

## **Scripts: Institutional Business**

P2

- This is Seto, Head of Shinsei Bank Institutional Business Unit.
- Today I will cover the Institutional Investors Business, one of our focus areas in the Medium-Term Management Strategy.
- Let me begin from the summary.
- Please see Slide 3.

P3

- **We will promote three strategies** presented here.
- The first strategy, as shown in the upper-left box painted in blue, is **developing the Structured Finance Business** which has grown steadily.
- The second strategy, as shown in the upper-right box painted in orange, is utilizing the know-how of structured finance in **the joint investment business with institutional investors**.
- This is to promote businesses such as the fund business **from the same viewpoint as institutional investors**.
- The last strategy, as shown in the green box, is “Focus on Sustainability”.
- The strategy will be executed, in addition to the two businesses I have just shared with you, by focusing on ESG and sustainability.
- We will enhance and develop Shinsei Bank’s advantages through the synergies of these **three business strategies**.
- **We will create new growth opportunities and diversify our earnings opportunities** through the implementation of these strategies.

P4

- Please see Slide 4.
- Using this slide, I will give you the background of the three strategies.
- First, please see the upper boxes.
- The key to this slide is the **Affinity** in the middle, colored in red. By the term “affinity,” we mean the affinity between Shinsei’s advantages and the investment demand of institutional investors.
- I will go one by one.

- First, please take a look on the left-hand side of the slide.
  - This part shows the advantages and growth areas of Shinsei Bank.
  - The first one on the left-end column is the **area called structured finance.**
  - **In the last several years**, Shinsei has **achieved big growth** in this area.
  - The second one from the left is syndication, meaning the framework for distribution to institutional investors.
  - We have provided structured finance assets to large institutional investors and regional banks through this process called syndication.
- 
- These are our strengths.
- 
- I will now explain the right half of the slide. This is explaining the investment demand of institutional investors.
  - This area has affinity with our strengths.
  - There are two key aspects.
  - One of the two is “**real-asset-type alternatives,**” as shown in the column, second from the right-end.
- 
- Targeted assets in this area **mostly overlap with those in structured finance.**
  - **There is strong affinity with our strengths.**
  - The larger the demand for investment in this area, **the larger the potential for growth in structured finance, the function for supporting such investments.**
  - Furthermore, such growth contributes to the potential for syndication, meaning that the entire business will grow further.
  - The other aspect of demand is, as shown in the green boxes in the right-end column, **“sustainability and ESG.”**
- 
- For example, finance for renewable energy infrastructure, where we have strengths, is a typical example of environmental finance, which greatly contributes to the reduction of carbon dioxide emissions.
  - This area of investment demand has strong affinity with our strengths.
  - Real-asset-type alternatives and sustainability/ESG
  - We have **recently witnessed significant growth** in demand for investments in these two areas.

- **By capturing this opportunity, our efforts should be directed to developing this business targeting institutional investors.**
- I will now specifically explain how we will incorporate them in our business strategy to meet this growing demand.
- Please proceed to Slide 6.

P6

- For this and the following two slides, I will provide explanation about the boxes in the header space.
- First, the box in the left top corner. **This is structured finance, the growth area where we have strength.**
- In this slide, we summarize **our views on the demand for structured finance deals.**
- As shown here, we are expecting a decrease in demand for finance for solar projects. However, we are expecting that demand in other areas will remain flat or increase.
- Among these areas, my explanation will focus on renewable energy, such as solar projects.
- First, finance for solar projects. **Demand in this area will decrease in the future, due to lower purchase prices (feed-in tariff).**
- On the other hand, some existing deals based on higher purchase price (feed-in tariff) will remain. There are also refinance deals.
- **Accordingly, some demand will continue for the time being.**
- Next, finance for offshore wind power plants. We expect that demand for loans in this area will grow significantly in the future.
- Offshore wind power plants have undergone environmental assessments. Their operational scale is expected to reach approximately six trillion yen.
- Going forward, further growth in demand is expected for the renewable energy area as a whole, against the backdrop of the greenhouse gas emission 80% reduction target set for 2050.
- Let's proceed to the next slide.

P7

- This is Slide seven.
- In this slide, **as stated in the upper row, the essential aspects relate to both “our**

**advantages” and “investment demand of institutional investors.”**

- **We have realigned the topics from the perspectives of “syndication” and “distribution to institutional investors.”**
- **In the upper half, we summarize the demand for fundraising.**
- The recent trend in project finance is larger deals, centered on domestic renewable energy projects.
- The larger the deal becomes, the stronger the need to distribute amounts from the risk management perspective.
- For this reason, demand for syndication will likely remain solid.
- **On the other hand, in the bottom half, we provide a summary of investment demand.**
- Major financial institutions are shifting from market related products to loan products. At regional banks, we have seen diversification of investment demand from the perspective of diversified investment methods.
- We expect that finance demand for real assets, such as project finance, will increase, including demand from pension funds.

P8

- Please see Slide 8.
- **In this slide,** we provide our views on the **investment demand of institutional investors.**
- **Against the backdrop of reasons stated herein, their investment demand is increasing.**
- **First: the real-asset-type alternatives shown in the upper row.**
- **Real assets, such as real estate and infrastructure,** by nature, lead to long-term investments and investors can expect stable interest income over a long period.
- Accordingly, there is strong demand from investors who are seeking particularly long-term investment opportunities.
- Moreover, risk diversification and inflation hedging effects can be expected from these investments.
  
- Next: the **perspective of sustainability/ESG**, as shown in the green boxes in the bottom row.
- Scientific research has been made for environmental risks, and responses thereto have become an imminent challenge.
- Furthermore, institutional investors are requested to make investments from a long-term

perspective for beneficiaries.

- Likewise, demand for sustainability/ESG derives from long-term perspectives.
- This is the reason for the match in timeframe.
- In the Principles for Responsible Investment (PRI), investors are requested to set forth their investment policy from such perspectives.

P10

- In Slide 10, **we provide individual strategies for developing structured finance.**
- As stated in the upper row, major strategic fields in real assets are infrastructure, real estate, healthcare and ship/aircraft.
- We have realigned these four fields by further dividing them into two categories, namely “focus fields” and “fields to be maintained,” whose details are provided in the columns to the left.
- As you can see, a relatively large number of strategic fields can be confirmed.
- Traditionally, large portions were occupied by domestic solar power generation and real estate for office buildings.
- On the other hand, as I said when I explained the slide on investment demand for structured finance, there is demand for structured finance deals in a wide range of fields.
- By firmly seizing this demand as a business opportunity, we will further diversify our strategies.
- For example, I will introduce some individual strategies.
- The first one is “infrastructure,” as provided in the first column, counted from left.
- Strong demand is anticipated for wind power plant, as provided in the box in the upper left corner. We will especially focus in this field.
- Next comes “mezzanine investment,” as provided in the box thereunder.
- Rather than being satisfied with senior debt only, we will **seek finance and investment opportunities such as mezzanine investments.**
- In the field of real estate, as shown in the second column, counted from the left, we will actively promote finance for high-spec logistics facilities and environmental real estate, against the backdrop of higher awareness for the environment.
- “Healthcare field” is provided in the third column, counted from the left.
- In this field, we will focus on finance for nurseries and childcare facilities, in addition to finance for hospitals and care facilities, the fields to be maintained.
- We will promote finance for ships and aircraft, as provided in the right-end column, because demand for responding to environmental requirements has been confirmed.

- We will expand business opportunities to other fields as well by utilizing the expertise we have acquired to date.
- Our policy is to make up for the anticipated decrease in demand for finance to solar power plants by providing finance in this wide range of areas.
- Please see the next slide.

#### P11

- In Slide 11, we provide our achievements that will lead to further development in structured finance going forward.
- **Changes in the balance of operating assets in structured finance** are shown here. As you can see, the balance has grown steadily.
- The graph to the right shows the composition of domestic project finance, by attributes.
- Slightly more than 60% is occupied by solar power generation in renewable energy. Combined with wind and biomass power generation, finance for renewable energy occupies approximately 80%.
- For your reference, in the domestic project finance arranger league table, Shinsei has acquired a status comparable to those of mega-banks since several years ago, although this fact is not stated here.
- You can confirm that Shinsei has achieved steady growth in this field as a major arranger.
- Please see Slide 12.

#### P12

- The graph in Slide 12 shows the **trends in the balance of originated amounts of domestic project finance, including syndicated deals.**
- As you can see, originated amounts have grown steadily, making this a field with significant growth potential.
- 50% of syndication amounts, being part of the originated amounts, are distributed to other investors.
- As you can see, we have established a framework for selling structured finance to investors.
- Based on this trend, we will proceed with the business targeting institutional investors.
- Please proceed to Slide 14.

P14

- In Slide 14, we provide the fields in which we should **promote joint investment businesses with institutional investors.**
- Traditionally, distribution to institutional investors was mostly focused on syndication of senior loans on a deal-by-deal basis.
- Going forward, we will diversify and enhance this by focusing on the fund business.
- Our promotion efforts will focus on the three categories of real assets, namely infrastructure, real estate and healthcare.
- First, as shown in the left-end column, in the infrastructure field, we will consider **infrastructure senior debt funds and mezzanine funds**, which are made up of several very popular renewable energy project finance deals.
- As shown in the second column counted from the left, in the real estate field, we will originate debt funds for environmental real estate, and
- as shown in the third column counted from the left, in the healthcare field, we will originate debt funds based on finance for hospitals and healthcare facilities.
- Please proceed to the next slide.

P15

- This is Slide 15.
- In this slide, we introduce our concept of the joint-investment businesses.
- Our idea is to make the funds flow from right to left, namely connecting the funds invested by institutional investors to each infrastructure project via funds in which Shinsei also invests.
- Please see Slide 17.

P17

- This is Slide 17.
- In this slide, we provide explanations on **business strategies focused on sustainability.**
- The strategy is to integrate the elements of sustainability and ESG into the already-explained two business strategies.
- First, we will **establish Shinsei Bank's own assessment framework** for the sustainability of deals to be promoted in the future.
- And then, we will **originate investment products based on this assessment**

**framework.**

- By these measures, we will develop businesses which will improve the product features of products targeting institutional investors.
- A dedicated section for promoting this initiative has already been established.
- Please see the next slide.

P18

- This is the new Sustainable Impact Development Division I have just referred to.
- The term “sustainable impact” is derived from sustainability and social impact, which implies a positive direction.
- As stated in the boxes in the middle row, this Division’s role is to **integrate the entire institutional business and sustainable impact.**
- The roles of this Division are provided in the boxes in the bottom row.
- First: as already explained, the roles of assessing sustainability and promoting the businesses targeting institutional investors.
- And then: followed by the role of enhancing the driver of sustainability assessment to the entire institutional business, including corporate customers.
- Specifically, this Division will provide loan products which will positively assess social contribution.
- To promote this, we are considering, for example, establishment of financing program for the loan products.

P19

- In Slide 19, we introduce investment transactions including both **real-asset-type alternative and sustainability/ESG** components.
- There are a lot of transactions which may include both elements.
- We will continue efforts to actively promote these types of transactions.
- Please proceed to the next slide.

P20

- This slide indicates our track record in the fund business from a **sustainability** perspective.
- The Impact Investment Fund invests in childcare support services and many investors

have participated in this transaction. The fund has attracted people's attention by wide media coverage and winning various prizes.

- Please proceed to Slide 22.

P22

- This slide is the wrap-up of today's presentation.
- We will achieve further growth in our structured finance field by promoting a new fund business (joint-investment business) while developing the existing structured finance business.
- We will promote our Institutional Investor Business by adding sustainability/ESG approaches through our own assessment framework.
- Furthermore, we will incorporate our sustainability / ESG initiative into our whole institutional business.

This concludes my presentation of the Institutional Investor Business. Thank you.

End