

Special Feature:

# Summary of the First Medium-Term Management Plan

(FY2010 - FY2012)

## Summary

In June 2010, Shinsei Bank drew up the First Medium-Term Management Plan ("MTMP") covering the three-year period between FY2010 and FY2012 with the basic concepts of "rebuilding the customer franchise" and "establishing a stabilized earning base." The Bank officially announced the revised plan in September 2010.

We successfully achieved the targets set out in the First MTMP in terms of both quality and quantity in FY2012, achieving the financial targets set out in the First MTMP with favorable performances in both institutional and individual businesses.

(Billions of yen)

	FY2009	First MTMP		
		FY2010	FY2011	FY2012
Net Income (Loss)	(140.1)	<b>42.6</b>	<b>6.4</b>	<b>51.0</b>
Cash Basis Net Income (Loss)	(53.7)	<b>53.8</b>	<b>16.0</b>	<b>60.4</b>
ROE	(27.6%)	<b>8.5%</b>	<b>1.2%</b>	<b>8.6%</b>
Cash Basis ROE	(13.7%)	<b>12.4%</b>	<b>3.2%</b>	<b>11.1%</b>
Non-Core Assets	886.0	<b>618.7</b>	<b>463.5</b>	<b>341.7</b>
Total Capital Adequacy Ratio*		<b>9.3%</b>	<b>9.5%</b>	<b>11.6%</b>

\* Estimate for March 31, 2013 is based on the international standard of Basel III applying grandfathering.

### FY2010

Stabilize earnings through structural reform

- Bought back preferred securities/made exchange offer for subordinated debt
- Completed the raising of 71.8 billion yen in capital through a common share offering

### FY2011

Diversify earnings through new business expansion

- Started consumer finance at the Bank and expanded corporate business through the Venture Banking Initiative
- Achieved non-core asset reduction target ahead of schedule and eliminated downside risk to earnings

### FY2012

Secure normalized stable earnings

- Achieved stable earnings with only limited impact from non-recurring items

## Moving on from the First MTMP to the Second MTMP

During the period covered by the First MTMP, we focused on resolving our legacy issues and made efforts to ensure stable earnings capabilities in order to prevent our financial performance from being largely impacted by non-recurring factors. This was achieved by reducing expenses and enhancing the capital base, resulting in an improvement in our financial fundamentals.

In the Second MTMP, we will move on to the stage of "establishing a clear strategy and pursuing sustainable growth" by "further expanding the customer base" and "increasing our assets while improving our portfolio."

**First MTMP\***  
Normalization/Reconfiguration  
(2010.4-2013.3)

- Rebuild customer franchise/stabilize earnings
- Reduce non-core assets
- Reduce expenses

**Second MTMP\***  
Clear strategy/sustainable growth  
(2013.4-2016.3)

- Establish a unique business base
- Increase revenues and further improve financial fundamentals
- Be appreciated by customers, society and markets
- Further expansion of customer base
- Increase quality assets/improve portfolio

**Management Principles**  
Sustainable growth

\* Medium-Term Management Plan

# Overview of the Second MTMP

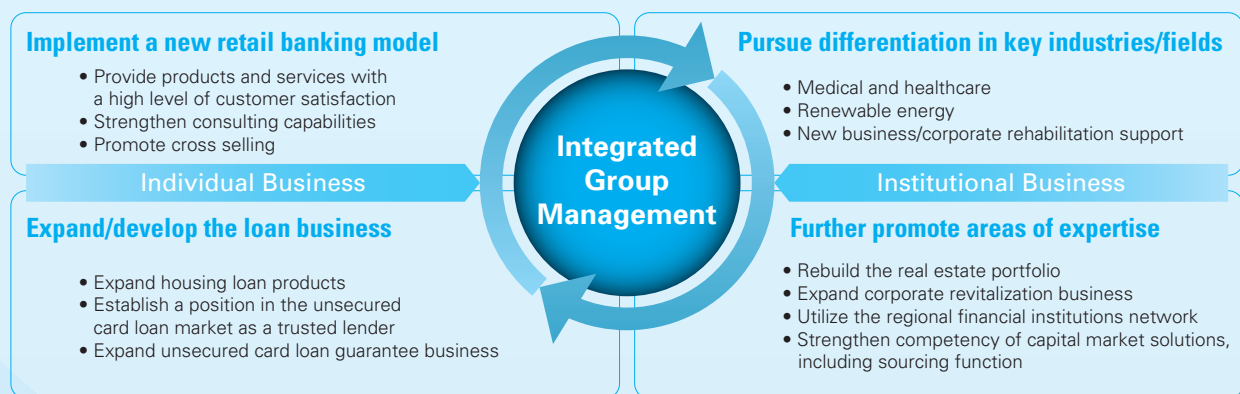
(FY2013 - FY2015)

## Basic strategy

In the Second MTMP, we will aim to integrate the management of both the individual business and the institutional business by combining and utilizing the customer base, networks, and financial functions held by the entire Shinsei Bank Group.

In the individual business, we will implement a new retail banking model to create 5 million “core customers” that are able to freely use the Shinsei Bank Group’s products and services that fit their needs. In the institutional business, we will be implementing our “VBI” model as part of our plan, where we will support the growth of businesses, industries and regions, as well as support our customers in strengthening and applying business expertise.

**Individual Business:** To implement a new retail banking model to grow our core customer base to 5 million  
**Institutional Business:** To strengthen and utilize expertise to support the growth of companies, industries and regions by working together with customers



## Targets

We have established the three targets: “establishing a unique business base,” “increasing revenues and further improving financial fundamentals,” and “becoming a financial group appreciated by customers and valued by society and markets.” Our financial targets are aimed at pursuing not only earnings in absolute amounts, but also high profitability and improving our financial soundness at the same time.

### Targets

- Establishing a unique business base
- Increasing revenues and further improving financial fundamentals
- Becoming a financial group appreciated by customers and valued by society and markets

### FY2015 Financial Targets

<b>Growth</b>	Net Income	70.0 BY
	Cash Basis* <sup>1</sup> Net Income	76.0 BY
<b>Profitability</b>	RORA* <sup>2</sup>	about 1.0%
	Expense-to-Revenue Ratio	50% level
	ROE	about 10%
<b>Financial Stability</b>	Common equity Tier I ratio* <sup>3</sup>	about 7.5%
	NPL Ratio* <sup>4</sup>	2% level

- We are targeting consolidated reported basis net income of 70.0 billion yen and consolidated cash basis\*<sup>1</sup> net income of 76.0 billion yen in FY2015
- Our aim is not only the absolute amount of net income, but also to achieve a high level of profitability while enhancing the financial stability of our operations

\*<sup>1</sup> Cash-basis figures are calculated by excluding amortization of goodwill and other intangible assets, net of tax benefit

\*<sup>2</sup> Return on risk assets is calculated as net income divided by fiscal year end risk assets

\*<sup>3</sup> Basel III fully loaded basis

\*<sup>4</sup> Non-consolidated basis non-performing loan ratio

Special Feature:

# Comments from Group Heads on the Second Medium-Term Management Plan

Below are the comments and business strategy from each Group Head on the Second Medium-Term Management Plan.

## Individual Group



**Sanjeev Gupta**  
Senior Managing Executive Officer,  
Head of Individual Group

The individual customers' strategy in the Second Medium-Term Management Plan focuses on significantly growing our customer base and providing them with a full range of financial products to meet their rapidly evolving financial needs.

We believe we are well positioned to provide our customers with innovative financial products and services as we have the capabilities of being more global than the local banks and more local than the global banks in Japan. Our aim is to be the first choice for our customers when they seek value enhancing financial products.

## Institutional Group



**Hitomi Sato**  
Senior Managing Executive Officer,  
Head of Institutional Group

The aim of the Second Medium-Term Management Plan at the Institutional Group is to fully deploy the Venture Banking Initiative ("VBI") launched in FY2012 by focusing on the three pillars of the VBI which are:

- 1) Appropriately respond to the changing business environment;
- 2) Strengthen the customer base and introduce new approaches; and
- 3) Strengthen risk management and consolidate the Bank's efforts to improve operations.

In order to appropriately respond to the changing business environment, we have transferred the functions of the Principal Transactions Sub-Group to a framework centered on subsidiaries in order to further improve customer services. In addition to this, we will not only strengthen our customer base but also create a new banking model that can provide strong support to growth and innovation initiatives in society, the economy, and for creating new industries and companies for our customers. In this, Shinsei Bank seeks to go beyond just providing conventional services of a traditional bank and become a business partner for our customers, providing not only with traditional financial services, but also providing management solutions for responding to various business challenges that are essential to their success.

By working together with customers to come up with solutions that improve their businesses, we seek to become a Bank which is deeply trusted by our customers.

## Global Markets Group



**Hironobu Satou**  
Managing Executive Officer,  
Head of Global Markets Group

Our basic position regarding the Second Medium-Term Management Plan is that we must develop business from the viewpoint of the customer.

We will endeavor to accurately understand changes in the financial markets in order to swiftly provide solutions to our customer's needs.

We will strive to increase our expertise in each business area and constantly challenge ourselves to improve our operations in order to become a bank that will be needed by customers as well as society and markets.

## Corporate Staff Group



**Yukio Nakamura**

Representative Director,  
Deputy President,  
Chief of Staff,  
Head of Corporate Staff  
Group

In order to achieve sustainable growth, we have set forth three targets in the Second Medium-Term Management Plan which are “the establishment of a unique business base;” “increase our revenues and further improve financial fundamentals;” and “to become a financial group appreciated by customers and valued by society and markets.” In order to achieve these goals, we must make continued efforts to reform ourselves. The Bank’s name, “Shinsei,” means “Rebirth” and I believe it is essential that we continue to remain a “Reborn” Bank. The Corporate Staff Group hopes to contribute to the further revitalization of the organization by ensuring the diversity and the development of human resources.

## Finance Group



**Shigeru Tsukamoto**

Senior Managing  
Executive Officer,  
Head of Finance Group

Under the First Medium-Term Management Plan, we were able to successfully achieve the income targets through stringent cost control in an environment where top-line revenues experienced sluggish growth.

In the Second Medium-Term Management Plan, we are planning to increase top-line revenues by establishing a new business model and expanding our scope of business. In order to accomplish this, we will seek to actively manage costs and invested capital to ensure that we are able to achieve a balanced expansion of our operation.

## Risk Management Group



**Hideyuki Kudo**

Managing Executive Officer,  
Chief Risk Officer,  
Head of  
Risk Management Group

Although the framework and technology for risk management are constantly advancing, the most important factors are human wisdom and judgment. It is essential that we foster a culture which is not averse to risk but is able to actively embrace it when appropriate, as well as improve our abilities as an organization to assess and understand it. In an environment where society and economies are undergoing structural changes on a global basis and volatility is increasing, the Risk Management Group will strengthen the ability of Shinsei Bank to take risk, in order to further increase the Bank’s significance as a unique Banking Group.

## Banking Infrastructure Group



**Michiyuki Okano**

Senior Managing  
Executive Officer,  
Group Chief  
Information Officer,  
Head of  
Banking Infrastructure Group

We believe the most important challenge in the Second Medium-Term Management Plan is to renew the core banking system which is the foundation of providing better services to customers on a regular basis. As part of this effort we will perform a complete overhaul of our IT systems, including enhancing various functions to improve the customer’s experience, unifying the whole process of the trading business from the front office to the back office, enhancing the availability of managerial and financial information, and upgrading our risk management. We are aiming to provide superior solutions in all necessary areas while ensuring the lowest possible cost.



One-on-One  
Interview

Shigeki Toma

President and Chief Executive Officer

Hironari Nozaki

Managing Director of  
Citigroup Global Markets Japan Inc.

We invited Mr. Hironari Nozaki, Managing Director of Citigroup Global Markets Japan Inc., to have a conversation with Mr. Toma, President and CEO of Shinsei Bank, on the overall assessment of the First Medium-Term Management Plan and notable aspects of the Second Medium-Term Management Plan. Mr. Nozaki is a top analyst of the banking sector.

### The First Medium-Term Management Plan

**Nozaki** When you became the President of Shinsei Bank, I was actually wondering what would happen because all your predecessors had had a “western flavor,” while you have a “Japanese flavor.” Since your appointment, though, you have implemented various measures and I think that you have created a solid management base. You achieved success in many ways under the First Medium-Term Management Plan (the “First MTMP”). Can you tell me where you think you succeeded more than you had expected, especially regarding your personnel policy?

**Toma** We achieved most of our numerical targets. Also, we largely eliminated our negative legacy issues—the problems that resulted in deterioration of our performance in the past. In that sense, I think we were successful. However, the problem is that we achieved this through a reduction in our balance. When I came to Shinsei Bank (hereafter the “Bank”) in May

2010, the development of the First MTMP was almost completed. But I thought the probability of us achieving the Plan was small, so I asked that revisions be made. I said that we should not expect our top-line (total revenue) to grow so much in the next three years, and suggested we set more conservative targets and generate profits through cost reduction.

In other words, rather than going on the offensive, the gist of the First MTMP was to strengthen our defenses to be able to overcome the existing crisis situation so that we could go to the next step. Nonetheless, our top-line revenue was too low. Despite that, due to the drop in our top-line being steeper than expected, the ratio of non-performing loans and the expense-to-revenue ratio went up. These two figures clearly demonstrate our bank’s weakness. Although they are better than before, they are still not at the level of the industry average, and we will have to improve these figures under the Second Medium-Term Management Plan (the “Second MTMP”).

As for human resources, since I as the “Japanese flavor President” joined the Bank, many non-Japanese and female employees have left the Bank. In such a situation, people around me thought that Shinsei Bank would end up becoming an ordinary Japanese bank. However, I declared that where Shinsei Bank should head was not back to the model of traditional Japanese banks but that we needed to create a different business model. This is what originally motivated me so much to become the President.

There are two important points in our personnel policy. The first is to restore diversity in human resources. After securing



this, we would like to maintain and develop our strengths. This year, we started recruiting non-Japanese new graduates. There are many overseas students who are learning at business schools in Japan. They normally do not go back to their home countries soon after graduation, but they will work in Japan for five to ten years before going back home. Many Japanese companies do not like the fact that they will only stay in Japan for five to ten years. However, we started recruiting non-Japanese new graduates this year considering that they may find it easy to work for us as we utilize a bilingual system. While we are thinking of recruiting non-Japanese mid-career people, I have given instructions to do what we can right now. Our approach to mid-career recruitment is that we hire good people whether they are Japanese, non-Japanese, male, or female.

The other point is salary structure. Salary structure should be cross-sectional covering all Groups, and while we may have had such a structure in place, it wasn't working and wasn't applied in a uniform manner, and it took a great deal of effort to optimize the system.

**Nozaki** It must be very difficult to motivate employees while restructuring your business. Was that your experience?

**Toma** It is true that many employees unfortunately left the Bank due to declines in motivation caused by restructuring. However, this is, in a sense, unavoidable. What is most important is our actions from now on, and I think we need to seriously consider how to give appropriate incentives and how to conduct personnel evaluation.

## The Second Medium-Term Management Plan

**Nozaki** You have fixed the Bank's financial basis to a reasonable extent under the First MTMP. How have you positioned the Second MTMP?

### “Clarify our raison d'être!”

**Toma** Since I joined Shinsei Bank, I have always been thinking what the significance of our existence is, and I have wished to give shape to this. If we just do what other banks do, there is no meaning for us to exist, and we must therefore do something different from our competition. However, during the first three years under the First MTMP when our situation was shaky, we had to focus on eliminating the negative legacy and adjusting the discrepancy between our ideal and the existing organizational form. As a result, we were able to create a somewhat solid footing, and the underlying current of the Second MTMP is to clarify the meaning of our existence.

In the area of corporate loans, new business categories that match changes to the macro environment have been attracting

attention such as healthcare, renewable energy, and new technology. While our borrowers therefore are constantly changing, banks on the other hand are not changing at all. When I was a General Manager of a bank branch, if small- and medium-sized companies came asking for a loan, branch staff members would first ask, “What can you offer as collateral?” I used to tell them not to ask about collateral first, but to start looking at what these companies were doing and how much money they would need to realize their objectives. However, this attitude has not changed yet.

### “A bank should be a pacesetter for its customers!”

I think a bank needs to be a pacesetter who is enthusiastic about the technology or service its customer provides, and will provide loans once it is enthusiastic, and will not stop there but will continue to do business together. Customers with such advanced technology will expand into the global markets. I ask our employees to have a global perspective and always think about how such technology or service might take the world by storm.

**Nozaki** That is exactly the concept of projects.

### “Points to be improved in the retail banking business”

**Toma** There are also many aspects that need to be improved in our retail business. Our housing loans have a large amount of assessment and are thus neither very flexible nor convenient. Credit assessment is of course necessary, but we may be providing services based on the “product out (or product-oriented)” concept, offering customers products that we want to sell.

Also, baby boomers have had a disastrous experience in the past due to the collapse of the Bubble Economy. We need to engage in businesses such as proposing an optimum, customized asset portfolio to people such as these. Some may say we cannot make much profit from this type of business, but I say we don't have to aim big. Instead, if we build a trusting relationship, we can sell our products, and we can make profit then. I always say that, bottom-line, we must stop proposing to our customers products and services that are convenient for us.

**Nozaki** Not only banks but also financial institutions in general haven't been able to shake off the “product out” concept. Unless you adopt the “market in (or market-oriented)” concept to offer products and services that are wanted by customers, we cannot say we have a customer-oriented business. With respect to corporate loans, there are now very few opportunities for bankers to share their customers' dreams. In particular, younger bankers will miss out experiencing the true dynamism of corporate finance if they don't have such experiences.

## Important points of the Second MTMP: Creating synergies through the integration of operations

**Nozaki** Now, let's go back to the MTMP. Can you tell me if there are any points in the Second MTMP that you particularly want us to pay attention to?

**Toma** There are points in both the retail business and institutional business, but I will first talk about our retail business. Our retail business consists of three main operations. The first is retail banking, the second is installment sales credit, credit cards, and settlement services offered mainly by our consolidated subsidiary, APLUS Co., Ltd., and the third is consumer finance. Although these were in the same Group, they were run separately. I have always wondered why they were operated separately since I came to the Bank. There had been talk that these businesses would be operated using a bank model, but it wasn't actually happening.

*Shinsei Bank Card Loan—Lake* is currently using many advertisements using Nanao-san as their image character. Their website is excellent because they have accumulated experience. For instance, they say it attracts much more attention if there is a character advertising products rather than just having letters and photos on the screen. We never thought like that in the Bank. If you look at advertisements in bank branches, they are not easy to understand because there are so many things written on them.

I tell my staff that it is better to ask experts with experience to do these kinds of jobs. If we integrate such marketing methods among the three operations, it will greatly improve our efficiencies.

**Nozaki** You are saying, "Let people do what they can do well."

**Toma** We didn't use to think this way at all. That is why we decided to integrate these three operations. I would like to challenge what kind of synergies we can have as a result. Our target is to increase our core customers to 5 million. However, it is meaningless just to increase the number of accounts from the current 2.5 million to 5 million. It has to be achieved with substance. Our definition of core customers is the customers who can freely use services offered in these three major operations according to their needs.

We have nearly 10 million customers in our retail banking business, APLUS, and consumer finance altogether. If we integrate the three operations, cross-sell them, and create enticing incentives, we should be able to achieve 5 million core customers soon. Also, we will have more ideas. Cross-selling will rationalize our operations.

Instead of forcing customers to come to us, if we can have 5 million customers choosing to use our products and services, this must be the truest form of customer satisfaction.

In our corporate banking business, we would like to provide financing to projects and cash flows instead of adopting the old-fashioned approach to lending. We would like to do this in newly emerging markets. We would like to focus on developing an entire industry that is to be born in the future.

In the U.K. there are many precedents of private finance initiatives (PFI) where private funds and technologies are used for the construction, maintenance, and management of public facilities. Much thought has been given to the structure for using PFIs, and they have a well developed legal system. We would like to bring something like this to Japan, and create a sound market to expand it.

**Nozaki** Certainly, PFI is actively used in the U.K., but they have a different legal structure, and in the case of Japan, laws on PFI haven't yet been developed. It might be a good idea if Shinsei Bank, together with the government, reforms PFI to make it easy to use.

**Toma** Because Shinsei Bank used to be a long-term credit bank, we had many discussions with the government about the structure of the financial market in the past. If we can be of any use in this sense, we would love to do that. We want to be pioneers. Because we can't beat other banks in terms of size, we need to focus on areas such as this.

**Nozaki** In other words, to gain the first-mover advantage, you probably would like to start from creating business. On the other hand, other banks are likely to turn their attention to growth areas such as renewable energy, medical services, and nursing care. What do you think is the strength of Shinsei Bank?

**Toma** It's our speed. I can say this with confidence. Also, we take the initiative, rather than passively waiting for business. I think we can easily compete with other banks using these strengths.

**Nozaki** I think Shinsei Bank runs very efficient operations. However, your networks and human resources seem smaller than those of other banks. In this situation, is there anything





that you can add to your management resources that would accelerate your organization's growth?

**Toma** As you pointed out, we are inferior to other banks in many aspects including networks and human resources. It means we can't do everything by ourselves. One of the elements that could make up for this situation is the creation of networks. For instance, we can cooperate with universities and think tanks. We are also putting much effort into creating cooperative relationships with regional banks.

I think there are currently two approaches to the economic rehabilitation of Japan. The first is deregulation, and the other is regional rehabilitation. For the latter, we launched the Fukushima Growth Industry Development Fund in October 2012. The original idea was to make a fund to invite companies in all types of industries to Fukushima Prefecture, instead of creating a kind of disaster recovery fund created by regional banks or megabanks. The fund's theme is for companies in all kinds of industries to merge together to create distinctive industrial clusters\* in order to make an independent society. We would very much like to achieve this goal and to create a formula for success.

\* A situation where industries are gathered in large areas with competitively advantageous industries as a core, through which develops a business environment in which new businesses are created one after another (from the website of the Ministry of Economy, Trade and Industry)

**Nozaki** Regional financial institutions may be concerned that their business opportunities might be snatched away if they do business with megabanks. In that sense, it may be easier for them to do business with Shinsei Bank. Looking back at the way you have made partnerships with regional financial institutions in the past, however, although you have engaged in the white label business where Shinsei Bank developed products and services such as structured deposits and offered them to regional financial institutions to market them to their retail and corporate customers under their own brands, you haven't conducted businesses where you shared problems faced by regional areas.

**Toma** Unfortunately, our Bank did not hold such a vision before.

I expect the next ten years will be a very tough time for regional banks. Their investment operations will continue to face a difficult environment if the situation stays as it is. In addition, we cannot say that the current situation where they can collect ample deposits, while having problems investing them, will continue in future. I think they need to strengthen and diversify their investment operations now while they have ample deposits, in order for them to establish their identity. For Shinsei Bank, we can perhaps suggest making investments together through our partnerships. I'm not sure how many regional banks will agree and get together with us, but if, for instance, we can form a partnership with 20 to 30 regional banks to



finance overseas projects using surplus funds, we should be able to get a reasonably good return on our investment.

As you said, they may feel more comfortable doing business with us, but I think we need to create a better track record helping them in their main business so that we can have long-term relationships.

## For nurturing the uniqueness of Shinsei Bank

**Nozaki** If I may say something a little harsh, while Shinsei Bank proved that people who said that the former Long-Term Credit Bank of Japan wouldn't be able to do retail banking were wrong, I don't feel that Shinsei Bank's retail banking business today has the sense of excitement it first had back then. What do you think?

**Toma** In the summer of last year, we established a project team in the Retail Banking Sub-Group and presented them with problems from three viewpoints. First, are they listening to customers' opinions attentively? Second, what do customers want? And, third, what bottlenecks were there preventing front-line staff members from performing their duties efficiently? I asked them to discuss these issues and to propose improvement measures. Some of their proposals had a real sparkle, and this exercise changed the staff members' mindset that they could not change the environment in which they were in at the moment.

Additionally, this project team later engaged with the Retail Banking Sub-Group and Consumer Finance Sub-Group to further look into the same themes. There are opinions that we need to do something in partnership with outside players because we are small in size, from the viewpoint of integrating the three main operations of the retail business.

**Nozaki** It is good to have connections with outside players, and it is fundamental to question the common sense of bankers.

**Toma** I think it is good to be tested in the outside world. We will see the outcome of this experience in one to two years' time. Please look forward to the future development of Shinsei Bank.



Special Feature:

# Areas of Business Focus of the Second Medium-Term Management Plan

Below are a part of Shinsei Bank's focus business areas, by Business Group, on the Second Medium-Term Management Plan.

## Healthcare Finance

Institutional Group

The main business area of healthcare finance is the financing of medical institutions such as hospitals, nursing homes, and senior housing. In particular, there is strong growth potential in the financing of senior housing and nursing homes, and we believe it to be a business environment where the Bank can actively utilize our real estate securitization and financial technology expertise.

In Japan, there is a shortage of social infrastructure in the supply of senior housing and nursing homes. Due to the ageing of Japan's population, together with a falling birth rate it has become a pressing issue in the country to create mechanisms which attract investment funds and to provide diversified funding opportunities in order to facilitate the development of these facilities. In 2004, Shinsei Bank started offering healthcare financing as a component of the Real Estate Finance Division ahead of other banks, and subsequently established the Healthcare Finance Division in July 2010 as part of the strategy of the

First Medium-Term Management Plan.

We have made efforts to create extended networks with leading healthcare facility operators all over Japan including both domestic and foreign investors, while building up a solid track record in providing non-recourse loans to healthcare facilities. In December 2012 and March 2013, we provided non-recourse loans to a "healthcare infrastructure fund" created by a local securities company for individual investors. In April 2013, we extended a 9.6 billion yen non-recourse loan—our largest financing for healthcare facilities to date—to a Singapore-based major medical service development company, signaling our intention to further increase our investment in healthcare facilities. Shinsei Bank will continue to actively promote the healthcare finance business as one of our unique business bases with the creation of the first REIT specializing in healthcare facilities in Japan in the near future as one of our goals.

## Renewable Energy

Institutional Group

In fiscal year 2011, Shinsei Bank started engaging in the business of renewable energy, an area of strategic importance to the Bank identified in the Second Medium-Term Management Plan, and has appointed full-time staff members to this business area. We consider ourselves to be pioneers among Japanese banks in the area of domestic project finance for renewable energy.

In March 2013, we arranged project financing for the construction of large-scale solar (mega solar) power plants in the Eastern region of Hokkaido, and provided part of the project funds to large-scale solar power plants to be constructed by JAG Energy Co., Ltd. through non-recourse loans. In May 2013, we arranged project financing with a total value of approximately 10 billion yen for the construction of large-scale solar plants in the city of Mito and its surrounding areas in Ibaraki Prefecture by Japan Renewable Energy Co., Ltd., which was founded through capital investment by the Goldman Sachs Group.

In the past, financing for mega solar power plants tended to be in the form of corporate loans or the financing relied on the credit standing of the sponsor or concerned parties of the project even if they were in the form of project finance. The above projects arranged by Shinsei Bank, however, used a groundbreaking finance method in Japan where the concept of project finance is pushed to limit the repayment source to cash flows from the project.

Here at Shinsei Bank, we believe that investment in power plants for the local production and consumption of electricity will increase in the future centered on renewable energy. Given that there are strong needs to use project finance to raise investment funds for power plants, we will continue to actively promote our finance arrangement business for energy and infrastructure related projects in Japan in order to respond to the fundraising needs of project operators, as well as to actively contribute to the development of renewable energy in Japan.

## Financial Institutions Business

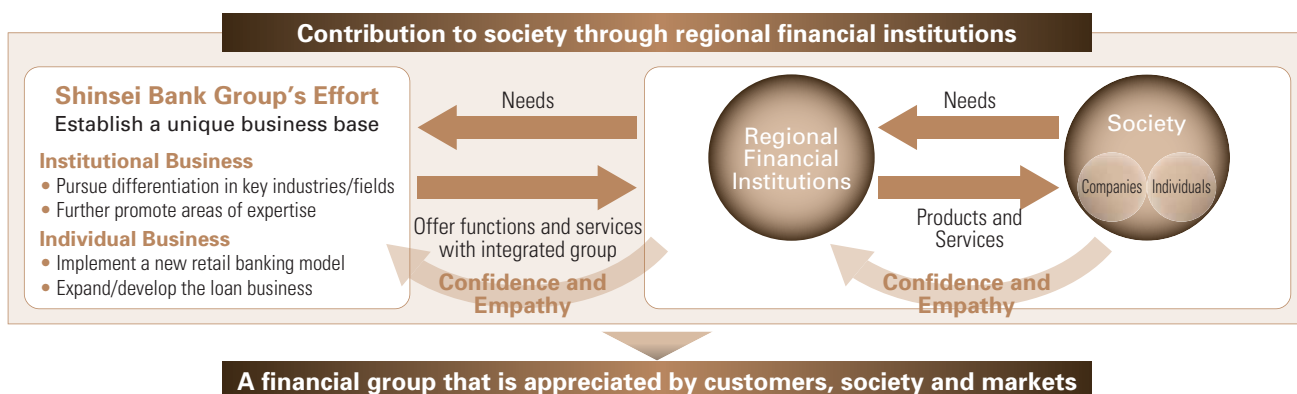
Global Markets Group

We will focus on “cooperation with regional financial institutions.” Shinsei Bank has had extensive transaction relationships over a long period of time with our financial institutional customers who span the country and are in nearly all business categories.

By combining our ability to develop products and services with the needs of our financial institutional customers including regional financial institutions, we have actively promoted our “white label” business where we provide our financial institutional customers with financial products and services such as structured deposits for them to market to their individual and corporate customers under their own brand. Furthermore, we offer Shinsei Bank Group functions for the expansion of businesses of financial institutional customers such as our guarantee business for unsecured retail loans provided by regional financial institutions.

At the same time, we market financial products and services offered by our financial institutional customers, including insurance companies and securities companies, to our retail customers, in an effort to further our cooperation with financial institutional customers in various forms.

Going forward, we are committed to further enhancing cooperation with regional financial institutions, and in order to realize the full scale development of our Venture Banking Initiative (VBI), we will utilize all available resources of Shinsei Bank and its Group companies to respond to their wide-ranging business needs. Through unique initiatives of the Bank and its Group companies, we hope to contribute to regional development and the revitalization of companies and individuals, and become a financial group that is needed by society and markets.



## Shinsei Step Up Program

Individual Group

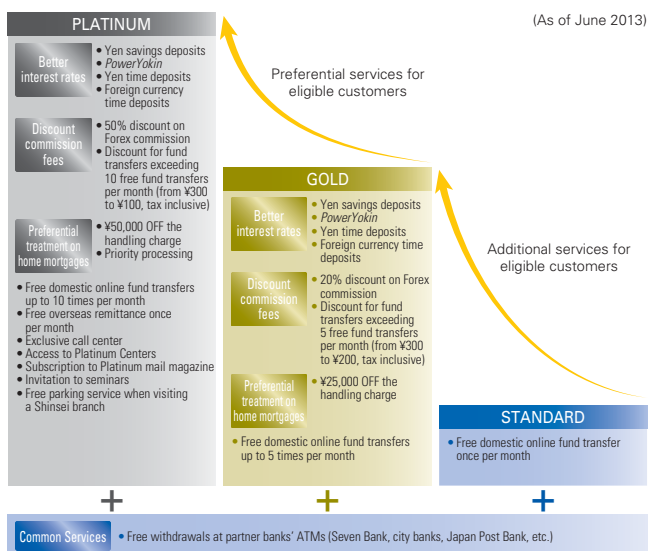
The basic strategy of our retail banking business is to “implement a new retail banking model to create 5 million core customers.” At Shinsei Bank, “core customers” are defined as those who can freely use the products and services offered by the Shinsei Bank Group member companies according to their individual needs.

To drive this basic strategy forward, in June 2013, we revised the “Shinsei Step Up Program,” which is offered to our comprehensive account *PowerFlex* customers, to include *Shinsei Bank Card Loan-Lake* and Shinsei APLUS Gold Card services as eligibility criterion options for the “Shinsei Gold” stage.

This has enabled customers using the comprehensive account *PowerFlex*, *Shinsei Bank Card Loan-Lake*, or Shinsei APLUS Gold Card to choose their “Shinsei Gold” stage eligibility criterion from a wider array of options ranging from asset management to borrowings.

We will continue revising financial products offered by the Shinsei Bank Group and reviewing the way our services are provided in cooperation with all our Group companies. This will allow our individual customers to use the financial products and services offered by the Shinsei Bank Group more conveniently

according to changes in their needs and life cycle. We believe that these initiatives will help lead to the establishment of a business base of operations that will create 5 million core customers by the end of March 2016.



\* Please check Shinsei Bank's website on the details of the Shinsei Step Up Program including the eligibility requirements and available services for each stage.

## Special Feature:

## SUMMARY OF MAJOR EVENTS

2000	March	Launched as an innovative Japanese bank under new management and new ownership
	June	Changed name from The Long-Term Credit Bank of Japan, Limited (LTCB), to Shinsei Bank, Limited
2001	May	Commenced operations of Shinsei Securities Co., Ltd.
2003	April	Commenced operations of Shinsei Investment Management Co., Ltd.
2004	February	Listed the Bank's common shares on the First Section of the Tokyo Stock Exchange
	April	Converted the Bank's long-term credit bank charter to an ordinary bank charter
	May	Achieved one million retail accounts
	September	Acquired a controlling interest in APLUS Co., Ltd.
2005	March	Acquired a controlling interest in Showa Leasing Co., Ltd.
	May	Commenced operations of Shinsei International Limited
2006	July	Commenced resolution of public funds
2007	April	Achieved two million retail accounts
	December	Acquired a controlling interest in SHINKI Co., Ltd.
2008	January	Reached a mutual agreement with Seven Bank, Ltd. to share sales channels and develop products and services together
	February	Completed a tender offer bid for the Bank's common shares and a third-party allotment of new common shares of the Bank to the investor group led by J.C. Flowers & Co. LLC and affiliates
	September	Acquired GE Consumer Finance Co., Ltd. (Changed company name to Shinsei Financial Co., Ltd. on April 1, 2009)
2009	January	Launched <i>Shinsei Step Up Program</i>
	March	Concluded tender offer for the shares of common stock of SHINKI Co., Ltd.
	June	Opened first Shinsei Consulting Spots Launched <i>Two Weeks Maturity Deposit</i>
2010	June	Moved to a "Company with Board of Statutory Auditors" board model
	November	Announced business alliance with YES BANK LIMITED in Japan-India cross-border M&A business Formed business alliance with Baoviet Holdings to support Japanese institutional customers in the Vietnamese market
2011	January	Commenced operations at new head office (Nihonbashi Muromachi)
	March	Issued new shares through international common share offering
	September	Assisted The Daito Bank, Ltd. in arranging its first syndicated loan
	October	Commenced unsecured personal card loan service under the Lake brand
2012	March	Established VBI Promotion Division in the Institutional Group
	April	Added "Shinsei APLUS Gold Card" and "Shinsei APLUS Card" to credit card line-up
	July	Established venture fund targeting mobile entertainment companies with gumi Inc.
	September	Balance of <i>PowerSmart</i> Home Mortgages exceeded one trillion yen
	October	Invested in "Fukushima Growth Industry Development Fund" Issued Fourth Series of Unsecured Callable Subordinated Bonds
2013	November	Provided non-recourse loan for construction of lodgings for post-earthquake reconstruction workers in Miyagi Prefecture
	January	Participated in establishment of "Tokutei Mokuteki Gaisha Healthcare Infra Fund Kobe," which is privately placed real estate fund for individual investors where healthcare facilities constitute the underlying investment assets
2013	March	Started <i>Go Remit Overseas Remittance Service</i> Syndicated project finance for mega solar project in the Eastern area of Hokkaido
	April	Stopped issuing long-term credit debentures (public sales issues) and long-term credit debentures for workers' property accumulation ( <i>Zaikai issue</i> ) Established "Femto Growth Capital Investment Business Limited Liability Partnership" to invest in and provide support to early-stage companies in Japan's Internet sector Provided non-recourse loan for special purpose company set up by Singapore-based Healthway Medical Development to purchase healthcare facilities in Japan
	May	Arranged project finance for the construction of large-scale solar power plants in Mito city and Shirosato town in Ibaraki prefecture Issued unsecured callable subordinated bonds to retail investors in Japan
2013	June	Changed Shinsei Step Up Program to further improve convenience for the Shinsei Bank Group's unsecured card loan and credit card customers
	July	Formed Shinsei Principal Investments Group