

## **Scripts: Individual Business**

### **P1**

Good afternoon, ladies and gentlemen. I am Shimizu, Head of Individual Business Unit.

Today, I will talk about small-scale finance in Individual Business.

### **P2**

Today, I will explain in 3 parts.

First, the Shinsei Bank Group's Individual Business

Second, initiatives of a value co-creation model.

Third, summary and key takeaways.

### **P3**

First, I would like to provide an overview of Individual Business of the Shinsei Bank Group.

There are 3 main categories.

The first is the retail banking business, which includes the asset management and housing loan businesses.

The asset management business is composed of a variety of deposits, including yen and foreign currencies, and sales of investment products such as investment trusts, structured bonds, and insurance.

The second category is the shopping credit, credit card, and settlement businesses operated by APLUS.

The third is an unsecured loan business that was set as a growth area in the previous Medium-Term Management Plan.

This business is driven mainly by 3 brands: Lake ALSA, NOLOAN, and Shinsei Bank Smart Card Loan Plus.

## P4

This slide shows the positioning of "small-scale finance" in the Medium-Term Strategies.

Under the previous Medium-Term Management Plan, we focused on financing for individual customers, especially on unsecured loan business.

As the social environment changes, the needs of customers are diversifying. The advancement of digital technologies has given us the means to meet our customers' needs.

One of the important points of the current medium-term strategies is the shift from the unsecured personal loan business to "small-scale finance"

The outline of "small-scale finance" is shown on the right-hand side of this slide.

- Leverage expertise in unsecured loan
  - ✓ Leveraging our expertise in screening and collection in the unsecured loan business.
- Expansion of target customer base
  - ✓ We will expand our targeted customers from the existing individual customer segment to sole proprietors, small and medium-sized enterprises, and non-Japanese nationals.
- Highly flexible financing
  - ✓ We provide financial products that allows individuals and corporate customers to deposit or withdraw small amounts at any number of times based on their cash flows.
- Provide financial platforms
  - ✓ We provide not only financial functions but also platforms to our partners.

The main strategy of the medium-term strategies is "value co-creation," which means creating new value through collaboration with third parties.

We also aim to expand our small-scale finance business through value co-creation with third parties.

## P5

Before discussing specific strategies for value co-creation, I would like to explain the Shinsei Bank Group's business model under the medium-term strategies. Virtually I will explain the differences between "self-contained model" and "value co-created model."

The self-contained model, on the left side of the slide, provides the Shinsei Bank Group's products and services to its own customers.

Examples include the retail banking business described on page 3, APLUS's shopping credit, credit card and payment services, and Shinsei Financial's unsecured loans.

"Self-contained model" is a **source of earnings** for the Shinsei Bank Group and where we **refine the strengths of individual functions**.

By leveraging our expertise developed here, we will promote a "value co-creation model" on the right side of the slide.

"Value Co-Creation Model" is the business model where we provide brand-new values and services by integrating the functions of the Shinsei Bank Group with customer base and the functions of third parties.

## P6

As an initiative of our value co-creation model, I would like to talk about our alliance with NTT DOCOMO.

This initiative combines DOCOMO's customer base, technological capabilities, and development capabilities with the operational know-how of the Shinsei Bank Group to provide financial services to DOCOMO customers.

As we pursue this alliance, we expected NTT DOCOMO to check the achievements of the Shinsei Bank Group not only verbally or on paper but also in person to see the Shinsei Bank Group as it is.

We asked them to visit our call center and operation center in Osaka.

In addition to the organization and frameworks for the promotion of the unsecured loan business, I was able to show NTT DOCOMO how sales staff interact with customers and how operations staff work in good faith. This gave them an understanding of our service qualities as their partner.

This is one of examples of how we have been able to build a "value co-creation model" based on our solid achievements in "self-contained model."

## **P7**

Please look at the slide again.

We have written a clockwise rotated arrow between a self-contained model and a value co-creation model.

This shows two flows.

The first is to "leverage our strengths in a self-contained model to promote value-creating businesses with third parties."

Second, we will promote value co-creation-based model businesses by leveraging more sophisticated self-contained model through value co-creation-based model businesses.

## **P8**

Here, we explain in detail our value co-creation model business while describing our collaboration with other companies.

It is divided into two groups.

First, provision of functions.

In promoting business with third parties, the Shinsei Bank Group primarily provides financial functions and links them to the customer base and functions of partner companies.

Accordingly, we provide new value and services.

Our efforts with companies such as NTT DOCOMO, USEN-NEXT HOLDINGS, and Seven Bank are categorized as "provision of functions."

The other group is provision of platforms and functions.

Please find the word "BANKIT" in the circle on the right side of the slide. BANKIT provides the individual financial and settlement functions required by partner companies quickly and inexpensively along with the platform. We are working on its development.

Let me explain these initiatives in detail.

## P9

First, I would like to explain the initiatives we have taken with NTT DOCOMO, which I mentioned earlier.

- In August 2019, NTT DOCOMO and the Shinsei Bank Group launched a new Smart Money Lending service for NTT DOCOMO subscribers.

With collaboration with NTT DOCOMO, which possesses outstanding technological and development capabilities, we are now provide new added value to our customers

I would like to mention three features of this service.

- First, there is no need to issue a card because the transaction is completed on your smartphone.
  - Second, the "lending manager" app allows customers to check the status of transactions and simulate borrowings and repayments.
  - Third, you can also get advice on borrowing and repayment timing.
- NTT DOCOMO also conducts scoring using its customer data.  
NTT DOCOMO is now able to provide new financial services that are conveniently and reliably accessible to customers by engaging in this service.
  - The Shinsei Bank Group is responsible for risk-taking functions such as loan screening, loan execution, and loan collection. The most significant aspect of this service is to gain access to new customer segments.  
Many people in the world hesitate to borrow money from traditional consumer finance companies, so it is difficult to reach out them with the Lake ALSA brand alone.  
For these people, we will be able to use NTT DOCOMO's accessible services.

## **P10**

Another initiative is to engage with our USEN-NEXT HOLDINGS.

We agreed with USEN-NEXT HOLDINGS to launch a financial business jointly in December 2019 and established a new company in January 2020.

- In this initiative, through joint ventures with USEN-NEXT GROUP, APLUS provides commercial finance services including shopping credit, small leasing, and business cards to 750,000 small-and medium-sized firms and sole proprietors.

USEN-NEXT GROUP's nationwide sales force provides not only music distribution services, but also merchandise sales and start-up support services such as point-of-sale registers and security cameras.

we are now able to provide commercial finance services, thereby strengthening our service lineup.

- We believe there are opportunities for us to provide further financial services to small-and medium-sized firms and sole proprietors.

We will strengthen our ability to provide services by combining USEN-NEXT GROUP's customer bases and business networks with Shinsei Bank's credit functions.

Furthermore, by increasing transactions and accumulating data, we could identify new or different needs of customers.

Responding to these needs, we will be able to offer products and services ahead of our competitors.

## **P11**

Next, I would like to talk about our initiative with Seven Bank.

We agreed with Seven Bank to launch a joint financial business in January 2020 and established a new company to operate a joint business.

Foreigners are one of the few customer segments expected to grow in Japan.

Seven Bank is one of the leading financial institutions in Japan that actively offers account

openings and overseas remittance services to foreigners living in Japan.

In this field, they have a profound knowledge and data.

- By combining Seven Bank's customer base and data and know-how with the credit functions of the Shinsei Bank Group, we provide services to those with insufficient access to financial services.

We have a long and close relationship with Seven Bank through the collaboration for ATM services and others, and we would like to make this initiative a success anyway.

I would like to give you supplemental information of our expectations in this initiative.

For example, many non-Japanese employees work at convenience stores, general merchandise stores, and restaurants operated by Seven & i Holdings.

As these people live in Japan, they may encounter many financial problems.

Our efforts with Seven Bank are primarily targeted at foreigners living in Japan.

Going forward, I hope that Seven & i Holdings will be able to provide convenient and comfortable lifestyles to foreign employees.

- Seven Bank says on its website that one of the reasons to improve services for foreigners is Seven Bank's contribution to SDGs.

The Shinsei Bank Group's Medium-Term Strategies and Integrated Reports also state that the Group will strengthen its SDGs initiatives.

The concept of Seven Bank is consistent with the direction of the Shinsei Bank Group, and I feel that this initiative is meaningful from this perspective as well.

## **P12**

Next, I would like to introduce our housing loan-related business which we collaborate with Asahi Kasei Homes. This differs somewhat from the "small-scale finance" business I explained so far.

- In November 2019, Asahi Kasei Homes developed and commenced sales of the new housing loan product that can be used to purchase the *Hebel House* of Asahi Kasei Homes.
- Asahi Kasei Homes builds high-quality houses and works with partners who can

guarantee the future value of their houses. Customers can keep the monthly repayment amount within a certain range by making part of the principal repayment in a lump sum at the end of the period.

As we approach the centennial age of our lives, the values and lifestyles of our homes are becoming more diverse and variable than ever before.

We believe that this initiative is linked to the themes of SDGs, namely, sustainable cities and communities, as well as the reliability of living and the wealth that can be transferred from one place to another.

### **P13**

Up to now, I have explained four specific frameworks for the provision of functions. From now, I will explain BANKIT, a specific initiative of the provision of platforms and functions.

BANKIT is a shared platform for providing financial services such as settlement, foreign exchange, and credit at low cost and promptly.

Customers can freely choose services and parts according to their needs.

For example, in the retail industry, there is no need to acquire a license for a fund transfer business, and it is possible to flexibly create an own brand app.

In addition, deferred payment, installment payment, and coupon delivery functions can be added to the own brand app.

➤ When companies consider entering the financial and payment business, they will have barriers such as license acquisition, systems and operation buildup.

Recently, several major operating companies, such as LINE and Mercari, have entered the financial business.

However, the hurdles are still high for ordinary companies to enter the financial business overcoming several barriers.

Recently, I have received some comments like...

“We want to easily create our own brand app that can only be used in local currencies or by a specific company or store.”

“We would like to provide common financial services to tenants of our own buildings.”



- BANKIT is a platform that can reduce the burden on operating companies. The Shinsei Bank Group will support customer contact and actual operations. Operating companies will be able to improve customer service, differentiate themselves from competitors, and retain customers.

This point will also be explained in the next slide.

#### **P14**

This is the image of BANKIT.

Partners from a variety of industries can freely select services and parts from BANKIT.

I earlier mentioned the case of a retailer.

In other industries as well, depending on the needs of customers, it may be convenient to combine deposit and withdrawal functions using ATMs and lending functions in household management apps.

One of the characteristics of BANKIT, for example, is ATMs can be used for withdrawals or funds transfers by incorporating Shinsei Bank's networks as a part, In addition, Shinsei Financial's lending services, as well as the products and services of partner companies, can be added to BANKIT services and parts.

The Shinsei Bank Group will work in an integrated manner to enhance BANKIT products and services in a flexible manner, thereby building a competitive advantage that rivals do not offer.

#### **P15**

In this section, I would like to explain the ideal form of small-scale finance.

Under the Medium-Term Strategies, "Small-scale finance" includes finance businesses which are now conducted by Shinsei Financial and APLUS and which are "self-contained model".

During the period of the Medium-Term Strategies, in addition to expanding "self-contained model," our goal is to develop "value co-creation model."

Small-scale finance based on this definition accounted for approximately 45% of ordinary business profit in FY2018.

Over the 3 years of our medium-term strategies, we intend to increase this share to 50%.

The framework of "value co-creation" has just begun.

With respect to the target of an increase of 5% points during the medium-term strategies period, we will strengthen the profitability of "small-scale finance" through the various initiatives I have described so far and will work to achieve this goal.

We need partners for our value co-creation initiatives.

We would like to inform you of our progress in the future as much as possible.

## **P16**

Finally, I would like to summarize what I have explained.

There are the two key points of our medium-term strategies for small-scale finance:

- Provide know-how accumulated in the unsecured loan business to a wide range of customers
- Develop highly flexible financial services and provide platforms

The Shinsei Bank Group will leverage its expertise in screening and collection in the unsecured loan business to provide products and services to individual customers, sole proprietors, small and medium-sized enterprises, and non-Japanese customers. Furthermore, we will develop financial products that allow individual and corporate customers to deposit/withdraw small amounts of money any number of times based on their cash flows.

To realize these goals, we will work on "value co-creation" with third parties.

- The Shinsei Bank Group provides financial functions to partner companies that have their own customer bases and functions.
- We provide platforms and functions to partner companies which hesitate to enter into the finance and settlement business.

Through these value co-creation initiatives, we will create new value and services.

Regarding customer base and functions, I will mention NTT DOCOMO's customer data and superior technological capabilities and development capabilities, as well as USEN's 750,000 small and medium-sized enterprises and sole proprietors, Seven Bank's foreign customers, and Asahi Kasei Homes' high-quality homes. We, Shinsei Bank Group, will provide our functions and know-how in line with customer expectations.

On the other hand, we will provide platforms and functions to partner companies who hesitate to enter the finance and settlement business using BANKIT that allows them to freely select the functions of finance and payment.

The challenge for the future is to steadily implement the initiatives we have explained today and turn them profitable.

We will also seek partners who can work together to promote the framework of "Value Co-Creation" and who can sympathize with the medium-term strategies envisioned by the Shinsei Bank Group. We will work together to create new values and services.

I would like to conclude my explanation by promising that we will continue to sincerely work on our businesses that we explained today. Thank you very much for your kind attention.

End