



# NEWS RELEASE

Apr 27, 2021

## R&I Affirms A-, Stable: Shinsei Bank Group Companies

Rating and Investment Information, Inc. (R&I) has announced the following:

SEC. CODE	COMPANY NAME
8303	Shinsei Bank, Ltd.
----	APLUS FINANCIAL Co., Ltd.
----	APLUS Co., Ltd.
----	Shinsei Financial Co., Ltd.
----	Showa Leasing Co., Ltd.

\* Please refer below for rated bonds, etc.

### RATIONALE:

#### Shinsei Bank, Ltd.

Shinsei Bank, Ltd. has strength in niche and highly specialized business domains such as structured finance and the consumer finance business expanded through acquisitions. Although the scale of the franchise is not large, stable businesses have been developing moderately, increasing the stability of the franchise gradually. The bank also shows a tendency of gaining a new earnings base through, for instance, the acquisition of 100% shares of UDC Finance Ltd., the largest non-bank financial institution in New Zealand.

The fusion of group companies is progressing steadily. As well as centralizing indirect divisions, Shinsei Bank divided its businesses into corporate and individual business units to integrate the group's business strategies and planning functions. It has been proceeding with the building of a system to provide customers with optimal services by using business functions and know-how from Showa Leasing Co., Ltd. in the corporate segment and from APLUS Co., Ltd. and Shinsei Financial Co., Ltd. in the individual customer segment.

For small scale financing, which it focuses on, Shinsei Bank is working on the advancement of marketing, risk control and operations. The bank provides partners with services and know-how developed through its business management in the value co-creation business to pursue growth beyond the limit of its customer base. The business for institutional investors is diversifying sales methods and products it provides, while offering new asset finance related to wind-power generation, etc.

Despite downward pressure on the quality of assets affected by the COVID-19 outbreak, the bank maintains its relatively sound asset condition. It is attributable to the government's economic policies and strengthened stress tolerance of the portfolio through the establishment of its prudent credit management. Structured finance comprises a high proportion of loans, including a considerable amount of those to hotels and other businesses affected by the COVID-19 pandemic. R&I will continue to pay close attention to future developments.

While ROA is relatively high, Shinsei Bank's profits are susceptible to changes in the business environment due to its business model characteristics. Even though its productivity is increasing as the integration with the group companies proceeds, there is still room for improvement. The bank intends to reduce cost by sharing and managing IT assets based on cloud computing and reorganizing its offices. In addition, a comprehensive business partnership with Monex, Inc. in the financial instruments intermediary business is expected to allow the bank to reduce the cost of maintaining and managing its securities account system.

Although its risk appetite is somewhat high, a risk appetite framework is being built steadily and

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therefore, the balances of risk and return as well as capital will unlikely be disturbed seriously. Shinsei Bank's risk resilience is commensurate with the A rating category. It is still faced with the issue of completing public funds repayment but will likely be able to maintain its risk resilience commensurate with the A rating category even after increasing shareholder returns when making repayment in the future.

The Japanese government has become the largest shareholder of Shinsei Bank since a U.S.-based investment fund sold its shares in 2019. SBI Holdings, Inc. is the second largest shareholder after the Japanese government, currently gaining more shares. R&I will keep an eye on the effect of any change in a share ownership structure on the business management.

## **APLUS FINANCIAL Co., Ltd.**

APLUS FINANCIAL Co., Ltd. is a consolidated subsidiary of Shinsei Bank, Ltd., having become a wholly owned subsidiary in December 2020. It is an intermediate holding company that manages APLUS Co., Ltd., consumer lender APLUS Personal Loan Co., Ltd. and other entities. The rating for APLUS FINANCIAL is on par with that for Shinsei Bank.

## **APLUS Co., Ltd.**

APLUS Co., Ltd. is a wholly owned subsidiary of APLUS FINANCIAL Co., Ltd. and one of the major credit companies in Japan. Since APLUS has various functions such as installment credit, credit cards, loans and bill collection services, its product and service know-how and merchant network are strategically important to the Group. The rating for APLUS is on par with that for Shinsei Bank.

Its risk resilience is commensurate with the rating. Despite the burden of expenses related to the refund of overpaid interests, no problem is found with asset quality. Operating revenue has been maintained at the almost same level as the previous year due to the growth of shopping credit and settlement businesses even amid the COVID-19 pandemic. Its earning capacity is, however, low relative to the rating and has room for improvement. R&I will keep an eye on the progress in sales promotion and streamlining initiatives through the Group's integrated management.

## **Shinsei Financial Co., Ltd.**

Shinsei Financial Co., Ltd. is a wholly-owned subsidiary of Shinsei Bank, Ltd. It plays a central role in the Shinsei Bank Group's unsecured personal loan business. In light of its importance in the Group, the rating for the company is on par with that for Shinsei Bank. In the consumer loan market, name recognition of the "Lake" brand is high. The combined outstanding consumer loan balance of Shinsei Bank and Shinsei Financial has decreased slightly due to the impact of the COVID-19 pandemic, etc. Meanwhile, the balance of Shinsei Financial's Lake ALSA is increasing.

Asset quality is adequate. The company has been securing a certain level of profits, while curbing credit cost. However, attention needs to be paid to deterioration in income and employment circumstances in the future. Shinsei Financial has ample capital and reserves for losses on interest repayments, making its risk resilience comfortably sufficient for the rating.

## **Showa Leasing Co., Ltd.**

Showa Leasing Co., Ltd. is a wholly-owned subsidiary of Shinsei Bank, Ltd., and responsible for the Shinsei Bank Group's leasing and asset finance businesses. Since its customer base that mainly consists of small and medium-sized enterprises and financing function based on property values are of high importance to the Group, the rating for Showa Leasing is on par with that for Shinsei Bank. It mainly leases construction machinery items. As well as investing in a trading company specialized in used construction equipment and a crane rental company, it has made Shinko Lease Co., Ltd. a subsidiary to enhance the expertise in construction machinery.

Its risk resilience is comfortably at a sufficient level for the rating. There is no problem with asset quality and it is unlikely that credit cost will increase suddenly. Given sluggish growth of the commission and fee business due partly to the COVID-19 pandemic impact, the company is faced with the challenge of regaining its earning capacity. R&I will follow any increase in its business efficiency

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through the leveraging of IT, synergy effects with Shinko Lease, and progress in the partner business expansion.

The primary rating methodologies applied to this rating are provided at "R&I's Basic Methodology for Corporate Credit Ratings", "Shared Rating Approach for Financial Institutions, etc.", "Depository Financial Institutions", "Consumer Finance", "Credit Card and Credit Sales", "Leasing" and "R&I's Analytical Approach to Financial Groups". The methodologies are available at the web site listed below, together with other rating methodologies that are taken into consideration when assigning the rating.

[https://www.r-i.co.jp/en/rating/about/rating\\_method.html](https://www.r-i.co.jp/en/rating/about/rating_method.html)

## R&I RATINGS:

**ISSUER:** Shinsei Bank, Ltd. (Sec. Code: 8303)  
**Issuer Rating**  
**RATING:** A-, Affirmed  
**RATING OUTLOOK:** Stable

## Shelf Registration (Bonds)

**ISSUE AMOUNT (mn):** JPY 300,000  
**ISSUE PERIOD:** From Apr 14, 2020 to Apr 13, 2022  
**RATING:** A-, Affirmed (Preliminary)

<b>Unsec. Str. Bonds No.4</b>	<b>Issue Date</b> Oct 27, 2016	<b>Maturity Date</b> Oct 27, 2021	<b>Issue Amount (mn)</b> JPY 10,000
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**RATING:** A-, Affirmed

<b>Unsec. Str. Bonds No.5</b>	<b>Issue Date</b> Jul 13, 2018	<b>Maturity Date</b> Jul 13, 2023	<b>Issue Amount (mn)</b> JPY 10,000
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**RATING:** A-, Affirmed

<b>Unsec. Str. Bonds No.6</b>	<b>Issue Date</b> Dec 13, 2018	<b>Maturity Date</b> Dec 13, 2023	<b>Issue Amount (mn)</b> JPY 10,000
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**RATING:** A-, Affirmed

<b>Unsec. Str. Bonds No.7</b>	<b>Issue Date</b> Oct 10, 2019	<b>Maturity Date</b> Oct 07, 2022	<b>Issue Amount (mn)</b> JPY 10,000
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**RATING:** A-, Affirmed

<b>Unsec. Str. Bonds No.8</b>	<b>Issue Date</b> Oct 10, 2019	<b>Maturity Date</b> Oct 10, 2024	<b>Issue Amount (mn)</b> JPY 20,000
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**RATING:** A-, Affirmed

<b>Unsec. Str. Bonds No.9</b>	<b>Issue Date</b> Jan 23, 2020	<b>Maturity Date</b> Jan 23, 2023	<b>Issue Amount (mn)</b> JPY 20,000
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**RATING:** A-, Affirmed

<b>Unsec. Str. Bonds No.10</b>	<b>Issue Date</b>	<b>Maturity Date</b>	<b>Issue Amount (mn)</b>
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<b>RATING:</b>	Jan 23, 2020 <b>A-, Affirmed</b>	Jan 23, 2025	JPY 30,000
<b>Unsec. Str. Bonds No.11</b>	<b>Issue Date</b> Jul 09, 2020	<b>Maturity Date</b> Jul 07, 2023	<b>Issue Amount (mn)</b> JPY 30,000
<b>RATING:</b>	<b>A-, Affirmed</b>		
<b>Unsec. Str. Bonds No.12</b>	<b>Issue Date</b> Jul 09, 2020	<b>Maturity Date</b> Jul 09, 2025	<b>Issue Amount (mn)</b> JPY 30,000
<b>RATING:</b>	<b>A-, Affirmed</b>		
<b>Unsec. Str. Bonds No.13</b>	<b>Issue Date</b> Mar 12, 2021	<b>Maturity Date</b> Mar 12, 2024	<b>Issue Amount (mn)</b> JPY 10,000
<b>RATING:</b>	<b>A-, Affirmed</b>		
<b>RATING:</b>	<b>Short-term Debts</b> <b>a-1, Affirmed</b>		
<b>ISSUER:</b>	<b>APLUS FINANCIAL Co., Ltd.</b>		
<b>RATING:</b>	<b>Issuer Rating</b> <b>A-, Affirmed</b>		
<b>RATING OUTLOOK:</b>	<b>Stable</b>		
<b>Unsec. Str. Bonds No.5</b>	<b>Issue Date</b> Oct 15, 2018	<b>Maturity Date</b> Oct 13, 2023	<b>Issue Amount (mn)</b> JPY 10,000
<b>RATING:</b>	<b>A-, Affirmed</b>		
<b>Unsec. Str. Bonds No.6</b>	<b>Issue Date</b> Dec 05, 2019	<b>Maturity Date</b> Dec 05, 2024	<b>Issue Amount (mn)</b> JPY 10,000
<b>RATING:</b>	<b>A-, Affirmed</b>		
<b>ISSUER:</b>	<b>APLUS Co., Ltd.</b>		
<b>RATING:</b>	<b>Issuer Rating</b> <b>A-, Affirmed</b>		
<b>RATING OUTLOOK:</b>	<b>Stable</b>		
<b>ISSUE LIMIT (mn):</b>	<b>Commercial Paper</b> JPY 270,000		
<b>SUPPORT:</b>	Unsecured		
<b>RATING:</b>	<b>a-1, Affirmed</b>		
<b>ISSUER:</b>	<b>Shinsei Financial Co., Ltd.</b>		
<b>RATING:</b>	<b>Issuer Rating</b> <b>A-, Affirmed</b>		

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**RATING OUTLOOK:** Stable

**ISSUER:** Showa Leasing Co., Ltd.  
**Issuer Rating**

**RATING:** A-, Affirmed

**RATING OUTLOOK:** Stable

Unsec. Str. Bonds No.3	Issue Date	Maturity Date	Issue Amount (mn)
	Jul 31, 2018	Jul 31, 2023	JPY 10,000

**RATING:** A-, Affirmed

Unsec. Str. Bonds No.4	Issue Date	Maturity Date	Issue Amount (mn)
	Dec 18, 2019	Dec 18, 2024	JPY 10,000

**RATING:** A-, Affirmed

A preliminary rating is assigned when a provisional credit rating is needed for an individual obligation on which final terms have not been determined. A credit rating finally assigned may differ from the preliminary rating depending on, among others, the details of the actual contract of the individual obligation.

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