FY2020 Financial Results Investors' Meeting (Held on May 14, 2021)
Q&A Summary

Question: How do you decide whether to buy back shares or pay dividends? Please tell us how you consider an increase in the shareholding ratio of major shareholders due to share repurchases in determining the method of payout.

This time, you decided to increase dividends for the first time in 10 years. Please tell us your thoughts on the decision to increase dividends while you still have public funds.

Kudo: Our shareholder return policy is written in the revitalization plan, and we decide shareholder return in line with the plan.

Basically, we determined the total payout ratio first as described in the revitalization plan, that is, we maintain or improve the total payout ratio within the general scope of domestic banks. Recently, we have been increasing the total payout ratio, and we are getting close to the upper range of 50%. This time as well, total payout ratio based on the last fiscal year's Net Income has been set at 50%. That is the starting point.

And regarding breakdown, looking at the valuation of shares of banking sector, share buyback has the higher economic value or substantial actual benefit for shareholders. So, if the current valuation continues, share buyback will be considered as a priority. On the other hand, not only individual shareholders but also institutional investors have expressed their desire for a dividend increase. Share buyback will remain as a core policy, however, you should not regard that the dividends have been fixed at JPY10 per common share. Even it is small, we have increased the amount of dividend. That is the background of our decision.

Question: SBI continued to buy Shinsei Bank's shares. SBI has become a large shareholder of Shinsei Bank. As a result, the other market players cannot ignore it. Please tell us what could happen if SBI continues to purchase shares, or if you have any countermeasures responding to such situation.

Kudo: Our method of total payout ratio and dividends vs. the amount of share buyback was just explained and we have not considered the major shareholder issue as one of the factors.

We do not actually have any comment on the question if SBI continues to purchase our shares or not. SBI has said that this is purely for investment purposes. At this point, we do not necessarily have any policy in this regard.

Question: This fiscal year is the final year of the current medium-term strategies. In the previous fiscal year (FY2020), Shinsei Bank made progress in value co-creation initiatives and made progress in building an overseas portfolio. Please tell us if you have any discussion points and/or issues to be addressed in the next medium-term strategies starting from the next fiscal year.

Please also tell us as far as it is possible about the use of funds, such as using the proceeds from the sale of Jih Sun's shares to invest in growth, or to use for shareholder return.

Kudo: Issues and discussion points, there are many, but let me share with you three points.

First, the establishment of our overseas portfolio has progressed, but I think we have a long way to go. Opportunities for non-organic and organic growth will continue to be explored in the Asia Pacific region. I said Asia Pacific in one word, but there are developed countries and developing countries, and the growth rate and the risks are different from one another. We have strategies for both types. In developing countries, the joint venture in Vietnam is growing steadily with a good partner. Various discussions are underway to promote further joint ventures with the partner in the surrounding countries. For developed countries such as Australia and New Zealand, we made a start last year. Since each represents as a top institution in both countries, we are expecting organic growth in the future. And I cannot go into detail today, but from circumstances in each country, the industry reorganization or consolidation is anticipated. And therefore, we think there are opportunities in that circumstance.

We don't have any fixed idea of using the exit funds of a particular company for something specific. CET1 ratio will be maintained at above 10% and non-organic opportunities will continue to be explored. As we mentioned last fiscal year, by selling Jih Sun, the excess capital has returned to the original level. We have enough capital to explore for non-organic growth opportunities. And shareholder return is determined by total return ratio, there is no direct link to what was sold.

One of the remaining two is our sustainability initiative. The market awareness is changing, and we are enhancing our activities. Originally, in our business, we have many activities in line with this initiative, hence, we have an advantage. On the contrary, we are also working on various initiatives including building standards to eliminate SUSTAINABILITY WASH activities. We have to work on those in parallel. ESG specialized bank was the word that was used to express us in some newspapers, but we are a niche financial institution, so sustainability and creating a positive impact for the market will be the basis of all our businesses. We believe that the major challenge is not just to undertake a sustainability initiative, but to drive our substantial business in that direction.

And third point I will not go into detail, is our DX efforts. We are doing various things, but we must do more. Our DX initiative is now being enhanced.

Question: Please tell us about the expected revenue impact and financial impact on the Bank as a result of the capital and business alliance with Latitude.

Kudo: To give you a very rough figure, about JPY1 billion is included in the bottom line for this term.

Latitude is a quite large company and how to strengthen the partnership with the company will be discussed. And other shareholders are mainly financial sponsors, so their exit will be assumed. Under the circumstances, we will enhance alliance with Latitude Group.

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