

Shinsei IR Day (Held on February 24, 2021)

CEO Summary

Presentation

Kudo: I am Kudo of Shinsei Bank. Thank you very much for participating in the Shinsei IR Day. I would like to briefly summarize today's Shinsei IR Day agenda items.

This year, Shinsei IR Day is focused on the essential strengths of the Shinsei Bank Group that cannot be sufficiently grasped from financial information and supplementary explanations during regular IR meetings.

Business executives in charge of unsecured loans in small-scale finance and the institutional investors business tried to explain and have you understand our core competences. In addition, we presented the UDC Finance business which we acquired last year. UDC is also a part of our small-scale finance initiatives.

Regarding the unsecured loan business, we explained about "marketing", "risk management", "operations" and "credit collection" capabilities as the source of its earning power under the Lake brand. As we grow our self-contained businesses, we have also achieved sophistication in each of these components. In value co-creation businesses, we provide different components to partners based on their needs. However, the strengths of each component are key for us to be chosen by a partner in any cases. We will increase the number of value co-creation business partners going forward.

Next, in the institutional investors business, we explained how the structured finance business is changing by making sustainability its axis, and the current position of the joint investment business for institutional investors. We have been developing a new axis through sustainable finance in terms of both quality and quantity while our relationship with institutional investors have been growing thanks to steady progress in these strategies.

Regarding UDC finance, we explained the business potential in New Zealand and the corporate value of UDC finance, the largest non-bank in New Zealand, including its basic information. I think you have reconfirmed the strategic significance of the acquisition of UDC Finance through our explanation about the direction of our overseas business strategy as well as the targeted regions, companies and business domains. We believe that our strategic axis is clear, and as a result, we were able to make this acquisition on reasonable terms during the midst of the novel corona calamity.

Value co-creation in the unsecured loan business, sustainability focus in the institutional investors business and UDC Finance are examples of our non-organic strategy. These are the actual examples of the strategic focus of the Shinsei Bank Group, and our core competencies support these initiatives. The goal of these initiatives is to address a number of social issues that are not sufficiently satisfied as well. Our *raison d'etre* and greatest opportunities lie in resolving this issue by leveraging the differentiated perspectives and positions of the Shinsei Bank Group.

I would like to say thank you again for participating in Shinsei IR Day today.

Question & Answer

Question: Regarding the comprehensive partnership agreement with Monex, can you describe the reason why? And can you also explain what discussions had taken place between Shinsei and Monex? To the extent possible, can you describe the background?

Further, through this partnership, certain resources have been released, by reallocating those freed-up resources to high value-added business opportunities, what kind of effect will you be expecting?

Kudo: While “comprehensive partnership agreement” is used for this financial instrument intermediary business, we have competitiveness in the front-line business, in other words, our contacts with customers. This is to outsource our businesses of middle office and back office that don’t worth the cost.

We asked several partners who can fulfill our requirements and we measured the cost reduction effect by striking such partnerships. As well as the type of products that we will be able to provide to the customers through partnerships. We need them to be operationally stable and with robust IT system. As a result of certain evaluation including those factors, we concluded that Monex is the best candidate.

The biggest visible impact would be cost reduction and it will come into play in the years after next fiscal year. So, we would be proportionate cost reduction impact in the coming years. But at this juncture, I would like to refrain from making any numbers. We are expecting an impact of not just hundreds of millions of yen.

Question: Can you reconfirm the positioning of Jih Sun in your group?

Kudo: Jih Sun is a Taiwan-based financial group and we own 35%. Fubon, a local major financial group, has announced a TOB and currently we are in the TOB period. We position this as not a strategic entity and depending on the conditions that they propose, we would like to study the possibility of responding.

Question: Among various services presented today, do you think you already have a platform to achieve double digit growth in consolidated profit? If that’s not possible, what is the raison d’etre of Shinsei Bank if you think that that’s not possible?

Kudo: I’m not sure whether I have grasped the intention behind the question. Consolidated profit, double digit growth would mean that every year, our profit grows by JPY10 billion. Frankly speaking, there is no Japanese financial institution that can do that and it would be extremely challenging for us to try to do that. But we are not bound by any geographical region and we have unique strength that other financial institutions do not have, so from such perspective we think we are relatively well-positioned. And today, I gave you some of the examples of the competitiveness in our presentation. So, the question is what’s the raison d’etre, that would be Shinsei responding to niche needs that cannot be fulfilled by other financial institutions in order to elevate our value. Thank you.

Question: In comparison to the progress rate that you projected in the mid-term plan, what are the areas that you think you’ve been doing relatively well and where are the areas where you’ve so far been unsuccessful? In order to differentiate Shinsei Bank’s shares with other financial shares, what are the points that you wish to appeal?

Kudo: We think that we’re on track of the mid-term plan in terms of the elements. But one thing that we’re behind is the speed, so the direction is right but how can we accelerate the speed, that would be the challenge.

In terms of differentiation, I think it's difficult to clarify the positioning of bank shares from the investors' perspective. Active investors are not truly targeting this sector for investment, so I may sound paradoxical but I think it would be meaningful for us not to be deemed just as a bank.

(END)