

Group Business Strategy to Generate New Business Opportunities

February, 2018

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Strategy to generate new business opportunities

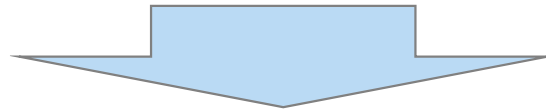
Financial industry is experiencing significant changes in the environment.

◆ New entries from different industries, rise of “Fintech” entities

- ✓ Emergence of newly developed disruptive technologies using artificial intelligence (“AI”) or advanced analytics/usage of digitalized data.
- ✓ Entrance of competitors with extremely efficient operational capabilities utilizing their IT knowledge.

◆ Change in the social environment

- ✓ Decrease in the profitability of traditional financial services due to the extremely low interest rate and the excessive liquidity.
- ✓ Newly emerging segments, such as freelancers and foreigners, requiring more sophisticated financial services.



Strategically, we need to re-define the scope of our business.

◆ Seek non-organic growth opportunities to utilize the strength of Shinsei Bank Group

- ✓ Target non-bank business, especially in the consumer finance.
- ✓ For overseas, focus on the Southeast Asia where high growth can be expected.

◆ Develop a promotional framework to respond to the needs of underserved customers

- ✓ Unbundle and realign different functions within Shinsei Bank Group and form an alliance with a 3rd party when necessary.
- ✓ Provide services to the newly emerging customer segments that form their own ecosystems.

Vision of the non-organic strategy

- ◆ Seek opportunities, both domestic and international, to utilize strengths of Shinsei Bank Group. Specifically in non-banking business, especially in the consumer finance business.
- ◆ For overseas activities, focus on the regions that have a large population with “population bonus” and where high economic growth can be expected. Work with a suitable local partner and utilize Shinsei Bank Group’s “know-how” to promote finance business.
 - ✓ In Vietnam, we have already established a JV with Military Bank, a significant financial institution in Vietnam, to promote consumer finance business.
 - ✓ In addition to Vietnam, we are seeking opportunities in the countries such as Indonesia and Thailand.
- ◆ In addition to the above, we are exploring a new consumer finance business model using a “light” IT infrastructure and Fintech analytical capability. The strategic aim here is to differentiate our business in the matured developed countries and to pursue opportunities in the developing nations where information provided by the credit bureau is limited.

Promotion of consumer finance business in Vietnam (1)

Open ceremony and speech by Mr. Kudo, CEO, in December 2016.



Business promotion and operation centers



Promotion of consumer finance business in Vietnam (2)

Advertisement at the front of an electric appliance retailer and the activities at the sales desk of the retailer.



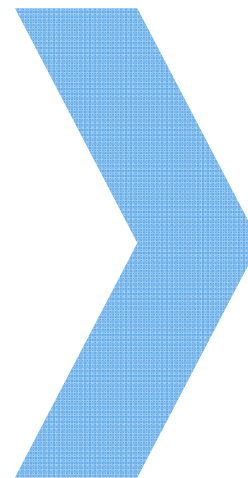
Respond to the needs of underserved customers

Among the newly emerging customer segment, we are focusing on freelancers and foreign workers, and devising plans to provide them with new financial services.

Work style reforms will change people's awareness of how individuals work, and company systems will become more flexible

Changes to the population structure will give rise to **1 in 3 people** being age 65 or older by the year 2035

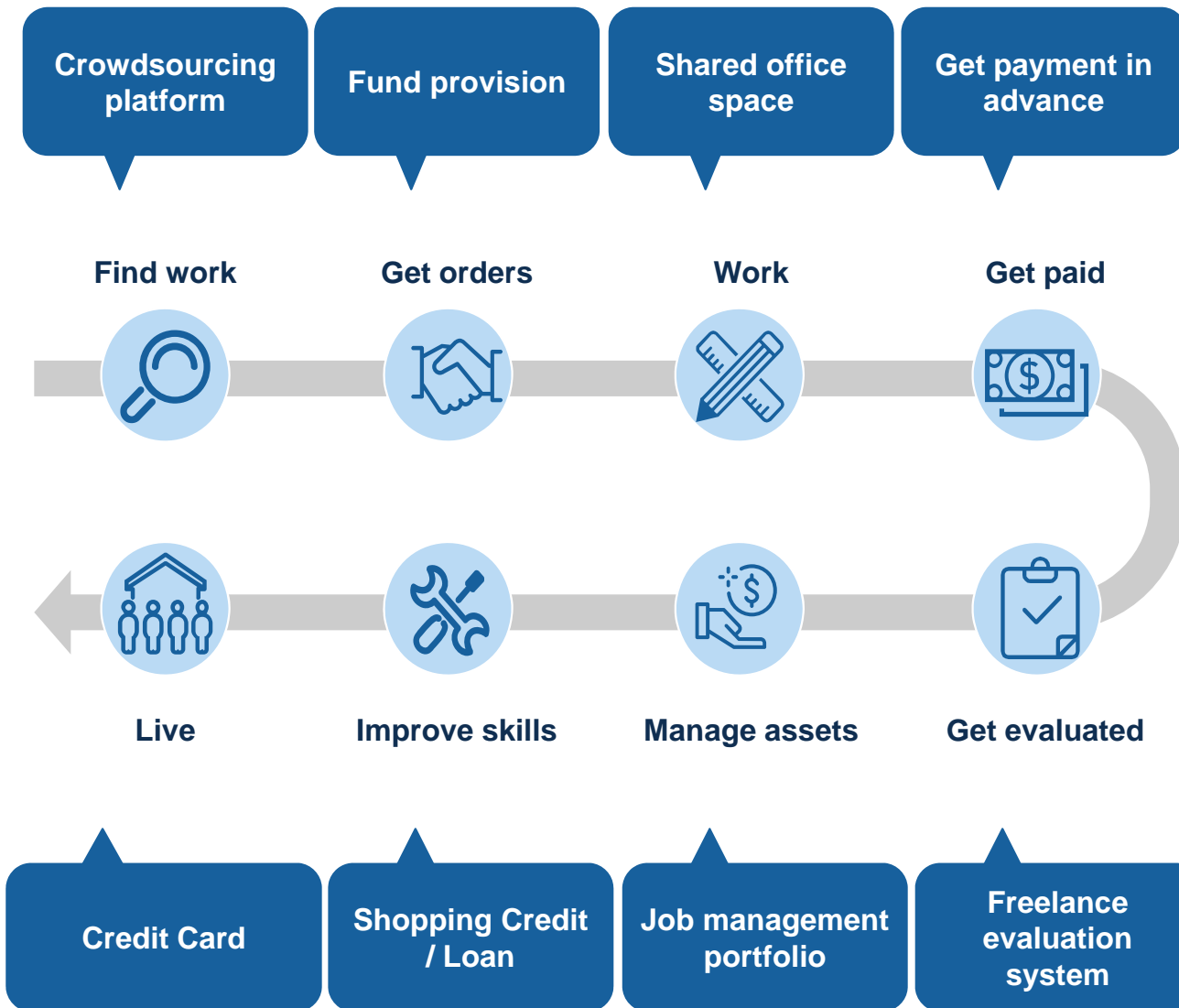
By 2025, there will be a **labor shortage of 5.8 million people**



Flexible workers
(freelancers)

Non-Japanese workers

Provide products and services to the freelancers



Service image following the customer experience (illustrative)

Aggregated number of dedicated freelancers and the workers who have side jobs while affiliated with a company is expected to grow from the current 11.2 million to 20.9 million in 2030.

To capture opportunities in the growing freelancer market, Shinsei Bank Group announced a business alliance partnership with Lancers, the largest crowdsourcing company in Japan in December, 2017.

- Usage of Lancers member data to provide financial products and services.
- Explore possibilities of developing a framework to evaluate individual freelancers with AI technology

SOURCE: Ministry of Economy, Trade and Industry's "Study group about ways of working that are not dependent on employment relationships" (March 2017) and Bank estimates based on the Lancers' "Freelancer Fact-Finding Survey" (March 2017)

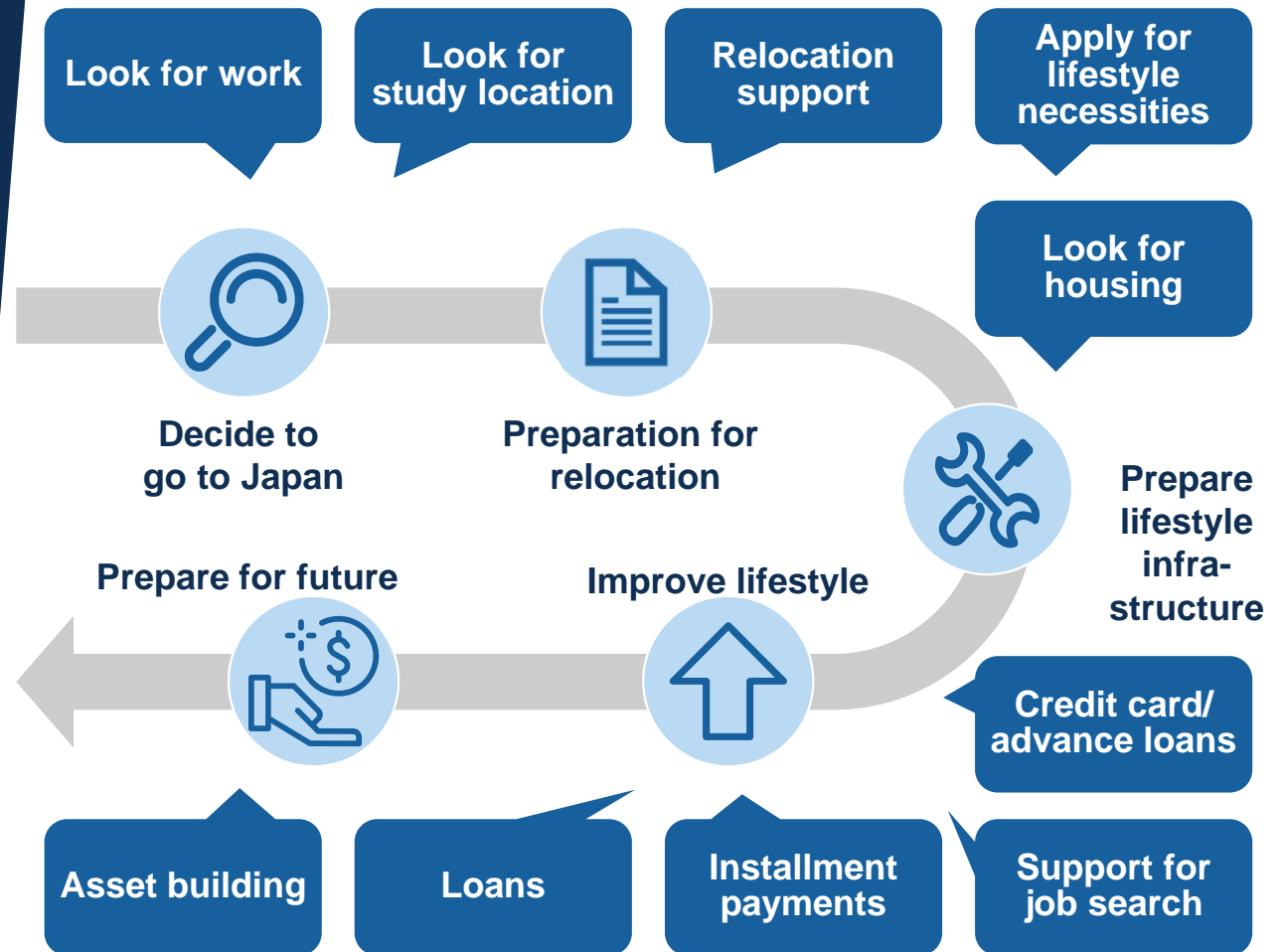
Expand products and services to the non-Japanese workers

Population of Japanese workers is expected to decrease from the current 64.35 million to 61.40 million in 2030.

On the other hand, non-Japanese workers residing in Japan is expected to increase from 1.28 million to 3.4 million.

Shinsei Bank Group, which has been providing non-Japanese friendly services, will further expand its services to meet the demand of the increasing number of the non-Japanese workers in Japan.

Image of provided services, throughout the customer experience (in consideration, including potential partnership)



1. The number of required workers to realize the real GDP target of 2% annually was estimated using the assumption that variables other than the number of workers will not change from 2016 levels

Cabinet Office: "Medium-to-long-term economic and fiscal estimates"; National Institute of Population and Social Security Research projections of Japan's future population, 2015 Labor force survey from the Statistic Bureau of the Ministry of Internal Affairs and Communications, bank estimates based on expert interviews

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