the shift to a less manual screening system, making full use of AI and other technologies.

This is the number of personnel actually involved in the payments business as a result of the streamlining of operations. As of April 2023, we had 4,000 employees, and we expect it to decrease to 3,300 at the end of FY2024. This is a decrease of more than 200 and we believe that we can make progress as planned.

Progress on Capital Policy

Details Announced in the
New Medium-Term Management Plan
in May 2024

Share Buybacks

Planned 70.0 billion yen of share buybacks in the new medium-term management period (FY24-26) (of which, 50.0 billion yen to be implemented in FY24)

Reduce Cross-Shareholdings

Reduction equivalent to 70% of cross-shareholdings in the new medium-term management period (FY24-26)

Progress in 1H

Cumulative Acquisition of Treasury Shares

- (1) Total number of shares acquired:
7,110,600 shares (progress rate: 28.4%)
- (2) Total acquisition cost of shares:
23,343,577,612 yen (progress rate: 46.7%)

* As of October 31, 2024 (Timely disclosure basis)

Details of Sales

- (1) Shares sold:
3 listed securities held by the company
- (2) Gain on sale of investment securities:
Approx. 16.8 billion yen (progress rate: 51.9%)

* In the consolidated financial statements, these are accounted for as other comprehensive income, and therefore do not affect net income attributable to owners of the parent company.

* As of October 31, 2024

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Continuing on page 28, the progress of the capital policy.

As for the acquisition of treasury stock, we initially announced a target of JPY70 billion in our medium-term management plan with a plan to acquire stocks of JPY50 billion in FY2024. The progress is JPY23 billion as we already announced, which we think is progressing as planned.

As for the reduction of strategic shareholdings, the target is to reduce 70%. As we have announced, we have already sold three of our listed holdings, resulting in a gain on sales of investment securities of JPY16.8 billion, with a progress rate of 51.9%. Since this involves the other party, we would like to continue to make steady progress.

Initiatives to Improve Corporate Value

Human resources development to achieve the new medium-term plan strategy



Developing specialists

✓ Support for acquiring qualifications

Example: Employees obtaining securities broker representative qualification

241 individuals (early April 2024) ⇒

725 individuals (October 2024)

Promoting comprehensive financial consulting by having employees acquire advanced financial knowledge and by providing a wide range of financial services



Improving employee engagement

✓ Continue holding policy briefings by President COO Mizuno

Holding nationwide briefings on the new medium-term plan

✓ Use of engagement survey

Visualization of issues and activation of communication

Bridging the gap between management and employees, leading to employee satisfaction and improved productivity

Creating a culture in which all employees are conscious of Credit Saison's business results and stock price



Settlement bonus system

✓ System where, if the actual value at fiscal yearend exceeds the annual plan for standalone ordinary profit, a certain percentage of the excess amount is returned to employees in cash and **phantom stock**

✓ In 2024, a uniform payment of over **500,000** yen was given to all employees.

Fostering employees' awareness of business results and stock price
Phantom stock has increased by approx. **200,000** yen (total of payments from FY2022 to 20FY23)



Shareholding association system

✓ Participation rate in shareholding system (standalone)

FY2022: **11.5%** ⇒ FY2024-2Q: **49.0%**

✓ **Began introducing** the system at some affiliated companies (from September 2024)

Supporting employees' asset building while also enhancing their sense of participation in management

30

Continuing on to human capital and CSDX. Please see page 30.

This shows initiatives to improve corporate value. As we carry out these structural reforms, we consider the utilization of our existing human resources to be a major issue for management. Developing personnel with special skill described here is just one of the examples. Personnel with Certified Sales Representative increased to 725 as of now from about 240 as of H1 of April 2024. We are not saying that it is enough to acquire these qualifications, but we would like to promote the introduction of human resources with highly specialized knowledge into new businesses.

In order to improve employee engagement, I personally visited branches and other locations throughout Japan to talk directly with employees and managers about the new medium-term management plan. As these areas become more widely understood, I believe that the structural reforms I mentioned earlier will progress.

Please see the right side.

Having said that, to motivate employees, raising the salary level is also important. We were able to pay a closing bonus last year and a uniform JPY500,000 for all employees in FY2024.

In addition to the above, 49% of our employees now joined the shareholding association system, reflecting the increasing awareness of the share price among our employees. We will move forward with the initiatives to increase corporate value by using these systems.

CSDX Initiatives



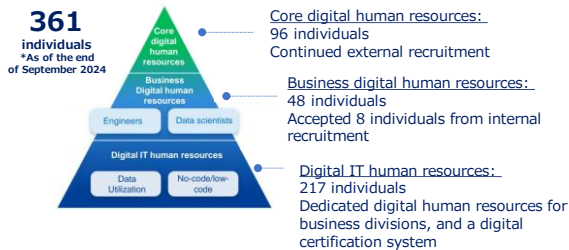
Creating Digital Human Resources

Dedicated digital human resources for business divisions

- ✓ Employees who have learned DataSpider and Tableau have begun developing automation for data extraction to data processing within their departments.
- ✓ Employees with 1 to 2 years of development experience, who joined as general hires, engaged in in-house development, achieving a reduction of 1,500 hours of work in the first half of the 75th fiscal year.

Digital certification system

- ✓ A certification system for data extraction skills from Tableau and internal databases
- ✓ Over 40 participants from 16 departments have joined the Tableau Digital Certification Program



Complete Digitalization of Business Processes



Systems Development

- ✓ Digitalization of screening and reception operations for finance business



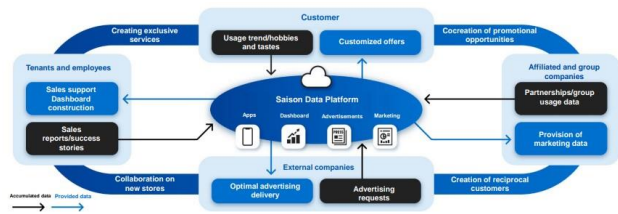
Development of new data analysis tools

- ✓ Partial automation of screening in the finance business
Business reduction 250 hours per year /
Cost reduction 50 million yen per year

Business reduction hours
-1.25 million hours
FY19~FY24 1H cumulative total

The Saison Data Platform

- ✓ To support the promotion of the premium strategy, analyzing target customers for rank-up promotions and measuring effectiveness of early engagement emails
- ✓ Started providing Tableau dashboards to partner and group companies



Continuing onto CSDX.

For the development of DX human resources, we originally had a target of 1,000 personnel in FY2024, and we currently have 361 such personnel.

We are different from other companies in that we do not certify digital human resources by obtaining qualifications, but we certify as digital human resources personnel who can work on their own and create solutions, for example, by utilizing no-code and low-code to innovate business operations after creating apps. We will further expand such human resources.

In-house production generated AI tools

- 
In-house ChatGPT “SAISON ASSIST”
 - ✓ Interactive function with AI assistant that can be used to summarize sentences, plan ideas, etc.
 - ✓ Increasingly popular and used more than 20,000 times per month
- 
In-House Chatbot “FAQ Assist-kun”
 - ✓ In-house development of a chatbot that can responds to questions that are frequently asked within the company
 - ✓ Although responses have been mainly from back-office operations in the past, usage targeting some business units also started in 2Q.
- 
System for Creating Meeting Minutes “SCRIBE ASSIST”
 - ✓ Developed an in-house system that converts audio data from meetings into text, and then summarizes it
 - ✓ Usage increased 1.5 times in 3 months due to updates including additional functions (End of June ⇒ End of September)

In-house study sessions on generative AI are held on a departmental/team basis.

Aiming to promote and establish a bottom-up understanding of generative AI

Generative AI Initiatives



Round 2 Generative AI does the work itself (Replacement of duties)

- ✓ AI performs tasks previously performed by humans on its own
- ✓ Realization of data analysis that could not be achieved manually, etc.



Aiming to Step Up



Round 1 Generative AI assists in improving individual productivity

- ✓ Consult internal ChatGPT SAISON ASSIST instead of “search”
- ✓ Requested SCRIBE ASSIST, a minute generation system, to take minutes that had been “manually inputted,” etc.

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Please see page 32.

SAISON AI. This is the use of generated AI that has been very much talked about recently. We are already using the three tools mentioned on the left side, such as ChatGPT and Chatbots, to respond to employee inquiries about FAQs and take minutes.

In addition to this, we are considering the next step or the second round, which is for the generated AI to perform operations on its own. We will announce the details of this initiative in the future, but we would like to promote efforts to increase productivity through these initiatives.

That’s all from me.

Financial summary

(¥ 100 Million)

		FY23 2Q	FY24 2Q	YOY	FY24plan (initial)	FY24plan (revised)	Difference from initial plan	Progress rate
-Consolidated	Net revenue	1,751	1,963	112.1%	4,130	4,160	30	47.2%
	Business profit	398	400	100.5%	770	800	30	50.0%
	Profit attributable to owners of parent	440	284	64.6%	520	550	30	51.7%
Non-Consolidated	Operating revenue	1,388	1,475	106.2%	3,030	3,060	30	48.2%
	Operating profit	190	209	110.1%	425	435	10	48.2%
	Ordinary profit	235	253	107.5%	480	500	20	50.7%
	Profit	189	315	166.7%	340	470	130	67.2%

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Negishi: My name is Negishi. I would like to report our performance in H1 of the year.

Please see page 34 of the material.

Consolidated net revenue was JPY196.3 billion, 112.1% of the previous year's level; business profit was JPY40 billion, 100.5% of the previous year's level; and interim income was JPY28.4 billion, 64.6% of the previous year's level.

Interim income reflects the absence of the gain on negative goodwill resulting from the equity participation in Suruga Bank in the previous year. Both net revenue and operating income have remained very strong, and based on this outlook, we are revising our fiscal year plan upward by JPY3 billion for each of them.

Overview of Business Results by Segment

(¥ 100 Million)

Net revenue	FY23 2Q	FY24 2Q	YoY	FY24plan (initial)	FY24plan (revised)	Difference from initial plan	Progress rate
Payment	1,149	1,212	105.5%	2,499	2,529	30	48.0%
Lease	62	65	104.9%	135	135	–	48.6%
Finance	285	325	114.1%	633	633	–	51.5%
Real estate related	130	124	95.2%	260	260	–	47.8%
Global	101	214	210.6%	513	493	△20	43.4%
Entertainment	32	31	98.4%	67	67	–	47.5%
Total	1,762	1,974	112.0%	–	–	–	–
Intersegment transactions	△11	△ 11	–	–	–	–	–
Consolidated	1,751	1,963	112.1%	4,130 ^{*1}	4,160 ^{*2}	30 ^{*3}	47.2%

^{*1}:Includes 2.3 billion yen
in financial revenue

^{*2}:Includes 4.3 billion yen
in financial revenue

^{*3}:Financial revenue +2.0 billion yen

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On page 35, we have a breakdown of net revenues by segment.

In the payment business, net profit was JPY121.2 billion, 105.5% of the previous year's level. Although there were some difficulties in terms of revenue generated from transaction volume, the steady progress in revolving credit use made a significant contribution to this result.

In H2 of the fiscal year, we will gradually introduce structural reform measures. Based on this total outlook, we have revised our annual plan upward by JPY3 billion to JPY252.9 billion.

The global segment recorded JPY21.4 billion in H1, 210.6% of the previous year's level.

As Mizuno mentioned earlier, the lending business is progressing very steadily, especially in India, but in the investment business, some of our portfolio companies have recorded valuation losses. In light of this, we have revised our plan for the fiscal year downward by JPY2 billion, to JPY49.3 billion.

In total, the consolidated full-year forecast is revised upward to JPY416 billion, an increase of JPY3 billion from the original plan.

Overview of Business Results by Segment

(¥ 100 Million)

Segment profit or loss (Business profit or loss)	FY23 2Q	FY24 2Q	YoY	FY24plan (initial)	FY24plan (revised)	Difference from initial plan	Progress rate
Payment	101	136	134.9%	205	275	70	49.7%
Lease	23	21	92.8%	40	40	–	54.2%
Finance	122	172	140.9%	315	315	–	54.7%
Real estate related	116	70	60.5%	130	130	–	54.3%
Global	17	△ 5	–	68	28	△40	–
Entertainment	10	4	49.3%	12	12	–	41.1%
Total	391	401	102.5%	–	–	–	–
Intersegment transactions	6	△ 0	–	–	–	–	–
Consolidated	398	400	100.5%	770*	800*	30	50.0%

*Includes intersegment transactions

Please move on to page 36.

This shows business profit by segment. The payments segment recorded JPY13.6 billion, 134.9% of the previous year's level. The increase in net income from the non-consolidated payment business was a major contributor, and there was also a partial reversal of bad debt costs, which helped to control costs.

The full-year forecast is revised upward to JPY27.5 billion, an increase of JPY7 billion, based on the assumption that earnings are growing very steadily, and that cost control has been successfully achieved, particularly in bad debts.

The finance segment recorded JPY17.2 billion, 140.9% of the previous year's level. In addition to the very strong performance of the real estate finance business and credit guarantee business of Credit Saison and its subsidiary, Saison Fundex, the contribution of Suruga Bank, which became an equity affiliate of Credit Saison last year, also made a significant contribution to the Group's profits.

Finally, in the global segment, business profit decreased by JPY500 million in H1 of the year. Again, the lending business is progressing very steadily. This amount is due to the impact of a valuation loss recorded in the investment business in H1 of the fiscal year.

In light of this, we have revised our plan for the fiscal year to JPY2.8 billion, a decrease of JPY4 billion from the initial forecast. We have revised upward our consolidated total business profit target to JPY80 billion, an increase of JPY3 billion.

Contribution by Consolidated Companies

■ Business profit Difference

(¥ 100 Million)

	Consolidated Business profit	Non-consolidated Ordinary Profit	Difference
FY24-2Q	400.0	253.4	146.6
(Year-on-year difference)	1.9	17.7	▲15.8

■ Contribution by Consolidated Companies

(¥ 100 Million)

		Contribution to business profit	Year-on-year difference	Business description
Major consolidated subsidiaries	SAISON FUNDEX CORPORATION	59.2	+13.1	Real estate financing business, credit guarantee business, and personal loan business
	Saison Realty Group	37.4	▲50.7	Comprehensive real estate business
	Kisetsu Saison Finance(India)Pvt. Ltd.	24.3	+15.2	Digital lending business in India
	SAISON ASSET MANAGEMENT CO., LTD.	7.4	+1.8	Asset management
Major equity method affiliates	Suruga Bank Ltd.	27.7	+23.1	Banking
	HD SAISON Finance Co., Ltd.	15.8	+10.9	Retail Finance Business in Vietnam
	Seven CS Card Service CO.,LTD	6.0	+0.4	Credit card business
	Takashimaya Financial Partners Co.,Ltd	5.7	+0.5	Credit card business, insurance business, investment trust business, and trust business

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Please move on to page 37.

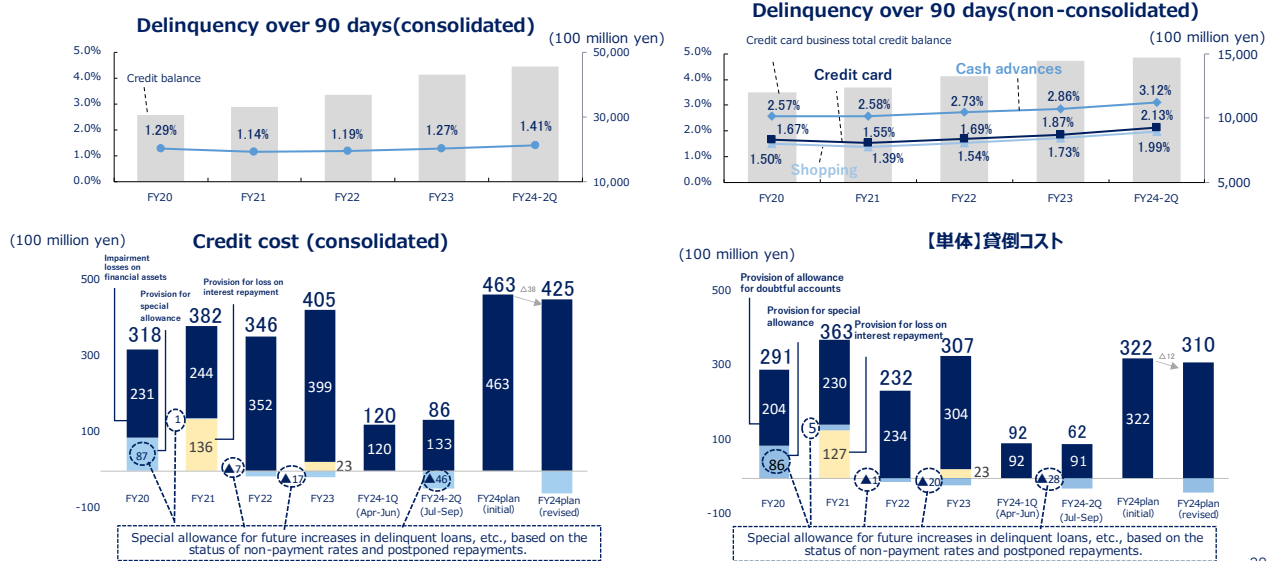
This is the contribution of the consolidated companies. Looking at our main consolidated subsidiaries, Saison Fundex Corporation and Kisetsu Saison Finance (India) Pvt. Ltd. contributed JPY5.9 billion and JPY2.4 billion, respectively.

The Saison Realty Group contributed JPY3.7 billion in H1, a JPY5 billion decrease from the previous year, mainly due to the absence of real estate trust beneficiary interests from the previous year.

Among major equity method affiliates, in addition to the JPY2.7 billion contribution from Suruga Bank, HD SAISON Finance in Vietnam contributed JPY1.58 billion in total in H1 of the year, after struggling the past two years. In Vietnam, I think the economic situation is improving, but we still need to keep an eye on it. However, we are gradually moving to the stage of profit contribution.

Credit Risk

- ✓ Partial reversal of the special allowance set aside for future increases in delinquent loans in the COVID -19 pandemic
- ✓ Build predictive models using AI and DX, and enhance counseling for developing credit (limit control) and delinquencies when they occur



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Finally, on page 38, credit risk.

The key point is in the payments business, so I would like to talk about the non-consolidated business shown on the right. The graph in the upper-right-hand corner shows that the rate of delinquency over 90 days is gradually increasing.

As a result, as you can see on the lower-right-hand side, bad debt costs for Q1 amounted to JPY9.2 billion for a three-month period. Q2 was JPY6.2 billion in total. This includes the decrease of JPY2.8 billion for the reversal of the special allowance that had been set aside during the period. The total for H1 of the year was JPY15.4 billion, 106% of the previous year's level.

Given the current situation, we are now projecting JPY31 billion for the fiscal year, with the expectation that costs will be incurred at a similar pace in H2 of the year.

To explain the situation a little bit, most of our products are debited on the fourth day of each month, and the deposit rate on this day is actually at a very high level in the past. However, the collection period for these unpaid claims has been lengthening, and the number of claims that have resulted in attorney intervention and ultimately bankruptcy claims has been increasing.

Given these circumstances, we believe it is necessary to pay close attention to the initial and on-going credit monitoring.

In addition, the early stage of collection process has been automated, but manpower is still effective in the middle stage. Therefore, we will enhance the correction by strengthening the system of making phone calls by human for the middle stage and making good use of outsourcing to law firms.

We have also started to implement a predictive analysis model for those who are likely to be subject to third-party intervention in the near future by incorporating machine learning data that have been accumulated

since the end of H1 of the fiscal year. We will continue to make progress while combining these measures to minimize cost increases as much as possible.

That is all from me.

Main Questions and Answers

Q1.

Could you please outline the risks associated with the Global Business. Specifically:

1. Given that other publicly listed credit card companies have revised their earnings forecasts downward due to the challenging business environments in parts of Southeast Asia, and because Credit Saison has recorded profit contributions from Vietnam in the first half of the fiscal year, are there any downside risks in the second half of the fiscal year?
2. Considering your investments in countries such as Indonesia, could you please share your perspective on additional risks in these regions?

A1.

Regarding your first point, while Vietnam contributed 1.58 billion yen in profits in the first half of the fiscal year, we are taking a conservative view for the second half of the fiscal year and are not expecting progress at the same level as in the first half of the fiscal year. In fact, the second half targets that we set at the beginning of spring remain unchanged, reflecting a very modest outlook.

As for your second point about our investment business, venture capital investment has remained challenging over the past 12 to 18 months. While we will refrain from commenting on the details for individual investments, among the investments that have incurred valuation losses this time, there is one company that we are strategically invested in for which we conservatively recognized a valuation loss in light of its current business conditions. However, we do not anticipate additional valuation losses for this particular investment.

Q2.

Could you please comment on the risk of exposure to Indonesia?

A2.

Regarding Indonesia, we entered the market in 2015 with an initial plan of partnering with Seven-Eleven Indonesia. However, the withdrawal of Seven-Eleven Indonesia from the market and the comparatively challenging legal framework in Indonesia when compared to other countries have both posed difficulties.

In this context, our subsidiary with a multi-finance license has adopted a strategy of finding a way forward by effectively leveraging alliances with P2P lenders. That being said, progress remains somewhat unclear, and we recognize this as a slight risk.

In addition to maintaining communication with local members, members from our Singapore and India teams are on the ground in Indonesia, and they are considering how to proceed and what risk control methods to use on a global scale, so we believe it will be some time before our operations in Indonesia begin contributing to profits.

Q3.

Could you please provide details on your future policy and outlook regarding the reversal of special provisions?

Additionally, what is your current balance for special provisions?

A3.

If the current trend in receivables continues, then we believe that further reversals will be necessary in the future. As for the balance of special provisions, by the first half of the fiscal year we have reversed roughly just under half of the total amount of special provisions.

Q4.

Regarding share buybacks, your plan includes 50.0 billion yen for this fiscal year and an additional 20.0 billion yen during the remaining medium-term management plan period. Could you please share your perspective on the outlook for this beyond the next fiscal year? Additionally, considering your policy of maintaining a dividend payout ratio of 30% or more, is there room to raise DPS? Please tell us your thoughts on this.

A4.

Regarding share buybacks, our progress is currently around half of the planned 50.0 billion yen for the current fiscal year. We will first fully complete the 50.0 billion yen for the current fiscal year, and then we will decide on the timing for the remaining 20.0 billion yen while also taking into account the various investment possibilities for our businesses in the next fiscal year and the year after that.

As for dividends, given the ongoing share buyback, we plan to review them at the time of the final year-end financial results.

Q5.

Is it correct to assume that there have been no negative impacts from the increase in revolving fee rates, and that none are expected in the future? Additionally, have there been positive impacts on revolving balances from the fee rate revisions?

A5.

When we began notifying customers of the revolving fee rate revisions in August, we anticipated a certain level of customer attrition. However, we have seen almost no such impact to date.

As for positive impacts, the higher fee rates make it slightly less likely for principal balances to decrease, which can help to sustain revolving balances.

In addition, growth in our premium and corporate (sole proprietors and SMEs) segments has also contributed to the expansion of revolving balances. As such, moving forward, we believe that we will be able to maintain a certain level of growth trend by promoting our premium strategy.

Q6.

Is it correct to understand that the expansion in revolving balances offsets the negative impact of the decline in shopping transaction volume?

A6.

Firstly, the decrease in shopping transaction volume is primarily due to impact of reducing benefits in the tax and utility payment domains, where affiliated store fee rates have traditionally been low.

Revolving balances have remained steady, so, going forward, we would like to continue promoting policies that expand revolving balances by effectively combining acquisition for card customers and methods to upgrade from entry cards.

Q7.

What is your perspective on the competitive environment in the domestic payments business?

While the traditional competition over point rewards is continuing, some department stores are gradually introducing services similar to those offered by Credit Saison, such as membership programs and special app-based services. This gives the impression that competition for customer acquisition and service improvements is emerging from outside the realm of competition over point rewards. Internally, what are Credit Saison's views on this?

A7.

As you pointed out, we feel that the environment surrounding the payment business is evolving in a variety of directions.

In discussions with affiliate companies, we get the sense that affluent customers are increasingly prioritizing usability, service quality, and the provision of comfortable services over points-based rewards. The so-called newly affluent segment has diverse and rapidly changing needs, and, rather than traditional services such as personalized shopping assistance by sales representatives, we get the sense that they are shifting to services characterized by speedy responses and access to desired information, often facilitated through communication tools such as LINE. How card companies understand and respond to these demands will be a test of their capabilities.

While there of course is growth in emerging fintech solutions such as QR code payments, their target customer bases are becoming concentrated in some places, and as such it is extremely important to determine where to compete and to define a clear strategic focus.

Q8.

On page 43 of the Management Presentation, which discusses goals and priority themes, under the second priority theme you list "Utilize banking functions." Could you please outline how you plan to utilize banking functions and capital with respect to this theme?

Is your current investment in Suruga Bank sufficient? Alternatively, should you be considering partnerships with banks beyond Suruga Bank, particularly those with a stronger focus on corporate finance and the corporate sector? Or do you envision Credit Saison itself transitioning into being a bank? Please share your thoughts on this.

A8.

Even since before our partnership with Suruga Bank we have been considering a variety of approaches to banking functions. Looking at the methods that are used in countries around the world, there are methods such as BaaS, for example, as well as various models such as so-called neo-banks and challenger banks. While studying these options, this time we invested in Suruga Bank and began aiming to establish a profit from retail × retail. It has developed exactly as we hoped, and we think that it has been an extremely good partnership for both companies.

At the same time, in order to expand in the corporate sector, we are not opposed to forming alliances with banks that have strengths in corporate services and will continue exploring such opportunities.

As for utilizing banking functions, we want to have both companies work together and utilize digital technologies to develop plans that we can offer to customers according to their life plan, such as bank loan functions. We will continue discussing this with Suruga Bank, and we also believe that there is a possibility of finding solutions through other alliances

Q9.

The Reserve Bank of India has imposed regulations on businesses. In light of this, can you please explain the impact that they will have on your direct lending and partnership lending businesses, as well as the risks and opportunities that are involved?

A9.

With regards to the four companies that were regulated by the Reserve Bank of India, we view these regulations to be the result of prior guidance that has been given by the RBI.

Our understanding is that the RBI is focused on the credit cycle in India. In particular, the RBI seems to have a tendency to study cases in other countries where similar defaults have occurred, particularly in terms of household debt ratios, so this highlights the need to carefully assess so-called excessive lending and credit. In India, developing credit is extremely important, so we think that it is crucial to take a meticulous approach here and move forward while reporting to the RBI that we are operating in a sound manner.

Regarding this reporting function, we receive detailed guidance from one of our outside directors, who is a former Executive Director of the RBI, and we are carefully responding to the regulations. Although there are some regulatory concerns that cannot be dispelled, we believe that we are responding to them to the best of our ability.

At present, we do not believe that there are any impacts on borrowers in our partnership lending or wholesale lending businesses.

Q10.

One of your competitors announced a capital and business alliance, which also touched upon the corporate sector. Could you please tell us whether there is a clear differentiation between their target corporate customers and yours, and, additionally, could you also confirm your competitive advantages for us?

A10.

The credit that we offer to SMEs is personal credit to business owners. We have established a style of credit for individual owners, with per-person credit limits that can, for example, reach tens of millions of yen in some cases. We also have 700 to 800 corporate sales members nationwide who maintain close and frequent contact with our customers and who work to provide ongoing credit, which is one of our strengths.

My impression is that our credit methods are slightly different from those of other companies, and I believe that there is minimal overlap in our customer segments.