

# Corporate Value Creation Mechanism

Society in 2030

The Shinsei Bank Group's Value Creation Process

Core Strategy  
Enhance / Leverage Our Capabilities

Input

⇒ P.24

Human Resources

- Diverse human resources that generates innovative ideas  
Consolidated employees: 5,349

Organization

- An organizational structure that enables customer-oriented business

Operation

- Stable and productive operating system

Capital

- Financial infrastructure supporting "Redesigning Finance"  
Operating assets: ¥7.9 trillion  
Deposits: ¥6.3 trillion

Business Model

Self-Contained Model

Value creation from internal resources

Quick, flexible business deployment

Flexible response to customer needs

Internalized products / services

Deploy products / services know-how



Enhance products / services know-how

Source of Our Strengths

Strengths >

Information Technology

Financial Technology

Management Infrastructure

Foundation for meeting our goals / responsibilities



Address social and environmental issues

- Access to finance
- Fund flows that fit society's needs
- Solutions through integration with external services



Priority Management Issues (Materiality)

Expertise and Execution

Governance

People

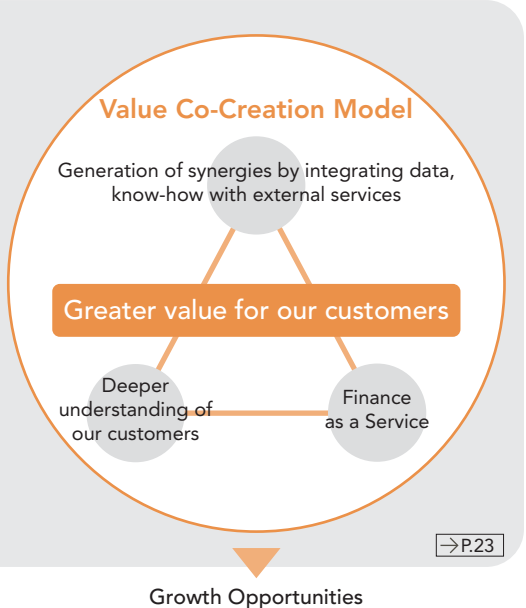
Seamlessly integrating the Group's management resources that cross over a wide range of corporate entities and industries, Shinsei Bank is looking to directly help realize a society that can enjoy the benefits of financial and non-financial products and services that meet the underserved needs of individual customers and companies through a process of co-creation with external partners.

# Created Value

**Core Strategy**  
Grow through Value Co-Creation

金融リ・デザイン  
Reshaping Finance

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Governance

## Fulfill our social responsibilities

- Social infrastructure services
- Customer-oriented services



## Output

### Society-Related Capital

- Improve access to finance
- Build and plan ecosystems in partnership with companies in other industries
- Deeper understanding of our customers
- Maintain higher level of customer satisfaction  
Ranked in the top three in "Internet Banking" category of Orion's customer satisfaction survey for three consecutive years

### Intellectual Capital

- Provide customer-centric financial function and solution
- Provide financial literacy program "MoneyConnection<sup>®</sup>" financial literacy program  
cumulative number of student participants (since fiscal 2007): 148,577

### Natural Capital

- Financing renewable energy projects  
Results of bilateral and joint arrangement: ¥138.5 billion

### Human and Organizational Capital

- Active participation of women in the workplace  
Ratio of females at the executive officer level: 17.1%  
Ratio of females at the section manager-level or higher: 32.7%
- An organizational structure that allows a competitive and diverse human resource  
Number of employees registering concurrent business or side business: 57

### Financial Capital

- ROE 5.1%
- Common Equity Tier 1 (CET 1)  
Ratio 11.3%

(As of March 31, 2020)

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## Outcome

Access to finance

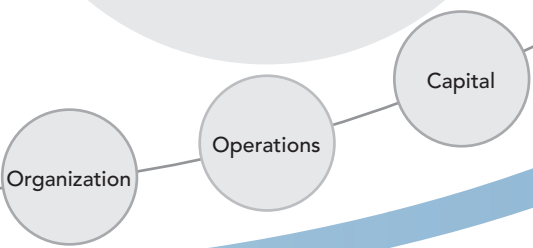
Fund flows that fit society's needs

Solutions through integration with external services

Fulfill our social responsibilities



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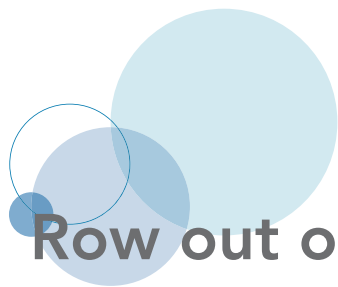


# CEO Message



**Hideyuki Kudo**

President and Chief  
Executive Officer



# Row out on the Ocean Under the Name of “New Normal” with a Ship Called “Redesigning Finance”

The spread of COVID-19 worldwide is rapidly slowing the globalization of humans and goods and dividing and blocking the material world. At the same time, through the persistent endeavors of medical professionals, and a process of trial and error, everyday life is beginning to resume in a new way through the virtual world using “digital” means as a tool. However, once we overcome this global crisis or after we become accustomed to it, the values and behaviors of the world are likely to enter a “new normal” and would not return to pre-COVID-19 conditions. In addition to fulfilling its responsibilities and missions as a part of the overall social infrastructure, institutions that are responsible to provide finance functions, which are indispensable to people’s daily lives and social activities, must contribute to activities that create new daily lives in the new normal. Last year, the Shinsei Bank Group embarked on a variety of new initiatives under the banner of “Redesigning Finance.” I believe it is necessary to have a ship called “Redesigning Finance” to reconsider the way finance should be approached to go to the coastal sea area of this rough new normal.

I would like to express my sincere condolences to those who passed away due to the COVID-19 infection, and I would like to express my sincere sympathy to those affected by it. I would like to express my sincere appreciation to the healthcare professionals for their dedication every day to this harsh environment.

The Shinsei Bank Group places the highest priority on ensuring the health and safety of its employees and their families, customers, shareholders, investors, and other stakeholders, and is doing its utmost to fulfill its mission as a financial institution that is a part of the social infrastructure.

## || Irreversible Change

The year 2019 experienced many major natural disasters and the year 2020 is confronted with the worldwide spread of COVID-19. The movement of humans and goods has become limited and has a major impact on people’s lives, including economic activities. We are witnessing a life that has changed drastically. I am thinking about what we can do and what we should do as a financial institution. As a corporate group, it is natural to

protect employees and customers and overcome these difficulties. Furthermore, I believe it is an important management endeavor to utilize the strengths of the Shinsei Bank Group to respond to new values and needs arising from this crisis and to help the society move in a better direction. This message outlines how the Shinsei Bank Group is trying to face risks and, at the same time, capture opportunities.

## CEO Message

### || Solidify Defense: Stand up to Risk

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As an emergency response, the Shinsei Bank Group was required to have two things:

- 1 Protecting the lives of its employees, their families, customers, and all the other stakeholders
- 2 Contribute to customers and society by fulfilling its responsibilities as a financial institution that is a part of the social infrastructure and providing a stable supply of basic finance functions

As for 1, the first step was to “maintain physical distance among people.” In line with the transition to Windows 10 in the latter half of 2019, we developed a system that enables employees to work remotely by combining the distribution of laptop PCs to employees and the transition to flexible work style reforms. As a result, even in this emergency, we have been able to shift to teleworking relatively smoothly. Nevertheless, many employees are unaccustomed to such work style, and work silently on their personal computers throughout the day, resulting in a psychological isolation. Since teleworking is causing a significant “physical” distance, there is a need to alleviate the “psychological” distance. The foundation for creating a sense of unity and solidarity is one-to-one communication, so supervisors and

employees are able to directly communicate with each other more than ever before, while imagining each other’s thoughts and feelings. I hope that this experience will further improve the communication skills of our employees and enables them to communicate more openly with our customers as well as other external stakeholders.

As for 2, in order to fulfill the mission of financial institutions as a supporter of social activities and livelihoods, the first step is to focus on critical operations and establish a stable operations structure. The second step is to upgrade this operational structure to a more sustainable form, with a view that the current state of social distancing will be prolonged. At the same time, we need to consider a medium- to long-term structure in order to respond to the current situation in an ongoing manner. While the management continues to focus on this, we need to work on promoting it further within the Shinsei Bank Group.

Solidifying defense does not mean shrinking our businesses. Based on the materiality of the Shinsei Bank Group, which is “social infrastructure services” and “customer-oriented services,” we will take risks in addressing issues for society and for the Shinsei Bank Group.

### || Take Steps: Seize Opportunities

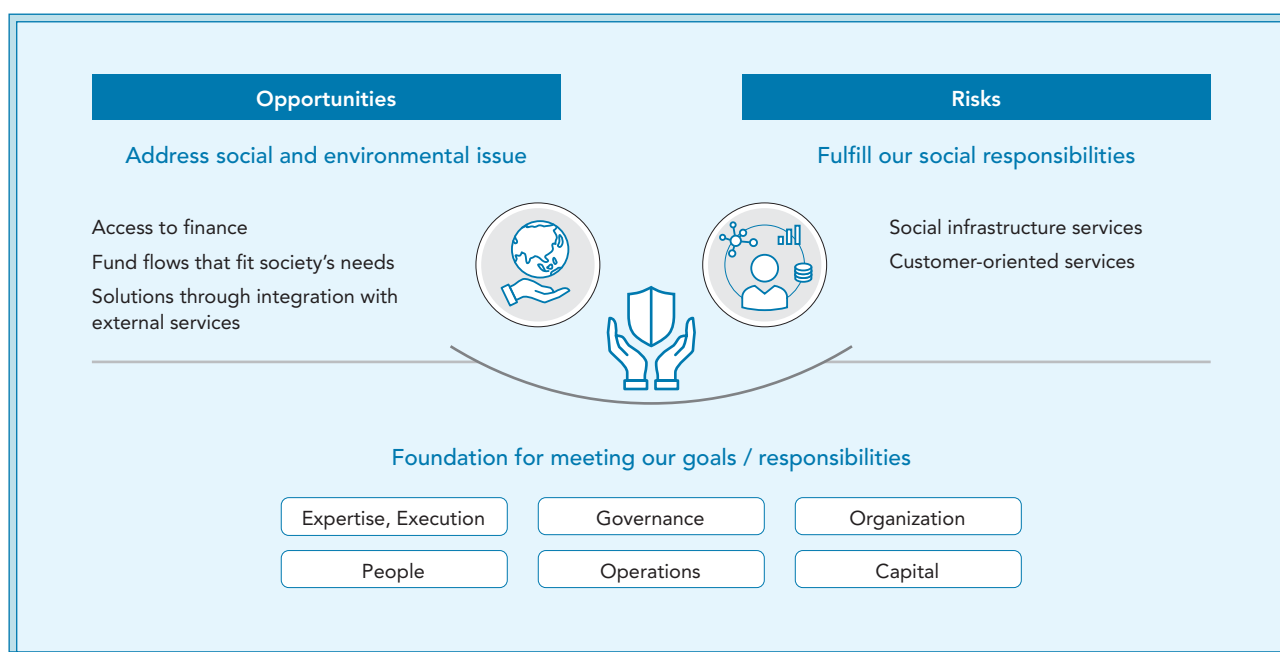
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Just passively carrying out minimal work as a part of the social infrastructure does not fulfill our original role. We have a valuable presence as a financial institution when we provide value to our customers and the society. This is a time when we should demonstrate our presence as a financial institution. As the impact of the COVID-19 is likely to be prolonged, we will accept these conditions as new normal and support customers who suffer from these changes. In addition, we will take a positive perspective on changes in our new behavior, values, and needs, including how we can capture business opportunities and what value we can provide. There is also a

technological evolution that supports our goal. As to the materiality, our role is to solve social and environmental issues, and promote “access to finance,” “fund flows that fit society’s needs,” and “solutions through integration with external services.” This strategic axis is a management challenge that should be tackled at an accelerated pace due to the changes caused by the COVID-19.

Next, I will explain how we are addressing these management challenges, how we can “redesign finance” and provide new value to the society, and what impact we are trying to have on the society.





## || Not Choosing a “Mutually Exclusive” Binary Option, but Finding a “Mutually Inclusive” Option by Giving Priority to What Truly Needs to Be Realized

In many cases where we are forced to choose an alternative, it is not difficult to make a choice if the criteria, i.e., values and priorities, are clear. Also, if there is a single decision-maker, whether it is a person or a corporate entity, it is not so difficult to make a choice. However, it is not easy when external parties are involved since each party generally has hidden priorities. The “internal circumstances” of each party are a typical example. In such a situation, we should not compromise on the opinion of merely two parties, but instead we should look at the true “objective we should aim for” or the objective we were originally aiming for as a true priority. So that we are able to move away from a binary option between A or B and instead find an alternative choice C which would satisfy both A and B.

In addition, there are some reasons behind the current “design” of finance, such as the historical background and the sense of values and beliefs emerged from the

background that “it should be like this.” The act of redesigning finance in order to realize what we are aiming for will create a conflict in values with those who want to protect the traditional way of doing things.

In order to eliminate these binary conflicts, redesigning finance requires creativity to change perspectives and find ways to meet higher-level objectives, as well as flexibility to accept different values.

The flexibility of individuals to accept these creativities and different values is an important factor in building organizational capabilities. This is why the concept of redesigning finance requires us to transform our finance businesses as well as our own behavior in the following two aspects.

## CEO Message

### || Business: Creation of Sustainability, Social Impact and “Redesigning Finance”

Enhancement of corporate value is delivered from a positive impact on the society. In order to create that, we are thinking about what kind of businesses we should conduct, what kind of businesses and projects we should support, and what is lacking in us and preventing us from realizing that. Then we should abandon our conventional definition or belief that “finance should be like this,” or that “a bank should be like..., a credit card company should be..., or a money lending business should be...”

The Shinsei Bank Group is working to co-create products with external partners, both in the areas of financial and nonfinancial in this regard. Specifically, in August 2019, we launched “Shinsei Bank Smart Money Lending” for Docomo line subscribers in collaboration with NTT Docomo, Inc. In addition to the credit screening know-how that the Shinsei Bank Group has cultivated in the



unsecured loan business, by using “Docomo Scoring,” a credit score for each customer calculated from big data obtained from Docomo’s wide-ranging business development, facilitates presenting optimal transaction terms to customers. In December, we announced the launch of a joint venture providing financing businesses with USEN-NEXT HOLDINGS. The Shinsei Bank Group provides USEN-NEXT GROUP’s approximately 750,000 small businesses with financial services such as shopping credits (sales credit), vendor leasing, business credits, and other lending products. In January 2020, the Group and Seven Bank, Ltd. jointly established Credd Finance Co., Ltd. to provide credit-related services to foreign residents.

In March, we also released BANKIT®, a Neobank Platform that enables smartphone apps and APIs to collaborate with external partners, as a platform to realize collaboration with external partners. This enables partner companies to select financial services such as settlement, currency exchange, and credit functions of the Shinsei Bank Group in the cafeteria format. Partners who do not have their own financial platforms can also use BANKIT® to provide financial services to their customers.

These initiatives cannot be carried out solely by the Shinsei Bank Group, and they can neither be carried out solely by partner companies. The Shinsei Bank Group and our partners together can create services where customers can experience added “value”.

### || Organizational Capabilities: Respect for Diversity and “Redesigning Finance”

Realizing and respecting diversity is a part of our corporate strategy with the goal of strengthening the capabilities of the organizations that support our businesses. The first place in diversity is the promotion of active participation of women. This is indeed one of the most important issues. However, diversity is not just about gender, race, religion, and origin. There are no two people who are the same in this world. Individuals exist in this world, and they provide diversity simply by

expressing their respective values, mindset, and their own ideas. Messages originating from each person are interpreted in a variety of ways by the recipient. However, without the ability to see things from different perspectives, or the sensibility to accept the values behind the other party’s messages, this diversity cannot be exploited. This is the true meaning of inclusion. Without such diversity and inclusion awareness, “Redesigning Finance” will not proceed well.

How can we spread and foster awareness of diversity and inclusion throughout the organization? By getting in touch with the values of people with different cultures as much as possible and by experiencing these values ourselves through business operations or internal and external training, I think our management and employees will be able to continue to make daily efforts to increase their experience. In this sense, I will first explain the measures and progress in promoting the active participation of women in the workplace, which is one of the most important propositions. The Shinsei Bank Group participates in external initiatives such as the 30% Club Japan<sup>1</sup> and the Women's Empowerment Principles<sup>2</sup>, as well as establishment of the "Committee on Promoting the Role of Group Women in the Workplace" to strongly promote the proposition. As of the end of June 2020, there are two women board members among seven in total. Two out of the three Audit & Supervisory Board members are women. Hence, women represent 40% of total board members. On the other hand, there is an issue where females still represent a lower proportion at the senior level for business execution. The proportion of female managers (section manager-level or higher) is relatively high (32.7%), but at the executive officer level, only six officers, 17% out of the 35 are women, and the number of candidates for the next-generation female managers is still insufficient. To address this issue, board members, Ms. Rie Murayama, Ms. Ikuko Akamatsu, and

Ms. Shiho Konno sent out messages to group employees regarding diversity and women's participation. In addition to that, we hosted lectures by members of other companies who have been active as directors or managers and held organizational training courses based on gender differences.

In addition, we launched a female employee resource development program in 2019 and introduced a mentor system. Furthermore, to promote diversity with a sense of speed, from fiscal 2020, we have set the Diversity Promotion Target as a personnel evaluation item for managers.

Our measures, so far, are not just promoting the active participation of women. In order to ensure that each person's individuality and strengths become the strength of the organization, we provide a variety of support, including support for employees who are responsible for childcare, the ease with which people with cancer can work, and the promotion of the active participation of employees with disabilities. In order to promote the "Redesigning Finance," we will strengthen our capabilities so that all crew members of the ship called "Redesigning Finance" can work actively respecting each other.

1. A global campaign launched in the UK to increase the proportion of women in key corporate decision-making bodies, including board of directors
2. Principles of conduct jointly established by the United Nations Global Compact (UNGC) and the United Nations Entity for Gender Equality and the Empowerment of Women (UN Women)

## Message to Our Stakeholders

I feel such great change and dynamism toward the creation of a world in which politicians, academics, media, company owners, social activists, and citizens imagine, think, and act as to what kind of world the new normal will be like. In this environment, finance functions that are indispensable to people's daily lives will continue to be important. In addition to fulfilling its responsibilities and missions as a part of the social infrastructure, people who are responsible for finance functions are strongly required to exercise creativity that makes the new normal active.

We, the Shinsei Bank Group, reaffirm this awareness, embarking on a vessel called "Redesigning Finance" and moving into the new normal ocean. We, the employees of

the Shinsei Bank Group, will continue to work hard to create values together with partner companies, cultivating the *raison d'être* (purpose of the enterprise) of the Shinsei Bank Group. We seek continued support from all our stakeholders.

July 2020



Hideyuki Kudo  
President and Chief Executive Officer