



What are the Intangible Sources of Competitiveness (Value of Intangible Assets) of the Shinsei Bank Group?  
~The Future of Sustainability Management

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In fiscal 2020, the external environment changed dramatically due to the Novel Coronavirus infections, and, as a result, business activities of the Shinsei Bank Group were significantly affected. The financial impact is described in detail in the Financial Summary section. However, if I briefly comment on the financial results, consolidated profit attributable to owners of the parent was 45.1 billion yen, a decrease of 0.4 billion yen from the previous fiscal year. This fiscal year's results include a 9.7 billion yen gain on the sale of shares in an equity-method affiliate. Excluding this gain, it can be said that the results were essentially not superior to those of our competitors. We fully recognize our weak financial results.

On the other hand, I believe that it was a year in which the Shinsei Bank Group was able to steadily strengthen "the value of the Shinsei Bank Group's intangible assets" by steadily implementing initiatives that contribute to "the realization of a sustainable society" and improve profitability over the medium to long term. These efforts are not a response to the Novel Coronavirus, but as part of our Medium-Term Strategies. However, we were able to further accelerate our efforts "during the Novel Coronavirus."

There is a growing demand for corporate management to contribute to "the realization of a sustainable society from a medium- to long-term perspective," which is a shared philosophy in terms of ESG, SDGs, and sustainability, and to improve sustainable profitability through such contributions. In light of this, this Integrated Report has been prepared focusing on the theme of "Sources of the Shinsei Bank Group's Competitiveness (Value of Intangible Assets)" as the basis for realizing this.

The points are:

- 1) **Establishment of a management vector for the Shinsei Bank Group to provide unique value to society and the economy**
- 2) **Strengthen organizational capabilities and capacity to drive management towards that vector**

The Shinsei Bank Group defines 1) as "sustainability management," and 2) as a group implementing a variety of measures to strengthen the value of intangible assets. We hope that my message will help our stakeholders better understand these initiatives.



## **Good business opportunities in the future will only be in the context of sustainability**

First, regarding the sustainability management that the Shinsei Bank Group aims for.

The Shinsei Bank Group has been conducting business activities with an awareness of environmental issues and social issues, with the goal of contributing to the realization of a sustainable society as a corporate social responsibility. Today, we believe that good business opportunities in the future will only be within the context of sustainability. Recognition throughout the world that the current economic and social approaches cannot be continued is spreading, and it is becoming the theme of all businesses to think about how to deal with these challenges and how to contribute to a sustainable society. In this context, we believe that the social role and significance of our niche, the uniqueness of the Shinsei Bank Group, should play a critical role by focusing on needs that are not met by existing products and services as new business opportunities ahead of anyone and bringing them to the world.

This does not mean sacrificing profitability or business growth for ESG, SDGs or sustainability. It should be a major premise for a private company to make profits, and I believe awareness is now stronger than ever that profits remain sustainable. One example is our early commitment to domestic renewable energy project finance and our track record of leading domestic arrangements and financing offerings.

In addition, this does not mean simply withdrawing from existing businesses that are not in the context of sustainability. I believe that the role of the Shinsei Bank Group is to provide financial support for transitioning to businesses that are in the context of sustainability. Of course, we will eventually withdraw from businesses that cannot achieve these transitions.

The manner in which the Shinsei Bank Group has been engaging in business operations in line with the context of sustainability has already been embedded in the policies of the Medium-Term Strategies. Under our Medium-Term Strategies, we aim to cultivate

customer segments that are not met by existing financial services or that do not enjoy the services themselves. To achieve this, one of our basic strategies is to pursue growth through value co-creation in collaboration with companies outside the Group.

The pandemic of the Novel Coronavirus infection that occurred last year caused a drastic change in the environment. As a result, while there are businesses where obsolescence has accelerated, at the same time, there are businesses where potential social needs have rapidly materialized. In addition, the crisis of the Novel Coronavirus infection deeply impressed the consciousness of sustainability in people's brains. Until now, we have undertaken a number of initiatives to co-create value. However, the business environment has changed dramatically, and many business opportunities that cannot be captured by traditional frameworks have emerged, and the current situation, which is still in a crisis, is a good opportunity to accelerate our strategic initiatives for value co-creation.

## Only when diversity and inclusion is incorporated into the DNA of the organization, we will realize the sustainability management

Next, I will discuss the enhancement of organizational capabilities and capacity for the promotion of management toward the above-mentioned vectors.

In order to quickly capture new business opportunities, it is important for an organization to have diverse perspectives and to create ideas that come from diverse perspectives. To this end, it is important to promote diversity, that is, an organizational structure and culture that leverages diverse human resources. Diverse human resources are not only meant to promote the active participation of women, nor are they meant only to utilize human resources of specific minorities. The organization is to work as a team. People with innovative ideas and people with conservative ideas are okay, and there are people who have been engaged in traditional business for a long time, and there are people who want to create new ones. It is important that various values come from different backgrounds, such as gender, generation, nationality, and they are nurtured. It is

important that these diverse human resources coexist in the organization and are a part of the sound organization that brings together diverse perspectives.

The *inclusion* that employees of the Shinsei Bank Group aim for is to accept owners of values and ideas that differ from themselves and participate in the development of new initiatives that emerge from proactive dialogues. I believe that this kind of diversity and inclusion is not just a topic for external appeal, but only when it is incorporated into the DNA of the organization, and will realize the sustainability management that the Shinsei Bank Group is aiming for.

In order to promote this, we have promoted the "Redesigning Workstyle" to create a system that raises the flexibility of working styles and provides opportunities for diverse talents to play an active role. This includes promoting the empowerment of women, multiple employment workstyle, side businesses, and the introduction of a re-employment system for former employees called Alumni as well as the expansion of working from home. The Shinsei Bank Group, which had been developing a remote work system prior to the spread of Novel Coronavirus infections, was able to respond immediately to "during the Novel Coronavirus." However,

when I actually tried it out, I also came to understand the problems peculiar to housing conditions in Japan. Today, we have drastically improved our satellite offices, and in addition to reviewing the roles of our main offices, we are searching for a comfortable work space optimized for each employee. I believe that we can accelerate these workstyle reform trials with a sense of crisis due to the coronavirus crisis, and are able to cope with changes in the environment more quickly than in the world. These series of initiatives are nothing more than the other basic strategy of the Medium-Term Strategies, "Enhance/Leverage Our Capabilities."



## **The Shinsei Bank Group aims to become a corporate group that realizes Sustainability Transformation ahead of anyone else**

Finally, the Shinsei Bank Group established the Group Sustainability Committee in January 2021. The intent is to strengthen and upgrade sustainability management on a Group basis. As I have explained, the promotion of initiatives under the Medium-Term Strategies leads to the context in which sustainability management is directly promoted, but I believe that the era in which "sustainability initiatives = management strategy itself" will soon come. The Shinsei Bank Group aims to become a corporate group that realizes Sustainability Transformation (SX) ahead of anyone else. To this end, in fiscal 2021, the final year of the Medium-Term Strategies, we hope to have a year in which the Group's employees, sometimes with partners outside the Group, will recognize diverse values and perspectives on diverse human resources, create new ideas by building constructive relationships with each other, and further accelerate the efforts of sustainability management to embody the concept of "Redesigning Finance" in all

forms of the Medium-Term Strategies.

In modern times, which are called VUCA, an acronym derived from volatility, uncertainty, complexity, and ambiguity, it is impossible to predict the future a decade from now, as it is becoming more difficult to see the immediate future. Sustainability management is an initiative to implement the constant efforts necessary to ensure that the Shinsei Bank Group remains a sustainable and competitive company 30 years or 50 years from now. With the aim of realizing a sustainable society through sustainability management, we will work together with our employees to create and provide new products and services that serve the underserved needs of potential customers. At times, we will work together with our customers as business partners to develop new markets, and we will continue to engage in constructive dialogue with investors that will contribute to enhancing the medium- to long-term competitiveness of the Shinsei Bank Group.

I have explained the Shinsei Bank Group's invisible sources of competitiveness (the value of intangible assets). I believe that the challenge for the future will be to make the value of the Shinsei Bank Group's

intangible assets more concrete and visible. We will further enhance information disclosure by visualizing the value of intangible assets, including KPIs, as information that shows the progress of sustainability management to stakeholders in an easy-to-understand manner. By enhancing sustainability management, the Shinsei Bank Group aims to meet the expectations of stakeholders by fulfilling our social roles and improving our financial results over the medium- to long-term horizon. Our stakeholders, together with the Shinsei Bank Group, will also strive to realize a sustainable society. We ask for your continued support and cooperation in these endeavors.

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