



Redesigning Finance

Our Innovation Stories



Medium-Term Strategies

May 2019

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 Strengths

- Expertise and Execution
- Governance

Our environment is changing

Customers are becoming more sophisticated

Digitalization has accelerated collaboration between service providers

External Environment

“Redesigning Finance”



Medium-Term Strategies (FY2019 - FY2021)

Core Strategies

Grow through Value Co-Creation

Enhance / Leverage our Capabilities

Focus Areas

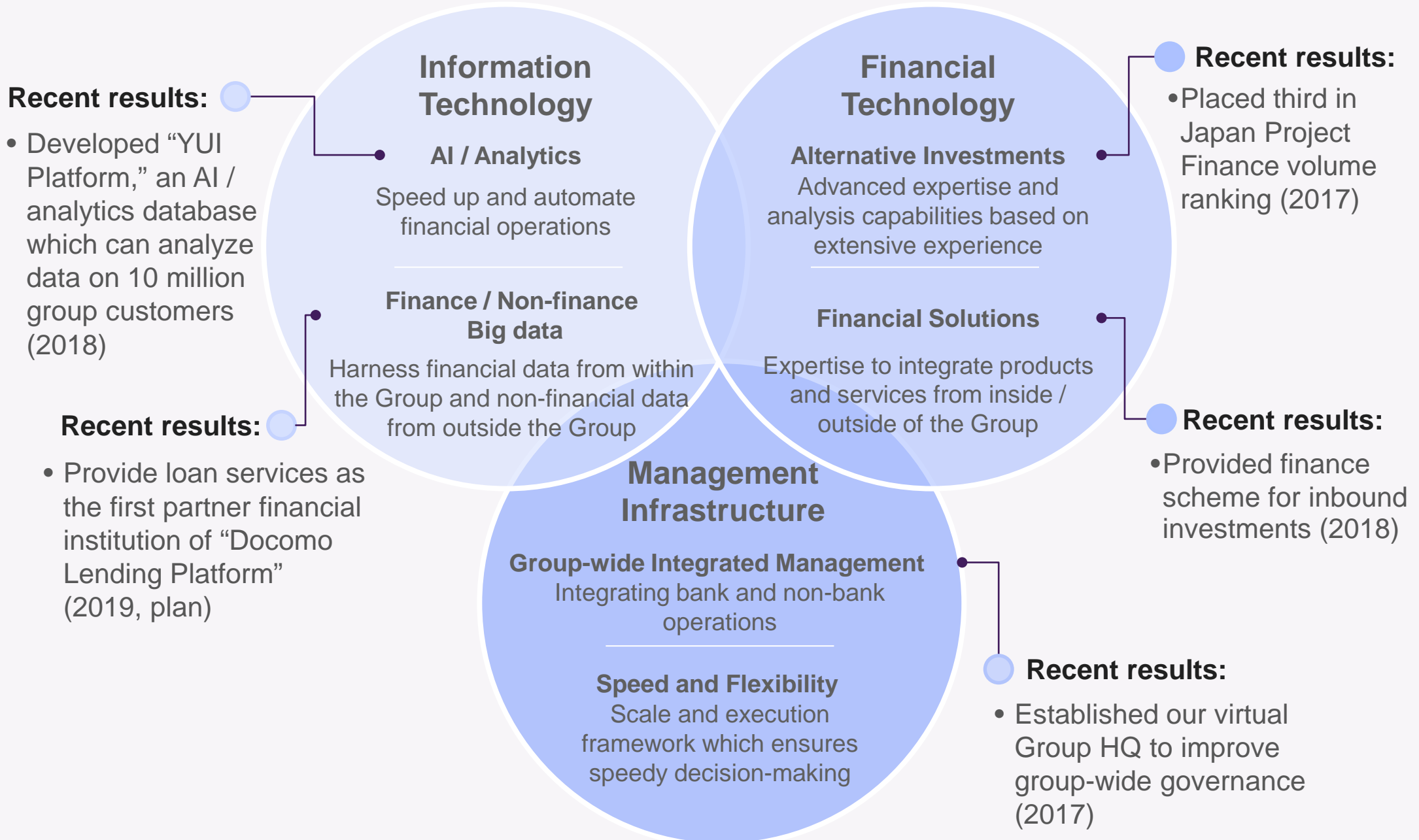
Small-Scale Finance

Institutional Investors

Group Organization

Productivity Reforms

Strengths (Expertise and Execution)



Strengths (Governance)

Effective Board of Directors

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

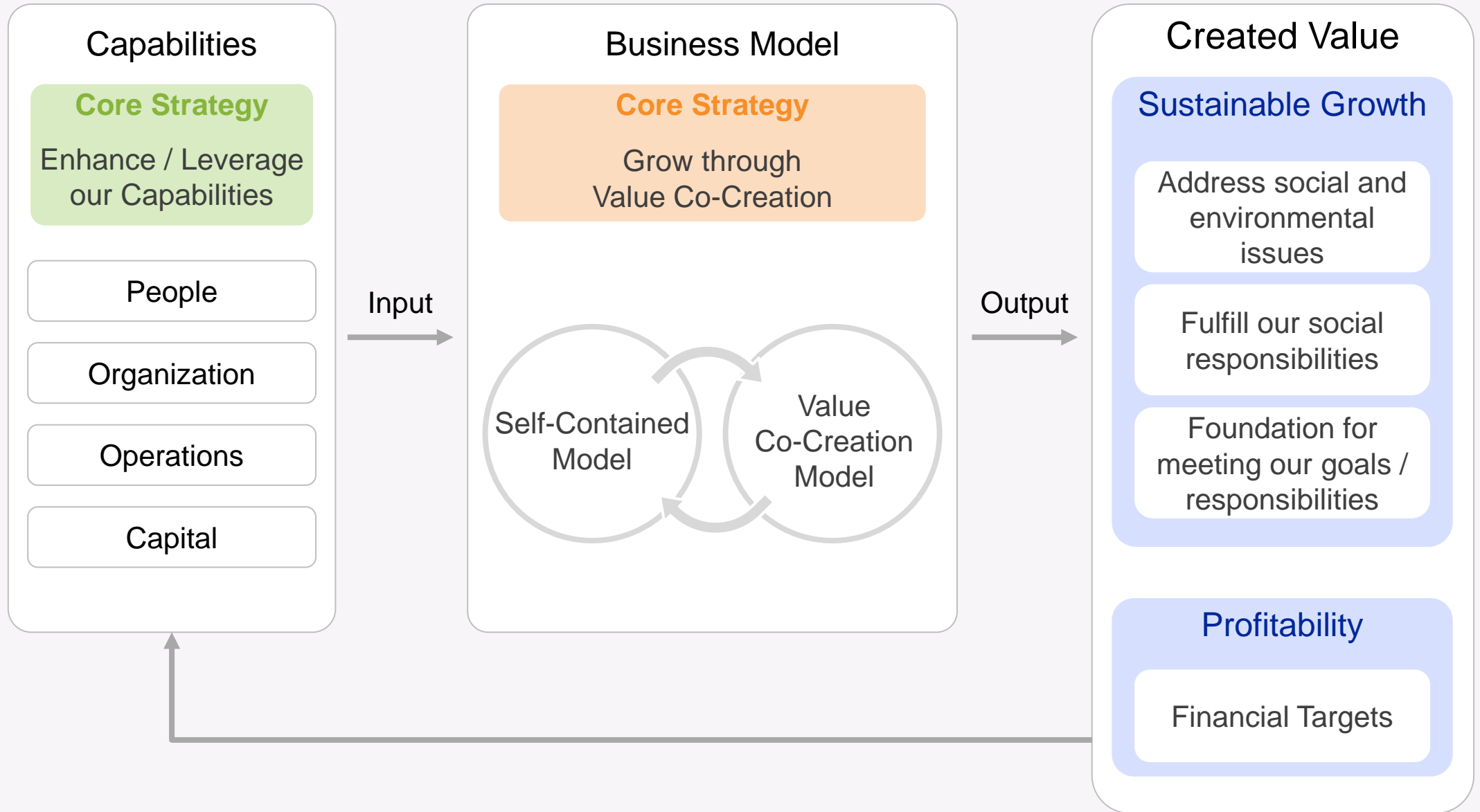
Group Governance

- 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 Strategies



- Integration with external services
- Finance as a Service
- Deeper understanding of our customers

Maximization of
customer value



- Diverse people and flexible workstyle
- Customer-centric organization
- Productive operations
- Optimal capital usage

Optimal usage of
our resources

Pursue growth opportunities through **Value Co-Creation Model**

Open Innovation



Integration with
external services

- Be an ecosystem builder or participator
- Utilize digital technology and data analysis

Unbundling



Finance as a
Service

- Provide our functions / processes when our customers need us

Targeting



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

B to B to C
/ B to C

Value creation from internal resources

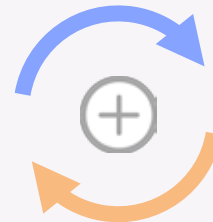


Flexible response to customer needs

Internalized products / services



Deploy product / service know-how



Enhance product / service know-how

Opportunities for Growth



Value Co-Creation Model

B X B to C

Generation of synergies by integrating data, know-how with external services



Deeper understanding of our customers

Finance as a Service

Examples: Ecosystems for foreigners and freelancers

Core Strategy 2: Enhance / Leverage our Capabilities

Grow building blocks for value creation and competitiveness by
enhancing and leveraging our capabilities

People



Diverse people and
flexible workstyle

- Active participation of women at every level
- Acquire skilled employees, young and old
- Hire & grow unique talent
- Human resource policies to support diversity

Organization



Customer-centric
organization

- Unify business planning functions
- Optimize and streamline our Group HQ corporate services

Operations



Productive
operations

- Accelerate productivity reforms through digital technology and more
- Maintain stable system and operations

Capital



Optimal capital
usage

- Manage capital at an appropriate level
- Responsible capital usage including non-organic initiatives

Initiatives for Sustainable Growth (Materiality)

Address social and environmental issues



Support these SDGs:



- **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

Fulfill our social responsibilities



Support these SDGs:



- **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

Foundation for meeting our goals / responsibilities



- Expertise, execution
- Governance
- Organization

- People
- Operations

Support these SDGs:



- Capital

Financial Targets

EPS Growth Rate

Growth

Annual average
2% or more
 excluding the effect of
 purchasing treasury shares

Profit Share of Focus Areas

Growth

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

Small-scale finance (See page 16 for details)

FY2018		FY2021
45%	▶	50%

Institutional investors (See page 17 for details)

FY2018		FY2021
10%	▶	15%

ROE

Profitability

FY2018		In the medium term
6.0%	▶	8.0%

OHR

Efficiency

FY2018		FY2021
63.0%	▶	less than 60%

CET 1 Ratio

Soundness

FY2018		In the medium term
12.0%	▶	minimum 10%

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

Focus Area **Small-Scale Finance**

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

Business Strategy

Institutional Business

Focus Area **Institutional Investors**

Provide one-stop services for alternative investments

Organization Infrastructure

Focus Area **Group Organization**

Integrate business functions across the Group

Focus Area **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

Enhance / Leverage our Capabilities

Small-Scale Finance

Build / participate in ecosystems, use data to enhance services

- Collaboration with external parties which own customer base, data etc.
- Enhance strengths in credit assessment and collection by using payment / credit data, AI and digital technology

- Upgrade our AI / analytics database “YUI Platform”

Retail Asset Management

Improve customer experience, and use alliances to uncover new customer opportunities

- Personalize communication and product offerings by using digital technology and customer data
- Use alliances with brokerage / insurance companies to uncover new customer opportunities

- Provide one-stop retail products / services and develop an all-in-one platform

Housing-Related Loans

Broaden customer segment via partnerships and new products

- Collaboration with housing-related companies and other financial institutions
- Capture customer needs for securing post-retirement cash-flows and financing home renovations

- Expand use of digital technology
- Centralize & streamline operations / processes

Strategies for Institutional Business

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

Grow through Value Co-Creation

Enhance / Leverage our Capabilities

Institutional Investors

- Capture customer needs in the alternative investment space
- Service offerings for investments in renewable energy, real estate, domestic private equity etc.
 - Expand networks with institutional investors, provide investment opportunities

- Deepen expertise in products, services, and functions
- Build a track record in real assets

Non-financial Corporations

- Deploy partnership-style business
- Deploy solutions that merge financial to non-financial service
 - Strengthen value proposition for existing financial services
 - Strengthen asset business for core areas such as construction machinery

- Enhance strategy / planning through an integrated group approach

Financial Institutions

- Partner with regional financial institutions
- Provide Shinsei Bank Group's services to regional customers
 - Support regional financial institutions to solve their own issues by utilizing Shinsei Bank Group's functions

- 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

- 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

- 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

Self-contained Model

- 1 Streamline and speed-up existing processes

- Scale up multi-payment services to meet increasing cashless payments
- Gather outside UI/UX expertise

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

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

2 Arrange syndicated loans

- Partner with regional financial institutions to provide senior loans
- Target assets: Renewable energy, real estate, others

Self-contained Model

1 Arrange bi-lateral structured finance

- Independently provide senior loans
- Target assets: Renewable energy, real estate, others

Focus Area 3: Group Organization



Individual Customers



Institutional Customers

Individual Business Unit



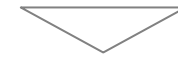
Institutional Business Unit



Corporate Function (Virtual Group HQ)

● 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

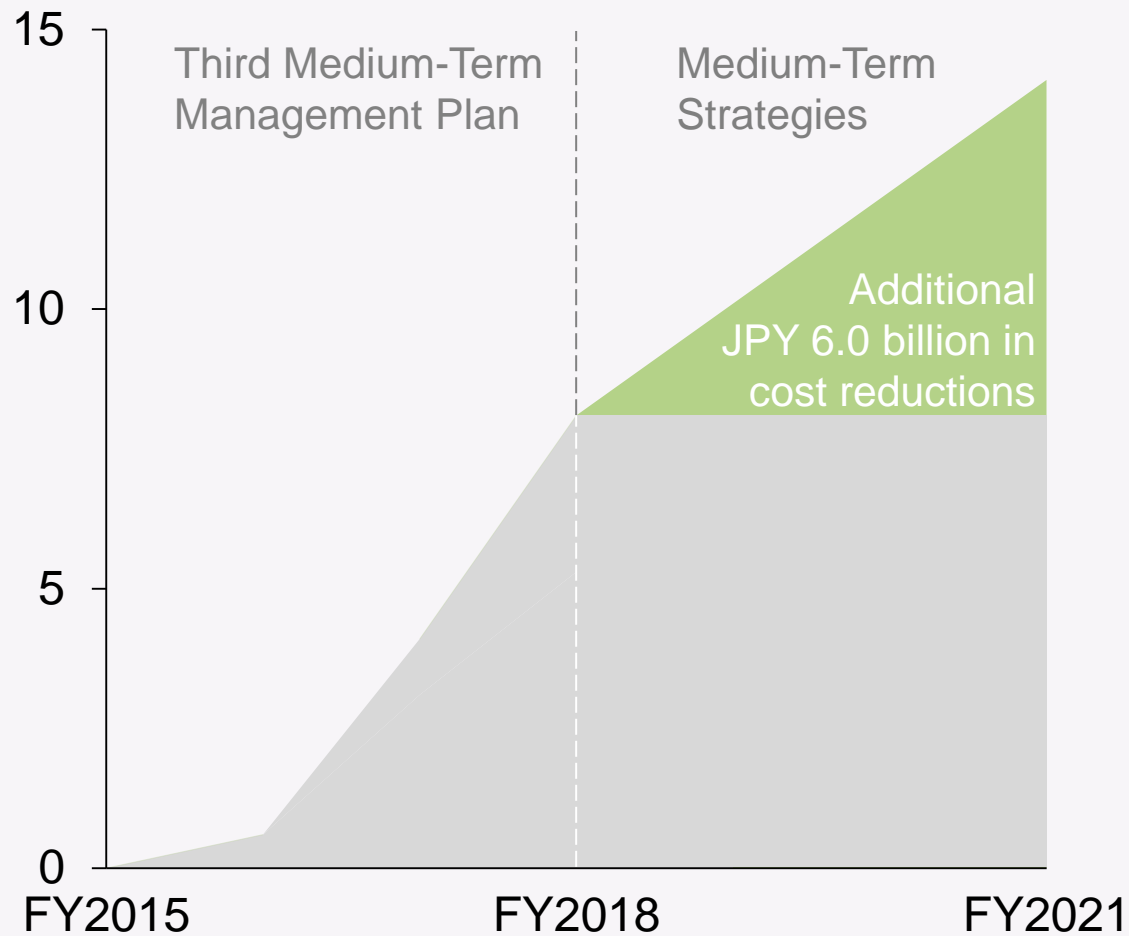
○ Achievements

- Established Virtual Group HQ
- Strengthened group governance

Focus Area 4: Productivity Reforms

Cost Reduction from Productivity Reforms

JPY billion



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

Further Initiatives for Reforms

- 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

Achievements

- Consolidation of group corporate functions
- Call center / business center optimization
- Restructuring initiatives in APLUS
- Debt collection performance improvement

Disclaimer

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