

Shinsei IR Day

Shinsei IR Day Wrap-up

Hideyuki Kudo, President & CEO, Shinsei Bank, Limited

I would like to say a few words to wrap up today's Shinsei IR Day.

First, in terms of which business sectors the Shinsei Bank Group will focus on going forward, there are still many customers among mid-tier companies, SMEs, micro-enterprises and individuals that are not being adequately served by the financial services industry even in Japan. We are preparing to address such underserved needs as Mr. Kozano explained. In such business areas, we plan to utilize data and apply the knowledge and expertise we have cultivated in our Consumer Finance Business.

Next, we intend to remain a major player in consumer finance but we expect our Consumer Finance Business to change substantially in certain respects, most notably our risk-taking capabilities. Specifically, we will improve our ability to select borrowers with favorable risk/return profiles as we enlarge the pool of usable data through coordination both among our Group companies and with external parties. Improvement in our risk-taking capabilities will not be visible from customers' standpoint, so we invite you to judge the results based on our bottom-line performance. What will be visible to customers are user interface upgrades. We will put considerable effort into such upgrades but they may not give us any decisive competitive advantage. We expect behind-the-scenes improvement in our risk-taking capabilities to differentiate us from rivals. There are still unmet consumer finance needs, even in Japan. One example is serving freelancers as Mr. Kozano mentioned. Additionally, we believe small-denomination credit risk-taking capabilities will be an effective tool even in overseas Asian markets like, for example, Vietnam. We intend to continue developing a forte in this area.

Lastly, I want to talk about our asset management business for individual customers. Our existing asset management business model has reached its limits due to changes in the external environment, including chronically low interest rates. Every financial institution is facing the same challenge. Given how few branches Shinsei Bank has always had, expanding asset management consulting services to remote channels is one key for us, even though asset management consulting via the face-to-face channel is highly profitable. One major issue is how to gain leverage by building a virtual channel using new technologies and staffing it with high-caliber consultants while reducing costs at the same time. Another issue is how to serve customers who trade so infrequently that they are low-profitability customers from a bank's perspective. Potential solutions include robo-advisors,

for example. We launched a robo-advisor asset management service in the current fiscal year. Going forward, we will devise initiatives to promote more active use of our asset management services. Over the next several years, we will endeavor to serve both customers who are highly profitable from a bank's perspective and customers who are not.

We will measure the success of such efforts based on growth in assets under custody. With customers increasingly seeking products and services that contribute to stable wealth-building, we believe that steadily expanding assets under custody, not earning revenues in the form of up-front fees, is the most important point.

This year, our Shinsei IR Day presentations were largely abstract in their content. We now must embody these abstractions as concrete projects or businesses. We will do our best to be able to report tangible successes at next year's Shinsei IR Day.