

**1HFY2017 Financial Results Investors' Conference Call**  
**(Held Nov. 1<sup>st</sup>, 2017) Q&A English Transcript**

Q: Please explain the rationale and the calculation basis behind the reversal of grey zone reserve, and please give us its outlook going forward.

A: We have been provisioned the required amount of grey zone reserve based on the rational estimates of future payments. We recorded grey zone reserves reversal as our recent overall grey zone reserve calculation depicts lower reserve requirement.

However, we should take into consideration of various kinds of factors which would effect on estimate of future grey zone repayment including analysis of historical repayment trend. Hence, we would not give you its calculation basis or its outlook going forward.

Q: Why did you record higher net credit costs towards the full year plan?

A: It was caused by steady asset growth and the impact of reserve ratio updated done in Q1 FY2017. It may also be caused by collection operation change in Lake, but we are under analysis about its effects.

Q: How do you see the progression of net credit costs for the Institutional Business and APLUS FINANCIAL in Q2 (3 months) compared to those original plans?

A: The Institutional Business recorded higher net credit costs than its original plan due to longer term loan origination as well as reserve ratio change. APLUS FINANCIAL also recorded higher net credit costs than its plan due to the loan growth in housing related loans. Its loan growth is incorporated in the original plan.

Q: Do you think APLUS FINANCIAL has adequate grey zone repayment reserve?

A: We will revisit and look into the adequacy of grey zone reserve considering the trend of grey zone repayment and other factors.

A: Do you expect slowdown of housing related loans in APLUS going forward?

A: We have incorporated the growth plan of housing related loans in our original plan. We do not provide large loans and we limited the areas for this loan. We will not increase this loan aggressively, but selectively.

Q: It is allegedly that banks could not provide the same day loan due to the connection to the antisocial database of the National Police Agency. Is there any possibility for Shinsei Bank Lake to continue to provide the same day loan to customers if the news report is true?

A: We are not in a position to make comments on this matter. If the news article is true, it would make some negative impact on our business.

Q: Do you have any additional comments on shareholder return?

A: We do not have any additional comments more than what we commented on Business and Financial Highlights.

Q: Why did expenses for unsecured loan business decrease to 16.5 billion yen in 1HFY2017 from 17.1 billion yen in 1HFY2016?

A: It was due to personnel and nonpersonnel expenses reduction driven by the productivity enhancement project, and some advertisement expenses reduction.

Q: What was the biggest contributor of noninterest income increase in Corporate Business?

A: The main contributors are fee increase from FX derivatives and loan syndication and a gain from sale of securities. Gain from sale of securities was the largest in terms of absolute amount.

Q: When will you announce the revised target for FY2018? Does "Under Review" mean that you revise only FY2018 target, not multiple years?

A: We have been considering everything including what you asked.

Q: Shinsei Bank Lake increased the number of new application by 7% to 121 thousand in Q2 (3 months). What drove the increase of new application? In addition, its approval rate has been improving. Do you expect further improvement of it?

A: Other banks decreased new bank card loan customer acquisition due to more and more constraints. We think that there could be some customers shifted to us from other banks as we have been operating our business by complying with spirits of the money lending business law. We are not sure whether we will be able to see the same trend going forward.