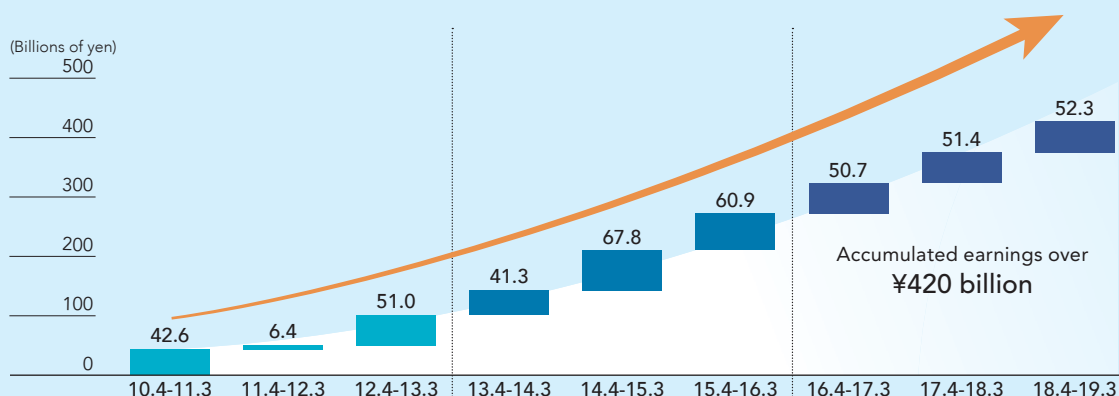


Medium-Term Management Strategy

Review of the Past Medium-Term Management Plan

During the nine years of the first through third Medium-Term Management Plans, the Shinsei Bank Group has been shifting to a business model in which profits exceed ¥420 billion while reducing profit volatility and recording stable profits. By formulating and implementing new strategies based on the issues identified, we aim to increase corporate value by providing products and services that make the most of the Shinsei Bank Group’s strengths and uniqueness.



Plan Outline

1st MTMP
10.4-13.3

- Rebuilding the customer franchise
- Establishing a stabilized base earnings

2nd MTMP
13.4-16.3

- Further expanding the customer base
- Increasing quality assets while improving our portfolio

3rd MTMP
16.4-19.3

- “Selection and concentration” of business
- Creation of value through group integration
- Achieve flexible business management and lean operations

Results

NIM	2.09%	2.28%	2.43%
Expenses-to-Revenue Ratio	57.5%	63.4%	62.3%
ROA	0.3%	0.6%	0.6%
ROE	5.1%	7.7%	6.1%
Risk Monitored Loan Ratio ¹	7.29%	2.09%	1.56%
CET1 ratio ¹	–	12.9%	12.0%
Total Payout Ratio	8.0%	10.6%	35.0%

¹ Figures of final year of each MTMP are presented

- Optimized risk weighted assets through reduction of non core business assets

- Improved capital ratio by accumulating earnings
- Significant profits contribution was mainly from credit reserve on the disposal of NPLs and one-off profits

- Business franchise in unsecured loans and structured finance reflected steady profits
- Improved earning structure of retail banking

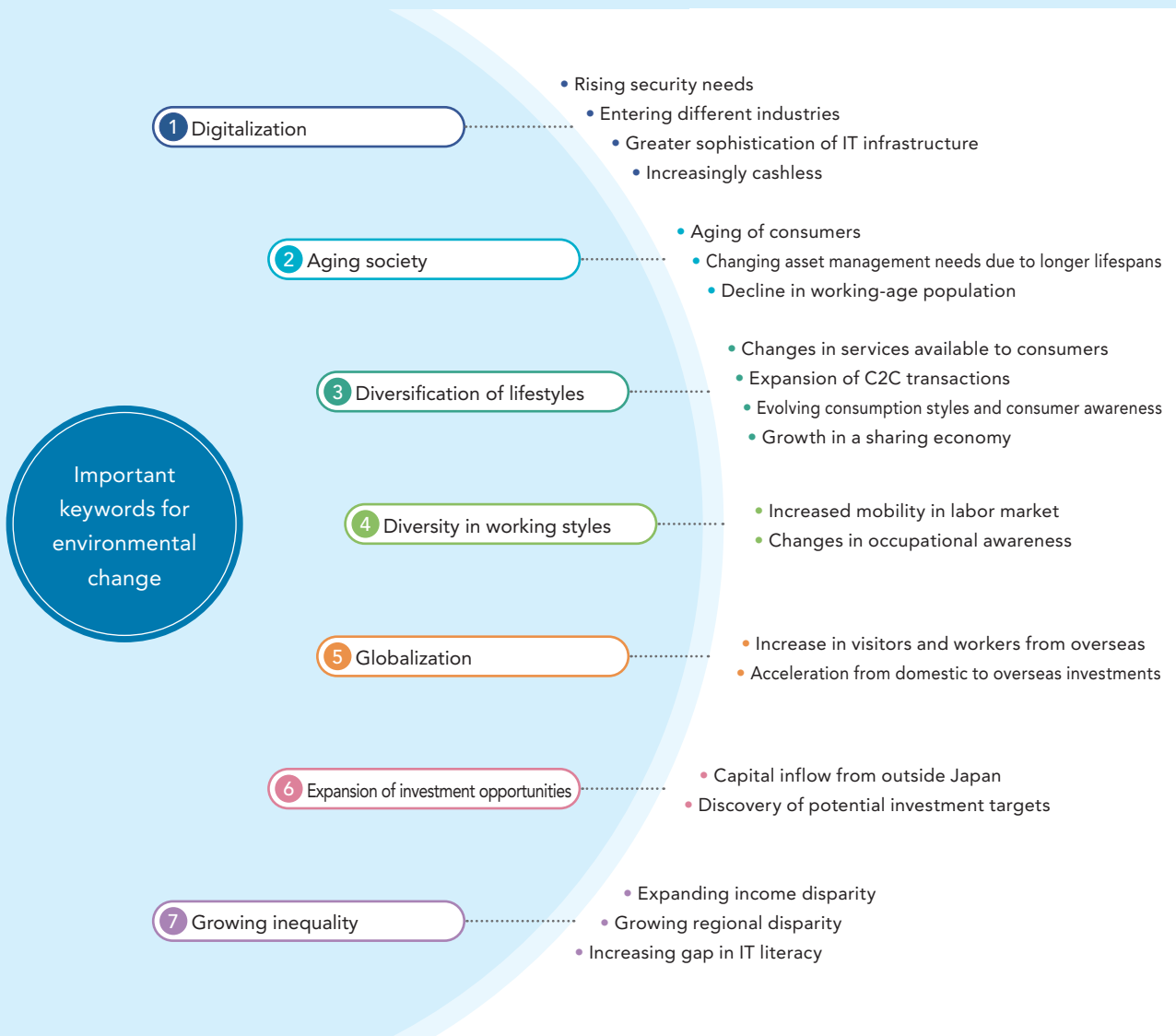
Issues

- Stabilization of earnings remained as a challenge

- Increasing recurring / stable profits remained as a challenge

- Total payout ratio improved while low ROE remained as a challenge

Medium- to Long-Term Changes in the Global Environment



Impact from medium- to long-term environmental change






- Increasingly sophisticated levels of customer needs
- Accelerating growth in links between business operators

Medium-Term Management Strategy

Materiality

The Shinsei Bank Group identifies core competencies that are socially significant in business activities and have the greatest impact on increasing corporate value as materiality. By linking opportunities and risks with SDGs, we aim to solve social issues and continuously increase our corporate value through our business activities.

Materiality for the Shinsei Bank Group: Opportunities and Risks

Opportunities	<p>Address social and environmental issues</p> <p>Access to finance</p> <ul style="list-style-type: none"> • Provide services for customer needs which are not satisfied by traditional financial services • Provide payment methods with emerging technology <p>Fund flows that fit society's needs</p> <ul style="list-style-type: none"> • Provide solutions for supporting sustainable social capital <p>Solutions through integration with external services</p> <ul style="list-style-type: none"> • Build / participate in ecosystems, use of digital technology <p style="text-align: center;">Support these SDGs:</p> <div style="display: flex; justify-content: space-around;">    </div>	Risks	<p>Fulfill our social responsibilities</p> <p>Social infrastructure services</p> <ul style="list-style-type: none"> • Firmly provide fundamental financial functions (deposit, loan, payment etc.) as social infrastructure • Maintain cyber security • Prevent money laundering <p>Customer-oriented services</p> <ul style="list-style-type: none"> • Place customer's benefit first • Give information that is accurate and easy to digest <p style="text-align: center;">Support these SDGs:</p> <div style="display: flex; justify-content: space-around;">   </div>
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Links between materiality and SDGs

Based on the United Nations Sustainable Development Summit held in 2015, over 150 participating Member State leaders adopted 17 Sustainable Development Goals (SDGs) as targets that would change the world. Sustainable development is defined as development that is sufficient to meet the needs of the current generation, while not diminishing the ability of future generations to sufficiently meet their needs. In the pursuit of overcoming the disparities of generations and regions, and the building of a society in which no one is left behind, more than just in developing countries, it is the advanced nations that are particular targets for change. Linking the principles of these SDGs with the materiality of the Shinsei Bank Group, we believe, will work to convey to our stakeholders the impact that the outcomes generated by the Shinsei Bank Group have on society.

One theme of the Medium-Term Strategies is innovation. In carrying out our roles and responsibilities to society toward addressing social and environmental issues, namely, the materiality of the Shinsei Bank Group, the common foundation upon

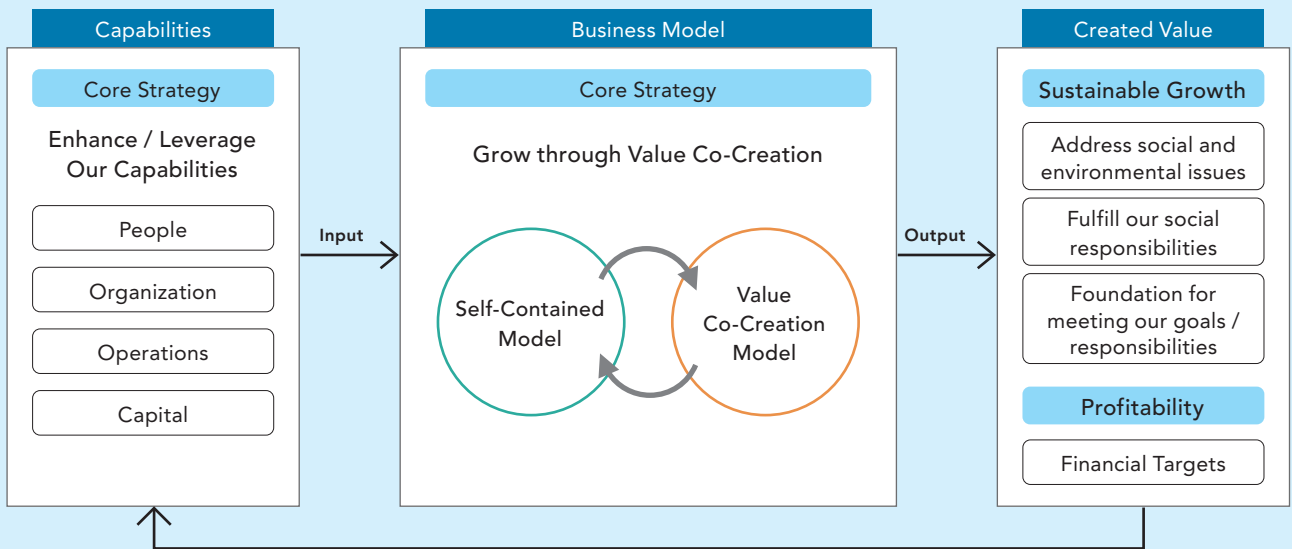
which we implement those roles and responsibilities is innovation (SDG 9: Industry, Innovation and Infrastructure). By promoting greater innovation, it becomes possible to achieve sustainable economic growth and decent humane working conditions (SDG 8: Decent Work and Economic Growth). We will make contributions to sustainable economic growth through investments and loans for social infrastructure that make clean energy prevalent (SDG 7: Affordable and Clean Energy). In addition, decent, humane employment is linked to an organization's recognition of equality and diversity, including with regard to gender, nationality, age, and place of origin (SDG 5: Gender Equality).

Achieving acceptance and coexistence in a diverse society means securing a legal system, compliance, and security through the realization of a peaceful and fair world in which no one is left behind, including customers and employees, and the range of other stakeholders (SDG 16: Peace, Justice and Strong Institutions).

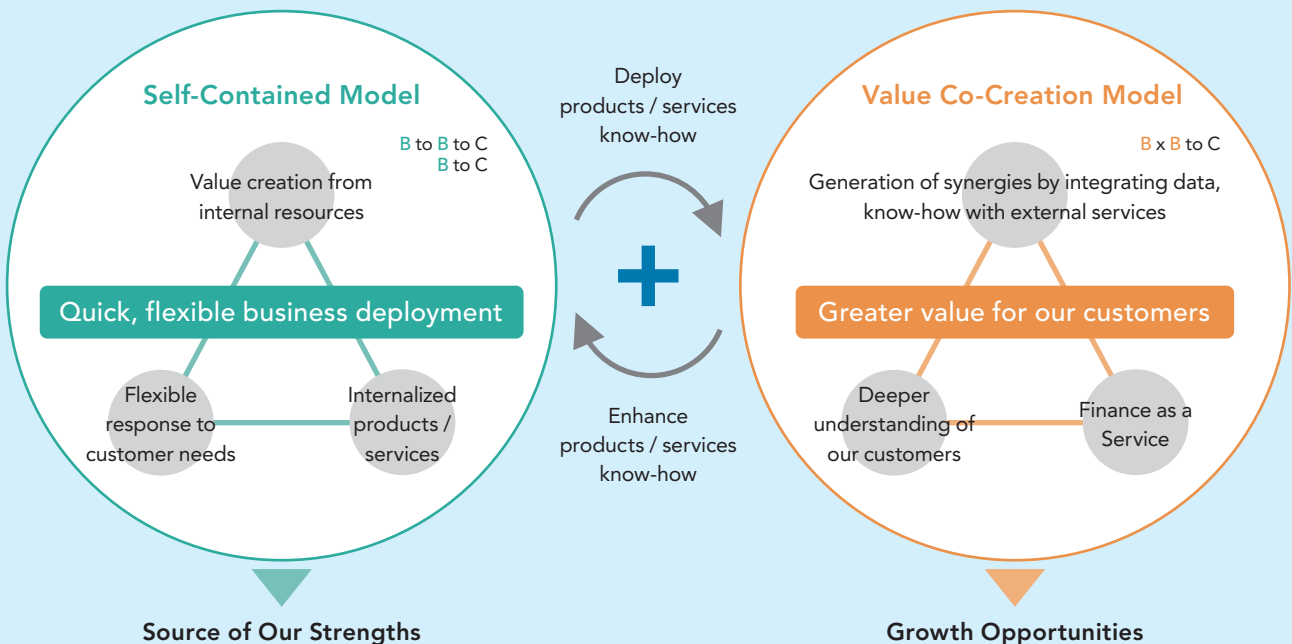
Medium-Term Strategies and Business Model

Based on the identified materiality, the Medium-Term Strategies, which began in fiscal 2019, outlines processes for value creation through two basic strategies and business models. The Shinsei Bank Group's strengths are resolved into factors to the level of competence to provide individual functions and competencies to the others in an abstract and generalized manner. By doing so, our services will be more attractive to our "value co-creation model" customers. In addition, we are designing a feedback loop that further refines our self-contained business model by feeding back the results.

Overview of Medium-Term Strategies



Business Model: Self-Contained Model and Value Co-Creation Model

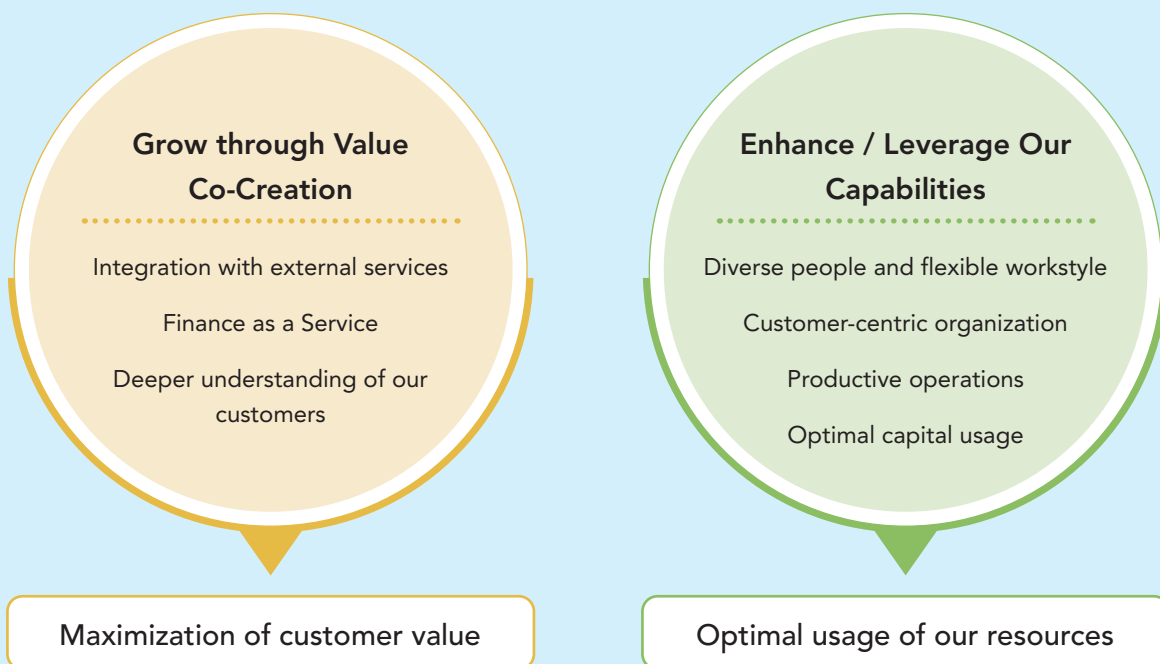


Medium-Term Management Strategy

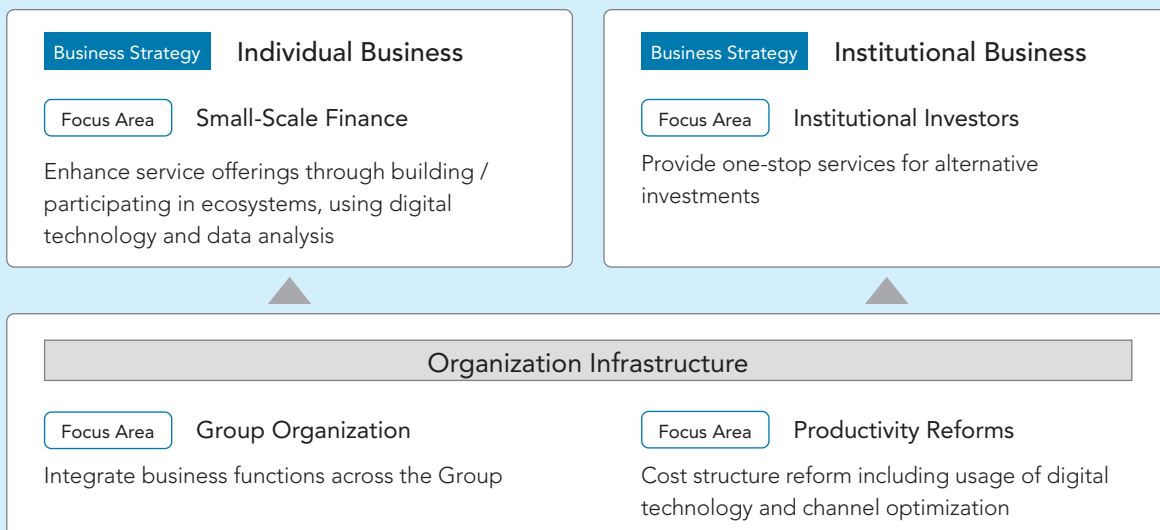
Core Strategies and Business Strategies

In an era of transformation where future is not an extension of the present, we are required to seek growth that cannot be achieved by past achievements or technologies alone. The Shinsei Bank Group’s basic strategies are “grow through value co-creation,” which combines our Group’s strengths with those of others, and “enhance/leverage our capabilities,” as input capital. We aim to meet customers’ needs who are not satisfied with conventional financial services through individual strategies for Individual Business and Institutional Business.

Core Strategies



Business Strategies



Nonfinancial KPIs and Financial KPIs

We are proactively working to manage our progress on the nonfinancial and financial KPIs we have set in order to achieve our sustainable growth story and resolve social and environmental issues through our business activities.

Value that the Shinsei Bank Group Wants to Impact Society: Nonfinancial KPIs

Materiality	Main business	Nonfinancial KPIs	Progress
Address social and environmental issues	Increase access point to finance, both directly and indirectly, for more people	<ul style="list-style-type: none"> • Deployment of the Shinsei Bank Group's platforms and ecosystems • Participation of partner companies in platforms and ecosystems 	<ol style="list-style-type: none"> 1 Providing platform by the Shinsei Bank Group: BANKIT® 2 Establishment of joint ventures with partner companies: Credid Finance and Shinsei Bridge for foreigners' ecosystems; anew for cloud factoring for SMEs and micro-businesses 3 Participation of partners in platforms and ecosystems: collaboration with USEN NEXT HOLDINGS and collaboration with Docomo
	Expand financing to help resolve climate change and social issues	In the institutional investor business, <ol style="list-style-type: none"> 1 Amount of new origination 2 Amount of new distribution 	<ol style="list-style-type: none"> 1 Established the Sustainable Impact Development Division 2 Bilateral and joint arrangement of domestic renewable energy project finance: Fiscal 2019: ¥138.5 billion
Fulfill our social responsibilities	Provide reliable financial services in a stable manner	<ul style="list-style-type: none"> • Initiatives to ensure cyber security 	<ol style="list-style-type: none"> 1 Cooperation with external specialist organizations 2 Implementation of measures against cyber attacks on information systems 3 Training and education
Foundation for meeting our goals / responsibilities	Have strong governance, employees respect each other's strengths, and work together to create new value	<ol style="list-style-type: none"> 1 Evolution of board governance 2 Initiatives for organizational issues based on the Group's organizational survey 3 Promoting diversity 	<ol style="list-style-type: none"> 1 Number of outside directors: 5 out of 7 directors Directors' skill diversity: Skill matrix (See p.48) Transparency and objectivity of remuneration and nomination: Discussion by the nomination and compensation committee, which is comprised of outside directors (See p.44) 2 Implementation of effective measures <ul style="list-style-type: none"> • Management of evaluation and compensation: System design changes, including the introduction of a group-wide personnel system • Development of team management skills for managers: Establishment of team management skills and career support for subordinates as evaluation items for managers, expansion of training for managers, etc. • Human resource management: Appropriate manpower allocation and reduction of work volume, human resource development, utilization of senior human resources, etc. • Communication: Transmission of information from executives through town hall meetings, revitalizing group organizations through the launch of new projects, etc. 3 Ratio of women in managerial positions on a Group basis (Fiscal 2019: 13.9%, Fiscal 2022: 18% or above)

Economic Value that the Shinsei Bank Group Wants to Create: Financial KPIs

EPS Growth Rate Growth Annual average excluding the share buyback effect 2% or more	Profit Share of Focus Areas Growth <small>(Share of operating business profit after net credit costs, excluding one-time factors)</small> <table border="0"> <tr> <td>Small-scale finance</td> <td>Businesses for institutional investors</td> </tr> <tr> <td>FY2018: 45%</td> <td>FY2018: 10%</td> </tr> <tr> <td>FY2021: 50%</td> <td>FY2021: 15%</td> </tr> </table>	Small-scale finance	Businesses for institutional investors	FY2018: 45%	FY2018: 10%	FY2021: 50%	FY2021: 15%
Small-scale finance	Businesses for institutional investors						
FY2018: 45%	FY2018: 10%						
FY2021: 50%	FY2021: 15%						
ROE Profitability FY2018: 6.0% ▶ In the medium term: 8.0%	OHR Efficiency FY2018: 63.0% ▶ FY2021 Less than: 50%						
Shareholder Return	CET 1 Ratio Soundness FY2018: 12.0% ▶ In the medium term Minimum: 10%						

Shinsei Bank aims to maintain or improve the total shareholder return ratio, depending on financial conditions and market environment, considering total shareholder return policy as outlined in the Revitalization Plan.*

* As mentioned in the Revitalization Plan submitted to the Financial Services Agency on March 25, 2020, we will continue to aim to maintain and improve our shareholder return, taking into consideration the level of the general total shareholder return ratio of Japanese domestic banks.

Medium-Term Management Strategy

Medium-Term Strategies

Business

◆ Group Business Strategy

The Shinsei Bank Group aims to increase its ROE and share value through its inorganic strategy that means efficient use of its capital for growth through business partnership and acquisition. By creating a “non-continuative” growth opportunity and raise the evaluation of its business model, it aims to improve the Group’s corporate value.



Creation of “quantitative non-continuative growth opportunities”

We create growth opportunities with our partners to generate volumes, such as balances and profits. In order to scale up and to accelerate existing business, we will create growth opportunities by business acquisitions and business partnerships where we provide our financial know-how.

Specifically, we launched a lending service for individual customers of NTT Docomo, Inc., and commenced sales credit and leasing services for 750,000 small businesses’ customers of USEN-NEXT GROUP in collaboration with USEN-NEXT HOLDINGS Co., Ltd. In addition, we established Credd Finance, Ltd. with Seven Bank, Ltd. to provide various financial products and services to more than 200,000 Seven Bank’s foreign resident customers in Japan.

Enhancement of the skill creation

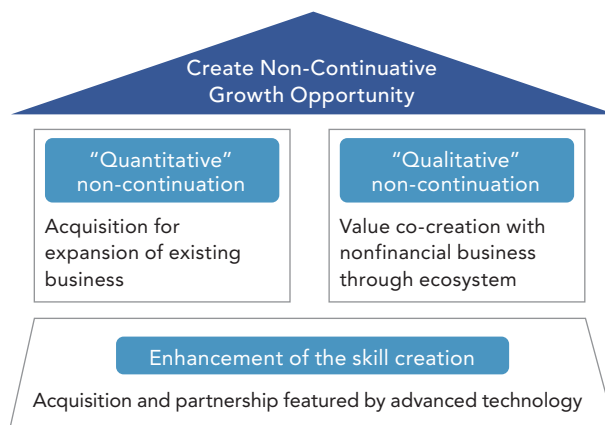
We will accelerate to create the Shinsei Bank Group’s skills by leveraging acquisitions and strategic alliances with advanced technologies.

This will enhance the Shinsei Bank Group’s capabilities and become a driver of the creation of new services. As an example, we established a new joint venture company “anew” with OLTA

Creation of “qualitative non-continuative growth opportunities”

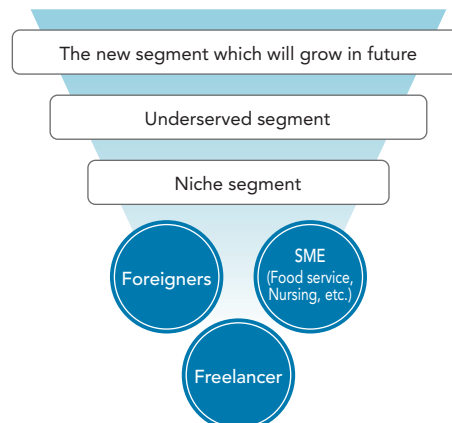
With changes in the social structure and dramatic advances in technology, customer segments that have new needs are emerging. We will work with other industries to create ecosystems, customize them, and develop differentiation strategies that satisfy customer needs through personalization and introduction of new solutions. To this end, the Bank has established the “Shinsei Bridge.” In collaboration with companies in other industries, we are accumulating and analyzing a variety of behavioral data and returning value to non-Japanese workers and students, in which “underserved” markets where current services are not sufficiently delivered and also where financial institutions have not regarded them as strategic segments.

■ Three Visions of Our Inorganic Strategy



Inc., a pioneer company of online cloud factoring service. With their scoring know-how, we realized quick finance service that covers small scale and short-term working capital financing needs of SME companies that have not been satisfied by conventional banking services.

■ Which Segment?



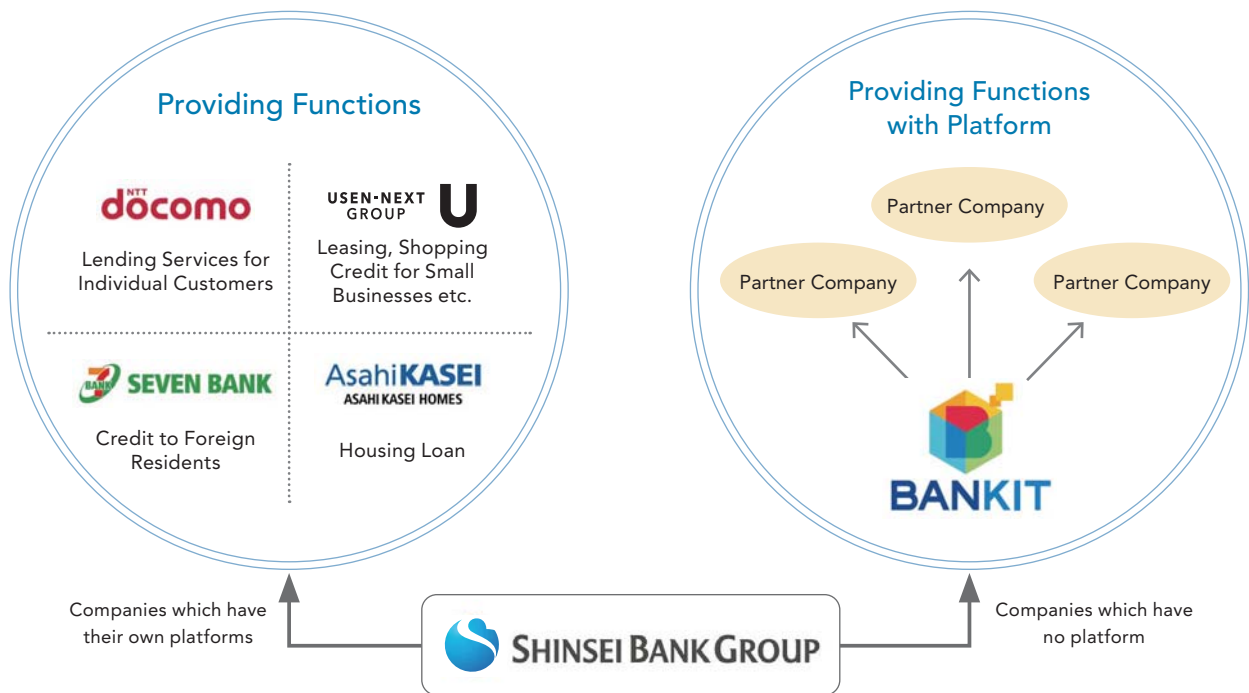
◆ Small-Scale Finance Strategy

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. The main strategy is "value co-creation," which means creating new value through collaboration with third parties, evolving the unsecured loan business, which is our strong business field, into "small-scale financing."



Tetsuro Shimizu
Managing Executive Officer,
Head of Individual Business Unit

Collaboration with External Companies



Points



- Provide new added value through NTT Docomo's technological capabilities
- Scoring based on data held by NTT Docomo
- The Shinsei Bank Group provides risk-taking functions and gains access to new customer segments



- Customer base of 750,000 companies partnering with USEN-NEXT GROUP
- Provide commercial finance services, such as shopping credit, small leasing, and corporate cards through the joint venture with the Shinsei Bank Group
- Develop further financial services for sole proprietors and SMEs



- Seven Bank's ability to provide services and brand power to foreign customers
- Provide financial services for foreigners through joint venture with the Shinsei Bank Group
- Contribute to achievement of SDGs through comprehensive supports for the rich lives of foreigners in Japan



- Developed a new housing loan product for purchasing Hebel Haus of Asahi Kasei Homes
- Alliances with partners who can guarantee future values of high-quality houses after building them
- Reduced monthly repayment by making a part of the loan principal payable in a lump sum at the end of the term

Medium-Term Management Strategy

Medium-Term Strategies Business

◆ Business Strategies for Institutional Investors

While meeting institutional investors’ demands for long-term investment management, we will develop the strengths and create new growth opportunities to diversify our earnings opportunities. We will use this framework to raise the level of sustainability and ESG-related initiatives in all of our Institutional Businesses.



Shinichirou Seto
Senior Managing Executive Officer,
Head of Institutional Business Unit

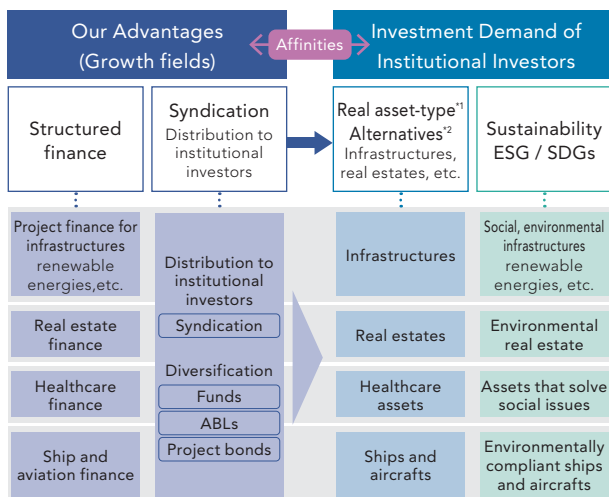
Business framework

We promote our institutional investor business through three strategies. First, we will deepen our steadily growing structured finance business, and then apply this knowledge to our joint investment business with institutional investors. In addition to these two strategies, we will add an assessment of ESG and sustainability through the “Sustainability Focus”, and aim for further growth through interaction.

Our strengths and demands of institutional investors

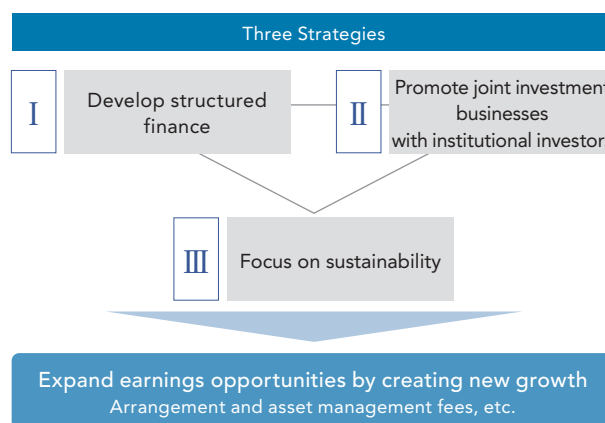
There is deep-rooted demand from institutional investors for real asset-based alternative investments that are well suited for long-term investment. This area largely overlaps with the structured finance offered in syndications. The perspectives of sustainability and ESG also coincide. The strengths of Shinsei Bank and the strong affinity between institutional investors’ demand for investment have contributed to the three strategies.

■ Advantages of Shinsei Bank and Affinities to Investment Demand



*1 Real asset type: Targets real estate and infrastructure assets
*2 Alternative: Alternative investments targeting assets different from traditional assets such as listed stocks and bonds

■ Three Strategies and Purposes



3 Business Strategies

- Deepening structured finance business
With real assets such as infrastructure, real estate, healthcare, and ship/aircraft as our major strategic fields, we have established a sales framework that forms the foundation of our business for institutional investors. We will take advantage of the demand for projects in a wide range of fields as a business opportunity to promote the diversification of strategies.
- Promoting joint investment businesses with institutional investors
Our promotion efforts will focus on the fund business to expand sales, which were previously conducted through project-based syndications mainly in the areas of infrastructure, real estate, and healthcare fields. The fund connects the operating funds invested by institutional investors to infrastructure projects.
- Sustainability focus
We will develop a sustainability and ESG evaluation system and develop our business based on this system. The newly established “Sustainable Impact Development Division” will lead to integrating the concepts of social impact and sustainability with Institutional Business as a whole.

◆ Productivity Reforms

The Shinsei Bank Group has been implementing productivity reforms in earnest since the Third Medium-Term Management Plan, which covers the period from fiscal 2016 to 2018 and it has reached the third stage. The first stage is “Reducing Expenses and Workload,” the second stage is to “Improve Earnings Structure,” and we will further promote the revolution in the third stage “Enhance and Leverage Our capabilities.”

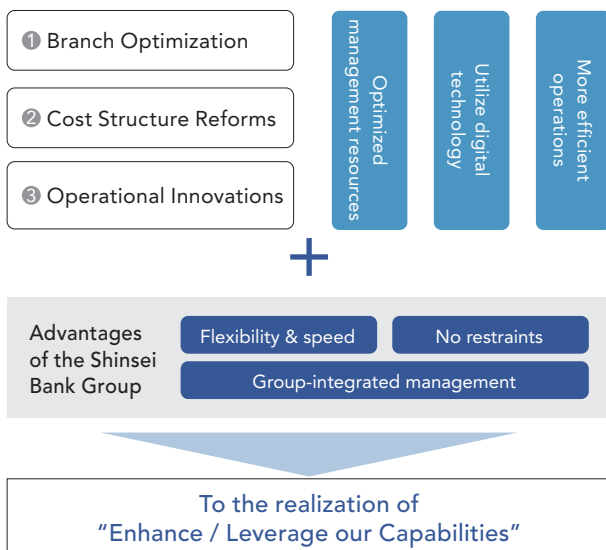


Akira Hirasawa
Senior Managing Executive Officer,
Overseeing Group Organization Strategy

Enhance and leverage our capabilities

We aim to maximize management resources through a Group-wide organizational structure that leverages diverse human resources with specialized expertise and a highly productive operating structure. In order to adapt to big environmental changes, we will actively incorporate digital technology to increase productivity and create a robust operational structure.

Productivity Reforms



Achieving productivity reforms

Over the three-year period of this medium-term management strategy, we will achieve an improvement effect of ¥6 billion. We will take measures aimed at improving medium- to long-term productivity by leveraging the Shinsei Bank Group’s characteristics of “flexibility and speed,” “no restraints” that does not belong to any specific capital affiliation and does not need to stick with a specific region, and “group-integrated management,” which is unified while taking advantage of the characteristics of each group company.

Three Specific Measures

• **Branch optimization**
The Lake ALSA promotes digital shift that meets the lifestyles of our customers, especially smartphones, and is implementing measures aimed at raising awareness. At Shinsei Bank’s staffed branches, we will reduce the number of branches and improve efficiency while maintaining physical contact with customers in a five-area coverage structure.

• **Implementation of cost structure reforms**
We will focus on the cost structure reforms in the IT sector where we were unable to fully implement reforms in the first stage. Currently, we are working to expand the use of the cloud to consolidate eight data centers. In addition, we will integrate the Group IT operations and aim for Group-wide system management.

• **Operational innovations**
We will improve the convenience of both customers and employees by digitizing business processes and operations using digital technology. In addition, we will create a more comfortable working environment by developing an operating environment and implementing a human resources system to respond to diverse workstyles.

Business Process / Operations Digitization

	More efficient operations	Added value
RPA	<ul style="list-style-type: none"> Automated operations equivalent to 100,000 hours More efficient operations Reduced administrative errors 	<ul style="list-style-type: none"> Longer serving time
IVR, PD, Chatbot	<ul style="list-style-type: none"> Reduced inbound / outbound call workload Also contributed to space reduction 	<ul style="list-style-type: none"> Effective collection calls
E-order (Shopping credit)	<ul style="list-style-type: none"> Reduced workload equivalent to 240,000 hours 	<ul style="list-style-type: none"> Reduced burden on member merchants / customers

IVR=Interactive Voice Response
PD=Predictive Dialer (Automated inbound / outbound calling system)

Medium-Term Management Strategy

Medium-Term Strategies

Finance

Message from Chief Officer of Group Finance



We fulfill our responsibilities as a financial institution that is a part of social infrastructure, and aim to increase corporate value over the medium to long term by contributing to our customers and society.

Shoichi Hirano
Chief Officer, Group Corporate Planning and Finance

Fiscal 2019 Results and Impact of COVID-19

Consolidated (Billions of yen)	18.4-19.3 (Actual)	19.4-20.3 (Actual)			19.4-20.3 (Initial Plan)
		Without COVID-19	Impact of COVID-19	With COVID-19	
Total Revenue	229.7	241.6	-1.7	239.9	243.0
Net Interest Income	133.8	133.5	0	133.5	
Noninterest Income	95.9	108.1	-1.7	106.4	
Expenses	-144.7	-149.5	0	-149.5	-152.0
Ordinary Business Profit (OBP)	84.9	92.1	-1.7	90.4	91.0
Net Credit Costs	-29.3	-32.1	-3.1 (apparent) -3.9 (precautionary)	-39.1	-35.0
OBP after Net Credit Costs	55.6	59.9	-8.7	51.2	56.0
Others	-3.3	-5.8	0.2	-5.6	-3.0
Income Taxes	-2.5	-4.2	0.2	-4.0	
Profit Attributable to Owners of the Parent	52.3	54.0	-8.5	45.5	53.0

Total revenue amounted to ¥239.9 billion, up from fiscal 2018.

Of total revenue, net interest income increased in institutional business year on year but was flat in unsecured loans business and APLUS FINANCIAL while having no financial impact from COVID-19. Noninterest income increased year on year in institutional businesses as well as in retail banking and APLUS businesses. In Institutional Business, noninterest income was negatively impacted due to impairment losses related to equity investments and nonrealization of expect-

ed income due to COVID-19.

Expenses increased year on year mainly reflecting depreciation expenses associated with the new core banking system. Expenses-to-revenue ratio improved from 63% in fiscal 2018 to 62.3% in fiscal 2019.

Net credit costs increased year on year reflecting several factors such as absence of credit recoveries in the Structured Finance business, and additional provisioning considering apparent impact from COVID-19.

There are three reasons for higher net credit costs recorded in Institutional Business. First, absence of credit reserve reversal of approximately ¥6.0 billion due to revision of general reserve for loan losses in fiscal 2018 for project finance transactions etc. Second, additional provisioning of ¥3.1 billion was recorded in Structured Finance portfolios considering apparent impact from COVID-19. Third, additional precautionary provisioning of ¥3.9 billion was taken as we applied a higher reserve ratio than the regular general reserve ratio to specific categories, anticipating deterioration in financial position of these types of borrowers in the future due to COVID-19. Net credit costs in unsecured loans remained almost flat, reflecting sluggish loan growth and enhancement of collection. Net credit costs in APLUS FINANCIAL decreased due to the absence of impact on additional reserve for delinquent loans recorded in the previous fiscal year.

Profit attributable to owners of the parent for fiscal 2019 was ¥45.5 billion, reflecting the impact of COVID-19. It would have been ¥54.0 billion excluding the COVID-19 impact of ¥8.5 billion.

Performance in Fiscal 2020

The net income forecast for fiscal 2020 is yet to be determined as it was hard to reasonably estimate the impact of COVID-19 as of May 13, 2020, the day the full-year financial results for fiscal 2019 were announced. If COVID-19 hadn't occurred, we estimate that our net income for fiscal 2020 would have grown by approximately 2% from the fiscal 2019 initial target of ¥53 billion.

We expect the single fiscal-year business plan will be revised in response to uncertainty and changes in the environment. However, the medium- to long-term strategies and directions outlined in the Medium-Term Management Strategy remain unchanged. We should work on these strategies with a further accelerated time horizon than originally envisaged. The Bank will disclose its earnings forecasts as soon as it becomes possible to make those forecasts after carefully examining the future economic conditions and their impact on our business activities.

Impact of COVID-19 on Our Businesses and Performance

With regard to the business environment, first, even after the state of emergency is lifted, the maintenance of social-distancing requirements will be prolonged and business activities will only begin to recover from the second quarter of fiscal 2020. Additionally, it will take time for the inbound-tourism related industries, hospitalities, restaurants, and other service industries to recover as well as for the disrupted supply chain to resume. The credit condition of related SMEs and individuals is expected to deteriorate. The key to the negative time-horizon effect is the timing of the development of efficacious therapeutics and vaccines. Second, in the process of recovery, total restoration is unlikely, and irreversible changes will occur, such as changes in consumer mindset and behavior, the transition to a decentralized society, acceleration of digital investment, review of supply chains, review of physical space utilization, etc. Third, regarding real estate prices, the search for new price levels (rent multiplied by expected yield) based on the COVID-19 experience will continue, but the extent of the adjustment (price decline) by asset type is expected to be disproportionate.

Regarding the Shinsei Bank Group's performance, revenue from many existing businesses including core businesses, such as real estate finance and unsecured loan businesses, are expected to decline to a certain extent as business activities are to be subdued. However, we do not think a sharp decrease would happen as needs for new finance and new businesses will be generated. Regarding risk profile, in comparison to other financial groups, our business portfolio is not directly linked to the macroeconomics of Japan as a whole or a certain region. In addition, portfolio reallocation and risk management have been strengthened since the global financial crisis. With regard to net credit costs, we accumulated a reserve to prepare for a deterioration in the business conditions of our business partners in fiscal 2019, but we will closely monitor the situation regarding the possibility of further credit costs due to deterioration in the quality of our receivables, such as collection, delinquency, and default. We are paying close attention to real estate finance business and unsecured loans.

In real estate finance, we expect a decline in fees due to a substantial decline in new loans and an increase in net credit

Medium-Term Management Strategy

Medium-Term Strategies

Finance

costs due to a decline in real estate value. However, as long as real estate prices, such as office buildings and residential properties, which are major asset types, do not decline significantly, it is difficult to anticipate significant negative impacts.

Unsecured loans are expected to see a decline in interest income growth due to a slight decline in new customers and

an increase in net credit costs due to a deterioration in delinquencies, particularly among low-income customers. However, we should recognize that this may be partially offset by the reduction in net credit costs growth due to the slowdown in the loan growth.

Response to COVID-19, Considerations of Possible Impact on Businesses

Major Business	Focus Points
Structured finance: real estate finance	<ul style="list-style-type: none"> • Possibility of large decline in new loan originations (lower fee income) • Increase in net credit costs due to decrease in real estate price. However, the negative impact would be limited unless major asset prices such as offices and residential drop significantly (No significant impact on probability of collection even if real estate asset price drops by 30-40%)
Unsecured loans	<ul style="list-style-type: none"> • Possibility of lower interest income reflecting slight downturn in growth of new customers • Increase in net credit costs due to delinquent loans of lower income segment. However, "increase in net credit costs due to bad debt" might be partly offset by "decrease in net credit costs resulting from sluggish loan growth"
Showa Leasing	<ul style="list-style-type: none"> • Possibility of lower deal volume (lower leasing income) and lower fees including insurance related fees • Possibility of higher net credit costs from SMEs mainly in service industries
APLUS FINANCIAL	<ul style="list-style-type: none"> • Possibility of slightly lower transaction volumes in shopping credit (auto and others) and credit cards • Possibility of increase in net credit costs due to delinquent loans of lower income segment. However, "increase in net credit costs due to bad debt" might be partly offset by "decrease in net credit costs resulting from sluggish loan growth"
Retail banking	<ul style="list-style-type: none"> • Possibility of decrease in sales volume of asset management products • Possibility of increase in net credit costs due to possible rescheduling of housing loan repayments
Structured finance: project finance	<ul style="list-style-type: none"> • Lower fees reflecting slight decrease in new arrangements (lower fee income). However, longer timeframe required from commitment to disbursement would result in limited impact on asset growth and interest income • Neutral to a decline in oil price as we do not undertake price risks in natural resources related deals
Others	<ul style="list-style-type: none"> • Lower capital gains due to postponement of the scheduled exit from our equity investments

Capital Policy

Cost of Equity

The Bank recognizes that capital efficiency, meaning profitability to capital, needs to be enhanced and per share values need to be increased through efforts to strengthen earning power and boosting the Bank's corporate value in the medium to long term. At the same time, the Bank has received an injection of public funds, which requires the accumulation of a public fund repayment source.

Recognizing this, the Shinsei Bank Group needs to maximize the absolute amount of profit, while securing a certain level of capital in order to generate an appropriate return against cost of equity in the medium to long term.

Shareholder Return Policy

In fiscal 2019, we repurchased ¥23.5 billion of our shares based on fiscal 2018 operating results. The total shareholder return ratio including the share buyback program and year-end dividend for fiscal 2019 was 50%.

In fiscal 2020, we announced a total shareholder ratio of

up to 50% compared to net income of ¥45.5 billion in fiscal 2019. This figure is calculated by adding ¥10 per share (total dividend: ¥2.3 billion) to the ¥20.5 billion of share buyback program. Considering ample capital adequacy, we believe that current share price does not reflect fair corporate value. The share buyback program has been determined considering total shareholder return policy as outlined in the Revitalization Plan which stipulates that we will continue to aim to maintain and improve our shareholder return, taking into consideration the level of the general total shareholder return ratio of Japanese domestic banks. However, considering extraordinary uncertainty due to COVID-19, the execution of the buyback program will be judged in terms of its feasibility, amount and/or timing depending on external environments and our share price as well as earnings conditions. As a result, there is a possibility of not being able to fully execute the total amount of the buyback program. This does not make any reference to future total shareholder return ratio.

Investors' FAQ

Q In August 2019, largest shareholder, JCF funds completed liquidation of its investment to Shinsei Bank. In addition, J. Christopher Flowers resigned as the outside director of the Bank. Please explain the impact of the capital events on Shinsei's corporate governance.

A The JCF funds, a major shareholder, exited its investment in the Bank through a third-party allotment in August 2019. The offering totaled ¥63.3 billion, and the number of shares offered was 45 million. The transaction was successfully completed by selling shares primarily to overseas institutional investors and domestic individual investors.

Immediately after the offering was announced, share price fell temporarily due to concerns about supply and demand for our shares. However, the offering itself was a capital transaction that was neutral from the value per share perspective. First, there is no effect on the denominator of value per share as it does not involve dilution of shares. Second, there is no impact on the numerator of value per share as the JCF funds did not have any direct involvement in conducting day-to-day business or financial operations.

The majority of the Bank's Board of Directors is composed of outside directors with diverse expertise. In addition, the Board of Directors, other than Mr. Flowers, have been actively communicating with the Bank's management both within committee meetings and outside committee meetings. As a result, we do not believe that his resignation affects the Bank's corporate governance.

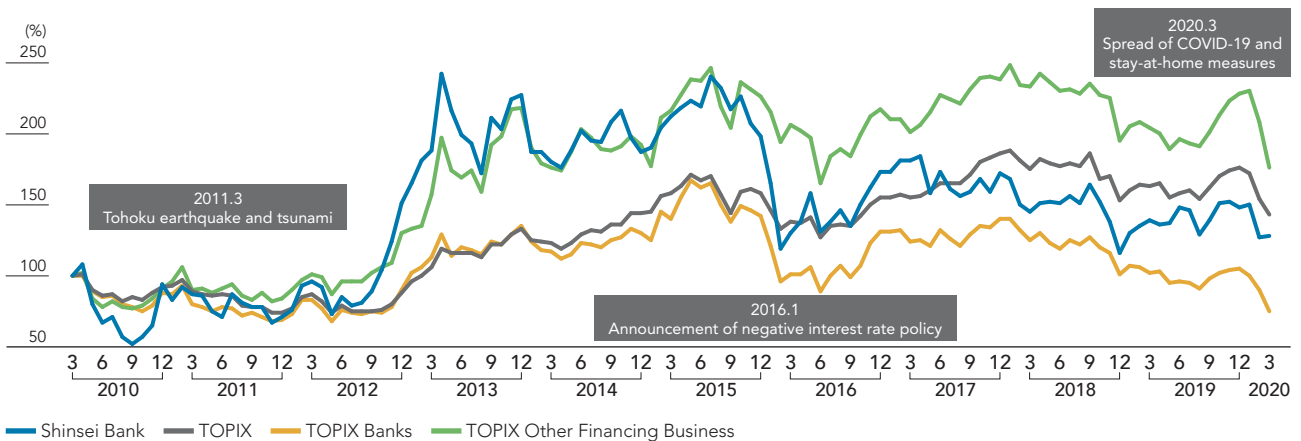
Considering high ratio of subscriptions to the offering and the removal of the overhang, the share price has recovered to the level prior to the announcement of the offering.

Q Please tell us about the trend of Shinsei Bank's share price changes.

A The Bank's share price was favorably moved as a result of the steady implementation of the Shinsei Bank Group's Medium-Term Management Plan and the strengthening of its distinctive business portfolios of unsecured loans and structured finance, in addition to recovering from the global financial crisis. The negative interest rate policy announced in January 2016 temporarily caused TOPIX Banks and TOPIX Other Financing Business to decline significantly, but the Bank's share prices overperformed toward those of TOPIX, TOPIX Banks and TOPIX Other Financing Business. We recognize that this reflects our business portfolio, centered on unsecured loans and structured finance, as these businesses are relatively less affected by negative interest rates than other banks. At the end of 2018, the Bank's share prices fell sharply due to concerns over a slowdown in the U.S. economy and a drop in Japanese stocks, particularly financial sector stocks, stemming from a sharp rise in U.S. interest rates.

In fiscal 2019, together with the Medium-Term Management Strategy, the Bank's share price recovered, reflecting its capital policy of maintaining and improving the total shareholder ratio. Stock prices declined in 2020 as a result of the worldwide spread of COVID-19 and the turmoil in the real economy. However, compared with March 2010, the share prices of Shinsei Bank is outperforming those of TOPIX Banks.

■ Shinsei Bank Share Price: Relative Performance (Stock Market Indexes from March 2010)



Implementing Digital Strategies

The Future of Finance and IT

The Shinsei Bank Group's Challenge

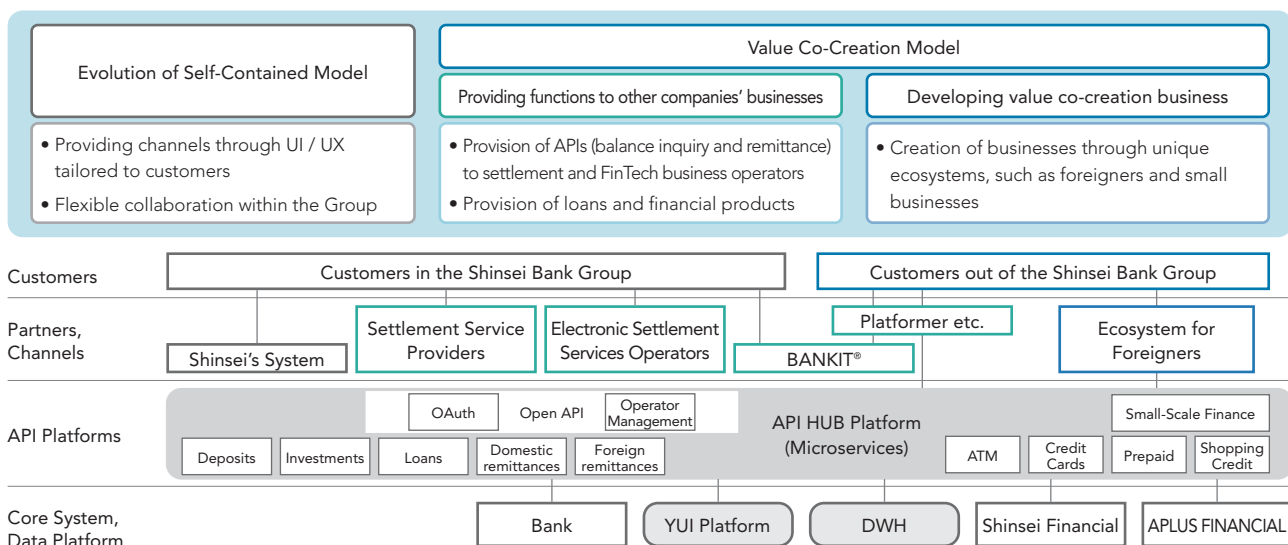
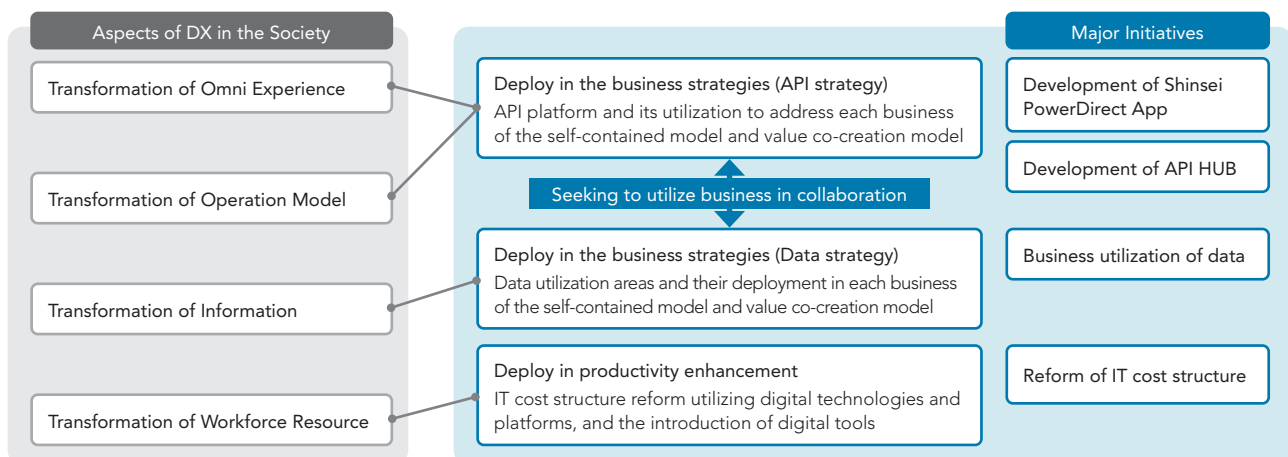
Digital strategies are tools for realizing "Redesigning Finance." The Shinsei Bank Group incorporates digital approaches into its business strategies and provides new value to customers. At the same time, as an organizational foundation that supports our business, we are cultivating IT personnel and ensuring cyber security that protects the financial system from cyber attacks.

Digital Strategies in the Shinsei Bank Group

Deployment of Digital Strategies in Business Strategy In API Strategy, we will utilize our API platform to deepen our self-contained businesses by providing channels and apps to tailor customers' needs and providing products and services by collaborating within the Shinsei Bank Group. We will also develop value co-creation businesses by providing financial functions to FinTech companies and platformers, and by creating unique ecosystems centered on the Shinsei Bank Group.

The Data Strategy supports self-contained businesses and value-creating businesses by utilizing data in marketing and credit screening.

Productivity Reforms We will work to improve the efficiency of business processes and operations using digital tools, and to reform the IT expense structure using the cloud.



Case Study

Initiatives of the Neobank Platform "BANKIT®"

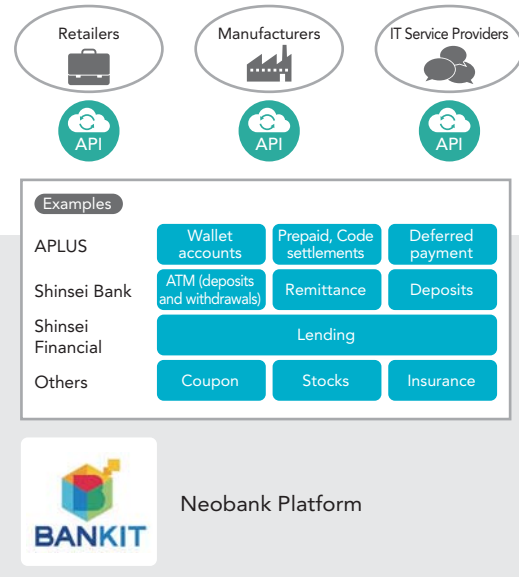
The Shinsei Bank Group began offering the Neobank Platform "BANKIT®" to our partner companies who have been considering entry to the financial and settlement business.

BANKIT®, a Neobank Platform, provides financial services such as the Shinsei Bank Group's payment, exchange, and credit functions to partner companies in a cafeteria format through its Open API infrastructure. BANKIT® is operated by APLUS Co., Ltd. with a registered license of fund transfer business and prepaid payment issuing business.

Partner companies can use BANKIT® to provide financial services to their customers without the burden and expense of obtaining financial licensing.

Points

- To reduce the pain points when partner companies enter the financial business
 - To obtain a license
 - Building systems and operations
- Provides highly flexible financial services such as financial services platforms, and settlement and credit
- Supporting customer contact points and actual operation
- Initiatives in which the Shinsei Bank Group companies cooperate to bring their respective strengths to fruition



Through the provision of BANKIT® services, we will leverage the Shinsei Bank Group's financial licensing, financial and payment systems to collaborate with partner companies and FinTech companies that have a customer base, to develop the financial and payment services needed for the next generation, and provide new financial experiences.

Examples of BANKIT® Systems Offered to Partner Companies

BANKIT® is a new financial services. This system supports customers' entry into the financial and settlement businesses and co-creates new value and business models.

Only necessary items can be picked up from a variety of services, and there is no need to invest large amounts in systems or acquire various financial licenses.

So it's low-cost and speedy, as never before.

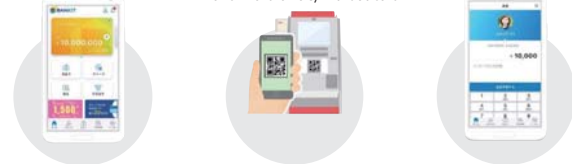
Now, let's create an exciting business future together!

マネのできない、
マネーのアプリ。



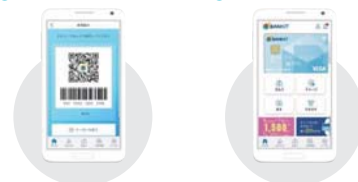
Example of Services One wallet account supports a wide variety of functions, including withdrawal from ATMs and sending money.

- 1 Wallet accounts
- 2 ATM transactions (deposits and withdrawals) without card
- 3 Remittances



Example of Services Equipped with a variety of payment functions, which can be used not only in code settlements but also in VISA, etc.

- 4 Code Settlements
- 5 VISA Settlements



Cards can be issued to the customers who desire them, so that they can use the cards at VISA member stores around the world as well as online

Planning contactless (touch) payments



The Future of Finance and IT

Digital Personnel Strategy and Security

Who

What Kind of Digital Talent/Data Scientists Does the Shinsei Bank Group Have?

Job Description To provide value to customers through the Shinsei Bank Group’s products, services and experiences, the Group Data Strategy Department analyzes and utilizes financial data of Group companies and promotes coordination with the behavioral data of partner companies.

The Group Data Strategy Department’s vision is to “embody a finance that is motivated by data.” It collects and analyzes data on a daily basis and promotes the business utilization.

Members comprise a variety of human resources with different skills and background experiences, including strategic consultants, system engineers, and actuaries. Through the planning and development of machine learning models for business projects, we are enhancing our skills in practical business understanding and problem solving.

Mid-career recruitment Mr. Yusuke Imai



I feel that there is a very good environment balancing personal growth and contribution. As a system engineer, I worked on database construction and web app development, so while I was confident in engineering, I wanted to acquire business problem solving and data science skills in my next career. In current jobs, I can learn and develop these skills from other outstanding members, and in addition, I can contribute to our business while making use of our expertise in engineering, so that the two perceptions of that experience lead to satisfaction.

Adopting a hackathon approach Mr. Taishi Watanabe



I feel a great sense of reward when I am able to formulate findings and statistical models derived from my analysis. Before joining Shinsei Bank, I was studying the theory of machine learning in graduate school, and I began thinking that I didn’t want to be limited to theory and I wanted to be able to give back to society. In the Group Data Strategy Department, I need to consider every aspect in fields such as statistics, business, and engineering. I am happy to be in a work environment that provides opportunities to be involved in projects in these fields.

How

How Does the Shinsei Bank Group Acquire Human Resources for FinTech and Data Analytics?

About Hackathon Amid intensifying competition for recruitment of IT personnel, the Shinsei Bank Group is implementing a unique initiative called “Shinsei Hackathon.”

The Shinsei Hackathon is a data analysis contest designed to provide university and graduate students interested in data science with practical analysis opportunities using business data. Participants use the latest machine learning methods to compete on model precision and the novelty and evolution of ideas in developing models that predict the probability of credit losses of customers one year after their application for card loan products.

Participants experience the difficulty and fun of understanding the use of real data by financial institutions and developing models that are used in actual businesses. The Shinsei Bank Group is also contributing to the development of human resources for future data science while gaining the fresh analytical perspective of students.

Hackathon: A term that is combined from the words “hack” and “marathon.” This term refers to an event in which a team of programmers, designers, and others typically engage in intensive work on a given theme for a predetermined period of time and compete with each other for the outcome.



Hackathon

Comments from external judge

Mr. Takashi Miyakoshi
 Director, The Japan DataScientist Society
 To become a leading data scientist, you need experience in resolving business issues using real data. The Shinsei Hackathon provides valuable opportunities not only for Shinsei Bank, but also for the development of data scientists in Japan.

“Redesign” of Working Styles Using Digital Technology

Example ① Utilization of Telecommuting

• Telework System

The Shinsei Bank Group introduced a telework system in April 2018. Employees can now work at home or at a designated satellite office in accordance with their work styles and circumstances.

• Communications Using Teams App

As a digital tool supporting telework, employees use laptop computers to conduct videoconferencing and teleconferencing using Microsoft Teams. We strive to communicate in the same environment as when working at the office, irrespective of the workplace.

• Utilization of Telework System

The teleworkers increased from 9.5% in fiscal 2018 to 70.3% in fiscal 2019 (Shinsei Bank only). Since the beginning of 2020, we have been further promoting telework system to protect employees and their families from the spread of the COVID-19 infection.

Example ② Utilization of AI Automatic Translation Tool

In fiscal 2019, we introduced an AI automatic translation tool. By replacing human translation work with machines, we are allocating this time to other business hours to improve productivity and at the same time contributing to the reduction of translation costs.

Keep Ensuring Cyber Security

The Shinsei Bank Group considers cyber security to be a management materiality, as well as providing customers and partner companies with highly convenient financial access. At the same time, it ensures the safe and secure use of the social infrastructures of finance.

• Management of Cyber Security

To strengthen measures against cyber attacks, which are becoming increasingly sophisticated year by year, we have established the Group Cyber Security Guidelines and are working to strengthen management of information security across the Group, through management-led efforts such as sharing information on new ways of attack and vulnerability, checking the status of measures against information systems, regularly training employees throughout the company, and monitoring fraudulent remittances.

• The Risks Associated with Cyber Security Are as Follows

- Shutdown of the information system
- Leaking of confidential information
- Illegal transactions such as illegal withdrawals

• Training and Education for Cyber Security

In addition to protecting and detecting cyber attacks on information systems, we are working to improve the awareness and response of cyber security among our employees by conducting periodic cyber attack training in collaboration with external specialized agencies.

Response to Security Management by the Shinsei Group



Attacker

- DDoS attack
- Website falsification
- Targeted e-mail attack
- Illegal transfer

Cyber attacks

The Shinsei Bank Group

Cooperation with external specialist organizations

- Gathering the latest cyber attack modus operandi
- Gathering vulnerability information

Implementation of measures against cyber attacks on information systems

- Checking the implementation status of cyber attack countermeasures
- Implementing cyber attack countermeasures
- Monitoring of illegal remittances

Training and education

- Exercises using cyber-attack scenarios
- Training for employees
- E-learning training

Individual Business



Tetsuro Shimizu
 Managing Executive Officer,
 Head of Individual Business Unit

The Individual Business provides retail banking businesses, including deposits, investment trusts and housing loans; unsecured loans; and credit card, shopping credit and payment services for individual customers.

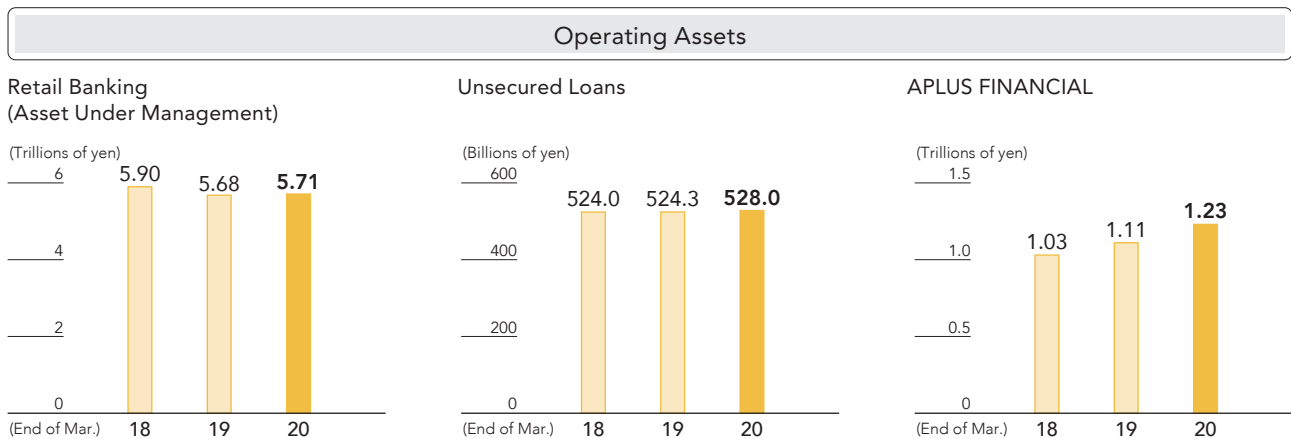
■ Business risks and opportunities based on an awareness of the environment

Responding to changes in consumer behavior caused by the declining birthrate and the aging of society, and diversifying lifestyles, using digital tools to support individual customers' medium- to long-term asset-building activities is the Bank's role in resolving social issues and creating business opportunities.

In the retail banking field, we are developing multiple consulting channels, one-to-one marketing that utilizes behavioral data, and construction of a framework for organizational management by customer segment and other efforts. We are working to ensure stable asset building for our customers by communicating optimally with each customer and providing products and services tailored to their needs and life plans.

In the credit card and payment fields, the competitive environment is intensifying by the entry of non-financial platformers and financial innovations. By applying APLUS FINANCIAL's BtoBtoC business model, we provide BANKIT®, a neobank platform equipped with financial functions such as payment, exchange transactions, and lending, to our partner companies and their customers through smartphone apps and APIs.

In unsecured loans field, we provide financial access to customer segments that prefer non-face-to-face digital transactions and cardless services, and respond precisely to customers' funding needs. By adding AI and digital technologies to the credit screening and collection functions that we have cultivated, and by forming alliances with companies with a customer base, we are working to meet the financial needs of new customer segments.



What is Small-Scale Finance?

Core Customers
Individuals and small businesses

Product / Service Lineup
Small-size, high-frequency credit and payment transactions:

- Unsecured loans, shopping credit
- Credit guarantee, rent guarantee
- Credit cards, prepaid cards
- Other cashless payments

Our Capabilities

- Large and diverse customer portfolio
- Strong analytical capabilities for marketing, credit assessment and loan collection
- Stable operations

Value Co-Creation

- 3** Build / participate in ecosystems, share data to better understand our customers
 - Provide functions (credit assessment, guarantees, collection, payments etc.) based on partner needs
 - Share and use customer data and know-how
 - Serve foreign nationals and freelancers
- 2** Strengthen core capabilities, integrate with payment platforms
 - Utilize AI / RPA to analyze data and streamline operations
 - Deploy all-in-one platform for payments, credit assessment and other services

Self-Contained Model

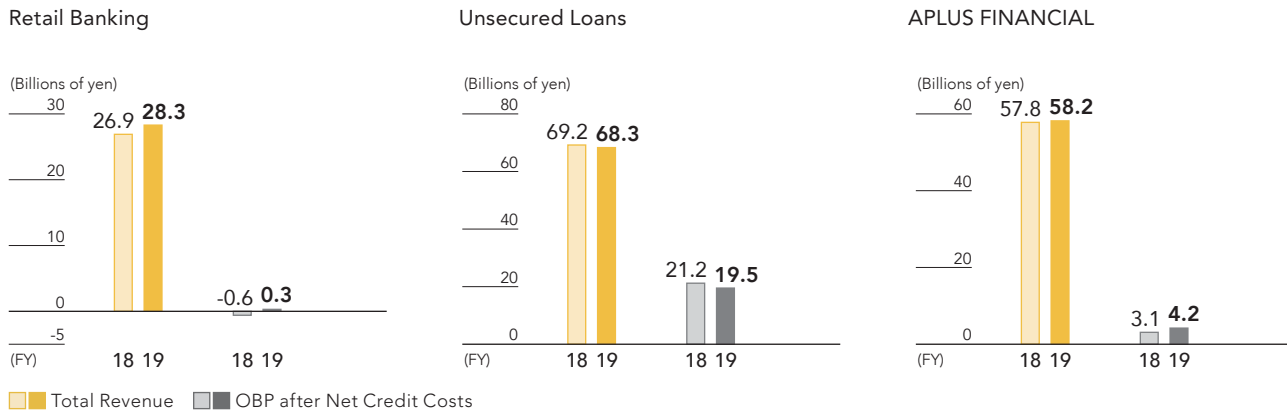
- 1** Streamline and speed-up existing processes
 - Scale up multi-payment services to meet increasing cashless payments
 - Gather outside UI / UX expertise

Topics  

Established Credd Finance to provide credit services to foreign residents

In January 2020, the Shinsei Bank Group announced the establishment of Credd Finance Ltd., a new company with Seven Bank, Ltd., to provide credit services to foreign residents. As one aspect of ongoing globalization, an increasing number of foreigners are working in Japan each year and their needs for credit transactions such as loans in addition to the remittance overseas are increasing. Credd Finance is preparing to provide new credit services, such as loans and credit cards, by leveraging Seven Bank's customer base of foreigners and APLUS's know-how in finance for individual customers. We strive for the creation of fair access to financial opportunities for non-Japanese customers (financial inclusion) and contribute to the realization of multiculturalism from the corporate side.

Key Financial Data



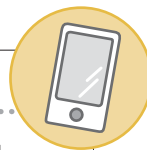
Unsecured Loan Business

Lake ALSA Strengths and Strategies

- Development of customer base and customer data using major consumer finance brand - Lake
- Use of conventional scoring models derived from nonbank credit-risk control methods, plus use of AI to enhance credit assessment / collection
- Optimization of operation costs using digital technology
- Fixed-term, no-interest loans for new customers
 1. Customers with a contract amount under ¥2 million, no interest for 180 days for loans up to ¥50,000, or
 2. 60-day no-interest loan, website application only
- Customers' smartphones can act as a substitute for a branch, enabling them to receive services in real time 24-hours a day. Smartphones can also be used to make repayments, increase credit limits and receive other services without being restricted to time or place.
- Loan disbursement and loan repayments are also possible using a card issued especially for this purpose. Beginning in May 2018, customers can make "cardless" transactions at Seven Bank ATMs.



Many customers apply on smartphones



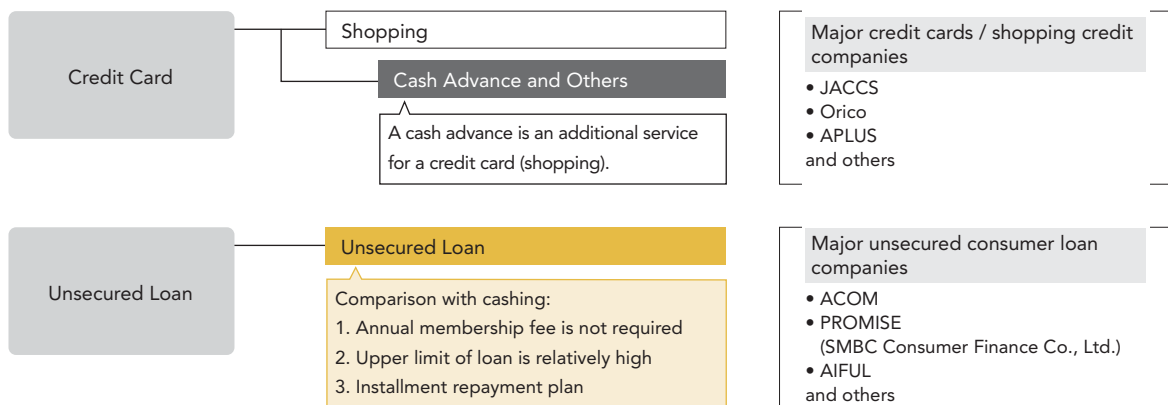
- Application** Can apply on smartphones 24 hours / day
- Credit Screening** Results of screening shown on smartphone screen
- Contract** Forms submitted by e-mail
- Loan** No need to visit a branch. Loan disbursed in customer's account

Number of New Unsecured Loan Customers and Approval Rate

	FY2017	FY2018	FY2019
Number of New Customers (Thousands)	162	113	138
Approval Rate (%)	36	30	30

The Difference between an Unsecured Loan Service and Cash Advances

Unsecured loans are loans to individual consumers providing finance that is appropriate to the needs and timing of customers. The loans are available, even to customers who do not possess a credit card, through the use of smartphones and a dedicated card that can access ATMs at convenience stores and unstaffed branches.



Institutional Business



Shinichirou Seto
Senior Managing Executive Officer,
Head of Institutional Business Unit

The Institutional Business is composed of the corporate business, which provides solutions to our corporate and financial institution customers; structured finance, which provides services such as real estate finance and project finance; services that provide private equity investments and business succession finance; the leasing business; and the markets business which provides market solutions for foreign exchange and interest rate derivatives, among others.

■ Business risks and opportunities based on an awareness of the environment

Against the background of the prolonged low-interest rate environment, the profitability of traditional lending business has been at a low level. On the other hand, new financial needs are emerging in line with social issues, such as environmental and energy issues, and the lifecycle of small and medium-sized enterprises, etc. due to the

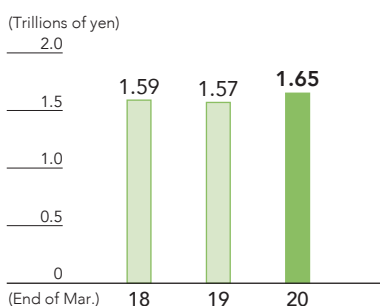
aging of enterprise managers. We recognize the value chain, including not only the Shinsei Bank Group customers, but also our business partners. We aim to provide differentiated solutions by capturing the various needs as opportunities and leveraging our internal and external resources.

For institutional customers, we provide solutions that are not limited to the financial sector, pursuing partnership-style businesses that help our customers solve their problems and create new businesses, not only by providing financial services functions within the Group, but also by cooperating with companies outside the Group. For example, the Shinsei Bank Group and USEN-NEXT HOLDINGS Co., Ltd. launched a joint financing business to provide APLUS's financial capabilities to small companies of USEN-NEXT GROUP's customers.

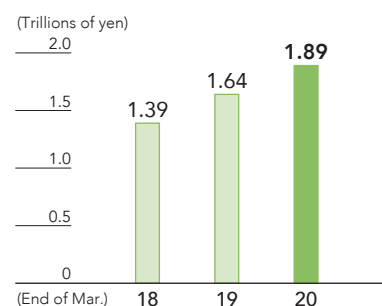
In the structured finance field, we utilize our accumulated relationships, knowledge, and analytical capabilities with institutional investors in Japan and overseas to provide bi-lateral senior loans and arrange syndications with regional financial institutions. In addition, based on the strong interest of investors in environmental and social issues, we will promote a business for institutional investors that focuses on sustainability for a wide range of institutional investors, including investment managers who provide funds and asset owners who provide funds to them. To this end, we established the Sustainable Impact Promotion Department in February 2020. The bank will conduct sustainability / ESG assessments of loan and investment projects and provide them with their own assessments to investors. In the future, we will expand the scope of our activities to whole institutional business including institutional customers.

Operating Assets

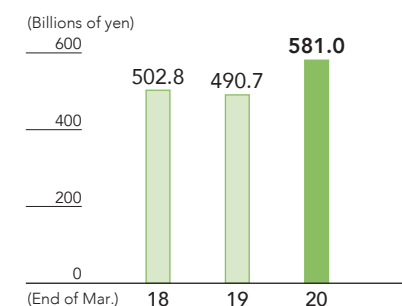
Corporate Business



Structured Finance

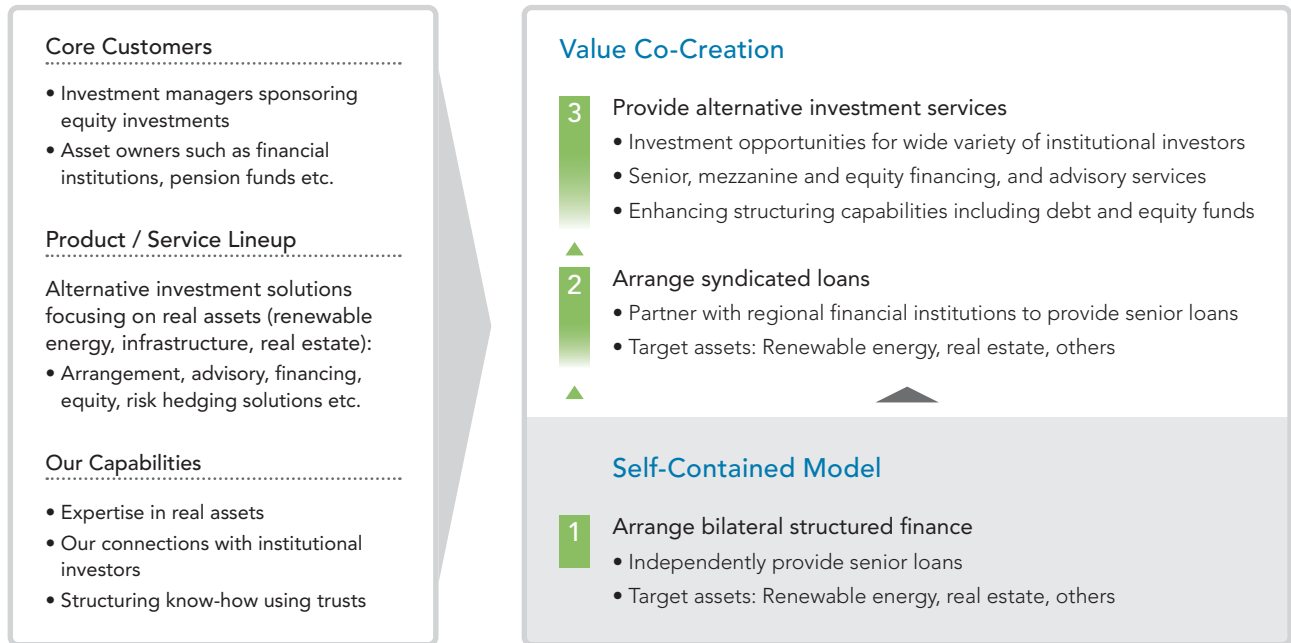


Showa Leasing



Institutional Business

What is Institutional Investor Oriented Business?



Topics

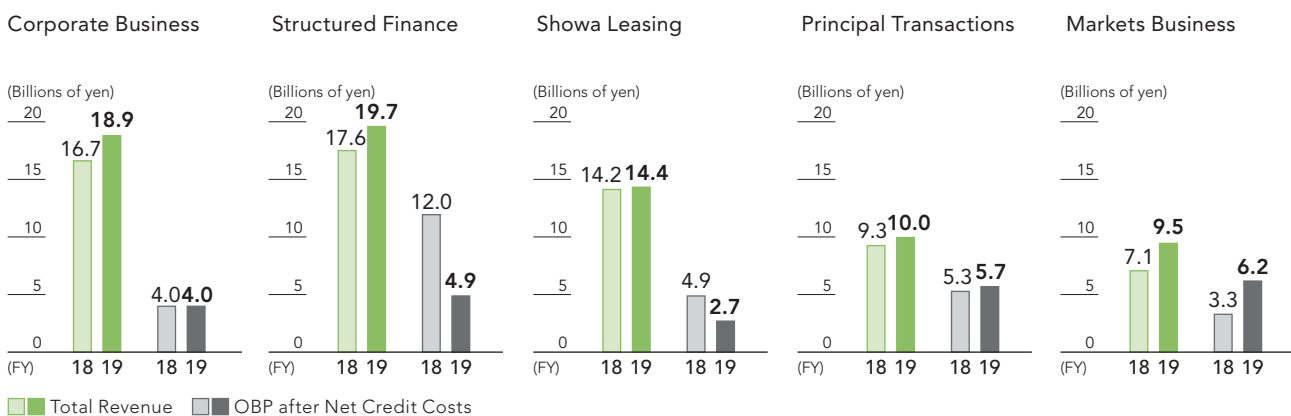
Impact investment fund of the Shinsei Bank Group received the "Tokyo Financial Award 2019 - ESG Investment Category"



In January 2020, Shinsei Bank Group's Shinsei Corporate Investment Limited (hereinafter, SCI) received the "Tokyo Financial Award 2019 - ESG Investment Category" by the Tokyo Metropolitan Government. SCI is involved in the composition and management of the Child-care Support Fund (established in January 2017), the first Japanese bank-affiliated impact investment fund and Japan Impact Investment II Limited Partnership (established in June 2019), the first Japanese bank-affiliated impact investment fund, aiming to create a social-challenge-solving economy. The Japan Impact Investment II targets "child care, nursing, new work style-related business" by companies that contribute to the creation of an environment in which all people can continue to work even after undergoing various life events such as child care and nursing care, provide education and childcare services that contribute to the development of the next generation, and provide support for balancing child-raising and nursing care, receiving funds from a variety of investors, including institutional investors and operating companies.

SCI continues to work toward establishing an ecosystem for impact investment in Japan.

Key Financial Data



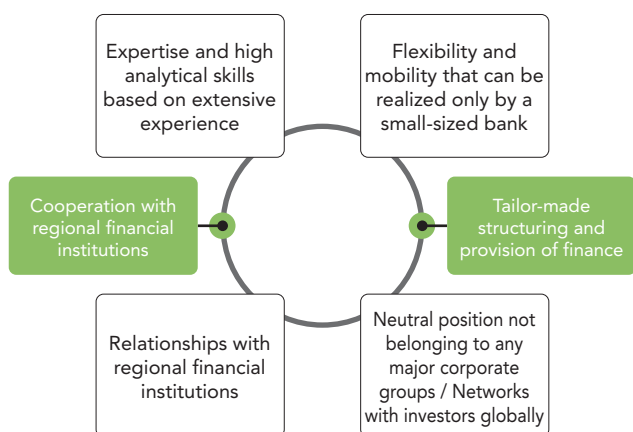
Structured Finance Business

The Shinsei Bank Group's Strengths

As neither a megabank nor a regional financial institution, the Shinsei Bank maintains a unique position with the following strengths.

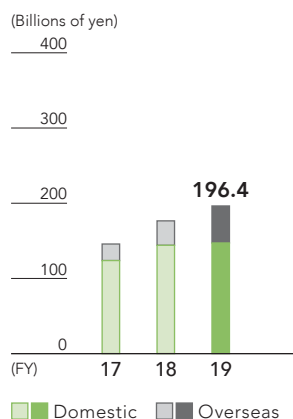
- We are better able to tackle projects with a focus on flexibility and speed than megabanks.
- We have more expertise and greater analytical skill given our extensive experience than regional financial institutions.
- We are able to do business from an independent standpoint with a broad range of customers because we do not belong to a specific capital group.

Create added values from our unique positioning that is different from both megabanks and regional financial institutions



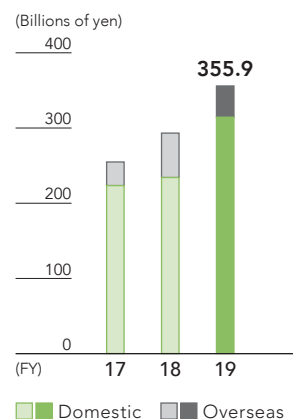
New Commitments

Project Finance



New Disbursements

Real Estate Nonrecourse Finance



Product Structure

The Structured Finance Business primarily delivers project finance for renewable energy power generation facilities and infrastructure facilities, and provides real estate finance for commercial real estate.

