

## **Script: Group Business Strategy**

Page.1

Hello everyone, I'm Yoshiaki Kozano, Chief Officer in charge of Group Business Strategy. Today, I'll explain about our in-organic strategy that means efficient use of our capital for growth through business partnership and acquisition to increase our ROE and share-value. And to improve corporate value through increasing the value of our newly created business model.

Page. 2

The key phrase for our in-organic strategy is the creation of "non-continuative" growth opportunity.

"Non-continuative growth" is the growth that is hard to realize from the past technology and ideas, in these unpredictable times where future is not dependent on today.

I'll explain it along with the three visions of our in-organic strategy.

First vision is creating "Quantitative" non-continuative growth opportunity with partners. In order to scale up and to accelerate existing business, we will create growth opportunity by business acquisitions and business partnerships where we provide our financial know-hows.

Second is the "enhancement of the skill creation" using advanced technology through acquisitions and creation of partnership. This will provide our organizational capabilities that will derive new service for our growth.

Third is creating "Qualitative" non-continuative growth opportunity.

As Japan's social structure changes and technology develops, there are new customer segments with new needs arising. Therefore, we need to provide new solutions by breaking away from imposing customers to use legacy financial services.

It is our strategy that satisfy customer needs by customization and personalization through development of business ecosystem with non-financial players.

Page. 3

First of all, I'll show you the example of the creation of "Quantitative" non-continuative growth opportunity.

Last year, we acquired the shares of Shinko Lease with 80%. Shinko Lease is positioned as a new joint venture between Kobe Steel and Showa Leasing. By adding value from this acquisition, Showa Leasing's construction machinery business will be strengthened.

In the small-scale finance area we have focus on, in order to expand the customer base, we have entered into two Co-Creating Business, one with NTT docomo, and the other with USEN-NEXT HOLDINGS.

Recently, we announced establishment of a new company "Credd Finance" with Seven Bank. This is an initiative to provide small-scale finance services to Seven Bank's more than 200,000 foreign customers in Japan.

We will actively continue to pursue expansion of our customer base through business partnership with other industries and business acquisitions in Japan and overseas, with a focus on small-scale finance while utilizing the capabilities of Shinsei Bank Group.

Page. 4

Next, I'll explain about "Enhancement of the skill creation" to support "creation of non-continuative growth opportunity".

Shinsei Bank is pursuing acquisitions, capital alliance, and business partnering, with companies who has advanced technologies with highly familiarity to financial business. The area that's been circled on the left side of this slide is our focus area.

The purpose is as shown on the upper right side of the slide.

Our aim is to develop new skills and techniques in-house through acquisitions and business partnerships in order to make efficient of our existing businesses and to provide solutions in new business domain.

Please look at the example in bottom right of the slide.

Recently, we established the new joint venture company "anew" with OLTA, the pioneer company of online factoring service. OLTA has its original scoring know-how based on around 200,000 customer data by utilizing AI. With their scoring know-how, we realized quick finance service that covers small amount, short term working capital lending needs of SME companies those were not satisfied by conventional banking services.

In other words, a flexible online lending service that can complete operation without man power. That is the company anew.

Page. 5

Next, I will talk about creating "Qualitative" non-continuative growth opportunity.

In order to meet the various needs of customers those solutions were not been able to provide by financial institution solely or by existing services, we will cooperate with partners in different industries and build a new ecosystem.

Please look at the left side of the slide. We have 3 criteria to identify which segment to focus on.

First, the segment is expected to grow continuously in the future.

And the segment must be an "underserved" market where services are not fully delivered, or an "unserved" market where services do not exist.

In addition, the segment must be "niche", that financial institutions do not currently regard as a strategic target.

Today, I'd like to explain about "Foreign Worker's Ecosystem" which is the most important part of the ecosystem strategy.

Why do we focus on foreigners? Look at the graph on the right side of the slide.

This is the graph forecasting number of the foreign workers in Japan.

Due to the declining birthrate and aging population, the labor shortage in Japan is getting more serious year by year. The number of foreign workers will continue to increase, and it is said that by 2030, it will triple the current number (around 6 million).

Especially, foreigners with "specific skills" status of residence which Japanese government expects to accept 350,000 people over the next five years, is expected to grow continuously.

Page. 6

So, are we able to provide an environment where the foreigner can work and live better? Please look at the figure on the left side. The light blue part shows the flow after once they decided to live in Japan.

The gray area around it is an event that they experience individually. Various troubles (pain points) arise in here.

It takes time to open a bank account after coming to Japan. They cannot get credit cards. They cannot rent apartment because they don't have guarantors. Even after they are familiar with living in Japan, they want to improve their Japanese language skills, but they lack advice. They want to have housing loans and student loans. Foreigners have various pain points after coming to Japan, regardless of whether those are financial, or non-financial, needs. For a few years, they continue suffering through this pain period.

Then, how does the Shinsei Bank Group find a way out?

Of course, we never provide all of the solution by ourselves.

We believe that "data utilization" and "cross-industry collaboration" are key to finding the way out.

The other day, we established "Shinsei Bridge" as a subsidiary of Shinsei Bank.

This company is named to become a bridge between foreigners, non-financial companies which hire them and Shinsei Bank Group ourselves.

“Shinsei Bridge” will provide services in corporation with non-financial industries, starting from before arrival to after few years of settling down in Japan.

Plus, we will provide more attractive values to underserved foreign workers by accumulating and analyzing various behavioral data acquired through this service.

For example, to evaluate foreigners who do not have a credit score, we will analyze their Japanese language study records and employment attendance records to generate credit worthiness and provide credit for finance plus alpha.

In other words, utilizing data to deepen customer understanding is a virtuous cycle that positively influences customer behavior patterns.

We want to make the society that encourages inclusion to have foreign students and workers settle down for a longer time in Japan. We'd like to cooperate with partners in non-financial industries that have similar feelings to create a symbiotic society that is tolerant of diversity and contribute to solve the social problem of labor shortage in Japan. I think so.

We want to position ourselves as an intermediary for the future. I put such an intention in “Bridge”.

Page. 7

We are working with partner of a major temporary staffing agency who can provide solutions together.

We can see the examples from the middle to the bottom of the slide what we have in mind now..

Financial services such as opening and managing bank accounts, remittance, wallet functions, and prepayment of salary. Support for improving Japanese language skills and work-related training.

We will also support employment matching which will suit foreigners.

As for learning Japanese language, we'll work with Japanese language schools and educators.

Employment training, we are exploring the possibility of business partnership with registered support organizations.

Finally, as a summary of this presentation.

To make Japanese society better, new technology and service that is a driver of the non-continulative growth that is necessary to support the new employment form and labor market system is necessary. We think the non-continulative changes that new technology

brings to is an opportunity and we want to meet the needs of the individual customers and the corporations challenging it. Therefore, we will try to make the connection in the ecosystem with a non-financial partner, together to provide active finance services by utilization of the advanced technology and the data.

We should understand the social needs to create these “non-continuative” growth, and we should imagine the social situation in the coming ten years and as a financial group challenge it as a “bridge” between the present and the future.

Thank you for listening to my presentation.