

April 1, 2020

APLUS FINANCIAL Co., Ltd.

Summary of Investigation Report by the Special Investigation Committee

As announced in the "Survey of Investment Condominium Loans" dated March 19, 2020, APLUS FINANCIAL Co., Ltd (hereafter the "Company") established the Special Investigation Committee (hereinafter referred to as the "Committee"), which is chaired by an outside attorney, in response to reports of falsification of loan examination documents and unrealistic real estate valuations in connection with investment condominium loans originated by our consolidated subsidiary APLUS Corporation (hereinafter referred to as "APLUS") in cooperation with ARUHI Corporation (hereinafter referred to as "ARUHI"). The committee has been conducting investigations with the following objectives: (i) fact-finding; (ii) cause investigations; and (iii) recommendations on measures to prevent recurrences.

We have received the investigation report from this committee today, so we would like to inform you as follows.

Notes

1. Outline of the Investigation Report

(1) Investigation report

We have attached the condensed Japanese version of the investigation report we received from the committee with this press release. (It should be noted that the condensed report is only in Japanese.)

(2) Identified issues

(i) Falsification of examination documents

As a result of the investigations conducted by the Committee, it was found that the certificate of income was falsified by some third parties. However, it should be noted that our officers and employees were not involved in falsification of the certificate of income.

(ii) Valuation of real estate

In the investigations conducted by the Committee, there were multiple real estate appraisal reports which the Committee identified as requiring closer checks, in particular those handled by some real estate distributors, for which the real estate appraisal value at the time of revaluation was higher than the initial appraisal. Nevertheless, no improprieties were found, such as falsification of the real estate valuation within APLUS after the valuation of a third-party valuation organization, or unreasonable real estate valuations by the third-party valuation organization.

(3) Cause of identified problems

Problems in the product design/screening system for investment-type condominium loans and the governance/internal control system of APLUS have been pointed out as a potential factor to cause the falsification of income certificates.

Particularly, it is assumed that there could be a malicious real estate vendor based on product characteristics and market conditions in the investment condominium market. In order to protect customers, it was necessary to build a more careful product design and review system, and strict management of real estate vendors. It is also pointed out that the concept of the repayment ratio, which is one of the evaluation criteria, was shared with ARUHI and real estate vendors for the purposes of reduction and operational efficiency in loan assessments. In addition to these, it is indicated that combining

condominium loans for investment and Support Credits for ARUHI Alliances (hereinafter referred to as "Support Credits") led to a substantial increase in credit limits.

(4) Recurrence prevention measures

The committee has made recommendations on the following measures to prevent recurrence.

- i. Placing more emphasis on product characteristics when launching new product in future
- ii. Ensuring the independence of the review function in the business operations
- iii. Reaffirming management of the distributors
- iv. Balance between efficiency and risk management

2. Our response

(1) Responding to transactions for which income certificates are recognized to be falsified

To date, the Committee has investigated customers as follows: (i) inquiries to confirm the loan assessment documents, such as the certificate of income received by APLUS at the time of the assessment ; and (ii) requests regarding the cross examination of loan assessment documents to ascertain if they differ with each other such as matching the certificate of income held by the customer and the certificate of income received by APLUS at the time of the initial loan assessment.

In the investigation, it was not possible to identify the entities that falsified the certificate of income. However, we will continue to seek the opinions of experts and investigate the truth, responding sincerely to requests from customers, and requesting the real estate distributors to take appropriate legal measures if liability is clarified.

Number of Surveys and Status of Surveys (as of March 31, 2020)

① Survey of all product customers Number of subscribers: 12,994	② To our customers as a priority survey target Number of surveyed contracts: 254
For review documents by inquiry Number of contracts sent: 70	As falsification of the income certificate Number of approved contracts: 24

(2) Measures taken to date

Commencement of investment condominium loans in July 2014 and support credits in June 2016 reflected an increase in the loan transaction volumes in APLUS. However, we have tightened the credit assessment criteria and procedures from the risk management perspectives in stages. As a result, the risk management has been effective and gradually improving and helping in preventing fraud, such as falsification of income certificates,

	Amounts of loan disbursement and the number of transactions		Revision of assessment criteria etc.	
	Total disbursement amounts / Number of transactions	Disbursement amount / Number of cases with falsified income		
Prior to March 2016	JPY 24.9 billion / 1,690 transactions	JPY 21 million / 1 case		
April 2016 ～March 2017	JPY 58.7 billion / 4,351 transactions	JPY 23 million / 2 cases		
April 2017 ～March 2018	JPY 56.1 billion / 4,305 transactions	JPY 272 million / 18 cases	2017/6 2018/3	Started to collect official documents of income certificates Tightened criteria of repayment ratio
April 2018 ～March 2019	JPY 24.2 billion / 2,052 transactions	JPY 58 million / 3 cases (*)	2018/8 2018/9 2018/11	Tightened criteria of repayment ratio Started to collect original income certificates Established structure to manage distributors
April 2019 ～January 2020	JPY 5.8 billion / 596 transactions	0 case		

(*) JPY 58 million / 3 cases between April 2018 and March 2019 occurred by June 2018.

(3) Response to proposals for preventive measures

We will take the preventive measures recommended by the Committee very seriously not only investment condominium loans, which are subject to the committee's investigation, but also as an overall issue of business execution in our group. We will formulate concrete measures to prevent recurrence, with an emphasis on reinforcing our customer protection, sales and screening systems, and reviewing our governance system.

The contents will be promptly compiled and announced at a later date.

3. Impact on results of operations

At the present time, the Company has not changed its consolidated earnings forecasts for the year ended March 31, 2020, which were announced on May 15, 2019. We will promptly announce any changes that we would expect to make in the future.

※ We have established a contact point for customer inquiries regarding this matter.

[Contact for Customer Inquiries]	APLUS Customer Support Telephone Number :0570-086-866 From 9:30 p.m. to 17:30 p.m. on weekdays
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We would like to express our deepest apologies for the concerns we have caused our customers and everyone else involved. We will continue to make every effort to ensure that our customers are able to deal with us with peace of mind. We ask for your understanding and cooperation in this matter.

End

<Reference Releases>

"Survey on Reports on Investment Condominium Loans" dated January 30, 2020

"Survey Structure and Status of Condominium Loans for Investment" dated February 27, 2020

"Survey of Condominium Loans for Investment" dated March 19, 2020