

## Fiscal Year 2019 Q3 Financial Results Conference Call

January 30, 2020, 18:30-19:30(JST)

Speaker: Shoichi Hirano, Chief Officer, Group Corporate Planning and Finance, Shinsei Bank

### Summary of QA Session

**Participant:** I'm asking about share buyback. For the upper limit of JPY23.5 billion, up until December, only JPY15 billion has been bought back. Usually JPY2 billion per month has been the normal pace. So, by March, at the current pace, you will not achieve JPY23.5 billion. So just to clarify, at any rate by March end, will you accelerate share buybacks to achieve JPY23.5 billion? Or you may end up not using the full limit of JPY23.5 billion, which is it going to be?

**Hirano:** We disclose monthly progress report of share buyback at the beginning of every month. December's report has been disclosed at the beginning of January. We believe that we're proceeding on the plan and we don't have any particular concerns.

**Participant:** When you say the plan, you mean the target of JPY23.5 billion?

**Hirano:** Yes, we don't have any intention to end up not using full limit of JPY23.5 billion.

**Participant:** I have two questions. First, of APLUS loan portfolio intermediated by ARUHI intermediated, is there any change in credit status? If there is no change, let us know so. If there is change, could you tell the change? How do you see the risk? If this matter incurs credit cost, will the company take the legal action only against real estate operators? Could you please provide us as much information as possible?

Second, I am not sure whether you can answer this, but as of January 8, SBI issued large shareholding report over 5% of Shinsei's share. Was the management aware of this before the report? How do you think about this?

**Hirano:** To your first question regarding loan portfolio intermediated by ARUHI, while this is about APLUS, I will answer as much as I can. So far, we have not seen any particular deterioration of creditworthiness. This is also available in the press release issued by APLUS, currently, it's under investigation, so we don't have any particular comment on this. But if there is any illegal act or any facts, we will take severe action and we may consider indemnity or damage compensation. But firstly, we need to know the fact, otherwise we cannot answer what kind of action we are going to take. I hope I answered your first question.

The second question, regarding SBI, originally, they held our shares four point something or slightly less than 5%, and now it exceeded 5%. Accordingly, they have reported a large shareholding report. As they have disclosed, the purpose is a pure investment.

**Participant:** Regarding comments on APLUS that there is no deterioration in the creditworthiness or credit quality, how would you assess that? What is the definition of deterioration of creditworthiness or credit quality? Delinquencies, payments not forthcoming?

**Hirano:** If there is a sudden surge in delinquencies, then we would think that there is deterioration. That is what we mean.

End

## **Fiscal Year 2019 Q3 Financial Results Conference Call**

**January 30, 2020, 22:00-22:30(JST)**

**Speaker: Sanjeev Gupta, Senior Managing Executive Officer, Advisor to President and Chief Executive Officer, Shinsei Bank**

### **Summary of QA Session**

**Participant:** I have one question regarding the APLUS-ARUHI investigation. How long do you think it will take? And do you plan to be able to disclose results for the IR Day on February 20?

**Gupta:** As I indicated earlier, we are currently doing our best to look at the situation. Whatever information we have been able to gather so far, it appears that it may be limited to a limited number of distributors. Having said that, when we have fresh information, we will be the first ones to be updating all our stakeholders, including yourself.

We really don't have a feel for how long it will take, but we are doing it as a matter of priority.

**Participant:** Thank you. You mentioned the total balance of investment-related loans was JPY155 billion for APLUS. Is that right?

**Gupta:** Yes, and those are the investment-type condominium loans, which includes JPY14.8 of shopping credit.

**Participant:** Yes. And out of that, you mentioned JPY143 billion was business which was brought to you by ARUHI.

**Gupta:** Precisely.

**Participant:** And may I ask why such a high percentage of the total balance come from one specific financial institution? Why are you not diversifying or why isn't APLUS diversifying across several financial institutions? That seems very concentrated.

**Gupta:** It is my understanding that ARUHI focuses on used condominiums and the business model or the product feature we have is this loans that we provide. The reason they are on average JPY12 million per customer is partly because these are used condominiums, not brand new. And the agents which ARUHI works with generally focuses on used ones and I think they like the features and all of that that we've been working with them for many years now.

**Participant:** Understood. And just to confirm, how many board members of APLUS come from Shinsei Bank?

**Gupta:** Just to answer your question about the APLUS' board members, what's the composition of Shinsei Bank executives who are on the board, there are total eight board members, out of which four are from Shinsei Bank. So, 50% representation.

End