Positioning of Medium-Term Strategies

Our growth stories fulfilling our Medium-to-Long-Term Vision in the changing world

Towards 2030

Medium-to-Long-Term Vision
- Financial innovator
- Outstanding productivity and efficiency
- Rewarding stakeholders

The world around us is changing
- Digitalization
- Aging society
- Diversification of lifestyles
- Globalization
- Expansion of investment opportunities
- Growing inequality

Medium-Term Strategies
“Redesigning Finance”
FY2019 - FY2021

Third Medium-Term Management Plan
FY2016 - FY2018
- FY2015
Background of Medium-Term Strategies

Third Medium-Term Management Plan
(FY2016 - FY2018)

Selection and Concentration of Businesses
• Allocated resources to growth areas
• Achieved stable growth and strong revenue streams in growth areas

Value Creation through Group Integration
• Established our virtual Group HQ
• Built governance structure to reflect group-wide management

Achieve Flexible Business Management and Lean Operations
• Improved productivity on a group-wide basis by enhancing efficiencies

Our environment is changing
Customers are becoming more sophisticated
Digitalization has accelerated collaboration between service providers

“Redesigning Finance”

Medium-Term Strategies
(FY2019 - FY2021)

Core Strategies
Grow through Value Co-Creation

Focus Areas
- Small-Scale Finance
- Institutional Investors
- Group Organization
- Productivity Reforms

Our Strengths
- Expertise and Execution
- Governance

External Environment
Information Technology

AI / Analytics
Speed up and automate financial operations

Finance / Non-finance
Big data
Harness financial data from within the Group and non-financial data from outside the Group

Financial Technology

Alternative Investments
Advanced expertise and analysis capabilities based on extensive experience

Financial Solutions
Expertise to integrate products and services from inside / outside of the Group

Management Infrastructure

Group-wide Integrated Management
Integrating bank and non-bank operations

Speed and Flexibility
Scale and execution framework which ensures speedy decision-making

Recent results:

• Developed “YUI Platform,” an AI / analytics database which can analyze data on 10 million group customers (2018)

• Provide loan services as the first partner financial institution of “Docomo Lending Platform” (2019, plan)

• Placed third in Japan Project Finance volume ranking (2017)

• Provided finance scheme for inbound investments (2018)

• Established our virtual Group HQ to improve group-wide governance (2017)
Effective Board of Directors

- Ratio of outside directors: **71%**
- Outside directors with management experience: **80%**
- Establishment of the Nomination and Compensation Committee

Group Governance

- Group-based internal controls
- Group-wide management and execution

Risk Governance

- Close cooperation between risk and business management
- Pre-emptive risk management via early warning system
Overview of Medium-Term Strategies

- **Core Strategy**
  - Enhance / Leverage our Capabilities

- **Capabilities**
  - People
  - Organization
  - Operations
  - Capital

- **Business Model**
  - Core Strategy: Grow through Value Co-Creation
  - Self-Contained Model
  - Value Co-Creation Model

- **Created Value**
  - **Sustainable Growth**
    - Address social and environmental issues
    - Fulfill our social responsibilities
    - Foundation for meeting our goals / responsibilities
  - **Profitability**
    - Financial Targets
Core Strategies

Grow through Value Co-Creation
- Integration with external services
- Finance as a Service
- Deeper understanding of our customers

Enhance / Leverage our Capabilities
- Diverse people and flexible workstyle
- Customer-centric organization
- Productive operations
- Optimal capital usage

Maximization of customer value
Optimal usage of our resources
Pursue growth opportunities through **Value Co-Creation Model**

**Integration with external services**
- Be an ecosystem builder or participator
- Utilize digital technology and data analysis

**Finance as a Service**
- Provide our functions/processes when our customers need us

**Deeper understanding of our customers**
- Zero-in on marketing and service lineup
- Enhance customer value by knowing our customers on a deeper level
Our two Business Models:
Self-Contained and Value Co-Creation

**Source of our Strengths**

- **Self-Contained Model**
  - Value creation from internal resources
  - Quick, flexible business deployment
  - Flexible response to customer needs
  - Internalized products / services

**Opportunities for Growth**

- **Value Co-Creation Model**
  - Generation of synergies by integrating data, know-how with external services
  - Greater value for our customers
  - Deeper understanding of our customers
  - Finance as a Service

Examples: Ecosystems for foreigners and freelancers
Grow building blocks for value creation and competitiveness by enhancing and leveraging our capabilities

- Active participation of women at every level
- Acquire skilled employees, young and old
- Hire & grow unique talent
- Human resource policies to support diversity
- Unify business planning functions
- Optimize and streamline our Group HQ corporate services
- Accelerate productivity reforms through digital technology and more
- Maintain stable system and operations
- Manage capital at an appropriate level
- Responsible capital usage including non-organic initiatives
Initiatives for Sustainable Growth (Materiality)

**Address social and environmental issues**
- **Access to finance**
  - Provide services for customer needs which are not satisfied by traditional financial services
  - Provide payment methods with emerging technology
- **Fund flows that fit society's needs**
  - Provide solutions for supporting sustainable social capital
- **Solutions through integration with external services**
  - Build / participate in ecosystems, use digital technology

**Foundation for meeting our goals / responsibilities**
- **Expertise, execution**
- **Governance**
- **Organization**
- **People**
- **Operations**
- **Capital**

**Fulfill our social responsibilities**
- **Social infrastructure services**
  - Firmly provide fundamental financial functions (deposit, loan, payment etc.) as social infrastructure
  - Maintain cyber security
  - Prevent money laundering
- **Customer-oriented services**
  - Place customer benefit first
  - Give information that is accurate and easy to digest

Support these SDGs:
- People
- Operations
- Capital
### Financial Targets

#### EPS Growth Rate

**Annual average 2% or more**

excluding the effect of purchasing treasury shares

<table>
<thead>
<tr>
<th></th>
<th>Growth</th>
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<tbody>
<tr>
<td>FY2018</td>
<td>6.0%</td>
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<td></td>
<td>In the medium term 8.0%</td>
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#### Profit Share of Focus Areas

(Share of operating business profit after net credit costs, excluding one-time factors)

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<thead>
<tr>
<th></th>
<th>FY2018</th>
<th>FY2021</th>
</tr>
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<tbody>
<tr>
<td>Small-scale finance</td>
<td>45%</td>
<td>50%</td>
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<tr>
<td>Institutional investors</td>
<td>10%</td>
<td>15%</td>
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#### ROE

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<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td>FY2018</td>
<td>In the medium term 8.0%</td>
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<td>6.0%</td>
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#### OHR

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<tr>
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<th>Efficiency</th>
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<tbody>
<tr>
<td>FY2018</td>
<td>FY2021 less than 60%</td>
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<tr>
<td>63.0%</td>
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#### CET 1 Ratio

<table>
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<tr>
<th></th>
<th>Soundness</th>
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<tr>
<td>FY2018</td>
<td>In the medium term minimum 10%</td>
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<tr>
<td>12.0%</td>
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### Shareholder Returns

Shinsei Bank aims to maintain or improve the total payout ratio, depending on financial conditions and market environment, within the range of total payout ratio as set in the Revitalization plan.  

*As mentioned in the Revitalization plan submitted to the Financial Services Agency on March 22, 2018, the range should be in principal within the range of the general total payout ratio of the domestic banks.*
Business Strategy

Medium-Term Strategies

Core Strategies

- Grow through Value Co-Creation
- Enhance / Leverage our Capabilities

Business Strategies & Focus Areas

- **Business Strategy**
  - Individual Business
    - Small-Scale Finance
      Enhance service offerings through building / participating in ecosystems, using digital technology and data analysis
  - Institutional Business
    - Institutional Investors
      Provide one-stop services for alternative investments

Organization Infrastructure

- **Focus Area**
  - Group Organization
    Integrate business functions across the Group
  - Productivity Reforms
    Cost structure reform including usage of digital technology and channel optimization
# Strategies for Individual Business

## Data analysis to capture customer needs + Personalized solutions

### Grow through Value Co-Creation

<table>
<thead>
<tr>
<th>Strategy Area</th>
<th>Actions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small-Scale Finance</td>
<td><strong>Build / participate in ecosystems, use data to enhance services</strong>&lt;br&gt;• Collaboration with external parties which own customer base, data etc.&lt;br&gt;• Enhance strengths in credit assessment and collection by using payment / credit data, AI and digital technology</td>
</tr>
<tr>
<td>Retail Asset Management</td>
<td><strong>Improve customer experience, and use alliances to uncover new customer opportunities</strong>&lt;br&gt;• Personalize communication and product offerings by using digital technology and customer data&lt;br&gt;• Use alliances with brokerage / insurance companies to uncover new customer opportunities</td>
</tr>
<tr>
<td>Housing-Related Loans</td>
<td><strong>Broaden customer segment via partnerships and new products</strong>&lt;br&gt;• Collaboration with housing-related companies and other financial institutions&lt;br&gt;• Capture customer needs for securing post-retirement cash-flows and financing home renovations</td>
</tr>
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</table>

### Enhance / Leverage our Capabilities

<table>
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<tr>
<th>Actions</th>
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<tbody>
<tr>
<td>• Upgrade our AI / analytics database “YUI Platform”</td>
</tr>
<tr>
<td>• Provide one-stop retail products / services and develop an all-in-one platform</td>
</tr>
<tr>
<td>• Expand use of digital technology</td>
</tr>
<tr>
<td>• Centralize &amp; streamline operations / processes</td>
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</table>
## Strategies for Institutional Business

### Partnership-style business + One-stop service for alternative investments

<table>
<thead>
<tr>
<th>Institutional Investors</th>
<th>Grow through Value Co-Creation</th>
</tr>
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<tbody>
<tr>
<td>Capture customer needs in the alternative investment space</td>
<td></td>
</tr>
<tr>
<td>• Service offerings for investments in renewable energy, real estate, domestic private equity etc.</td>
<td></td>
</tr>
<tr>
<td>• Expand networks with institutional investors, provide investment opportunities</td>
<td></td>
</tr>
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<table>
<thead>
<tr>
<th>Non-financial Corporations</th>
<th>Enhance / Leverage our Capabilities</th>
</tr>
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<tbody>
<tr>
<td>Deploy partnership-style business</td>
<td></td>
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<tr>
<td>• Deploy solutions that merge financial to non-financial service</td>
<td></td>
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<tr>
<td>• Strengthen value proposition for existing financial services</td>
<td></td>
</tr>
<tr>
<td>• Strengthen asset business for core areas such as construction machinery</td>
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<tr>
<th>Financial Institutions</th>
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<tr>
<td>Partner with regional financial institutions</td>
<td></td>
</tr>
<tr>
<td>• Provide Shinsei Bank Group’s services to regional customers</td>
<td></td>
</tr>
<tr>
<td>• Support regional financial institutions to solve their own issues by utilizing Shinsei Bank Group’s functions</td>
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</tbody>
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- Deepen expertise in products, services, and functions
- Build a track record in real assets
- Enhance strategy / planning through an integrated group approach
- Launch CRM system, streamline processes through RPA (Robotic Process Automation)
Focus Area 1: Small-Scale Finance

Enhance service offerings through building / participating in ecosystems, using digital technology and data analysis

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 collection
- Stable operations

Value Co-Creation

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

2. Strengthen core capabilities, integrate with payments
   - Utilize AI / RPA to analyze data and streamline operations
   - Deploy all-in-one platform for payments, credit assessment and other services

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
   - Capture foreigners and freelancers

Self-contained Model

Enhance service offerings through building / participating in ecosystems, using digital technology and data analysis
Focus Area 2: Institutional Investors

Provide one-stop services for alternative investments

Core Customers
- Investment managers sponsoring equity investments
- Asset owners such as financial institutions, pension funds etc.

Product / Service Lineup
Alternative investment solutions focusing on real assets (renewable energy, infrastructure, real estate):
- Arrangement, advisory, financing, equity, risk hedging solutions etc.

Our Capabilities
- Expertise in real assets
- Our connections with institutional investors
- Structuring know-how using trusts

Value Co-Creation
1. Arrange bi-lateral structured finance
   - Independently provide senior loans
   - Target assets: Renewable energy, real estate, others
2. Arrange syndicated loans
   - Partner with regional financial institutions to provide senior loans
   - Target assets: Renewable energy, real estate, others
3. Provide alternative investment services
   - Investment opportunities for wide variety of institutional investors
   - Senior, mezzanine and equity financing, and advisory services
   - Enhancing structuring capabilities including debt and equity funds

Self-contained Model
Focus Area 3: Group Organization

Integration of Group Business
- Unify business planning functions for individual / institutional customers
- Leverage diversity of the Group to create customer value
- Integrate group-wide human resources

Offer the best solutions for meeting customer needs

Achievements
- Established Virtual Group HQ
- Strengthened group governance
Focus Area 4: Productivity Reforms

Cost Reduction from Productivity Reforms

- Digital technology and workstyle reforms
  - Implementation of AI, digital technology etc.
  - Business process / operations review
  - More flexible hours and workplaces
- Branch and office optimization
  - Efficiency of branch channels
  - Effective use of office space
- Cost structure reforms
  - Expense reassessment, expenditure control
  - Greater enforcement of procurement rules & transparency
- Digital technology and workstyle reforms
  - Implementation of AI, digital technology etc.
  - Business process / operations review
  - More flexible hours and workplaces
- Consolidation of group corporate functions
- Call center / business center optimization
- Restructuring initiatives in APLUS
- Debt collection performance improvement

Note) FY2015 - FY2018; versus FY2015
FY2019 - FY2021; versus FY2018
Disclaimer

• The preceding description of Shinsei Bank Group’s Medium-Term Strategies contains forward-looking statements regarding the intent, belief and current expectations of our management with respect to our financial condition and future results of operations. These statements reflect our current views with respect to future events that are subject to risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, our actual results may vary materially from those we currently anticipate. Potential risks include those described in our annual securities report filed with the Kanto Local Finance Bureau, and you are cautioned not to place undue reliance on forward-looking statements.

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