



INTEGRATED REPORT 2019
For the fiscal year ended March 31, 2019

●●● Management Principles

The Shinsei Bank Group has established the following Management Principles and is working on a day-by-day basis toward their attainment.



To become a banking group that is sought out by customers, and contributes to the development of both domestic and international industrial economies, while maintaining stable profitability.



To become a banking group that values diverse talents and cultures and is constantly taking on new challenges presented by change, based on its experiences and history.



To become a banking group that strives for highly transparent management and values that is trusted by all stakeholders including customers, investors and employees.



Editorial Policy

Here in this Integrated Report, the Shinsei Bank Group brings together financial and nonfinancial information in a bid to help investors and other stakeholders gain an understanding of the Group's strategies and efforts toward creating sustainable corporate value. Having referred during the editing process to the frameworks presented by the International Integrated Reporting Council (IIRC)¹ and the Guidance for Collaborative Value Creation² indicated by the Ministry of Economy, Trade and Industry, we show the "big picture" narrative of the Shinsei Bank Group's corporate value creation.

In addition, this Report and the Shinsei Bank Integrated Report 2019 Data Appendix fulfill the disclosure requirements (an explanation of the Shinsei Bank's operations and matters regarding its financial position) stipulated under Article 21 of Japan's Banking Act. The Report also contains statements about the Group's management policies and future operating results. These forward-looking statements are not a guarantee of future performance. Actual results may differ from those indicated due to a variety of factors, including changes in the operating environment. Please see Shinsei Bank's Integrated Report 2019 Data Appendix for supplemental financial information.

¹ Established in 2010 for the purpose of developing an international framework for the disclosure of corporate information, the International Integrated Reporting Council (IIRC) is a global coalition of regulators, investors, companies, standard setters, the accounting professions and NGOs.

² A manual for systematically organizing and integrating the information (management principles, business model, strategy, governance, etc.) that companies should convey to investors. Created and published by the Ministry of Economy, Trade and Industry for the purpose of enhancing the quality of information disclosure and dialogue with investors.

●●● Composition of the Shinsei Bank Integrated Report 2019

■ The Approach of the Shinsei Bank Group

The Shinsei Bank Group is a front-running financial enterprise group that transcends banking sector boundaries and anticipates the trends that will occur in financial business. Since its launch as the Shinsei Bank, Limited in 2000, the Group has engaged in businesses other than banking, including unsecured loans for individual customers, shopping credit/credit cards, leases, securities and trust banking. Based on actual demand arising from changes in society, we will provide products and services that are unique to the Shinsei Bank Group, which is neither a megabank nor a regional financial institution.

■ Creating Value over the Long-Term

The Shinsei Bank Group is redesigning the existing financial functions in response to social megatrends and environmental changes, and, regardless of whether they are financial or nonfinancial, conducting partnership-type business activities that combine strengths of each partner. Through these activities, we will make an impact on our ever-changing social issues through our entry points (materiality) and aim to create the Group's sustainable corporate value.

■ Supporting the Creation of Sustainable Value

The Shinsei Bank Group's capabilities (strengths as an organization) are essential to its realization of long-term value creation. We consider our environmental, social and governance (ESG) foundation—an important management infrastructure that underpins our strategies and business—as involving approaches to environmental problems through our businesses and relationships with society (environmental, social aspects); the Group's human resources, who are the driving forces behind the value creation process (social); and a decision-making mechanism that contributes to sustainable improvement in corporate value (governance). Making maximum use of this distinctive ESG foundation, we will create value unique to the Shinsei Bank Group.

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The Approach of the Shinsei Bank Group

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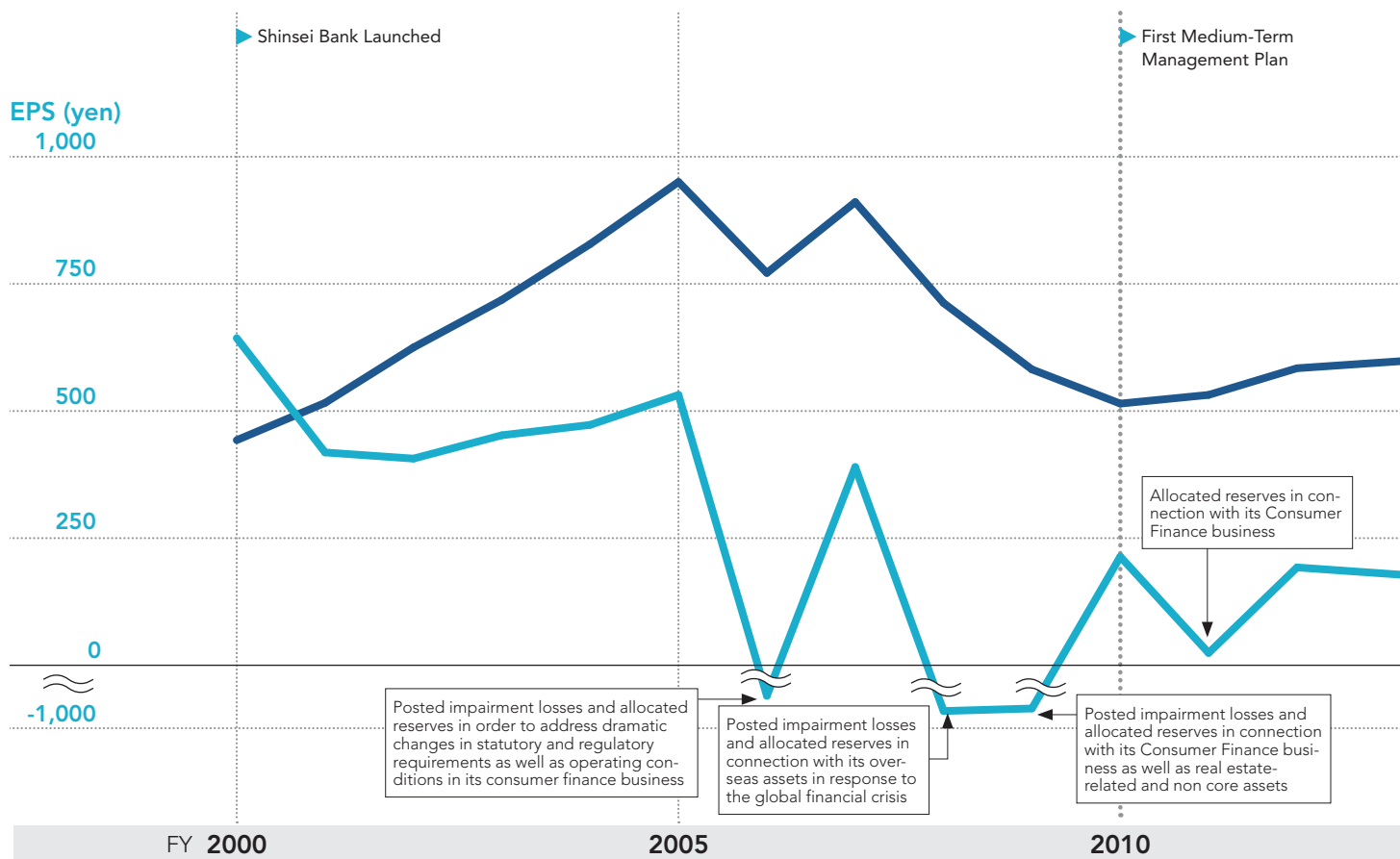
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The Approach of the Shinsei Bank Group

Evolution of the Shinsei Bank Group



▶ The Shinsei Bank Group ▶ External Environment ▶ Transition of Stock

1998

- ▶ Preferred stock capital injection

2000

- ▶ Shinsei Bank launched
Name changed from The Long-Term Credit Bank of Japan, Limited (LTCB), to Shinsei Bank, Limited
- ▶ Collapse of the IT bubble economy
- ▶ Preferred stock capital injection and a partial reduction of preferred stock capital without compensation

2001

- ▶ Shinsei Securities Co., Ltd. commenced operations

2003

- ▶ Shinsei Investment Management Co., Ltd. commenced operations
- ▶ Reduction of capital through the merger of two shares of common stock into one share

2004

- ▶ APLUS Co., Ltd. (now APLUS FINANCIAL Co., Ltd.) converted into a consolidated subsidiary
- ▶ Listed the Bank's common stock on the First Section of the Tokyo Stock Exchange
Converted the Bank's long-term credit bank charter to an ordinary bank charter

2005

- ▶ Launched 32 colors of new cash cards for retail Power-Flex account customers
- ▶ Showa Leasing Co., Ltd. converted into a consolidated subsidiary
- ▶ End of the government guarantee on full savings deposits

2006

- ▶ Partial repayment of public funds
- ▶ Cancellation of treasury shares

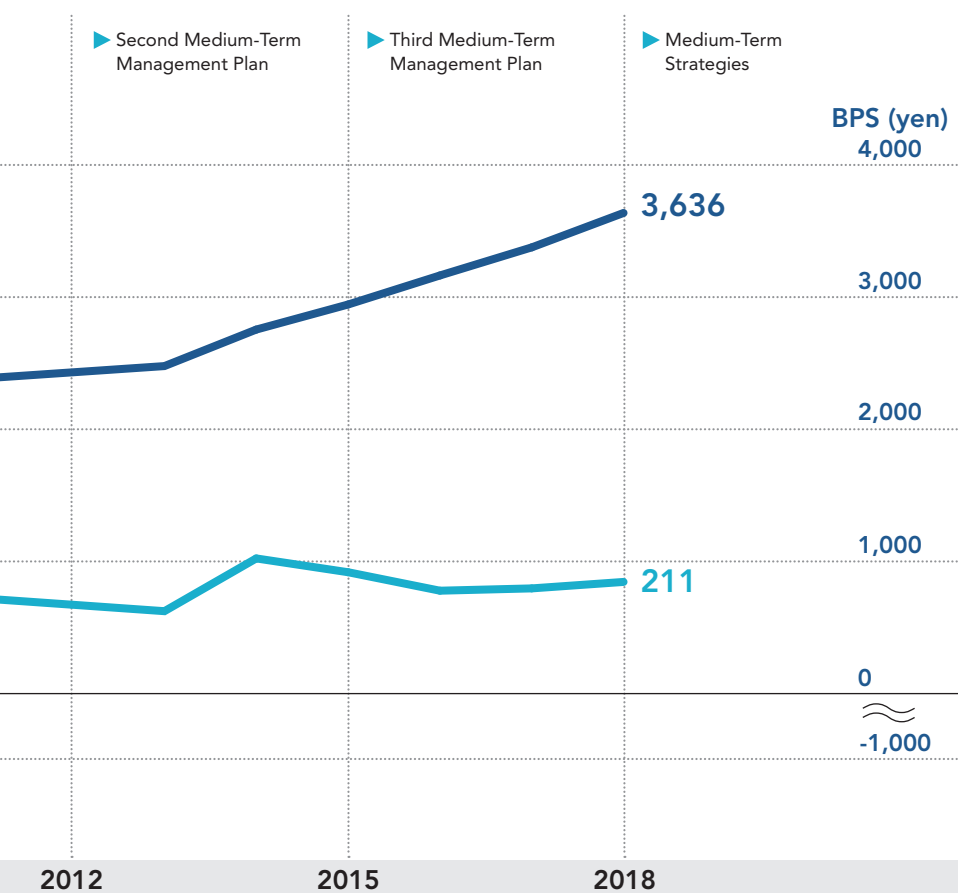
2007

- ▶ SHINKI Co., Ltd. (now Shinsei Personal Loan Co., Ltd.) converted into a consolidated subsidiary
- ▶ Conversion of preferred stock into common stock

2008

- ▶ Bankruptcy of Lehman Brothers
- ▶ Issuance of new shares by third-party allotment
- ▶ Conversion of preferred stock into common stock
- ▶ GE Consumer Finance Co., Ltd. (now Shinsei Financial Co., Ltd.) converted into a consolidated subsidiary

Since its launch as the Shinsei Bank, Limited in 2000, the Group has continued to expand its customer base and stabilize income while acquiring new financial functions through acquisitions including APLUS FINANCIAL Co., Ltd., Showa Leasing Co., Ltd. and Shinsei Financial Co., Ltd.



Note: Shinsei Bank executed a 1-for-10 reverse stock split on October 1, 2017. Per share data is calculated on the assumption that the said reverse stock split was executed prior to fiscal 2017.

2010

- ▶ European debt crisis

2011

- ▶ Issuance of new shares through international offering

2016

- ▶ Showa Leasing Co., Ltd. converted into a wholly owned consolidated subsidiary
- ▶ Shinsei Financial Co., Ltd. entered the unsecured personal loan business in Vietnam
- ▶ Introduction of negative interest rate policy
- ▶ Acquisition of treasury shares

2017

- ▶ Established the "Shinsei Bank Group Headquarters"
- ▶ Acquisition of treasury shares
- ▶ Merger of 10 shares of common stock into one share

2018

- ▶ Shinsei Financial Co., Ltd. launched a new "Lake ALSA" brand, an unsecured loan product
- ▶ Acquisition and cancellation of treasury stock

Fiscal 2018 Business Topics

2018

April

Institutional Business **ESG**

Child-care Support Fund executes investment in Compass Inc., a company that has developed and offers an artificial intelligence-driven tablet learning system.

October

Individual Business

Revision made to Shinsei Step Up Program with regard to Shinsei PowerFlex account customers.

Individual Business

Announced to offer "Shinsei Bank Smart Money Lending" for NTT Docomo line subscribers.

Individual Business **Institutional Business**

Alliance established with Global Trust Networks, Co. to establish fund to aid international students.

November

Institutional Business **ESG**

Shinsei Corporate Investment Limited invests in TBM Co. Ltd., a company that develops, produces and sells LIMEX, a material made mainly from limestone.

December

Shinsei Bank Group **ESG**

Financial literacy education program "MoneyConnection" achieves cumulative deployment to 1,000 schools.

2019

February

Institutional Business

Business alliance with geechs inc. aimed at the joint development and provision of financial and nonfinancial products and services geared toward IT freelancers.

March

Shinsei Bank Group **ESG**

The Nomination and Compensation Committee established as an elective advisory body composed entirely of outside directors.

Individual Business

Shinsei Bank ranked No. 1 in "Internet Banking" category of Oricon's customer satisfaction survey for third consecutive year.

April

Individual Business **Institutional Business**

Initiative commenced for the coordinated management of Group businesses by customer segment.

Individual Business

Acquisition of shares in Financial Japan, Co., Ltd. (insurance agent)

Institutional Business

Showa Leasing Co., Ltd. announced to acquire shares of Shinko Lease Co., Ltd.

May

Shinsei Bank Group

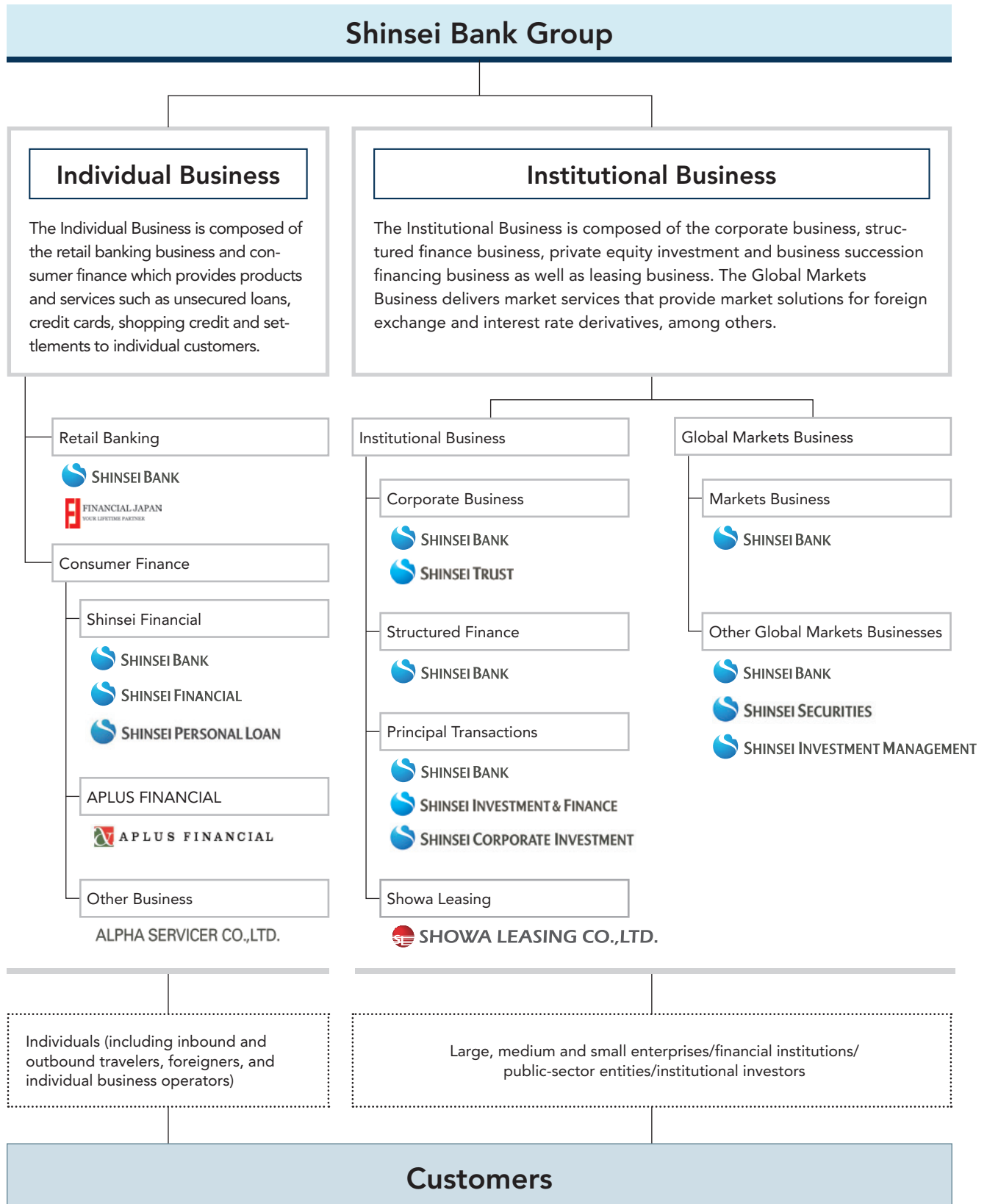
Formulation of "Redesigning Finance" Medium-Term Strategies (fiscal 2019 to 2021)

Individual Business **Institutional Business**

Conclusion of a basic agreement with regard to a business partnership with Suruga Bank Ltd.

Group Business Profile

The Shinsei Bank Group continues to proactively identify underserved customer needs, which are not met by conventional financial products and services. At the same time, we provide solutions to these needs as a financial enterprise group. Targeting both individual and corporate customers, we harness the functions within the Group to deliver unique financial products and services.



Major Businesses

Contribution

Individual Business

■ Total Revenue

■ Ordinary Business Profit after Net Credit Costs

Individual Business

- Retail Banking

Yen/foreign currency deposits, structured deposits, investment trusts, brokerage service (through a partner institution), life and nonlife insurance (through partner institutions), housing loans, provision of financial transactions and services for individuals

- Shinsei Financial

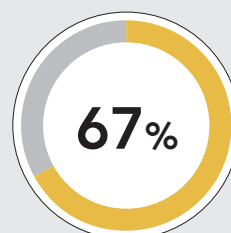
Unsecured loans (Lake, NOLOAN) and credit guarantees

- APLUS FINANCIAL

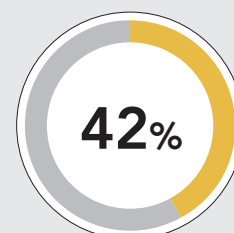
Shopping credit and settlements, credit cards, credit guarantees, loans and collection services

- Other Individual Business

Consumer Finance Division functions and profits and losses of other subsidiaries



155.7 Billion yen



23.3 Billion yen

Institutional Business

Institutional Business

- Corporate Business

Provision of financial products, services and advisory services for corporations, public-sector entities and financial institutions, healthcare finance business, trust banking business

- Structured Finance

Real estate related nonrecourse finance and corporate finance, project finance, specialty finance including M&A-related finance

- Principal Transactions

Credit trading, private equity, business succession finance, corporate restructuring, asset-backed investment, etc.

- Showa Leasing

Financial products and services focused around lease finance

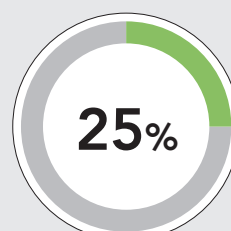
Global Markets Business

- Markets Business

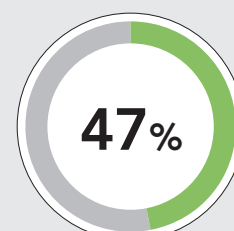
Foreign exchange, derivatives, equity-related and other capital markets business

- Other Global Markets Businesses

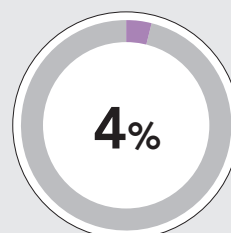
Securities business, asset management business, wealth management business



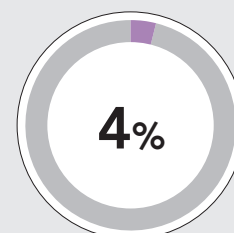
58.0 Billion yen



26.4 Billion yen



9.4 Billion yen

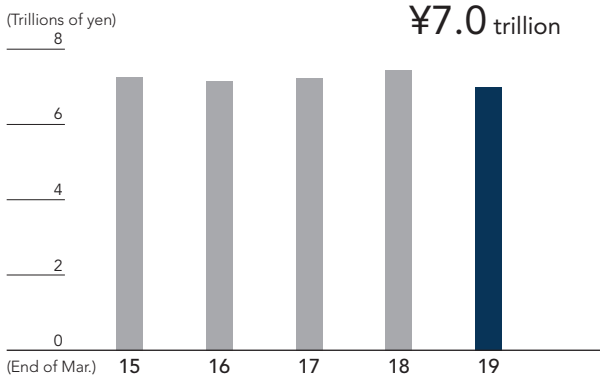


2.3 Billion yen

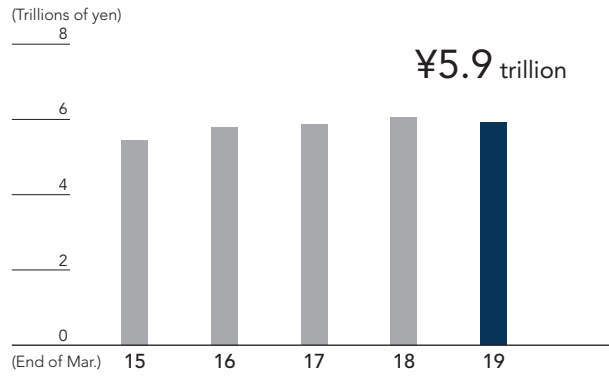
The percentage figures do not add up to 100% due to the contribution of Corporate/Other.

Financial Highlights

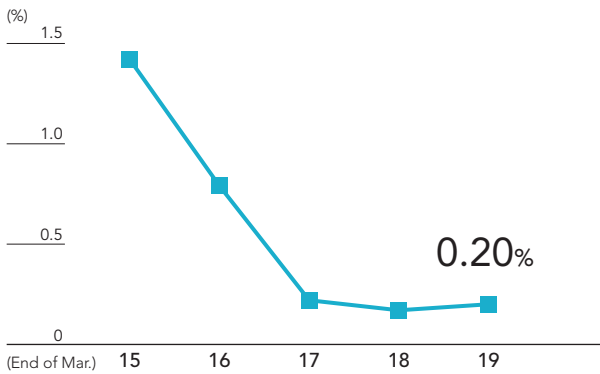
Operating Assets



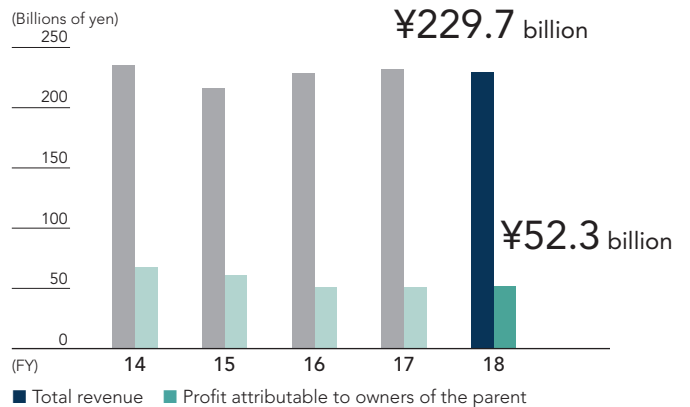
Deposits



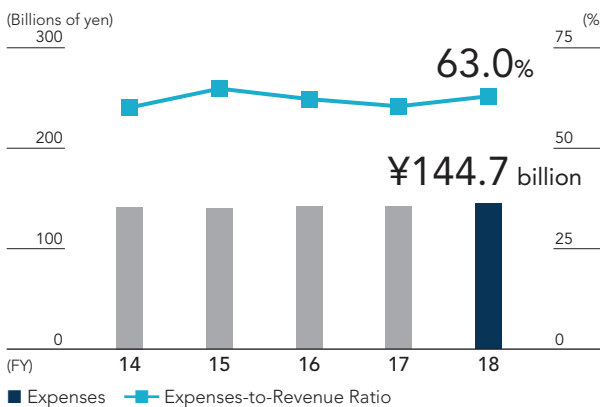
Ratio of Nonperforming Claims Classified under the Financial Revitalization Law to Total Claims (Nonconsolidated)



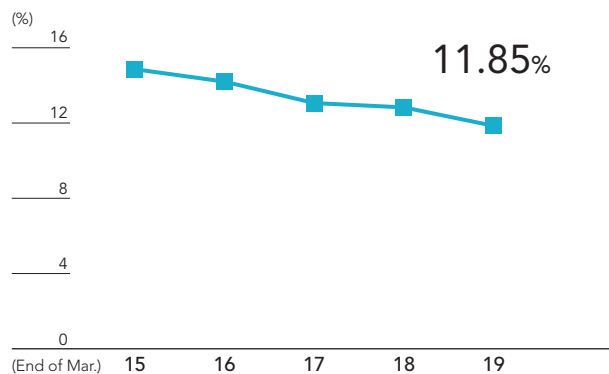
Total Revenue/Profit Attributable to Owners of the Parent



Expenses/Expenses-to-Revenue Ratio (Management Accounting Basis)



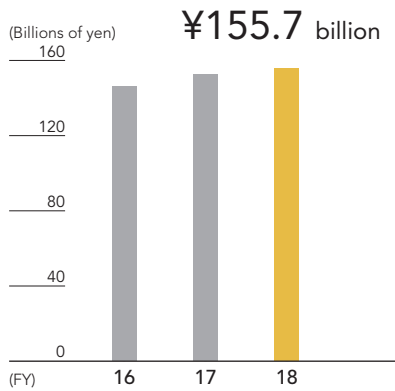
Capital Ratio (Basel III, Domestic Standard)



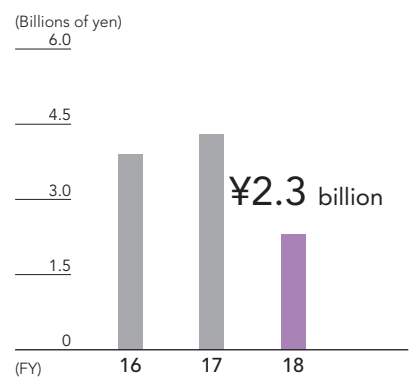
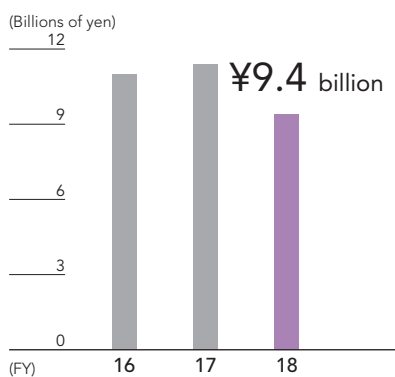
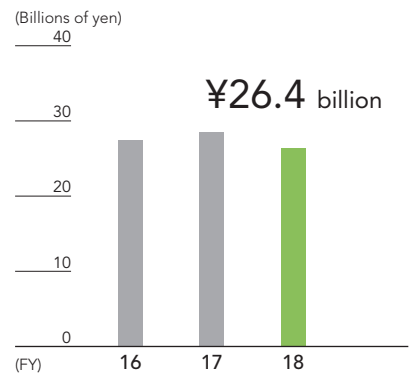
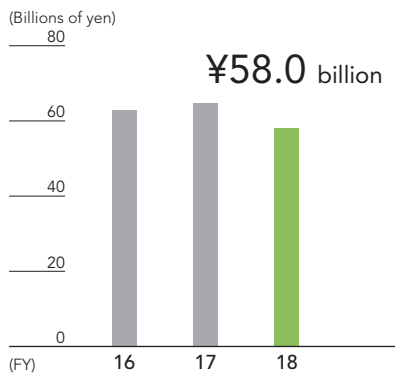
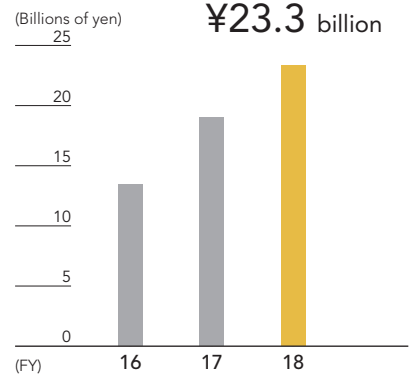
●●● Segment Highlights



■ Total Revenue



■ Ordinary Business Profit after Net Credit Costs



●●● Distinctive Business Activities

While engaging in a wide range of distinctive business activities, the Shinsei Bank Group promotes unsecured personal loans that offer considerable strengths through a customer base built on the Lake brand as well as robust marketing, credit and collection functions, and corporate structured finance that boasts substantial competitive advantage through expertise based on a wealth of experience and relationships with institutional investors.

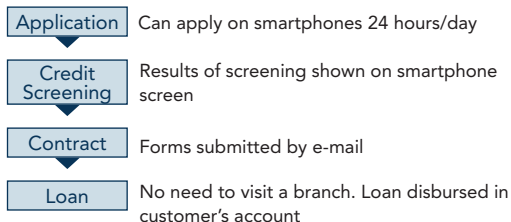
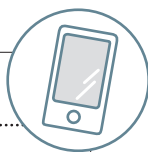
Unsecured Loan Business

Lake ALSA Strengths and Strategies

- Development of customer base and customer data by major consumer finance Lake brand
- Use of conventional scoring models derived from nonbank credit-risk control methods, plus use of AI to enhance credit assessment/collection
- Optimization of operation costs using digital technology
- Fixed-term, no-interest loans for new customers
 1. Customers with a contract amount under ¥2 million, no interest for 180 days for loans up to ¥50,000, or
 2. 30-day no-interest loan
- Customers' smartphones can act as a substitute for a branch, enabling them to receive services in real time 24-hours a day. Smartphones can also be used to make repayments, increase credit limits and receive other services without being restricted to time or place.
- Loan disbursement and loan repayments are also possible using a card issued especially for this purpose. Beginning in May 2018, customers can make "cardless" transactions at Seven Bank ATMs.



70% of Lake's customers apply on smartphones

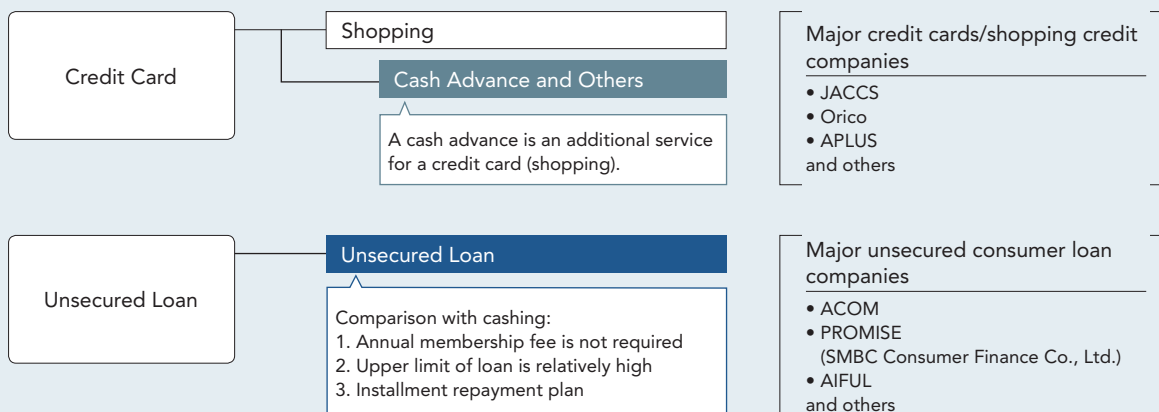


■ Number of New Unsecured Loan Customers and Approval Rate

	FY2016	FY2017	FY2018
Number of New Customers (Thousands)	155	162	113
Approval Rate (%)	34	36	30

The Difference between an Unsecured Loan Service and Cash Advances

Unsecured loans are loans to individual consumers providing finance that is appropriate to the needs and timing of customers. The loans are available, even to customers who do not possess a credit card, through the use of smartphones and a dedicated card that can access ATMs at convenience stores and unstaffed branches.



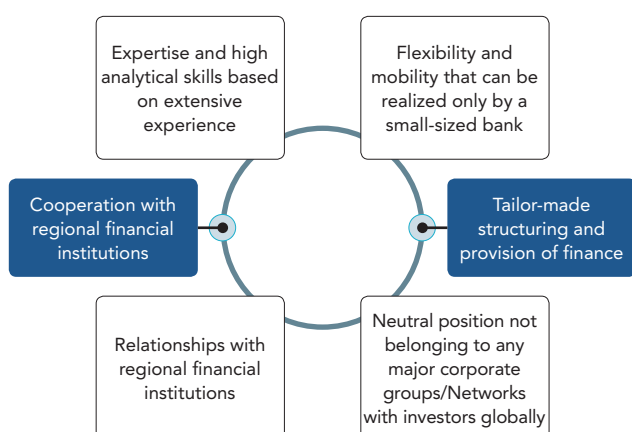
Structured Finance Business

Shinsei Bank Group's Strengths

As neither a megabank nor a regional financial institution, the Shinsei Bank maintains a unique position with the following strengths.

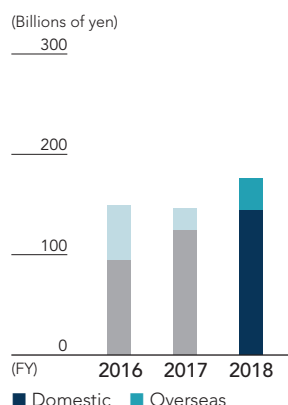
- We are better able to tackle projects with a focus on flexibility and speed than megabanks.
- We have more expertise and greater analytical skill given our extensive experience than regional financial institutions.
- We are able to do business from an independent standpoint with a broad range of customers because we do not belong to a specific capital group.

Create added values from our unique positioning that is different from both megabanks and regional financial institutions



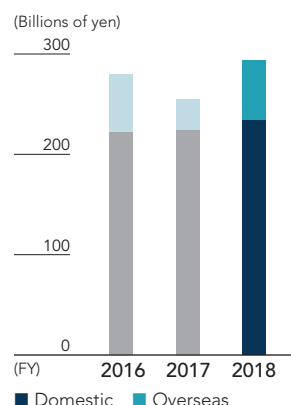
■ New Commitments

Project Finance



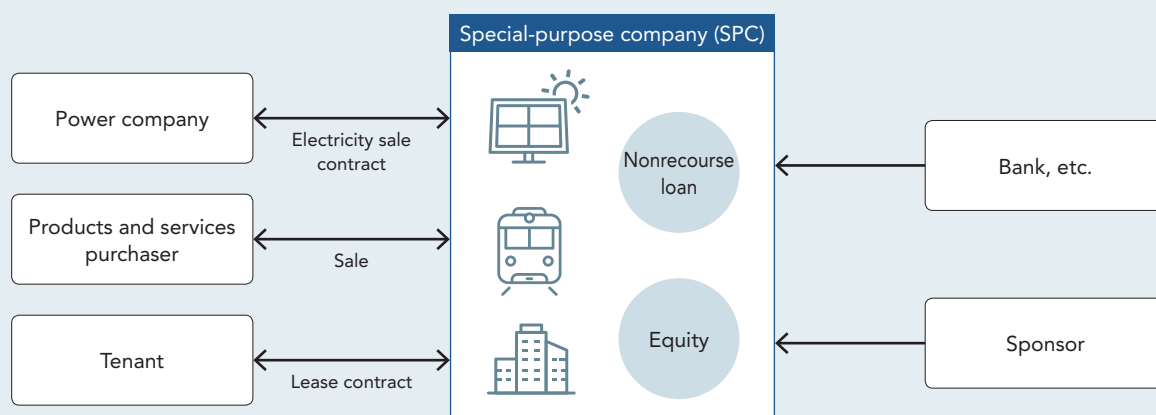
■ New Disbursements

Real Estate Nonrecourse Finance



Product Structure

The Structured Finance Business primarily delivers project finance for renewable energy power generation facilities and infrastructure facilities, and provides real estate finance for commercial real estate.



Creating Value over the Long Term

Corporate Value Creation Mechanism

Society in 2030

The Shinsei Bank Group's Value Creation Process

Input

Core Strategy

Enhance/Leverage Our Capabilities

People

Organization

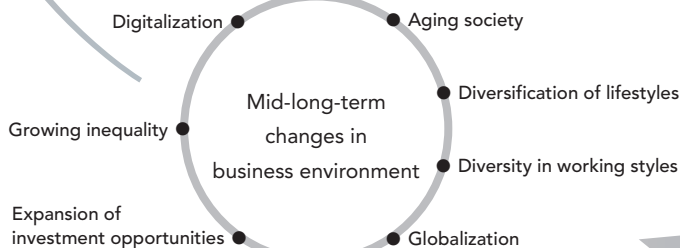
Operations

Capital

Social Impact

Our environment is changing

- Customers are becoming more sophisticated
- Digitalization has accelerated collaboration between service providers



Foundation for meeting our goals/responsibilities



Expertise and Execution

Seamlessly integrating the Group's management resources that cross over a wide range of corporate entities and industries, Shinsei Bank is looking to directly help realize a society that can enjoy the benefits of financial and nonfinancial products and services that meet the underserved needs of individual customers and companies through a process of co-creation with external partners.

Created Value

Outcome

- ▶ Access to finance
- ▶ Fund flows that fit society's needs
- ▶ Solutions through integration with external services



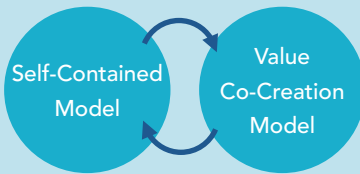
Output

- Financial Capital**
 - Sustainable revenue
 - Improvement of ROE
- Intellectual Capital**
 - Provision of solutions
 - Provision of financial functions
- Human Capital**
 - Development of diverse and competitive human resources
- Organizational Capital**
 - Construction of an organizational structure that allows diverse and competitive human resources to excel
- Society-Related Capital**
 - Construction and planning of an ecosystem
 - Integration with external services
 - Deeper understanding of our customers

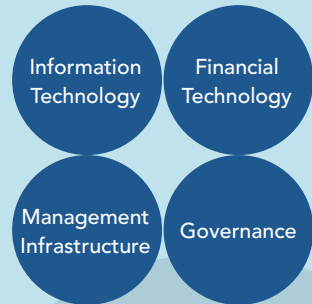
Business Model

Core Strategy

Grow through Value Co-Creation



Strengths



Priority Management Issues (Materiality)

Address social and environmental issues

- Access to finance
- Fund flows that fit society's needs
- Solutions through integration with external services



Fulfill our social responsibilities

- Social infrastructure services
- Customer-oriented services



Capital

Governance

People

Organization

Operations

“Redesigning Finance” to Address Society’s Underserved Needs

~In order to be a Financial Group that Stays a Step Ahead~

Seamlessly integrating the Group’s management resources that cross over a wide range of corporate entities and industries, Shinsei Bank Group is looking to directly help realize a society that can enjoy the benefits of financial and nonfinancial products and services that meet the underserved needs of individual customers and companies through a process of co-creation with external partners. Based on our unique perspective and position as a niche player, we recognize the significance of resolving social issues that major comprehensive service financial groups find difficult to address. With the spirit of an entrepreneur, we will work diligently to capitalize on this great opportunity.

Imagining the Future of Society as the Basis for Formulating Medium-Term Strategies

In addition to recognizing the impact of changes in the medium- to long-term environment, the decision to identify certain medium-term strategies as opposed to a medium-term management plan reflects the Group’s efforts to employ a backcasting method to picture a growth narrative that allows it to fully utilize its existential value during a period of financial business reform that arguably occurs if not once in a century at least once in several decades.

■ Working to Ensure that Today Leads to a Brighter Tomorrow

The nature of society is undergoing change from one moment to the next. This change has in turn contributed to widespread dynamic business reform. Taking into consideration a volatile environment, we began to question whether our focus on achieving certain numerical targets set out in detailed three-year financial plans was negatively impacting the Group’s management flexibility and the ability to respond to change. At the same time, we grew concerned that the weight being placed on medium-term management plans was generating a host of unwanted consequences. This includes the wasteful

application of such precious management resources as human resources, products, and capital. It also creates a gap between the genuine needs of customers that inevitably arise and our business activities, incidence of risks that lower our value as a corporate entity, and obstacles to our ability to leverage latent potential that adversely affects employee motivation.

This period of reform, which is creating a future that has little or no correlation to conditions as they are today, is also underpinning a growing shareholder awareness toward the importance of nonfinancial information. In other words, financial data, as a commentary on past and immediate short-term future performance,



Hideyuki Kudo

President and Chief
Executive Officer

has lost its appeal as an indicator of a company's outlook over the medium to long term. More to the point, companies must now take the initiative to determine their purpose and goals in their own right. It is vitally important to identify those matters that are critical to management and to paint a "big picture" narrative with which shareholders can easily relate.

Rather than covering a current and immediate short-term timeframe, we therefore began with a vision of society in 2030 when formulating our medium-term strategies. By casting an eye 10 years into the future, we were better placed to grasp global trends from a broad perspective and adopt a process that incorporates a comprehensive assessment of the environment in which we operate. What then is the Shinsei Bank Group's vision of society in 2030?

■ Society in 2030

There is no doubting the decline in Japan's working population and the continued aging of its society in real

terms despite the comfort provided by such cushioning factors as longer healthy lifespans, active participation of women in society, and the increase in foreign workers. Meanwhile, few people object to the increase in productivity due to technological innovations throughout society as a result of the automation and digitization of activities that were previously performed on a manual basis. Due largely to the aforementioned, individuals can now gain access to vast and diverse amounts of information. From this, individuals can extract value from data that they can relate to and consider important. This suggests a shift away from conventional values and the creation of a society that is rich in diversity. With this in mind, the number of people who obtain personalized services in tune with expectations while skillfully managing data will likely increase. By the same token, we can expect social issues to emerge and steadily deepen. These issues include a widening gap between those with and without access to information, individuals who are unable to properly manage data, changes that reflect a

CEO Message

mismatch between existing systems and mechanisms, the ability or lack thereof to keep up with the pace of change as a result of the digital divide, and a growing sense of inequality.

More than ever, considerable focus should be directed toward “sustainability” in every sense of the word. Based on the correlation between its many facets, a wide range of global issues including climate change, ecosystem sustainability, and the development of social systems that address such problems as human rights, inequality, and poverty remain unresolved. Achieving the sustainable development goals (SDGs) adopted by the United Nations is no easy task. Many innovative ideas will be required in the leadup to 2030. Needless to say, the Group’s own development is critical if we are to continue participating in efforts aimed at promoting sustainability and the achievement of SDGs.

Historically, financial institutions have been content to provide customers with one-size-fits-all type products

and services. As far as businesses that fully exploit the benefits of scale are concerned, this was considered economically rational. Meanwhile, this historical trend has led to an abundance of needs that are yet to be uncovered and a host of unresolved issues. When describing the Group’s market and position at the start of this message, I did not use the word “niche” in its small or narrow sense. As a niche player, we are focusing on areas that others are yet to explore and operate. Rather than attempt to address every issue, the Group will look to resolve issues that it is best suited to tackle and will focus on needs that the majority of financial institutions have continued to neglect due to the high degree of difficulty. This incidence of demand that has been overlooked by the market offers an enormous opportunity. Recognizing advances in digitization as a real and positive solution, we will work to provide robust underlying support as a matter of course.

The Role that the Shinsei Bank Group will be Required to Play to Realize Society in 2030

Using its ability to quickly uncover customer segments with unserved and underserved needs as a tool for providing services ahead of its rivals, in other words “financial innovation,” is the foundation for the Group’s business model.

In today’s modern society, there are people who are not being provided with all possible financial and nonfinancial products and services. This has contributed to the rise of an “unserved” market. At the same time, there are those who remain unsatisfied with traditional financial and nonfinancial services. These individuals make up the “underserved” market. The reason for the existence of each market stems from the difficulties in providing sought after products and services using existing ideas and technologies.

For example, despite having achieved outstanding academic results in their country of birth, and investing large amounts to study in Japan, foreign students can find difficulties in gaining access to basic financial services such as the opening of bank accounts, fund transfers, settlement, and loans. This considerable inconvenience can be attributed to the lack of any transaction history as evidence of credit standing and absence of a guarantor in Japan. We also recognize underserved customers in corporate sector who have various investment needs such as renewable energy, infrastructure, real assets and others. However, they are

provided limited and segmented products and services in either debt or equity.

Customers with unserved and underserved needs exist in any era. It can be said that innovation will provide the breakthrough necessary to address this fundamental dilemma. The existence of social issues indicates a lack of market success and speaks to the difficulties involved in finding a solution. Having said this, we recognize that the current operating environment can serve as a source for business opportunities looking ahead. With this in mind, we will focus on solving each of the aforementioned social issues by connecting our financial functions and services with the Group’s overall customer base that covers a wide array of different industries. In this manner, we will maximize our existence and value.

As far as society is concerned, the Group will continue to work effectively with external human and other resources. By taking the lead in the creation of businesses that serve customer segments with unserved and underserved needs, the Group will continue to be a financial group that stays a step ahead.

Identifying Priority Management Materiality Issues in order to Remain a Financial Group that Stays a Step Ahead

Increasing the positive impact of its business activities on society while decreasing any negative impact are directly linked to efforts aimed at enhancing the sustained value of the Group. Although work to further enrich society and to increase corporate value follow the same vector over the long term, the question at hand is to identify and prioritize the Group's most socially important business activities and issues that are likely to have the greatest impact on enhancing corporate value. Given the many tasks that need to be addressed and the limited nature of the Group's resources, it is vital that we specify priority management of materiality issues.

■ Items Pivotal to the Shinsei Bank Group's Business Model

Unshackled by conventional concepts, personnel responsible for the next generation engaged in free, open, and detailed discussions. This was an important part of the process undertaken to formulate the Group's medium-term strategies. In specific terms, personnel were separated into a number of business clusters and asked to consider business strategies consistent with the Group's 2030 vision. Based on these cluster deliberations, workshops were then held with the Group's relevant executives. As far as the determination of materiality was concerned, we began with an image of each business value chain provided by cluster members. Discussions were then based on key value chain items that were considered to have an impact on society. Drawing on a consolidation of key comments from cluster members, we identified several key commonalities. The results of this sorting and integration process has contributed to determining the Group's materiality issues.

The Shinsei Bank Group classifies materiality into three broad categories. First, every effort will be made to "address social and environment issues" by leveraging the Group's unique perspective and inherent strengths to create new business opportunities thereby fulfilling its role as a first mover. In this regard, we have identified the following priority issues: "access to finance," and the need to deliver financial services tailored to the needs of customers who are not satisfied with the existing menu available; "fund flows that fit society's needs," or more specifically the creation of an appropriate flow of funds for society by providing financial solutions that promote the circulation of funds into sustainable social capital including renewable energy and other social infrastructure; and, "solutions through integration with external services," that entail building and participating in eco-systems, all of which essential to effectively realizing our goals. Second, as long as financial institutions are

responsible for the circulation of money in society, it is vital that we guarantee our obligation to "fulfill our social responsibilities." In this instance, we recognize that portion of risk that also accrues in realizing our first materiality category of addressing social and environmental issues. Here, we have identified "social infrastructure services" and "customer-oriented services" as priority issues. Third, we will work to build a "foundation for meeting our goals and responsibilities." This foundation will underpin efforts to address social and environmental issues and fulfill our social responsibilities. The priority issues that we have identified for this third materiality category are "expertise and execution," "governance," "people" (human resources including the empowerment of women, recruitment of the elderly and young generation based on ability, and the cultivation, development and application of talent on a Group-wide basis), "organization" that makes the most of these human resources, highly productive "operations," and "capital."

Developing businesses that are embedded in each of these materiality issues is pivotal to the Group's competitive strategy. This in turn will allow us to both resolve social issues and enhance the Group's sustained corporate value through its ongoing operations and activities.



Our Business Model Designed with a Focus on Priority Management Materiality Issues

The Shinsei Bank Group's business model is an amalgam of two distinct parts: a self-contained portion that draws on accumulated strengths; and a co-creation portion that generates value by integrating competitive individual functions with external services. By providing individual functions and capabilities to others based on an abstract and general breakdown of elements up to competency levels, the potential exists to appeal to value co-creation model customers. Steps can then be taken to further fine tune the self-contained model by feeding back subsequent results. Rather than drawing on its business, product, and service levels, the strength of the Group's business model is therefore attributable to this feedback loop design.

■ Core Strategies of the Bank's Medium-Term Strategies

Under its medium-term strategies, which began from fiscal 2019, the fiscal year ending March 31, 2020, the Group has identified two core strategies. In specific terms, we will "enhance and leverage our capabilities" as the input capital to "grow through value co-creation."

The core strategy to grow through value co-creation is a product of the Group's self-contained model, which draws on accumulated strengths as a source, and the value co-creation model, which entails integration with external services. Under its self-contained model, the Group is looking to provide competitive products and services after internalizing its core elements and processes with the Group on an end-to-end basis. The key focus of this model is to extract and provide only essential individual functions. The value co-creation model is designed to promote integration with external services through partnerships as well as the building of and participation in ecosystems.

Each of these models is interdependent with the other. Alternatively, the Group is unlikely to be selected as a function provider by external partners, which is the basis for the value co-creation model, without the various strengths provided under the self-contained model. Taking this into consideration, it is vital that the Group continues to hone the individual functions that make up the self-contained model. The model itself must be in a state where it can be presented as a kind of showcase. Put another way, it will be difficult to attract any interest in individual functions without the success of products and services as a total package. To summarize, further refinements through integration with external services under the value co-creation model can enhance the self-contained model in return. The implication here is that our competitive edge is generated through a feedback loop.

■ Redefining Strengths Cultivated Over the Period Up to the Third Medium-Term Management Plan

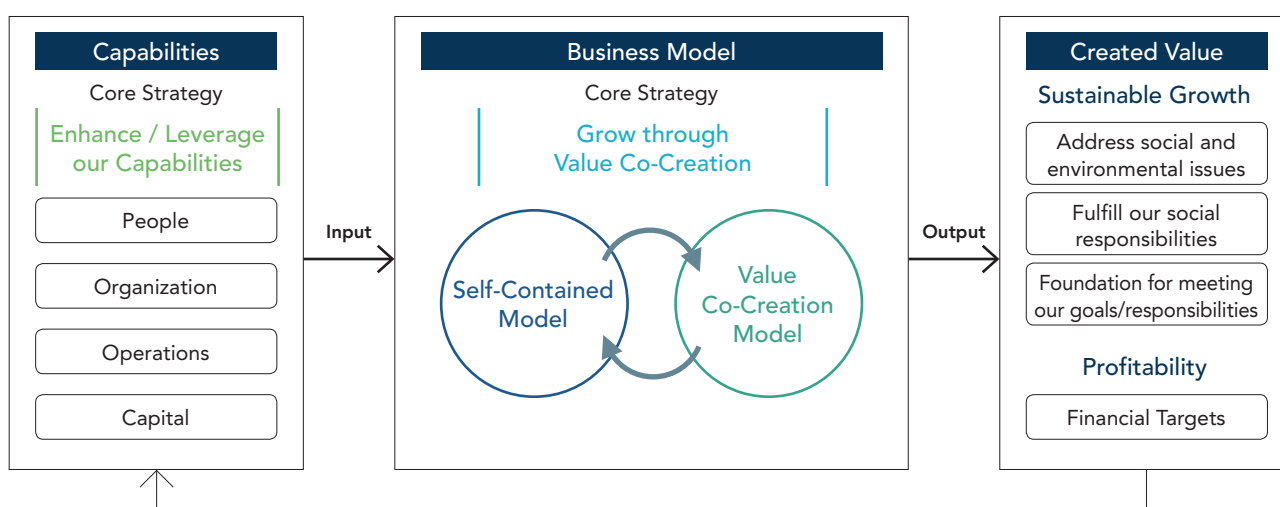
Looking back over the period up to the Third Medium-Term Management Plan, which covered the three years

from fiscal 2016 to fiscal 2018, the Group reinforced proprietary strengths with respect to its self-contained model. As one prime example, we proactively allocated management resources to the Unsecured Loan and Structured Finance businesses, which were positioned as growth areas.

The Group unveiled the "Lake ALSA" brand as a part of efforts to further develop its Unsecured Loan business in April 2018. This initiative reflects the Group's goals of increasing its share of the consumer finance market while capturing customers who historically exhibit a high degree of digital literacy. At that time, measures designed to distinguish Lake ALSA from the previous Bank Lake brand created confusion from a marketing perspective. As a result, efforts in this area began from a lower customer base than initially anticipated. On a positive note, the Group undertook a variety of corrective measures. In addition to ramping up efforts aimed at navigating customers, steps were taken to review television commercials, push forward new campaigns including a 60-day no interest period, refine its credit strategy, as a part of the steady implementation of necessary measures. Based on these endeavors, the number of new customers is exhibiting a gradual recovery. As a pioneer case study under its value co-creation model, the Group announced details of its alliance with NTT Docomo, Inc., in October 2018. In conjunction with this announcement, and as the first partner bank of the "Docomo Lending Platform," the Bank unveiled plans for the launch of "Shinsei Bank Smart Money Lending" for NTT Docomo line subscribers, a new lending service. Again, in October 2018, the Bank disclosed details of its plans to establish a fund for the purpose of supporting international students in collaboration with Global Trust Networks Co., Ltd. With this initiative, the Bank has initiated steps to engage in value co-creation activities by combining the strength of its proprietary functions with external services where outside parties excel.

We have redefined unsecured personal loans, a traditional fixed-type business, focusing mainly on the Lake brand, as "small-scale finance" as a part of our medi-

Overview of Medium-Term Strategies



um-term strategies. By breaking down the elements that serve as a source of strength in an abstract and general manner, we will reinforce efforts to provide small amount and frequent financing as well as settlement services to individuals and small business operators. Within the Group, energies will be channeled toward enhancing strengths in credit assessment and collection by utilizing credit data and AI. At the same time, we will develop a platform that unifies financing, settlement, and other services. In addition, we will promote user interface/user experience (UI/UX) improvements by incorporating application, online, and other services into an application programming interface (API). Working to build and participate in ecosystems that are not confined to the finance industry, we will proactively provide such functions as credit assessments, guarantees, collections, settlements, marketing, and systems in line with the needs of alliance partners, thereby optimizing the credit assessment of the middle risk segment including the elderly, foreigners, freelance, and small business operators while working to further expand the provision of services. Through these and other means, the Group will help address the small loan demand of unserved and underserved customers.

Guided by its Third Medium-Term Management Plan, the Group is also steadily advancing its structured finance activities. Drawing on its track record with sponsors, financial institutions, and operators in Japan and overseas, the Group is focusing especially on the project finance field. Starting with our renewable energy financing endeavors mainly in connection with megasolar, biomass, and wind power projects in Japan, we are stepping up our support in offshore wind power, seawater desalination, and other areas. As a result of these efforts, we have successfully

increased the balance of operating assets while at the same time diversifying sources of power supply. As far as the Group's real estate finance activities are concerned, we have continued to adopt a cautious approach toward market conditions in Japan. This cautious approach takes into account a variety of factors including overheating concerns and Brexit-related turmoil in the U.K. Building on its considerable structuring and risk management capabilities, however, the Shinsei Bank Group is securing a firm footing in the real estate finance market.

Under its medium-term strategies, the Group has redefined such traditional commercial banking business activities as the provision of senior finance to nonrecourse projects. Focusing on such areas as the renewable energy, infrastructure, and real estate assets of institutional investors, we are offering one-stop services to address alternative investment needs where there is considerable room for expansion in Japan. In specific terms, we are providing mezzanine and equity financing in addition to project origination and advisory services as well as senior loans. The Group is strengthening its institutional investor business where efforts have been directed toward broadening the scope of activities to encompass the management of the aforementioned funds and financing. In addition to our historical collaboration with regional financial institutions in loan syndication and other areas, we are providing comprehensive service support to address the management needs of a wide range of institutional investors. In this manner, we are promoting the circulation of funds into such social capital as renewable energy, infrastructure, and real estate.

Turning to the Group's other core strategy of enhancing/leveraging capabilities, a source of input capital, we will promote the optimal use of capital including diverse human

CEO Message

resources with abundant expertise, a unified organizational structure that is capable of realizing the full potential of these human resources, and a high productivity operating structure. With regard to the expertise and diversity of human resources, we cannot overstate the importance of securing and developing specialist personnel, who are well versed in AI, analytics, and big data, and experienced in alternative investments while possessing analytical skills. At the same time, ensuring that women can excel at all levels, hiring young and elderly employees based on their capabilities, cultivating talent with abilities outside the Bank's principal operations are all critical factors in ensuring the Group's sustainable growth. For its part, the Group is committed to promoting flexible employment and diverse work styles in order to achieve these ends. While consistent with the modality of freelancers, one of the ecosystems that the Group is attempting to build, we have made this as a commitment after recognizing the importance of projects that are aligned to each individual's skills and unfettered work style options that remove the constraints of whether or not an individual is a member of a company. We also believe that personalizing work styles is integral to our vision of society in 2030. In this regard, we hope to increase work style options for Group employees going forward. With this in mind, we will avoid building separate silos that create barriers while shying away from an overemphasis on uniformity. If I could use a metaphor, we are not looking to mix a variety of paints only to come up with the color gray. Our view toward the coordination of human resources into an organization mirrors the creation of a piece of impressionist art. If we look closely, each of the independent colors overlap. Taking a step back, the colors blend and mesh in a more vibrant manner to create a complete and overall picture. In order to achieve this goal, it is imperative that we adopt a tolerant approach and remain willing to accept ideas and qualities that differ from our own. It is equally important to keep a mindset that enjoys new challenges and change. This presupposes a culture that is the direct opposite of the traditional image of a bank and its precedents, far removed from the "cookie-cutter" concept where each piece is identical to the other. Taking these factors into consideration, it is vital that employees are directly involved in determining the Group's significance. For this to happen, we must put in place underlying evaluation and compensation systems that generate a genuine sense of accomplishment and contribution. To summarize, enhancing and leveraging capabilities will increasingly become a worthwhile challenge and mission for management in the future.

Guided by the Third Medium-Term Management Plan, we consolidated the head office functions of the Group

and its Group companies under a virtual Group headquarters. Wherever possible, the administrative functions and personnel have been centralized into the Group's Nihonbashi office. In addition to reviewing the operations of each company on a Group basis, steps have been taken to improve internal regulations and the Group's human resource evaluation systems. In an effort to ensure the effective use of space, initiatives were also implemented to reduce unnecessary documentation. Against the backdrop of this unprecedented virtual Group headquarters model, employees are moving steadily forward through trial and error. In conjunction with this consolidation of head office functions, we established the Individual Business Unit and Institutional Business Unit that cross entities covering the Group's companies as a part of our medium-term strategies. After centralizing the business strategy and planning functions of each unit, we will put in place a structure and nurture a mindset that delivers optimal solutions on a Group-wide basis and is removed from individual entity concerns. To achieve this objective, and as we announced in March 2019, each of the institutional businesses, collection, and IT functions that have been dispersed across the Tokyo metropolitan area will be shifted to a central location. The Shinsei Bank and Showa Leasing Co., Ltd. will be brought into the Nihonbashi office. The functions undertaken by Alpha Servicer Co., Ltd. will be consolidated into the Akihabara office where APLUS FINANCIAL Co., Ltd. and Shinsei Financial Co., Ltd. are located. The IT function of Group companies will be brought under the one roof at the Shinkawa office. As far as the Group's retail banking operations are concerned, steps were taken to roll out a portion of the area management system of branches in earnest under the Third Medium-Term Management Plan and to put in place a structure that can dynamically deploy human resources in an optimal manner within each area in line with each customer base and peak period.

■ Issues to be Addressed

While steadfastly achieving several objectives that needed to be addressed, we recognize that some major issues remain pending. These issues include how to properly utilize and return accumulated capital, how to improve the Bank's capital efficiency (ROE), and how to ensure that our business model is adequately assessed by capital markets. At first glance, capital market expectations toward increasing ROE and the Bank's share price seem contradictory to the need to accumulate repayment capital as a public fund injected bank. However, when taking into consideration the conversion of public funds into common stock, to repay the injection of public funds, it is important

to accumulate the necessary capital and ensure that capital markets evaluate our business model which is designed to increase ROE and the Bank's share price while generating future cash flows. Accordingly, capital market expectations and the repayment of public funds follow the same vector from a long-term perspective.

Based on the aforementioned, we will work to increase ROE and the Bank's share price, secure a high evaluation of our business model, and raise our rating in the eyes of capital markets by effectively utilizing capital that incorporates an inorganic growth strategy while at the same time accumulating capital and improving the total payout ratio.

Message to Our Stakeholders

Against the backdrop of a changing finance business environment, and despite talk of a decline in the prestige of existing financial institutions, the importance of financial functions is expected to remain unchanged in the future given that the real economy and finance sector are inextricably linked. As the definitions and boundaries of financial functions fluctuate, however, I believe there is a need for us to take the initiative in reassessing our role and responsibilities and to once again redesign the way in which we provide added value based on an awareness toward our position with these significant trends. This is the essence of our "redesigning finance" medium-term strategies. The key to our sustainable growth as a company lies in how quickly we can undergo a self-reformation and the degree to which we can positively impact society while utilizing external partnerships.

Firmly facing this challenge, the Group wants to ensure it is an entity that is capable of meeting the expectations of stakeholders. Each and every member of the Group is committed to redoubling efforts while pursuing the co-creation of value in concert with the many partners who help build the Group's value chain. As we work toward achieving our goals, we seek your continued support and understanding.

July 2019



Hideyuki Kudo
President and Chief Executive Officer



Medium-Term Strategies (FY2019 - FY2021)

Medium- to Long-Term Vision

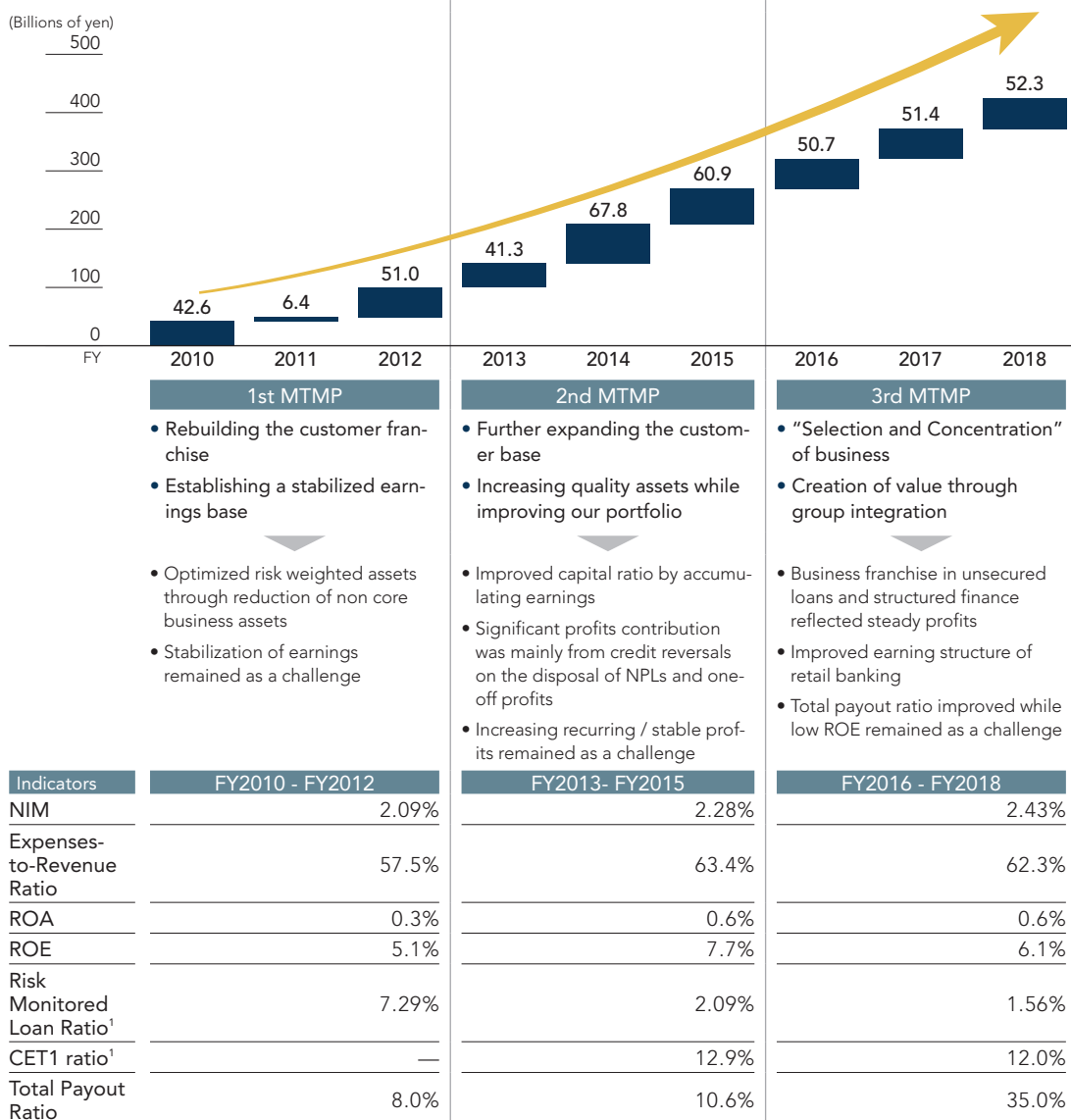
- 1** To be a financial innovator that provides game game-changing financial services that is made possible through the integration of its Group companies.
- 2** To be a financial group that achieves outstanding productivity and efficiency by realizing lean operations through ongoing improvements and reforms.
- 3** To be a financial group which, in addition to rewarding its stakeholders, is unified by the core-values derived from the confidence , sense of fulfillment and the pride created through the achievement of the above.

As strategies that embody the “Redesigning Finance,” namely, necessary “discontinuous initiatives,” the Bank’s Medium-Term Strategies serve to achieve the “Medium-to Long-Term Vision” of the Shinsei Bank Group.



Results Summary of Medium-Term Management Plans (FY2010 - FY2018)

► Accumulated earnings over ¥420 billion while reduced volatility and posted steady profits



► Items achieved under the Third Medium-Term Management Plan

Selection and Concentration of Businesses

- Allocated resources to growth areas
- Achieved stable growth and strong revenue streams in growth areas

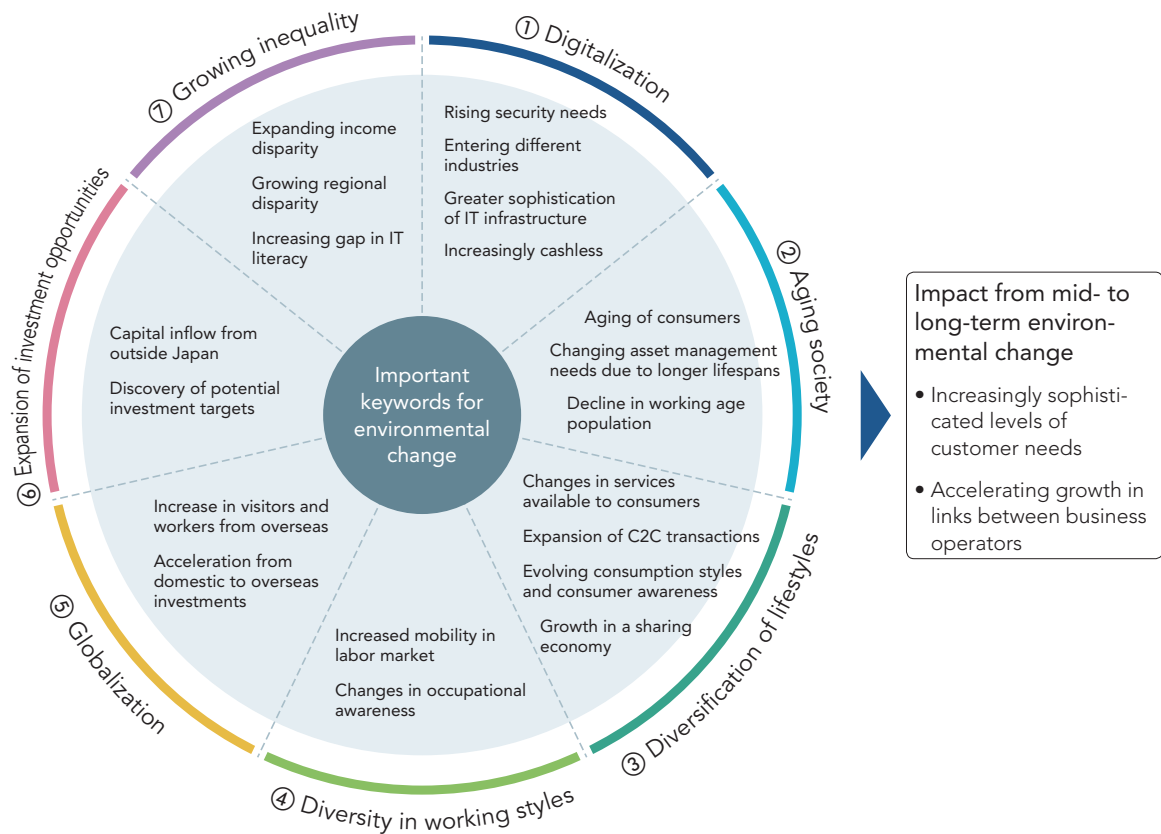
Value Creation through Group Integration

- Established our virtual Group Headquarters
- 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

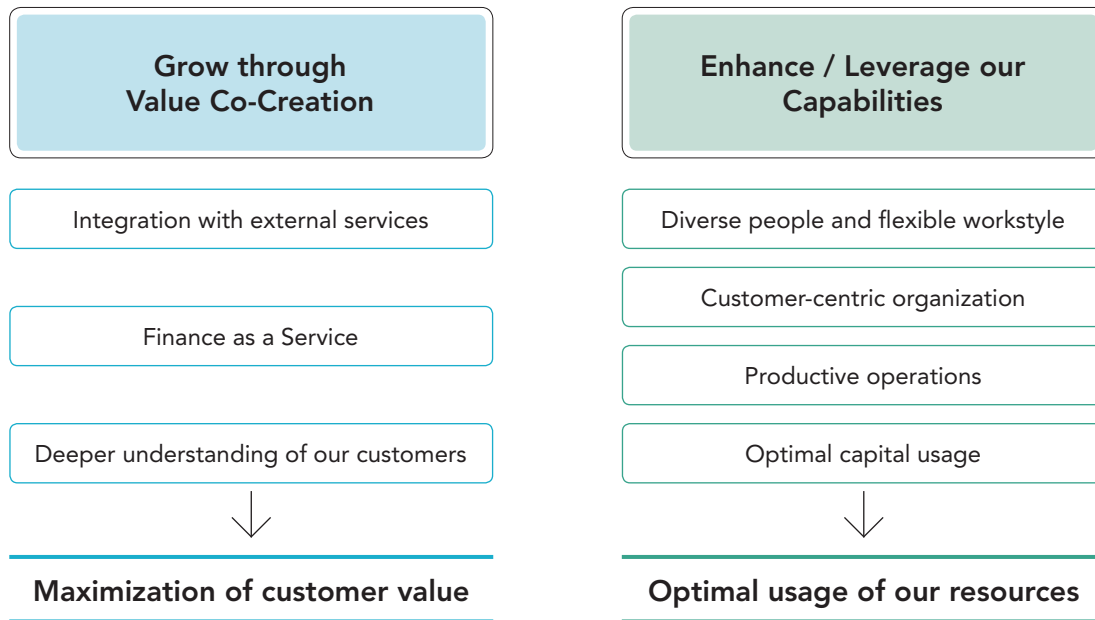
Mid- to Long-Term Environmental Changes Facing the World



Strengths (Expertise and Execution)

<p>Information Technology</p> <ul style="list-style-type: none"> ■ AI / Analytics Speed up and automate financial operations ■ Finance / Nonfinance Big Data Harness financial data from within the Group and nonfinancial data from outside the Group 	<p>Financial Technology</p> <ul style="list-style-type: none"> ■ 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
<p>Management Infrastructure</p> <ul style="list-style-type: none"> ■ Group-wide Integrated Management Integrating bank and nonbank operations ■ Speed and Flexibility Scale and execution framework which ensures speedy decision-making 	<p>Governance</p> <ul style="list-style-type: none"> ■ Effective Board of Directors ■ Group Governance ■ Risk Governance

Core Strategies



Financial Targets

Growth EPS Growth Rate	Growth Profit Share of Focus Areas	
Annual average 2% or more excluding the effect of purchasing treasury shares	Small-scale finance FY2018: 45% ▶ FY2021: 50%	Institutional investors FY2018: 10% ▶ FY2021: 15%
Profitability ROE	Efficiency OHR	Soundness CET1 Ratio
FY2018: 6.0% ▶ In the medium term: 8.0%	FY2018: 63.0% ▶ FY2021: less than 60%	FY2018: 12.0% ▶ In the medium term: 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.

Materiality (Key Issues toward Sustainable Growth)

The key, or material, elements that make a significant impact on “corporate value,” namely, the overall economic value and social value of a company, we believe should be at the essence of corporate value creation. Moreover, in consideration of this materiality, the business model of the Shinsei Bank Group and the value (outcome) it generates, are inextricably tied to materiality.

Specific process of materiality

Understanding materiality	SDG Compass (corporate behavior guidelines for SDGs), Guidance for Collaborative Value Creation (METI), SASB (Sustainability Accounting Standards Board), GRI (Global Reporting Initiative) and other guidelines are referenced to gain an understanding what materiality is and how to specify materiality.
Extracting elements of materiality from strategy	On the basis of a number of business clusters, hold workshops with employees who will be the next generation involved with business strategy formulation for the Bank's Medium-Term Strategies. In each cluster, first of all start from the visualization of the value chain, and together with the impact on society at each point in the value chain, discuss to flesh-out what are the important functions of the Shinsei Bank Group. Then, from within the aggregated points that emerged from each respective cluster, extract and organize the original structure of materiality.
Discussion and specification at the management level	Materiality is included as one of the agenda items undertaken when discussing the Medium-Term Strategies with management. Indeed, our core competence that has the largest impact on raising corporate value, as well as being important to society in the course of our business activities, is specified as such materiality that is unique to the Shinsei Bank Group. Medium-Term Strategies materials cover materiality, as well as the SDGs that are bound together with materiality.
Dialogue with stakeholders	In the course of engagement (constructive dialogue) with investors, shareholders and other stakeholders, discussions on the materiality interwoven through the Medium-Term Strategies work to instill and refine materiality.

Specified 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

Support these SDGs:






• Expertise and Execution • Governance • People • Organization • Operations • Capital

Links between materiality and SDGs

Based on the United Nations Sustainable Development Summit held in 2015, over 150 participating Member State leaders adopted 17 Sustainable Development Goals (SDGs) as targets that would change the world. Sustainable development is defined as development that is sufficient to meet the needs of the current generation, while not diminishing the ability of future generations to sufficiently meet their needs. In the pursuit of overcoming the disparities of generations and regions, and the building of a society in which no one is left behind, more than just in developing countries, it is advanced nations that are particular targets for change. Linking the principles of these SDGs with the materiality of the Shinsei Bank Group, we believe, will work to convey to our stakeholders the impact that the outcomes generated by the Shinsei Bank Group have on society.

One theme of the Medium-Term Strategies is innovation. In carrying out our roles and responsibilities to society toward addressing social and environmental issues, namely, the materiality of the Shinsei Bank Group, the common foundation upon which we implement those roles and responsibilities is innovation (SDG 9: Industry, Innovation and Infrastructure). By promoting greater innovation, it becomes possible to achieve sustainable economic growth and decent, humane working conditions (SDG 8: Decent Work and Economic Growth). We

will make contributions to sustainable economic growth through investments and loans for social infrastructure that make clean energy prevalent (SDG 7: Affordable and Clean Energy). In addition, decent, humane employment is linked to an organization's recognition of equality and diversity, including with regard to gender, nationality, age, and place of origin (SDG 5: Gender Equality).

Achieving acceptance and coexistence in a diverse society means securing a legal system, compliance, and security through the realization of a peaceful and fair world in which no one is left behind, including customers and employees, and the range of other stakeholders (SDG 16: Peace, Justice and Strong Institutions).



Business Strategies & Focus Areas

<p>Business Strategy Individual Business</p> <p>Focus Area Small-Scale Finance</p> <p>Enhance service offerings through building / participating in ecosystems, using digital technology and data analysis</p>	<p>Business Strategy Institutional Business</p> <p>Focus Area Institutional Investors</p> <p>Provide one-stop services for alternative investments</p>
<p>Organization Infrastructure</p>	
<p>Focus Area Group Organization</p> <p>Integrate business functions across the Group</p>	<p>Focus Area Productivity Reforms</p> <p>Cost structure reform including usage of digital technology and channel optimization</p>

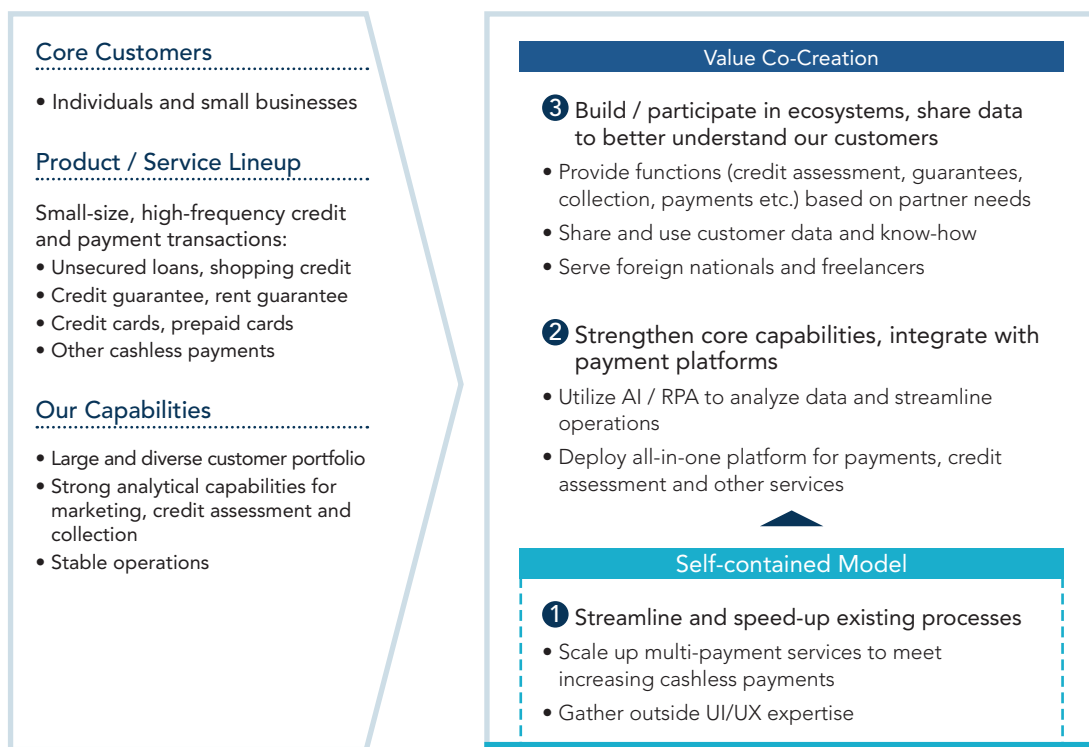
Focus Area **1** Small-Scale Finance

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

SWOT analysis

<p>Strengths</p> <ul style="list-style-type: none"> • Lake ALSA brand strength and customer base • Nationwide merchant network, settlement platform • Small-lot financing knowhow and insights • In-house-developed unsecured loan system • AI-driven scoring, aggressive adoption of RPA deployment and other cutting-edge technologies 	<p>Weaknesses</p> <ul style="list-style-type: none"> • Limited business base outside of Japan • Insufficient knowhow and human resources to develop business overseas
<ul style="list-style-type: none"> • Loan needs in new customer segments Working elderly, people with multiple sources of income, foreign nationals living in Japan/Japanese nationals living outside of Japan • Diversifying needs EC shopping credits, cashless loans, leasing needs associated with lifestyles with few possessions • Credit guarantee needs for lending and borrowing amongst individual 	<ul style="list-style-type: none"> • A declining population, particularly fewer people in the younger age range • Lower purchasing needs due to transition to a lifestyle with few possessions, transition from materials-based consumption to value-based consumption, expansion of a sharing economy • Lower credit lines due to declining incomes from primary business • Increased non-face-to-face transactions and obsolescence of Bank branches and ATMs due to cashless transactions • Lower revenue rates from existing businesses due to new players in the market, primarily Fintech vendors
<p>Opportunities</p>	<p>Threats</p>

What is small-scale finance?



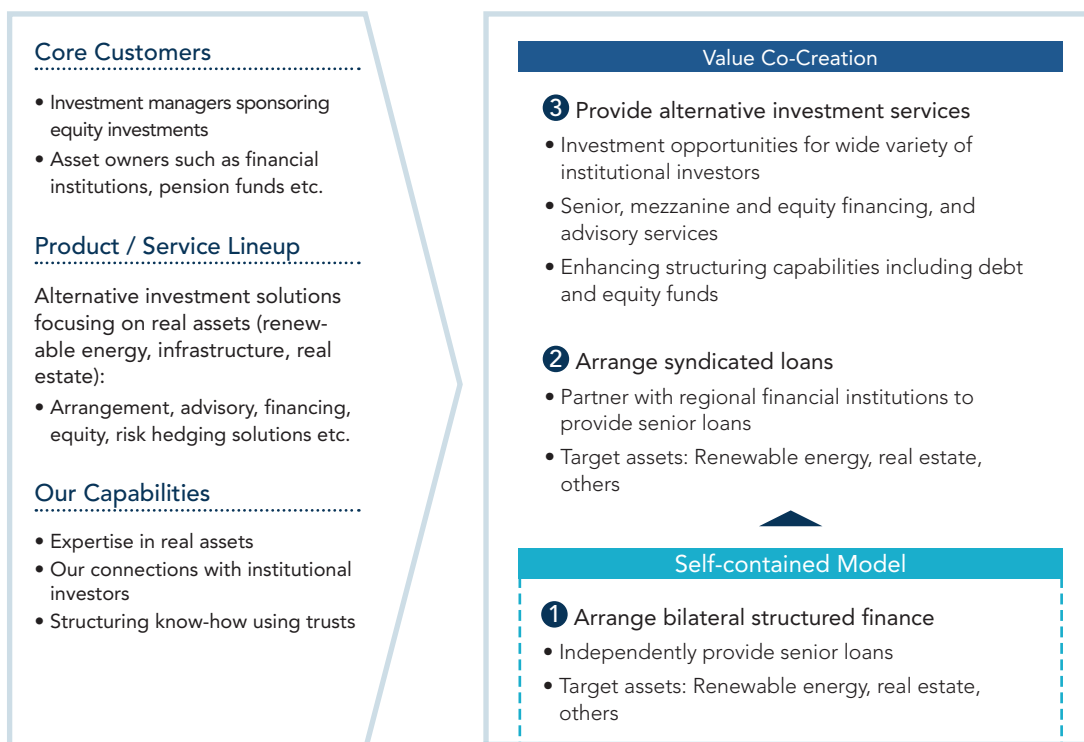
Focus Area **2** Institutional Investors

Provide one-stop services for alternative investments

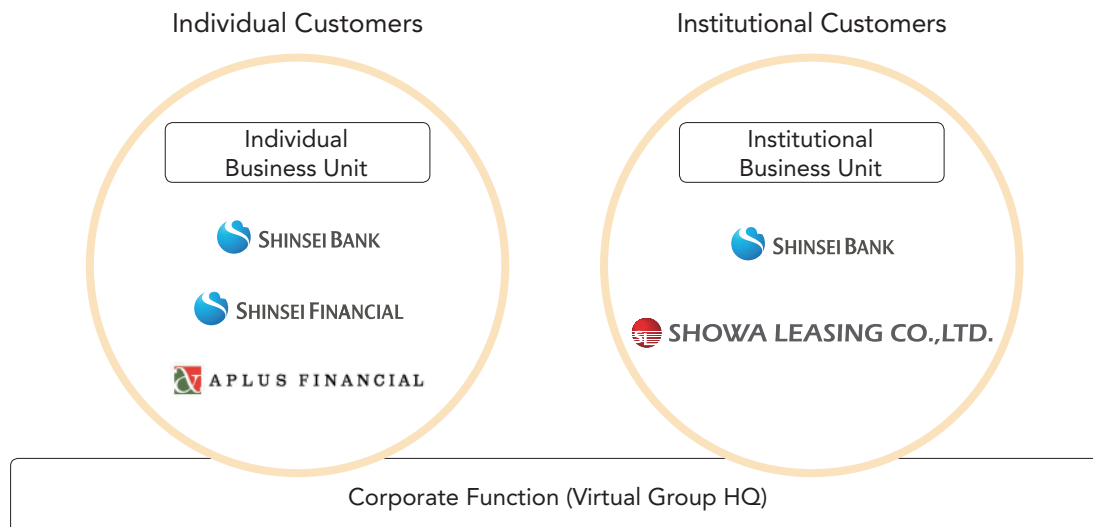
SWOT analysis

<p>Strengths</p> <ul style="list-style-type: none"> • Know-how and insights that enable detailed schemes to be put together, in line with projects • Ability to identify qualities and to analyze through networks of sponsors and operators • Network with institutional investors centering on regional financial institutions 	<p>Weaknesses</p> <ul style="list-style-type: none"> • A small balance sheet compared to megabanks • Relationships with corporate business sponsors, such as merchants and makers • No overseas bases • Poor experience with mezzanine and equity investments
<ul style="list-style-type: none"> • Increased assets geared toward alternative investments due to development of management without assets (renewable energy, real estate) • Increased inbound investments from overseas institutional investors (funds, pension funds), primarily in renewable energy and real estate • Rising interest in investment with alternative investments and overseas assets from domestic institutional investors 	<ul style="list-style-type: none"> • Fluctuating market conditions (real estate) • Evolving government policies (renewable energy) • Flat inbound investments in the event that domestic financial institutions cannot meet the diverse needs of overseas institutional investors • Risk of declining interest in overseas asset investments due to rising foreign currency funding costs
<p>Opportunities</p>	<p>Threats</p>

What is institutional investor oriented business?



Focus Area **3** Group Organization



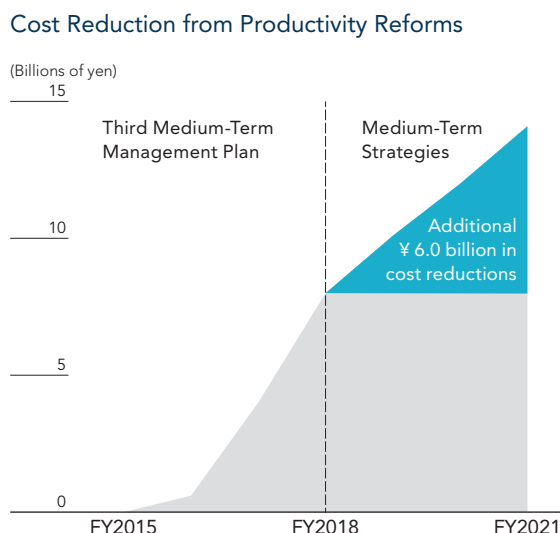
Integration of Group Business

- 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 by FY2018**
- Established Virtual Group HQ
 - Strengthened group governance

Focus Area **4** Productivity Reforms



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 by FY2018**
- Consolidation of group corporate functions
 - Call center / business center optimization
 - Restructuring initiatives in APLUS
 - Debt collection performance improvement

●●● Message from Chief Officer of Group Finance



We will strive to achieve outstanding productivity and efficiency by continuous improvement and reform

Shoichi Hirano
Chief Officer,
Group Corporate Planning and Finance

Financial Strategy of the Medium-Term Strategies

Growth

- **EPS Growth Rate:** Annual average 2% or more (excluding the effect of purchasing treasury shares)
- **Profit Share of Focus Areas^(*)**
 - (1) Small-scale finance: 45% (FY2018) → 50% (FY2021)
 - (2) Institutional Investors: 10% (FY2018) → 15%(FY2021)

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

Profitability

- **ROE:** 6% (FY2018) → 8% (In the medium term)

Efficiency

- **Expenses-to-Revenue Ratio:** 63% (FY2018) → Less than 60% (FY2021)

Soundness

- **CET1 Ratio:** 12.0% (FY2018) → Minimum 10% (In the medium term)

The Medium-Term Strategies have been developed as a vision for the future including changes in the business environment rather than an extension of our current ini-

tiatives. The direction of qualitative strategies is more important than quantitative plans. Since the future is an era of change that is not an extension of today, the historical performance and near-term assumptions presented in financial data are no longer a good indicator of a company's medium- to long-term future outlook. Hence, we have compiled our strategies with an emphasis on qualitative growth stories that are not influenced by market conditions. We focus on our financial targets such as growth, profitability, efficiency and soundness. In light of the aim of presenting a growth story, the most important indicator is growth potential. We have set 2% or more of EPS growth target (excluding share buyback) instead of our traditional net income target. We are also targeting profit shares of 50% in small-scale finance and 15% of businesses with institutional investors, which are key growth areas. In profitability, ROE of 8% has been set as a medium-term target. In efficiency, less than 60% of expenses-to-revenue ratio has been set. Increase in IT expenses in the Bank and APLUS FINANCIAL, office relocation expenses, regulation related expenses and consumption tax hike are partly offset by productivity enhancement initiatives in order to improve expenses-to-revenue ratio. In financial soundness, a minimum 10% of Common Equity Tier 1 (CET1) ratio has been set as a medium-term target. Capital adequacy led by an accumulation of profits has been one of our strengths.

● ● ● Message from Chief Officer of Group Finance

Accordingly, we proactively consider utilizing capital for inorganic strategies while maintaining an adequate level of capital in the Medium-Term Strategies.

Cost of Equity

The Bank recognizes that capital efficiency, meaning profitability against capital, needs to be enhanced and per share values need to be increased through the effort to strengthen earning power for boosting the Bank's corporate value in the medium to long term. At the same time, the Bank has received an injection of public funds, which requires the accumulation of a public fund repayment source. Based on this recognition, the Shinsei Bank Group needs to maximize the absolute amount of profit, while securing a certain capital in order to generate appropriate return against cost of equity in the medium to long term.

In the Medium-Term Strategies, the Bank redefines its core strategies as well as focus areas, and presents business strategies for Individual and Institutional Businesses. In addition, the Bank has articulated its key financial targets such as EPS growth rate and ROE to clarify its profitability and capital efficiency goals. Progress toward achieving the plan will regularly be made public in disclosure materials such as integrated reports.

Shareholder Return Policy

A share buyback program up to ¥23.5 billion based on fiscal 2018 operating results was approved by the Board of Directors in May 2019. The total payout ratio including the share buyback program and year-end dividend for fiscal 2018 is to be 50% (Please refer to Review of Fiscal 2018 on page 78 for the historical trend for total payout ratio)

Shinsei has decided the shareholder return up to the maximum available share buyback program by taking into consideration the capital policy as stated in the Revitalization Plan that, "we will maintain or improve the total payout ratio with the range of average Japanese banks" as we think that the current share price is undervalued and it does not reflect its true share value. However, the scheme/amount of shareholder return and the total payout ratio will be decided at each time period based on prevailing share price, financial/capital

position and market conditions at the time. The total payout ratio of 50% is based on this year's shareholder return does not necessarily make any reference to future total payout ratios.

Shinsei 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 in March 2018, the range should, in principle, be within the range of the general total payout ratio of the domestic banks.

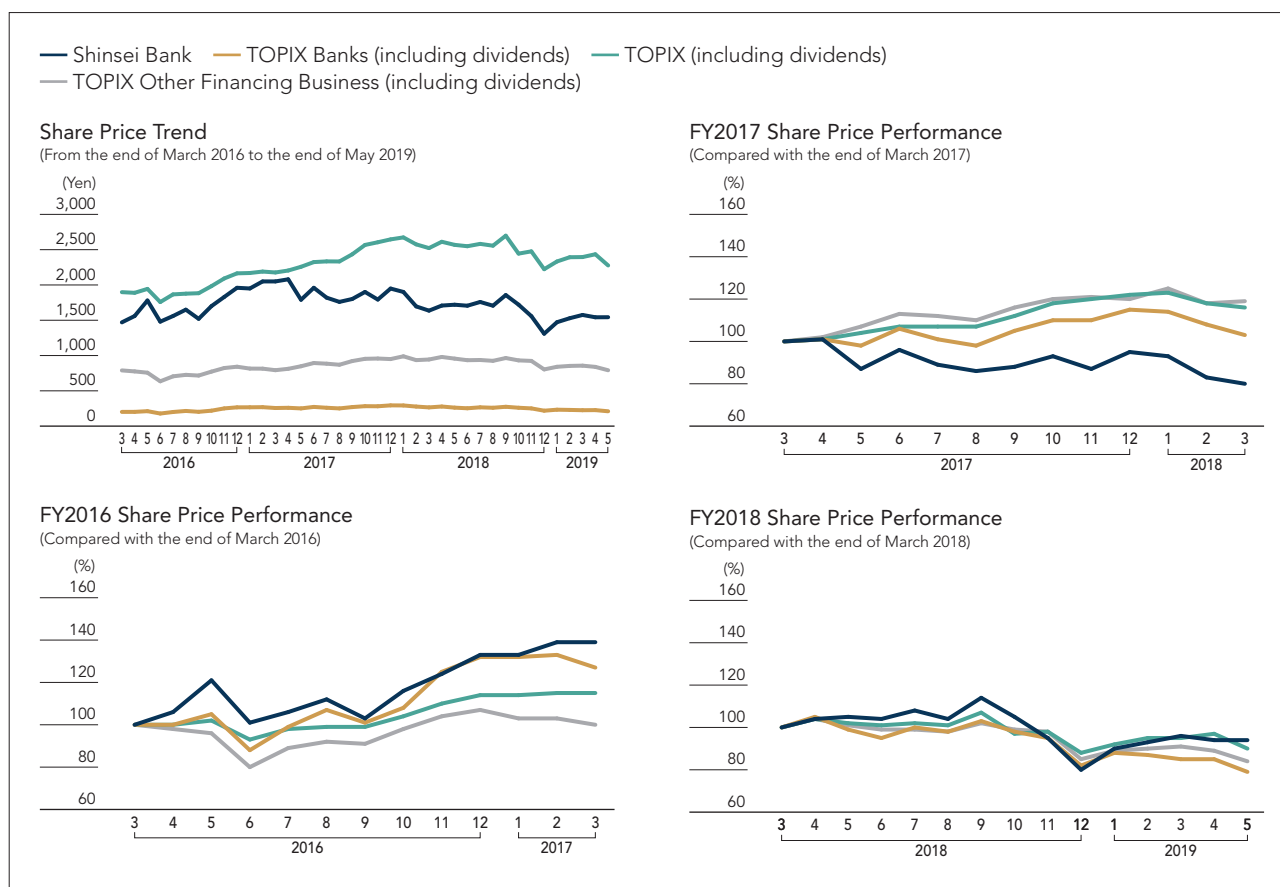
Performance of Share Price

Fiscal 2016: Shinsei stock has been outperforming indices such as TOPIX, TOPIX Banks and TOPIX Other Financing Business, while TOPIX Banks and TOPIX Other Financing Business have been sluggish due to negative interest rate policy announced in January 2016. We believe this reflects our business portfolio including unsecured personal loans and structured finance which are relatively resilient against negative interest rate environment.

Fiscal 2017: Shinsei stock has underperformed against TOPIX and TOPIX Banks due partly to the fact that we did not announce a share buyback program until January 2018.

Fiscal 2018: Shinsei stock has been recovering from underperformance against indices, as a result of continuous efforts on business operations in focused areas and measurements in productivity enhancement projects as well as dialogue to market. However, at the end of year 2018, concerns about economic downturn in the U.S. and sudden rise of US interest rate influenced overall stock performance in Japan, especially in the financial sector. Shinsei stock was not an exception.

As we entered 2019, in tandem with a recovering trend in the Japanese equity market, Shinsei stock has had an upturn. However, we believe that current share price does not reflect its true share value. A share buyback program up to ¥23.5 billion has been approved by the Board of Directors. In the Medium-Term Strategies starting from fiscal 2019, we will further strengthen our competency to resolve social challenges and aim to increase equity value of Shinsei by co-creating value with external parties.



Financial Management Policies for Fiscal 2019

Net income is expected to be ¥53 billion for fiscal 2019.

Total revenue is expected to be ¥243 billion, reflecting an increase in net interest income from unsecured loans and contribution of revenue from new subsidiaries in addition to noninterest income growth in global markets business as well as APLUS FINANCIAL and Retail Banking businesses.

Expenses are expected to be ¥152 billion due primarily to consolidation of new subsidiaries' expenses as well as an increase in IT and premises expenses. Expenses-to-revenue ratio is planned to be 62.6%.

Net credit costs are expected to be ¥35 billion. This mainly comprises unsecured loans and APLUS FINANCIAL businesses. We expect net credit costs to increase compared to fiscal 2018 mainly reflecting asset growth in unsecured loans as well as an absence of net credit recoveries as recorded in Structured Finance Businesses in fiscal 2018.

(¥ billion)	FY2018 (Actual)	FY2019 (Plan)	YoY % B(+)/W(-)
Total Revenue	229.7	243.0	+6%
Expenses	-144.7	-152.0	-5%
Expenses-to-revenue ratio	63.0%	62.6%	—
Ordinary Business Profit (OBP)	84.9	91.0	+7%
Net Credit Costs	-29.3	-35.0	-19%
OBP after Net Credit Costs	55.6	56.0	+1%
Others	-3.3	-3.0	+9%
Net Income	52.3	53.0	+1%

CEO × Outside Director Discussion



Hideyuki Kudo
President and Chief
Executive Officer



Ryuichi Tomimura
Outside Director
(President, Representative Director, SIGMAXYZ Inc.)

Amid the advances being made in information technology (IT), what is expected of the Shinsei Bank Group and the finance industry, what are the issues and how should the Group ideally formulate IT strategies to increase corporate value over the medium to long term? These and other subjects formed the basis of a discussion between Outside Director Ryuichi Tomimura, who possesses a wide range of knowledge in the IT field, and Shinsei Bank President Hideyuki Kudo.

Posing Challenges for the Shinsei Bank Group: The Future of Finance and IT's Role in that Future

Social Change and IT

How are financial institutions changing at a time when a shift from a maker-oriented "product-out" to a customer-oriented "market-in" perspective is being demanded?

Tomimura The word "innovation" comprises "in" and "nova," the former having the meaning of "to insert" and the latter meaning "new." Since the time of what is referred to as the industrialization of society, the approach in which Japan was deemed to excel involved the commercialization of products planned by R&D departments and the sending of those products out into society. In that sense, the area in which the Japanese are said to be weakest is in innovation.

Kudo Which is to say, rather than the needs of the buyer or customer, our priority is creating and selling what makers consider to be good products and that we are skilled at the maker-oriented "product-out" perspective. However, with the greater diversification of customer values and the increasing sophistication of needs, the products and services provided by companies did not match those needs well. Based on the reality that this does not mean that customers themselves clearly understand their values and needs in the first place, it is incumbent on companies to discern the true needs of customers who thus far have not been satisfied with their products and services and for them to propose products and services that offer new value from a customer-oriented "market-in" perspective.

Tomimura Yes, I agree. However, now that we have entered the digital society era with the evolution of the Internet of Things (IoT) and AI, another approach is becoming more mainstream. This involves closely observing consumers, allowing them to decide what they want to do and providing them with the means to achieve it, while creating products and services that incorporate both new ways of thinking about developing services in teams and what's happening in the market. It is very close to the concept known as POC¹, but I think that Japanese companies and society will likely change through this shift in the value creation model.

¹ POC: Abbreviation for proof of concept. Refers to verification and demonstration in the early stages of prototype development for the purpose of demonstrating new concepts, theories, principles, and ideas. In providing services based on new concepts, such as IoT, machine to machine (M2M) communication, and AI (Artificial Intelligence), this is an important process when verifying and demonstrating added value, service, and solution specifications.

The Finance Industry and the Shinsei Bank Group's IT

Whether Shinsei Bank can reform its traditional bank sales methods, depends on rapidly giving consideration to those reforms in a new organization and raising the Group's competitiveness by bringing them to fruition. An environment should be put in place to encourage curiosity about, and provide added impetus to, its ability to take action.

Kudo Since banks are a regulated industry, what we can and cannot do has already been clearly decided for us. To start with, it is the type of industry in which the idea of setting yourself apart from competitors by means of your products remains a rarity. For that reason, we have become accustomed to the mindset of selling products as they are now. The basic problem is whether we can reform ourselves simply by saying, "It's not product-out, but market-in."

Tomimura Front-line staff, who know their customers, are expected to provide feedback about the products and services they want to see created. I think that would be good if the flow of feedback could be skillfully channeled and proposed to management.

We have to consider how the front-line staff want to use IT in their business tasks and incorporating those needs to an even greater extent, I believe that the faster the pace of change, the greater Shinsei Bank can improve its competitiveness.

Kudo Since people on the front line have come to certain assumptions based on current practices, I am thinking about how to realize a mindset whereby frontline staff consider customer needs in the organization.

Tomimura For example, it would be a true innovation if we could co-create new products and services realized through looking closely at the kinds of work styles and lifestyles of people from overseas who come to Japan and then propose what kind of lifestyle or experience you would like for customers. This is because, up until now, it has been entirely a product-out world. I get the feeling from the discussions at the Board of Directors' meetings that new innovation has started at Shinsei Bank. If we can reach the point at which lifestyle proposals are coming from the Bank's side, that method would immediately spread.

Kudo That project is being addressed primarily by the Ecosystem Strategy Office under the Group Business Strategy Division. Since this is neither a product front line nor an operational front line, our current task is to involve other sections and think about what to supply to the ecosystem.

Tomimura We supply what the customers want into the ecosystem by taking into consideration their perspectives. If you take that point of view, I think there will be a time when the work styles of management and employees will also change. Consumer information, such as "it's more conveniently done for me this way" or "I'd be happy if I could do more things like this at home," will be freely available via digital technology. After that, it will be best to create an environment in which innovation can occur.

Future IT Strategies and Basis for Realizing them

Ascertain on a grand scale the scope of your business and then broaden the Group's horizons. This is achieved by thinking about overall optimization, identifying what should be done amid the trend for digitalization and, with IT as the facilitating driving force, addressing infrastructure development.

Tomimura From here on, it will be important to discuss how to use IT. Digitalization will advance automatically when we reach the point of having discussions, including those about lifestyle support services for non-Japanese mentioned above. I think it's a safe bet with that approach.

Kudo With such awareness of the problem, we have constructed a virtual group headquarters that brings together the indirect divisions of the Bank and Group companies and, hereafter, we will promote the integration of Group-based IT functions. In addition to considering the architecture of the whole Group as a means to determine the direction we should take for the overall

CEO × Outside Director Discussion

optimization of the Group's IT, we would like to identify what aspects of digitalization we should address and would like to give IT a kind of promotional role. If an agenda arises from that, I think it will be a subject that can be discussed at the Board of Directors' level.

Tomimura Naturally it will be.

Kudo At the Group company APLUS, a shopping credit company, any discussion of what is important in that area of business, involves the indispensability of the credit card system being properly in place. We will have to invest the funds necessary for the maintenance of the system. However, in addition to this, we must consider whether having a credit card business has any kind of significance for the whole Group in the first place. By not treating credit cards separately but as part of a complete range of products and services for individuals, we can maintain the broader view taking cooperation with other industries into consideration, and making it possible to open up new areas of business.

Creating an Organization to Implement IT Strategies

A major turning point in the banking business for individual customers. Build an ecosystem with a view to partnering with other companies, bearing in mind that organizations that are responsive to change survive.

Tomimura For example, if you look at the Group as a whole, is it not necessary to have someone to consider whether or not there may be a lot of similar products and services, and whether it would be better to combine them?

Kudo Quite so. Under the organizational reforms in March 2019, we formed organizations called the Corporate Business Unit and Individual Business Unit, and the head of the latter concurrently serves as the

president of APLUS. As a result, when viewed from a broader perspective, there are more things that can be done. Conceivably and conversely, I would like to make them into organizations that are capable of assessing aspects that have not been attempted up to now as we had questioned whether they were rational.

Tomimura Rather than "I wanted to do something like this, but I gave up because I didn't have the systems," we should make the argument that the Group as a whole can achieve "business like this if we put in place a system like this." We thought that these organizational reforms were good measures, in the sense that we could expect that they should be possible if only because there were so many different products.

Kudo In individual business in particular and even in the world of finance, I recognize that a period of dramatic change is coming. Although, individually, there are some advanced business models, comprehensively integrated business model is not being suggested. However, our group possesses elemental technologies that can tackle the creation of new business models. Although we do not have a large existing customer base, if we were to build an ecosystem—on the assumption that we collaborate with other companies, such as NTT Docomo, for example—I believe that there could be benefits for our customers.

Tomimura Hereafter, it will be important to openly discuss ideas from the front line. IT is a tool, and what you do when using it is important. Japanese companies often talk about their "plan for the year 20XX," but in reality the changes are dramatic and plans never turn out as planned. Accordingly, ideas should not be constrained to having to be this way or that, but rather organizational forms that are more sensitive to and respond more agilely to change are the ones that are supposed to survive.



We have summarized some of the key questions and their respective answers as received from institutional investors for the fiscal year ended on March 31, 2019.

Q1

In the growth area of unsecured loans, please give your analysis of the factors that contributed to the decline in both the new customer acquisition rate and the approval rate for the Lake ALSA brand, which was launched in April 2018, and to the overall decrease in the balance of unsecured loans. Taking into consideration market trends, please also tell us about the outlook for the Shinsei Bank Group's unsecured loans.

We positioned unsecured loans as a growth area in our Third Medium-Term Management Plan and established as a target an average annual balance growth rate of 10% over the three years. As a result, the balance which stood at ¥428.5 billion as of March 31, 2016, increased 19% to ¥509.9 billion as of March 31, 2019. The average growth rate during the period was 6%, hence, we did not meet our original target of 10%, but here we explain the results, including the contributory factors, during these three years.

The actual balance growth results by fiscal year show that the balance grew by 12% in fiscal 2016, the first year of the Plan, and thus exceeded our original target. Against a backdrop of significant growth in the overall unsecured loan market, centered on bank card loans, in addition to the unsecured loans generated by the Lake brand, significant growth in the credit guarantee balances for regional financial institutions also served to give added impetus to balance growth.

In the Plan's second fiscal year (fiscal 2017), we recorded balance growth of 8%, and the speed of balance growth slowed from that of the previous fiscal year. In March 2017, there were also changes in the environment of the bank card loan market, such as the Japanese Bankers Association announcing its "Agreement Relating to Consumer Loans by Banks," and the pace of growth in the unsecured loan market slowed. As a result, unsecured loan balance growth for fiscal 2017 of 8% was achieved, in line with our expectation at the start of that fiscal year. In comparison with the end of March 2016, the balance growth over the two years was 21%, and we maintained an average annual growth rate of more than 10%.

In December 2017, we conducted a review of our business strategy for unsecured loans and unified the products offered as bank card loans into "Shinsei Bank Smart Card Loan Plus." At the same time, we announced that applications from new customers for the Shinsei Bank Card Loan Lake would be suspended from April 2018. Initially, we had planned to use the Lake brand for the consumer finance product needs of both bank and nonbank customers. However, the Lake brand is highly recognized as a nonbank consumer finance brand and, hence penetration with bank customers remained limited. As a result, from April 2018, we primarily offered Shinsei Bank Smart Card Loan Plus for those customers with bank card loan needs and Lake ALSA, newly introduced by Shinsei Financial, for those with consumer finance product needs.

In fiscal 2018, the final year of the Third Medium-Term Management Plan, we launched Lake ALSA as the core unsecured loan product in the Shinsei Bank Group. However, in addition to a

continued decline in the growth rate of the market overall, marketing measures became more difficult than expected due to the parallel arrangement of the two Lake brands, Shinsei Bank Card Loan Lake and Lake ALSA, resulting in the new customer acquisition rate and the approval rate being significantly lower than initially forecasted.

During the period, however, by implementing several marketing measures, such as improvements in the leads geared toward new customers on the website and the deployment of a 60-day interest-free campaign, the number of Lake ALSA applications recovered to the level of the former Shinsei Bank Card Loan Lake. With regard to the growth rate, we also improved the new customer acquisition rate by gaining customers in the higher income bracket and conducting a more precise credit screening process.

In the medium-term management strategy that we have commenced in fiscal 2019, unsecured loan product is one of the products in retail finance, a focus area. Going forward, while securing appropriate credit management and profitability, we will aim for further balance growth.

Q2

With regard to optimizing the retail banking earnings structure, please tell us about the issues and measures (for example, branch closures and ATM fee charges) as well as the effects and responses.

While funding function in the retail banking business plays an important role and supports the majority of the funding for Group's businesses, it remained unprofitable partly due to an insufficient reflection of the important funding role in the management accounting rule. This was one of the most important issues to be resolved during the Third Medium-Term Management Plan.

We reviewed and enhanced our management accounting rules during the second year of the Plan. However, the retail banking business recorded loss in fiscal 2017 due to low demand for housing loan refinance in contrast to the high demand at the time of introducing the negative interest rate policy, in addition to sluggish sales of asset management products. Despite the headwind, we continued bold measures to improve profitability of the retail banking business. We announced in January 2018 that we would close financial centers in Takamatsu and Kanazawa in June 2018 as a result of reviewing our sales channel strategy and cost structure.

In fiscal 2018, the Plan's final year, we revised the "Shinsei Step-up Program" in October 2018 and decided to charge "Shinsei Standard"-stage customers a fee for withdrawals made from partner ATMs. As a result of such efforts, in terms of ordinary business profit (OBP) after net credit costs, the retail banking business succeeded in recording a profit from the second half of fiscal 2018.

In light of the medium-term management strategy as launched in fiscal 2019, we will aim to further improve profitability. In April 2019, we re-aligned our organization to manage customer segments and their businesses in a more coordinated manner while promoting initiatives designed to create customer value across all our individual business units.

Q3

In the case of public fund repayments, please tell us about the problems you are currently facing and the repayment path (roadmap) that takes those problems into consideration.

The public funds injected into the Bank were initially in the form of preferred shares. In August 2006, with regard to about 300 million out of the 600 million shares of Series 3 Class-B preferred stock, we issued 200,033,338 shares (at that time) of common stock following an acquisition request from the government and made partial public fund repayments in the form of sales received through market transactions.

Subsequently, when the remaining 300 million shares of Series 3 Class-B preferred shares and 74,528,000 shares of the Series 2 Class-A preferred shares were due for conversion to common stock, we converted the Series 3 Class-B preferred stock to 200 million shares of common stock in August 2007, and the Series 2 Class-A preferred shares to 269,128,888 shares of common stock in March 2008.

Consequently, at the present time all public funds injected into the Bank have been converted to common stock. As a result of the 1-for-10 reverse stock split implemented in October 2017, Deposit Insurance Corporation of Japan and The Resolution and Collection Corporation now hold 26,912,888 shares and 20 million shares, respectively.

Therefore, in addition to accumulating repayment resources for the purpose of public fund repayments, we believe that it is extremely important to improve the Bank's stock market evaluation and to bring about an improvement in our stock price. We also believe that efforts to improve our stock price will provide the path to public fund repayments at this time.

Specifically, to improve our stock price, we strengthened shareholder returns as a part of the capital policy and repurchased our own shares on an ongoing basis to improve per share value during the course of the Third Medium-Term Management Plan.

■ Return of Profits to Shareholders during the Third Medium-Term Management Plan

	FY2016	FY2017	FY2018
Total return ratio	25%	30%	50%
Dividends	¥2.59 billion	¥2.53 billion	¥2.45 billion
Own share repurchase amount	¥10.0 billion	¥13.0 billion	¥23.5 billion

Note: The performance in each fiscal year determines the amount returned to shareholders in the following fiscal year.

In the years ahead, we will adapt to the rapidly changing business environment, establish a sustainable business model and endeavor to record stable profits. At the same time, we will conduct reviews of current and future profit trends, implement shareholder returns that take into consideration financial stability and maintain a balance with retained earnings, as well as work to improve our stock price and shorten the duration for public fund repayments.

Individual Business



Tetsuro Shimizu
Managing Executive Officer,
Head of Individual Business Unit

The Individual Business is composed of the retail banking business, which accepts deposits, handles asset management products and provides housing loans; consumer finance, which provides products and services such as unsecured loans, credit cards, shopping credit and settlements to individual customers.

Business risks and opportunities based on an awareness of the environment

The Shinsei Bank has a role to play in finding solutions to issues that confront society. This holds true whether it be responding to changes in consumer behavior that occur in line with the progression of a declining birthrate and an aging population or diversifying lifestyles, or be it supporting mid-to long-term asset formation for individual customers without the significant vulnerabilities that come with an opaque external environment, such as the

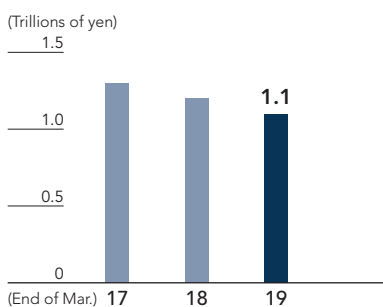
ongoing financial deregulation on account of the Bank of Japan's negative interest rate policy, trade and economic friction between the U.S. and China, the U.K.'s Brexit issues, or other factors. Indeed, these are issues that represent business opportunities. In the retail banking field, Shinsei Bank is working to develop multiple consulting channels, one-to-one marketing that utilizes behavioral data, construction of a framework for organizational management by customer segment and other efforts. We take a personalized approach for ideal communication with each and every customer, offering products and services that satisfy their needs and life plans, and in so doing endeavor to provide customers stable asset formation.

In the credit card and settlement fields, the competitive climate is escalating in severity due to the market entry of nonfinancial platform providers and innovative financial technologies. Seizing upon the business opportunities of providing platforms upon which customers are offered a stress-free choice of the method that they most prefer from an array of settlement options, we are moving forward on providing a range of settlement styles, including assorted payment types, prepaid and credit cards.

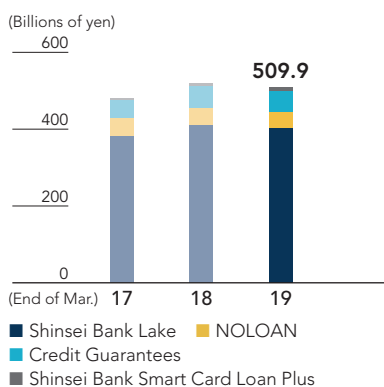
The unsecured loans field is experiencing demand for providing financial access to customer segments where, in light of customers' diversifying lifestyles and increasing reliance on digitization, either traditional credit information used in the past is insufficient to grant credit, or customer segments where there is a preference for digital capabilities for non-face-to-face transactions. Together with the credit assessment and collection knowhow we have long cultivated, we are adding AI and digital technologies, and by partnering with companies that possess customer platforms, we are endeavoring to respond to the financial needs of new customer segments.

Operating Assets

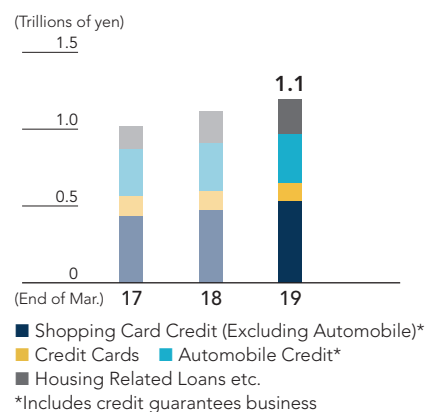
Housing Loans



Unsecured Loans



APLUS FINANCIAL



Strategies for Individual Business

► Data analysis to capture customer needs + Personalized solutions


	Grow through Value Co-Creation	Enhance / Leverage our Capabilities
Small-Scale Finance	<p>Build / participate in ecosystems, use data to enhance services</p> <ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • Upgrade our AI / analytics database “YUI Platform” • Provide one-stop retail products / services and develop an all-in-one platform • Expand use of digital technology • Centralize & streamline operations / processes
Retail Asset Management	<p>Improve customer experience, and use alliances to uncover new customer opportunities</p> <ul style="list-style-type: none"> • Personalize communication and product offerings by using digital technology and customer data • Use alliances with brokerage / insurance companies to uncover new customer opportunities 	
Housing-Related Loans	<p>Broaden customer segment via partnerships and new products</p> <ul style="list-style-type: none"> • Collaboration with housing-related companies and other financial institutions • Capture customer needs for securing post-retirement cash-flows and financing home renovations 	

Topic


Shinsei Bank Smart Money Lending for NTT Docomo Line Subscribers

Leveraging the Docomo Lending Platform, which NTT Docomo, Inc. provides to Docomo line subscribers, Shinsei Bank has launched Shinsei Bank Smart Money Lending to provide loans and other financial services. This combines the credit screening knowhow the Group has cultivated in the Lake business, together with “Docomo Scoring” for each individual’s credit score as calculated from the big data obtained through Docomo’s wide-ranging business developments. In this way we can offer more optimized transaction conditions for our customers.


As the financial businesses held by the Shinsei Bank Group leverage the strengths of technology from the perspectives of both information and finance, while also collaborating with external partners that possess open and flexible platforms, this will lead to the development of a collaborative value creation-type business model.



Facilitates Shinsei to offer new lending proposal



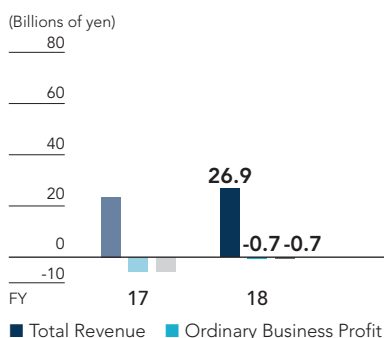
Service fully completed via a smart phone



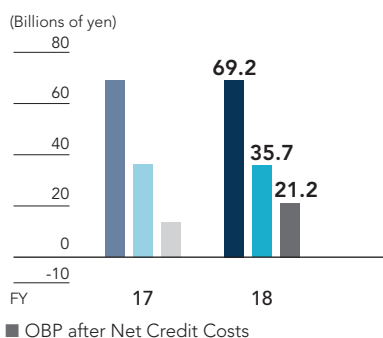
Support “smart” use of lending service

Data on Major Operations

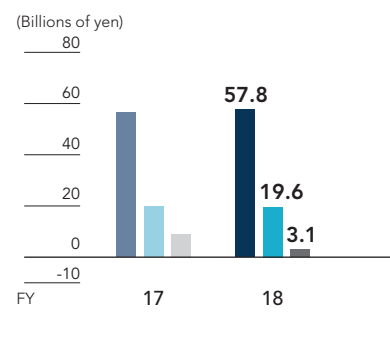
Retail Banking



Shinsei Financial, Shinsei Bank Lake



APLUS FINANCIAL



●●● Institutional Business and Global Markets Business



Shinichirou Seto
Senior Managing Executive Officer
Head of Institutional Business Unit

The Institutional Business is composed of the corporate business, which provides solutions to our corporate and financial institution customers; structured finance, which provides services such as real estate finance and project finance; services that provide private equity investments and business succession finance; and the leasing business. The Global Markets Business delivers market services that provide market solutions for foreign exchange and interest rate derivatives, among others.

■ Risks and opportunities based on our understanding of the external environment

The profitability of the traditional lending business continues to trend at a low level against the backdrop of a stable interest rate environment and an improvement in the financial structure of corporations. Meanwhile, new financial needs are emerging in line with the challenges being faced by the society, including issues related to the life cycle of small and medium-sized enterprises

(SMEs) as those in management positions get older, as well as environmental and energy issues, robust inbound demand. We are keenly aware of the value chain that encompasses not only our customers but also our business partners. We recognize diverse needs as business opportunities and aim to provide differentiated solutions by utilizing resources inside and outside the Group.

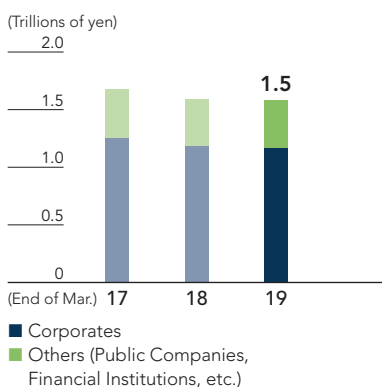
For our institutional customers, we are focusing our efforts in syndication and business flow finance operations. To further advance development in these areas, we are focused not only on the leasing functions within the Group, but also on cooperation with companies outside the group, and are pursuing partner-based businesses that support the creation of new enterprises and the resolution of issues being faced by the partners of our customers in line with our goal of also providing solutions in nonfinancial domains.

For our investor customers, we are focusing our efforts on the arrangement of syndicated loans with regional financial institutions and the provision of senior loans on a stand-alone basis using analytical skill, know-how and relationships we have built up with domestic and overseas institutional investors to date in the project finance, real estate finance, and specialty finance businesses. Moving forward, we intend to provide investment opportunities to a wide range of institutional investors, including investment managers and the asset owners providing the funds.

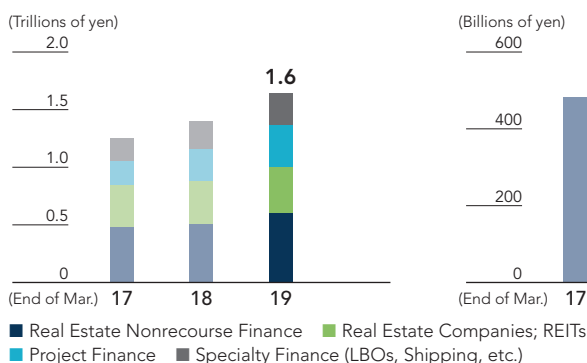
In line with our goal of making further progress in these businesses, Shinsei Bank in April 2019 decided to make the best use of its resources and functions in the leasing, trust, securities, and markets business by establishing the Group Institutional Business Planning Division for the planning and implementation of management resource allocations and business strategies across the Group.

Operating Assets

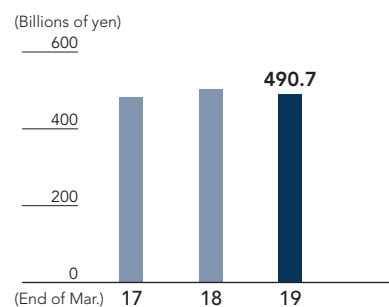
Corporate Business



Structured Finance



Showa Leasing



Strategies for Institutional Business

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

	Grow through Value Co-Creation	Enhance / Leverage our Capabilities
Institutional Investors	<p>Capture a range of customer needs in the alternative investment space</p> <ul style="list-style-type: none"> Service offerings for investments in renewable energy, real estate, domestic private equity etc. Expand networks with institutional investors, provide investment opportunities 	<ul style="list-style-type: none"> 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)
Nonfinancial Corporations	<p>Deploy partnership-style business</p> <ul style="list-style-type: none"> Deploy solutions that merge financial to nonfinancial service Strengthen value proposition for existing financial services Strengthen asset business for core areas such as construction machinery 	
Financial Institutions	<p>Partner with regional financial institutions</p> <ul style="list-style-type: none"> 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 	

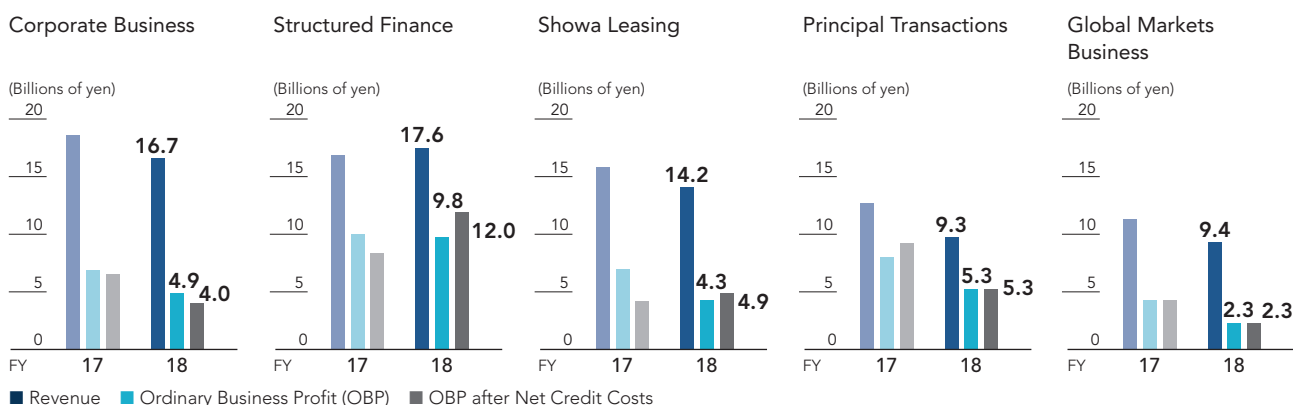
Topic

Woman of the Year 2019 award for Child Care Support

Two Shinsei Corporate Investment employees won the Nikkei Women's Woman of the Year 2019 award for Child Care Support. The award was given to employees working with the Child-care Support Fund, which was established in 2017 by the Group with the goal of contributing to a society that supports both work and childcare, and is the first domestic financial institution fund focusing on impact investments in child-care-related businesses. The Fund has been recognized for its entrepreneurial spirit and achievements, having improved earnings while resolving social issues through the conduct of business and being based on the real-world experiences of women pursuing careers while also raising children. The Group has established a second fund focused on nursing care and expanding the business of investment targets, with the aim of providing companywide support to impact investment business, including corporate business referral and screening section support.



Data on Major Operations



Supporting the Creation of Sustainable Value

ESG Data

	(Nonconsolidated)	FY2016	FY2017	FY2018
Corporate Governance	Number of Directors	7	7	7
	Ratio of Female Directors	0%	0%	14.2%
	Number of Outside Directors	5	5	5
	Number of Board of Directors Meetings Held	6	6	6
	Attendance Rate for the Board of Directors Meetings	100%	95%	100%
	(Note) Governance-related data as of June 30, 2019.			
Employees	Number of Employees	2,207	2,188	2,150
	Male	1,272	1,265	1,218
	Ratio	58%	58%	57%
	Female	935	923	932
	Ratio	42%	42%	43%
	Competitive Ratio in Recruitment (Applicant base)	45.0	31.2	27.0
	Male	41.9	26.2	25.8
	Female	50.1	39.5	28.3
	Average Age	40.9	41.3	41.7
	Male	40.4	40.7	41.1
	Female	41.7	42.1	42.5
	Average Years of Service	11 years 11 months	12 years 5 months	12 years 11 months
	Average Monthly Salary	¥482 thousand	¥479 thousand	¥477 thousand
	Number of Business-Limited Employees	—	—	146
	Number of Part-time Employees	203	267	215
	Number of Temporary Employees	143	113	6
	Number of Overseas Locals Recruited	0	0	0
	Number of new University Graduates Hired	54	53	55
	Male	34	33	28
	Ratio	63%	62%	51%
	Female	20	20	27
	Ratio	37%	38%	49%
	Number of Mid-career Personnel Recruited	82	32	38
	Male	43	18	19
	Female	39	14	19
	Number of Managers	649	643	631
	Number of Female Managers			
	Section Leader-Level or Higher	87	89	96
	Ratio	13.4%	13.8%	15.2%
	Section Manager-Level or Higher	383	390	412
Ratio	29.6%	30.0%	31.6%	

	(Nonconsolidated)	FY2016	FY2017	FY2018
Employees	Number of Employed Persons with Disabilities	29	29	32
	Employment Rate of Persons with Disabilities	1.8%	1.9%	2.1%
	Average Overtime Hours per Month	21.8	19.9	18.7
	Average Paid Leave Acquisition Rate	59.9%	62.5%	63.7%
	Number of Employees Taking Childcare Leave	32	33	35
	Male	0	4	6
	Female	32	29	29
	Number of Employees Taking Life Support Leave	4	6	7
	Number of Employees Taking Family Care Leave	4	4	1
	Number of Employees Registering Concurrent Business or Side Business	—	—	42
	Ratio of Employees Using Teleworking	—	—	13.3%
	Number of Employees Using Continued Employment System	13	11	10
	Number of Employment of Functional Change or Employment Status Change	34	60	230
	Male	11	19	50
	Female	23	41	180
	(Note) Number of Employees Taking Life Support Leave means the Number of Employees Taking Childcare Leave before January 1, 2018.			
Environment	Arrangement Results of Project Finance for Renewable Energy (Billions of yen)	69.5	61.8	90.0
	Environment Impact Data ¹			
	CO ₂ Emissions (t) ²	2,746	2,602	2,575
	Electricity Usage (kWh)	5,093,523	5,069,080	5,027,896
	Gas Usage (m ³)	90,000	90,000	114,000
	Clean Water Usage (t) ³	1,796	1,758	1,623
	Amount of Waste Generated/Recycling Rate ³			
	Waste Generated (t)	233	206	218
	Amount Recycled (t)	154	123	138
	Amount of Waste Disposal (t)	79	83	80
Recycling Rate	66%	60%	63%	
(Note) 1. Data are for all Shinsei Bank Nihonbashi headquarters (excluding affiliated companies) and ARCO TOWER (Meguro). 2. Calculated using electricity and gas usage according to "Guidelines for Calculating Specified Greenhouse Gas Emissions Volume under the Total Emissions Obligations and the Emissions Trading Framework." 3. Data are for Shinsei Bank Nihonbashi headquarters (excluding affiliated companies).				
Contribution to Society (Consolidated)	Financial Literacy Program (MoneyConnection [®])			
	Number of Schools where the Program was Held	827	943	1,058
	Number of Student Participants	108,253	122,811	136,232
	Volunteer Activities			
	Number of Volunteer Activities	27	31	33
Number of Employee Participants	475	395	328	
Compliance	Number of Whistle-Blowing Reports	0	1	1

ESG Management Policy

Group ESG Management Policy

The Shinsei Bank Group has established “Group ESG Management Policy” to clearly stipulate the basic views and future direction of the Group’s initiatives pertaining to environmental and societal issues. This policy has been positioned as a basic policy and the starting point for the formulation of our management strategies. We are aware that, in order to pursue the kinds of sustainable growth opportunities that are required for the realization of our management principles, it is essential, as part of our social responsibility as a corporate group, that we contribute to the building of a sustainable society.

Website: <https://www.shinseibank.com/corporate/en/esg/>

G: Corporate Governance

Basic views, guidelines and internal control have been stipulated in our Corporate Governance Report.

Website: https://www.shinseibank.com/corporate/en/policy/governance/governance_report.html

S: Social Issues

Basic views: We believe that human resources are the most important element for the Group as we engage in financial businesses. The Group’s human resources are the source of our innovation and the competitiveness we require to achieve sustainable growth amidst fiercely competitive market conditions. We provide our employees with our all-out support, fostering a working environment that facilitates flexible working styles in order to provide appealing workplaces and enable people of diversified backgrounds from gender, age, nationalities and all other aspects to fully demonstrate their potential and achieve sustainable Group growth.

We have established the “Group Human Rights Policy” in order to clarify the Group’s respect to the human rights of all people. The Group is now able to meet the financial needs in society that conventional financial services have been unable to satisfy, by creating new opportunities for people to access financial services. The Group shall strive to provide easy-to-understand information to enable customers to ascertain their own financial needs in an appropriate manner. When providing information, we vow to prioritize customers’ needs first and foremost and provide them with optimal financial products and services.

Corporate Philanthropy: In order to act as a responsible corporate citizen in accordance with our “Policy for Corporate Philanthropic Initiatives,” the Group is actively committed to contributing to society and is aiming to become a banking group that earns the trust of society. Also, through societal contribution, the Group aims to nurture human resources able to contribute to the sustainable development of society through strengthening teamwork among employees that transcends the boundaries of Group companies and creating networks connecting the Group with communities.

E: Environmental Issues

Global environmental issues such as climate change are very critical issues relating to the realization of a sustainable society, and we are aware that such issues are also important management issues for us in our pursuit of ESG

management. From the perspective of ESG management, environmental issues represent business risks, while at the same time also provide significant business opportunities. The Group will therefore mobilize all of our capabilities as a financial services provider to help tackle environmental issues. Furthermore, we will actively pursue investment and lending opportunities contributing to the expansion of renewable energy use.

Promotion of ESG Investment and Lending: When making investment and loans, the Group will actively involve itself in transactions where the recipients of our investments or loans, or the projects operated by these recipients, contribute to the solution of societal and environmental issues. In pursuing ESG investment and lending, we aim to enhance the sustainability of the Group’s revenue-growth opportunities through contributing to the creation of a sustainable society.

Investment and Lending to Specific Segments: Based on our awareness that tackling environmental and social issues in a sincere manner will lead to the realization of our management principles, we deem it to be a managerial risk for Group companies to, in the course of their business activities, engage in business transactions with companies that do not respond to environmental and societal issues in an appropriate manner. Consequently, when conducting our business, we will assess cases based on considerations relating to environmental and societal issues as well as economic rationality in an appropriate manner.

The Group has identified transactions with businesses such as those listed below as representing serious environmental and societal risks and any further investment or lending transactions involving such businesses shall, in principle, be banned:

Types of transactions which shall be banned in principle



- i) Investment and lending transactions connected with anti-social forces;
- ii) Investment and lending transactions connected with the violation of laws and regulations or aimed at illegal acts or evasion or circumvention of laws;
- iii) Investment and lending contrary to public order or morals;
- iv) Investment and lending to companies producing cluster bombs;
- v) Investment and lending to coal-fired thermal power plants

Note: Although further investment and lending to coal-fired thermal power plants shall not be made in principle, in the case of ultra-supercritical pressure coal-fired thermal power plants(*) or power plants with the same or higher levels of efficiency, a careful assessment shall be made of the power generation efficiency of the power plant concerned. In addition to technologies used to reduce greenhouse gas emissions, and other considerations pertaining to each individual power plant, with reference to guidelines such as OECD Arrangement on Officially Supported Export Credits and in full consideration of the situations in each country and international conditions relating to coal-fired thermal power plants.

(*) An ultra-supercritical pressure coal-fired thermal power plant is defined as falling into either of following power plant groups:

1. A power plant with a steam pressure of 240 bars or higher and a steam temperature of 593°C or higher.
2. A power plant with a CO₂ emission volume of below 750g per kWh.

●●● ESG Information Index

Management General	Management	Management Principles
		The Charter of Shinsei Bank Group Corporate Behavior
		Shinsei Bank Group Code of Conduct ¹
		Group ESG Management Policy
		Medium- to Long-Term Vision
		Medium-Term Strategies
		IR/SR Policy of Shinsei Bank Group
		<small>1. Including corruption prevention and bribery prevention</small>
Governance	Corporate Governance	Policies for Initiatives Concerning the "Corporate Governance Code"
		Corporate Governance Report
	Compliance	Basic Policy against Antisocial Forces
		Shinsei Bank Group Policy on Anti-Money Laundering and Countering the Financing of Terrorism
	Data Security	Basic Policy Concerning Protection of Personal Information
		Social Media Policy
		Foreign Exchange Transaction Policy
Tax Governance	Global Tax Policy	
Risk Governance	Risk Management	
Society	Basic Stance	Group ESG Management Policy
	Human Rights	Group Human Rights Policy
		Action Plan to Promote Active Participation of Women
	Customer	Policy on Customer-Oriented Business Conduct and Action Plan
	Contribution to Society	Financial Facilitation Initiatives
Environment	Basic Stance	Approach for Corporate Philanthropic Activities
	Promotion of ESG Investment and Loan	Group ESG Management Policy
		Group ESG Management Policy
	Stance for Investment and Loan to Specific Business	Businesses which are prohibited from New Transaction:
		Investment and lending transactions connected with anti-social forces
		Investment and lending transactions connected with the violation of laws and regulations or aimed at illegal acts or evasion or circumvention of laws
Investment and lending contrary to public order or morals		
Investment and lending to companies producing cluster bombs		
Investment and lending to coal-fired thermal power plants (including provisional clause)		
Approach for Environment Impact of Own Company	Saving Electricity and Lowering Environment Impact	
Initiatives	The United Nations Global Compact	
	<p>Since 2019 Shinsei Bank has been committed to the UN Global Compact corporate responsibility initiative and its principles in the areas of human rights, labour, the environment and anti-corruption.</p> 	
		<p>Principles for Financial Action for the 21st Century</p> 

●●● Interview with Outside Audit & Supervisory Board Member



I hope that the Bank will fully recognize the importance of gender diversity as a corporate management strategy, and become a leading company where women can play an active role throughout their careers while dealing with various life events.

Shiho Konno
Outside Audit &
Supervisory Board Member, Lawyer

Promoting Diversity in Corporate Management

Q Based on your own experiences and societal trends, please share your thoughts about the significance of diversity in corporate governance.

A First, diversity is critical for Boards of Directors to adequately perform their supervisory functions. According to the minutes from the Financial Services Agency's "Council of Experts Concerning the Follow-up of Japan's Stewardship Code and Japan's Corporate Governance Code" where the revisions to diversity-related provisions were debated, there was discussion about the fact that overseas investors used to be concerned that homogeneity and a lack of diversity in Japanese corporate boardrooms may be having a significant negative impact on their supervisory functions. I believe that board member diversity is demanded by the global capital markets as a matter of course since it relates to a board's supervisory capabilities, and I also believe it is an essential condition in order to enhance corporate governance.

Japan's Corporate Governance Code was established in June 2015. The Code included provisions concerning the need for outside directors. With this, Japanese companies took the first steps toward increasing board member diversity, and, with listed companies having added outside directors to a certain extent, the

Corporate Governance Code revision in June 2018 took things one step further by stipulating the need for diversity pertaining to gender and international experience. Diversity can be discussed from the perspective of gender, nationality, age, experience, and many other attributes, but from a global perspective, gender is considered the most critical type of diversity. Nevertheless, Japan ranked 110th out of 149 countries in the Global Gender Gap Index in 2018, which clearly shows that Japan is lagging considerably behind other countries in this respect, and the June 2018 revision to the Corporate Governance Code is seen as a measure to rectify this situation. With respect to gender diversity, based on my personal experience, I feel that in Japan today it is easier for women to speak out without worrying too much about what others in the room will think. For example, I feel that it is easier for women to question long-standing practices within a company and push for improvements. Personally, I have expressed my opinions quite freely at board meetings, including at other companies. At Shinsei Bank, with my nearly 30 years of experience as a lawyer, I would like to continue to proactively state my opinions on things that I notice, many of these being things I notice because I am a woman and an outsider and thereby provide a contribution to enhancing corporate governance and corporate value in the medium term.

Q Looking back on the past year as an Outside Audit & Supervisory Board member of the Bank, what challenges as well as potential do you see with respect to diversity in the Group?

A Before assuming office, I looked at the figures, such as the ratio of women in managerial positions, and felt that the Bank was ahead of other companies in this area. However, upon actually taking office, I realized that there is still a lot of room to improve in terms of the diversity of senior management and Directors and Executive Officers. I attend Board of Directors meetings and Audit & Supervisory Board meetings, and at these meetings Executive Officers often come to give explanations about the areas they are in charge of. Currently, almost all of the directors, executive officers, and senior managers of subsidiaries who appear are men. On the other hand, there seems to be a shared understanding of the need to improve the current situation, and I feel that considerable effort and progress have been made over the past year. In November last year, an internal symposium on “Unconscious Bias” was held mainly for men in managerial positions, and about 300 people attended the event. I participated in the event as one of the panelists. There was quite a strong reaction to the symposium, and I have heard that some managers changed their behavior from that day on. I feel that the momentum towards more diversity within the Bank has increased following that symposium, as the Group Committee to Promote the Active Participation of Women has contacted me and other newly-appointed female Directors and Executive Officers, asking to have meetings with us.

Recently, a woman was appointed as an Outside Director. This was the first time the Bank has appointed a female Director. Another woman was also appointed as an Outside Audit & Supervisory Board member, meaning that women are now the majority on the Audit & Supervisory Board, which is almost unprecedented, even among listed companies. This spring, three female Executive Officers were newly appointed, and there is momentum to develop women candidates for Director and Executive Officer positions. Based on these events, I feel that the Bank is more committed to diversity than other companies, and that this has led to stronger governance.

As seen by the increasing number of women in top positions in the finance industry these days, I think that finance is a field in which women can thrive. I hope that women in the Bank will assume even more active roles, and that other talented women will opt to join the Bank and thrive as well.

In terms of board diversity pertaining to attributes other than gender, the fact that Outside Directors from a variety of different backgrounds comprise a majority of the Bank’s Directors, is worthy of note for a Company with an Audit & Supervisory Board. The ratio of Outside Directors is not only high, I feel that there are few other companies where Outside Directors speak out as actively and make comments as meaningful as they do at Shinsei Bank.

Q What would you like to see Officers and the Board of Directors do with respect to promoting diversity in the Shinsei Bank Group?

A As I discussed at the diversity symposium, in this era of declining birthrates, population aging, and a shortfall in the working population, companies where women, who make up half of the population, cannot play an active role will inevitably decline. I would like Shinsei Bank to become a leading company where women can actively participate throughout their careers while dealing with various life events. I also hope that the Bank will become a place that women who possess a strong desire to work flock to. Rather than simply viewing this as “doing something for women” as part of the Bank’s consideration for women’s human rights, I want the Bank to recognize its importance as a corporate management strategy.

To this end, as I discussed earlier in connection with the theme of “Unconscious Bias” at the symposium that I mentioned, I would like the Bank to eliminate certain preconceived notions, such as feeling bad about burdening women with heavy responsibilities. On the other hand, childbirth is a life event particular to women. Childcare and nursing care are common challenges that many employees face. I hope that the Bank will devise ways to create workplace environments that enable both men and women to continue working for their entire careers while also raising children and providing nursing care.

Corporate Governance

Four Features of Shinsei Bank's Corporate Governance

Ratio of Outside Directors on the Board of Directors

71%

- Five of the seven directors at Shinsei Bank are outside directors and comprise a majority of the Board of Directors.
- The Bank has maintained a Board structure where outside directors comprise a majority since Shinsei Bank started.
- The Bank has submitted the names of seven individuals, including outside Audit & Supervisory Board members as independent officers to the Tokyo Stock Exchange.



80%

Ratio of Outside Directors with Corporate Executive Experience



- The mix of outside directors on our Board is well balanced with deep expertise and extensive experience relating to finance in Japan and overseas, businesses aimed at consumers, risk management areas and information systems.
- Four of the five outside directors on our Board are or have worked as corporate executives.

Attendance Rate for the Board of Directors

100%

- Our directors, including outside directors, attended each meeting of the Board of Directors and engaged in active debate about the Bank's management and operational execution.
- This attendance rate is the average for our directors for six meetings of the Board of Directors since the June 2018 general meeting of shareholders.



58 meetings

Number of IR Meetings /Companies where the CEO Met with Shareholders, Investors and Analysts

56 companies

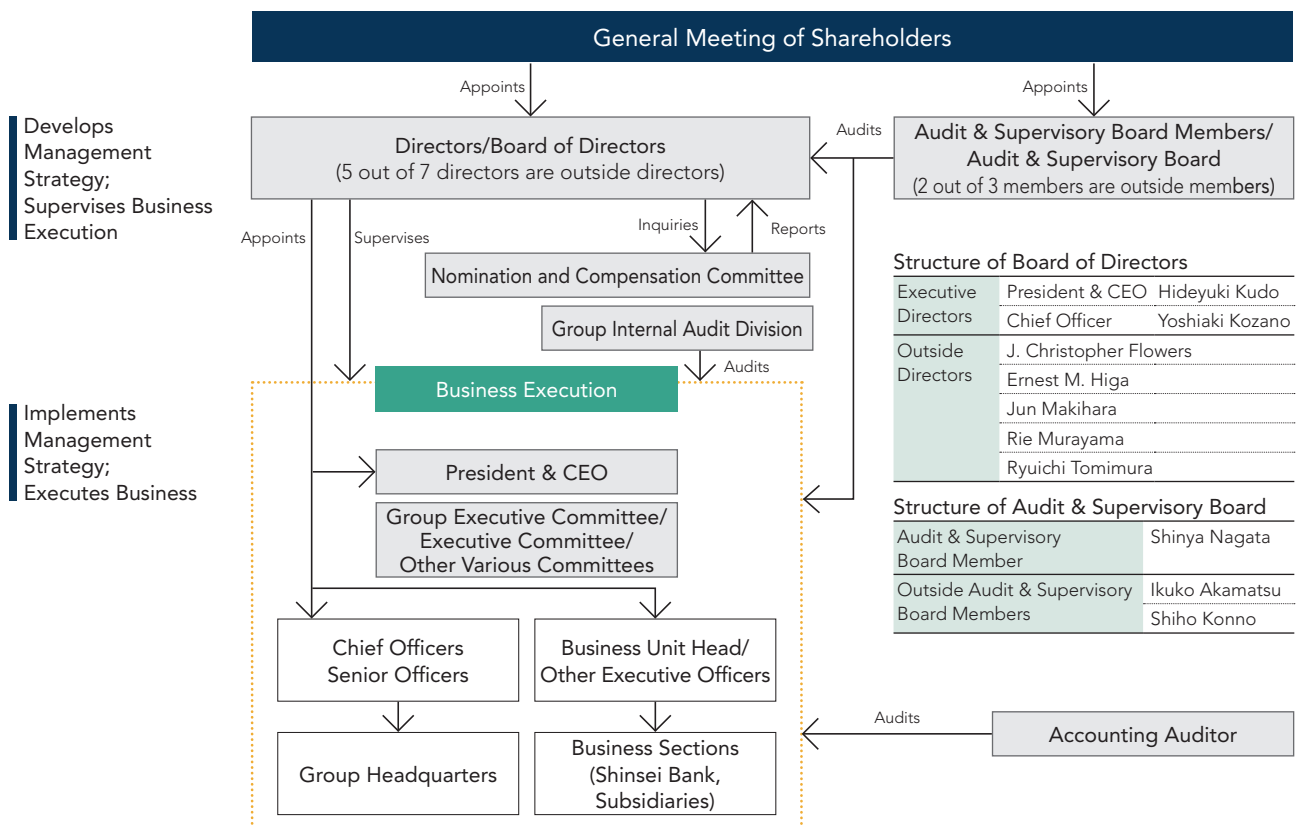
- The CEO has been assigned ultimate responsibility for investor relations (IR) activities and engages in constructive dialogue with the market in Japan, North America, Europe and Asia.
- The Bank has reduced the number of duplicative meetings by CEO with the same investors, and focused on the meetings with proxy advisor firms in fiscal 2018.

Corporate Governance of Shinsei Bank

Shinsei Bank's Board of Directors—the Bank's decision-making body for its business management—consists of seven directors—two full-time directors who are directly responsible for the execution of the Bank's businesses and five outside directors who primarily supervise the Bank's business execution. The composition of the Board of Directors ensures the objectivity and transparency of business management and facilitates appropriate management decision-making. The current outside directors are a balanced group of executives who bring to the Bank their extensive experience and expertise in a range of fields, including domestic and overseas financial businesses, consumer-related businesses and the fields of risk management and information systems. Backed by this experience and expertise, the outside directors express their opinions in an independent and objective manner fulfilling their roles in providing advice

and oversight for executives performing their duties. Regarding transactions with parties such as directors and major shareholders, the Bank conducts checks to avoid conflicts of interest and to maintain the fairness of transactions, and, when necessary, it uses established frameworks for deliberating on such transactions in Board of Directors meetings and conducting any necessary follow-ups. Through the auditing of the Bank's Board of Directors and business execution by the Audit & Supervisory Board and its members, which are independent from the Board of Directors, the Bank seeks to create a strict corporate governance framework which is to encourage the adoption of optimal and balanced management policies reflecting the benefit of stakeholders such as shareholders and customers, through which the Bank seeks to enhance its corporate value.

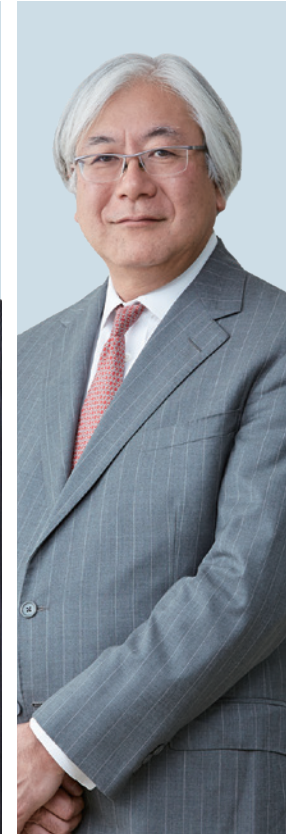
■ Corporate Governance Structure Chart (as of June 19, 2019)



Develops Management Strategy; Supervises Business Execution

Implements Management Strategy; Executes Business

Board of Directors, Audit & Supervisory Board Members



Hideyuki Kudo

Representative Director,
President and
Chief Executive Officer
Chairman of Board

Yoshiaki Kozano

Director

J. Christopher Flowers

Outside Director
Nomination and
Compensation Committee
Member

Ernest M. Higa

Outside Director
Nomination and
Compensation Committee
Member

Jun Makihara

Outside Director
Chairperson, Nomination and
Compensation Committee

Reasons for Nomination

Mr. Hideyuki Kudo has abundant experience and insight, focusing on corporate and risk management operations. Since his appointment to office as the president in 2015, he has been contributing to improved corporate value by leading the steady implementation of the Medium-Term Management Plan, the formulation of the Medium-Term Management Strategy, and the establishment of the Group head office.

Mr. Yoshiaki Kozano has a wealth of experience and results, focusing on corporate operations. Since his appointment in 2017, he has been planning and promoting the Group's business strategy as the Director, Chief Officer, Group Business Strategy and contributing to the enhancement of corporate value through reorganization of the Group and creation of business opportunities.

Mr. J. Christopher Flowers was asked to stand as an Outside Director in order to reflect in the Bank's management, his expertise and broad insight into banking, finance and the financial services industry as a whole.

Mr. Ernest M. Higa was asked to stand as an Outside Director in order to reflect in the Bank's management, his experience and deep insight of business for consumers.

Mr. Jun Makihara was asked to stand as an Outside Director in order to reflect in the Bank's management, his extensive knowledge of finance and his domestic and international experience.

Directors' Skill Matrix

	Management	Finance	Risk Management	Consumer Business	IT
■ Hideyuki Kudo	○	○	○		
■ Yoshiaki Kozano	○	○			
■ J. Christopher Flowers	○	○			
■ Ernest M. Higa	○			○	
■ Jun Makihara	○	○			
■ Rie Murayama		○	○		
■ Ryuichi Tomimura	○				○



Rie Murayama

Outside Director
Nomination and
Compensation Committee
Member



Ryuichi Tomimura

Outside Director
Nomination and
Compensation Committee
Member



Shinya Nagata

Audit &
Supervisory Board Member



Ikuko Akamatsu

Outside Audit &
Supervisory Board Member



Shiho Konno

Outside Audit &
Supervisory Board Member

Ms. Rie Murayama was asked to stand as an Outside Director in order to reflect in the Bank's management, her wide range of expertise based on her experience as Outside Director at other companies, as well as her knowledge based on her extensive experience at an investment bank.

Mr. Ryuichi Tomimura was asked to stand as an Outside Director in order to reflect in the Bank's management, his extensive experience and wide range of knowledge including information systems as a management executive and a consultant.

Mr. Shinya Nagata was asked to stand as Audit & Supervisory Board Member based on the judgment that he is suitable as a corporate auditor who can play a central role in all areas of corporate audit. Through his long work experience at Shinsei Bank, Shinya Nagata has gained a deep understanding of the Group's business and with his extensive knowledge and experience in finance and accounting he is able to share the circumstances of the Group with outside corporate auditors.

Ms. Ikuko Akamatsu was asked to stand as an Outside Audit & Supervisory Board Member in order to reflect in the Bank's audit operations her expertise in compliance and governance, etc. and to take on the promotion of diversity, as well as for her professional knowledge and experience as a certified public accountant and a certified fraud examiner and extensive experience as a consultant based on the aforementioned expertise.

Ms. Shiho Konno was asked to stand as an Outside Audit & Supervisory Board Member in order to reflect in the Bank's audit operations her expertise and extensive experience as a lawyer and based on her experience as an outside director at listed companies as well as her expertise in compliance and governance, etc. and to take on the promotion of diversity.

■ Audit & Supervisory Board Members' Skill Matrix

	Finance	Financial Accounting	Legal Affairs
■ Shinya Nagata	○	○	
■ Ikuko Akamatsu		○	
■ Shiho Konno			○

Board of Directors, Audit & Supervisory Board Members

Directors



Hideyuki Kudo
Representative Director, President
and Chief Executive Officer

Ownership: Common shares 15,051

Attendance rate: 100%

- Jun. 2015 Representative Director, President and Chief Executive Officer, Shinsei Bank, Limited (Current)
- Apr. 2015 Managing Executive Officer, Shinsei Bank, Limited
- Apr. 2013 Managing Executive Officer, Chief Risk Officer, Head of Risk Management Group, Shinsei Bank, Limited
- Apr. 2011 Managing Executive Officer, Head of Structured Finance Sub-Group, Shinsei Bank, Limited
- Sep. 2010 Managing Executive Officer, Deputy Head of Institutional Group, Shinsei Bank, Limited
- Jun. 2007 Managing Director, Investments Division, Aetos Japan, LLC
- Jan. 2007 Vice Chairman, MID Urban Development Co., Ltd. (Predecessor of Kanden Realty & Development Co., Ltd.)
- Jun. 2006 Representative Director, President, MID Urban Development Co., Ltd. (Predecessor of Kanden Realty & Development Co., Ltd.)
- May 2005 Managing Director, Aetos Japan, LLC
- Aug. 2003 Director, Acquisition Group, Aetos Japan, LLC
- May 2001 General Manager, Advisory Department No. II, Investment Banking Division, Mizuho Securities Co., Ltd.
- Apr. 1987 Joined The Dai-ichi Kangyo Bank, Ltd. (Predecessor of Mizuho Bank, Ltd.)



Yoshiaki Kozano
Director

Ownership: Common shares 4,086

Attendance rate: 100%

- Jun. 2018 Director, Chief Officer, Group Business Strategy, Shinsei Bank, Limited (Equivalent to Senior Managing Executive Officer), Shinsei Bank, Limited (Current)
- Apr. 2018 Chief Officer, Group Business Strategy (Equivalent to Senior Managing Executive Officer)
- Apr. 2017 Chief Officer, Group Business Strategy, Managing Executive Officer, Special Assignment, Shinsei Bank, Limited
- Jun. 2016 Director, APLUS FINANCIAL Co., Ltd. (Current)
- Apr. 2016 Managing Executive Officer, Special Assignment (Head of Group Business Strategy, Shinsei Bank, Limited)
- Apr. 2015 Managing Executive Officer, Deputy Head of Institutional Group, Shinsei Bank, Limited
- Jun. 2011 Managing Executive Officer, Head of Principal Transactions Sub-Group, Shinsei Bank, Limited
- Dec. 2007 Head of Principal Transactions Sub-Group, Shinsei Bank, Limited
- Jul. 2006 Head of Corporate Business Solutions Sub-Group, Shinsei Bank, Limited
- Nov. 2003 General Manager, Credit Trading Division, Shinsei Bank, Limited
- Apr. 1986 Joined The Long-Term Credit Bank of Japan, Ltd. (Predecessor of Shinsei Bank, Limited)

Outside Directors



J. Christopher Flowers
Outside Director

Managing Director and
Chief Executive Officer,
J.C. Flowers & Co. LLC

Ownership: Common shares 7,675,374

Attendance rate: 100%

- Nov. 2018 Member of the Supervisory Board, Hamburg Commercial Bank (Current)
- May 2012 Member of the Supervisory Board, NIBC Holding N.V. (Current)
- Nov. 2002 Managing Director and Chief Executive Officer, J.C. Flowers & Co. LLC (Current)
- Mar. 2000 Director, Shinsei Bank, Limited (Current)
- Dec. 1988 Partner, Goldman, Sachs & Co.
- Mar. 1979 Joined Goldman, Sachs & Co.



Ernest M. Higa

Outside Director

Chairman, President & Chief Executive Officer, Higa Industries Co., Ltd.

Ownership: Common shares 3,581

Attendance rate: 100%

- Apr. 2017 Board of Trustees, Showa Women's University (Current)
- Sep. 2016 Chairman & Representative Director, Wendy's Japan K.K. (Current)
- Apr. 2015 Chairman, President & Chief Executive Officer, Higa Industries Co., Ltd. (Current)
- Jun. 2013 Director, Shinsei Bank, Limited (Current)
- Mar. 2011 Chief Executive Officer, Wendy's Japan LLC
- Jun. 2010 Director, JC Comsa Corporation (Current)
- May 2009 Board of Overseers, Columbia Business School (Current)
- Apr. 2008 Board Member, The Tokyo New Business Conference (Current)
- Apr. 1983 President and Chief Executive Officer, Higa Industries Co., Ltd.
- Apr. 1976 Joined Higa Industries Co., Ltd.



Jun Makihara

Outside Director

Director, Monex Group, Inc.
Director, Philip Morris International Inc.

Ownership: Common shares 20,000

Attendance rate: 100%

- Sep. 2014 Director, Philip Morris International Inc. (Current)
- Jun. 2011 Director, Shinsei Bank, Limited (Current)
- Jun. 2006 Director, Monex Group, Inc. (Current)
- Jul. 2000 Chairman of the Board, Neoteny Co., Ltd.
- Nov. 1996 Co-Branch Manager, Goldman Sachs Tokyo Branch (Predecessor of Goldman Sachs Japan Co., Ltd.)
- Nov. 1992 Partner, Goldman, Sachs & Co.
- Sep. 1981 Joined Goldman, Sachs & Co.



Ryuichi Tomimura

Outside Director

President,
Representative Director, SIGMAXYZ Inc.

Ownership: Common shares 0

Attendance rate: 100%

- Jun. 2018 President, Representative Director, SIGMAXYZ Inc. (Current)
- Jun. 2016 Executive Vice President, Representative Director, SIGMAXYZ Inc.
- Jun. 2015 Director, Shinsei Bank, Limited (Current)
- Jun. 2014 Audit & Supervisory Board Member, Shinsei Bank, Limited
- Aug. 2012 Director, Plan.Do.See Inc.
- Apr. 2010 Executive Vice President, Director, SIGMAXYZ Inc.
- Dec. 2007 Representative Director, Managing Director, RHJ International Japan, Inc.
- Feb. 2004 Representative Director, Senior Executive Vice President, Japan Telecom Co., Ltd. (Predecessor of Softbank Corp.)
- Oct. 2002 Managing Director, IBM Business Consulting Service KK, Vice President, IBM Corporation Business Consulting Service, Asia Pacific
- Jan. 1994 Managing Partner, Pricewaterhouse Consultant
- Oct. 1991 General Manager, Network Integration Division, Recruit Co. Ltd. (Predecessor of Recruit Holdings Co., Ltd.)
- Oct. 1983 Joined IBM Japan, Ltd.

Board of Directors, Audit & Supervisory Board Members

Audit & Supervisory Board Member



Shinya Nagata
Audit & Supervisory Board Member

Ownership: Common shares 2,229

Attendance rate: 100%

- Jun. 2012 Audit & Supervisory Board Member, Shinsei Bank, Limited (Current)
- Oct. 2010 Executive Officer, General Manager, Financial and Regulatory Accounting Division, Shinsei Bank, Limited
- Sep. 2010 Executive Officer, General Manager, Group Regulatory Accounting and Tax Division, General Manager, Group Financial Accounting Division, Shinsei Bank, Limited
- Jun. 2010 General Manager, Group Regulatory Accounting and Tax Division, General Manager, Group Financial Accounting Division, Shinsei Bank, Limited
- Sep. 2009 General Manager, Group Regulatory Accounting and Tax Division, Shinsei Bank, Limited
- Apr. 2009 General Manager, Group Regulatory Accounting and Tax Division, General Manager, Group Financial Accounting Division, Shinsei Bank, Limited
- Oct. 2006 General Manager, Group Regulatory Accounting and Tax Division, General Manager, Group Financial Projects Division, Shinsei Bank, Limited
- Dec. 2001 General Manager, Financial and Regulatory Accounting Division, Shinsei Bank, Limited
- Apr. 1981 Joined The Long-Term Credit Bank of Japan, Ltd. (Predecessor of Shinsei Bank, Limited)

Outside Audit & Supervisory Board Member



Shiho Konno
Outside Audit & Supervisory Board Member

Lawyer

Ownership: Common shares 0

Attendance rate: 100%

- Jun. 2018 Director, Monex Group Inc. (Current)
- Jun. 2018 Audit & Supervisory Board Member, Shinsei Bank, Limited (Current)
- Jun. 2017 Director, Alfresa Holdings Corporation (Current)
- Jun. 2016 Director, Kakaku.com, Inc.
- Jun. 2015 Director, Watami Co., Ltd.
- Mar. 2015 Established Shiho Konno Habataki Law Office (Current)
- Aug. 2014 Auditor, Japan Corporate Governance Network
- Apr. 2014 Member, Committee on Realization of a Gender-Equal Society of Japan Federation of Bar Associations (Current)
- Apr. 2009 Professor, Waseda Law School, Waseda University
- Mar. 2008 Audit & Supervisory Board Member, Advanced Softmaterials Inc.
- Jun. 2005 Audit & Supervisory Board Member, Yahoo Japan Corporation
- Apr. 1991 Registered in Daiichi Tokyo Bar Association

Newly Appointed Outside Director

On this occasion, I am honored to have been appointed as a Shinsei Bank Outside Director.

For a total of 27 years, I worked for foreign financial institutes and accumulated experience in the equity research and investment banking divisions, and as executive manager. For the past three years, I have attended the site of corporate management as an outside director and board member of several companies, and have thereby personally experienced the weight of responsibility as a director. As an outside director of Shinsei Bank, I will have the opportunity to experience the forefront of the finance industry as it continues to encounter a surging wave of multiple reforms and changes, which I feel is both an unexpected joy and a heavy yet motivating responsibility.

Moreover, one of my major goals is to contribute to greater corporate value by promoting the true diversity and meritocracy required to demonstrate and realize the Womenomics advocated by my former colleagues, and by materializing the results thereof. I look forward to working with all of you.



Rie Murayama

Outside Director

Former Managing Director at
Goldman Sachs Japan

Ownership: Common shares 0

- Jun. 2019 Director, Shinsei Bank, Limited (Current)
- Jun. 2017 Director, KATITAS Co., Ltd.
- Apr. 2017 Chairman & Representative Director, ComTech, Ltd.
- Jun. 2016 Director, RENOVA, Inc.
- Apr. 2016 Trustee, National Center for Global Health and Medicine (Current)
- Nov. 2001 Managing Director
- Mar. 1993 Joined Goldman Sachs Tokyo Branch (Predecessor of Goldman Sachs Japan Co., Ltd.)
- Nov. 1988 Joined CS First Boston Securities

Newly Appointed Outside Audit & Supervisory Board Member

My name is Ikuko Akamatsu, and I was recently appointed as an Outside Audit & Supervisory Board Member.

After graduating from university, I raised two sons while serving as a certified public accountant and certified fraud examiner. Based on my experience working in these areas, over the past eight years I have researched compliance, governance, and diversity at a university.

Likewise, I hope to utilize my various experiences and expertise gained over the past quarter century along with my knowledge in my specialty fields of finance and internal control as I work to audit and provide oversight for the executive branch of management. I will aim to enhance corporate value over the medium- to long-term and carry out my responsibilities as Outside Audit & Supervisory Board Member in order to support all of Shinsei Bank's shareholders and stakeholders.

I look forward to working with all of you.



Ikuko Akamatsu

Outside Audit & Supervisory
Board Member

Certified Public Accountant
Certified Fraud Examiner

Ownership: Common shares 0

- Jun. 2019 Audit & Supervisory Board Member, Shinsei Bank, Limited (Current)
- Apr. 2019 Senior Researcher, Management Training and Consulting Division, Institute of Management, SANNO University (Current)
- Aug. 2018 Director, TOP'S Inc. (Current)
- Jan. 2017 Member, Committee on Promotion of Active Participation for Women Accountants, The Japanese Institute of Certified Public Accountants (Current)
- Dec. 2010 Chief Researcher, Management Training and Consulting Division, Institute of Management, SANNO University
- Jan. 1995 Joined Showa Ota & Co. (Predecessor of Ernst & Young ShinNihon LLC)

Policy for Operation of the Board of Directors

The Bank holds strategy sessions to intensively discuss selected agenda items in addition to the six periodic Board of Directors' meetings. In fiscal 2018, the Bank held two strategy sessions that mainly discussed the Medium-Term Strategies that start in fiscal 2019. In the sessions, directors and audit & supervisory board members posed numerous questions and comments on the explanation by executive directors from a broader perspective.

Moreover, to ensure the sharing of their independent viewpoints as well as to share detailed information regarding business execution with each of the outside directors, the Bank holds regular meetings attended only by the outside directors themselves.

The majority of the Bank's Board of Directors are presently composed of outside directors (five of the seven directors are outside directors), ensuring objective and transparent discussions for appointment of candidates for directors and decisions on the directors' remuneration system and their specific remuneration levels. In addition, from the perspective of "governance" in the ESG management philosophy, the Bank has concluded

that in order to improve the Bank's accountability towards its stakeholders, including shareholders, it is necessary to further enhance objectivity and transparency of the Board of Directors' functions related to appointment of candidates for directors and decisions on directors' remuneration. In March 2019, the Bank established a voluntary Nomination and Compensation Committee for the purpose of further increasing the objectivity and transparency of the functions of the Board of Directors. The Nomination and Compensation Committee comprises only outside directors. The committee consults with the Board of Directors, and deliberates on the contents of General Meeting of Shareholders proposals regarding the appointment and dismissal of directors, on matters concerning the appointment and dismissal of representative directors and on matters concerning the compensation of directors, and reports its findings back to the Board of Directors.

In order to fulfill its accountability towards stakeholders, Shinsei Bank will make efforts to continually strengthen its corporate governance framework.

■ Annual Schedule for the Board of Directors

May	Regularly scheduled Board meeting (on financial results, AGM* related materials, audit reports, etc.)	Nov.	Regularly scheduled Board meeting (on interim financial results, etc.)
Jun.	Regularly scheduled Board meeting (held after AGM ends, appointment of President, etc.)	Jan.	Regularly scheduled Board meeting
Sep.	Regularly scheduled Board meeting	Mar.	Regularly scheduled Board meeting (on fiscal year budget and plan, etc.)

* AGM: annual general meeting of shareholders

■ Timetable for Day of Regularly Scheduled Board Meetings

8:00	Meeting composed of outside directors only (Nomination and Compensation Committee as needed)
9:00	Meeting of Board of Directors commences Report from President Report from Audit & Supervisory Board Report from Group Internal Audit Division Finance-related report Individual agenda items to be resolved Report and deliberate on specific agenda items Risk-related report
11:30	Conclude meeting

■ Strategy Session

9:00	Explanation by executive directors on formulation of Medium-Term Strategies
12:00	Lunch
13:00	Discussion on formulation of Medium-Term Strategies
15:00	Summary
16:00	Conclude meeting

Board of Directors Effectiveness Evaluations

The Bank periodically conducts an evaluation/analysis of the effectiveness of the Board as a whole in order to improve the Board's functionality.

An overview of the fiscal 2018 self-evaluation is as follows.

(1) Objective

To improve the function of the Board of Directors by having the Board perform a self-evaluation of whether it is fulfilling the roles and duties required of it and then implement the PDCA cycle.

(2) Subjects of analysis/evaluation

The Board's activities, and the operation and support systems for efficiently and effectively carrying out such activities.

(3) Evaluators

Evaluation by all members attending Board meetings (Directors, Audit & Supervisory Board members and others – totaling 11 people). Certain questions are only asked to Audit & Supervisory Board members in order to receive an evaluation of the Board by Audit & Supervisory Board members.

(4) Analyzed/evaluated matters

The contents of discussions at Board meetings, the operation of the Board by the executives, the composition and diversity of members of the Board, the provision of information to the Board by the executives, the content of discussions at strategy sessions, the management of strategy sessions by executives, communication, the necessity of third-party evaluations of the Board's effectiveness, evaluations by Audit & Supervisory Board members, etc.

(5) Means of analysis/evaluation

Questionnaire survey (questions in which responses are selected including free-response questions) prepared by the secretariat for the Board of Directors based on instructions from the Board Chairman.

(6) Results feedback

The selected results and responses to free-response questions are reported to the Board.

The following is an overview of the key results of the survey.

(a) Contents of Board meeting discussions

To a certain extent, survey respondents feel that discussions for the medium- to long-term business vision, as well as discussions for a business model aimed at increasing corporate value and achieving sustainable growth have been constructive and are contributing to an increase in corporate value and sustainable growth.

(b) Contents of strategy sessions discussions and effectiveness of the sessions

In the fiscal year under review, discussions focused on the theme of mid-term management strategy formulation, and in general these were evaluated to be useful. Strategy sessions were deemed to still be effective for deliberating on business strategy, and the decision was made to continue to hold the sessions while considering the themes as well as the timing and frequency of sessions.

(c) Board composition/diversity

Questions were asked regarding the roles, responsibilities, gender balance, and cosmopolitanism of the Board, and it was confirmed that continued consideration should be given, particularly with respect to gender balance.

(d) Management of Board and strategy sessions by executives

Since there had been feedback that deliberation time was long, we worked to select agenda items with omitted explanations and worked to keep explanations brief, among other measures, and in the fiscal year under review, as a result of efforts including revising the composition of materials and receiving questions in advance, etc., all respondents evaluated deliberation time as being appropriate, and we recognize that these efforts have led to more efficient and dynamic management.

(e) Provision of information to the Board by executives

While the explanations at Board of Directors Meetings were evaluated as having improved, we also confirmed that there is room for improvement in providing information on risk management, compliance, and other topics.

(f) Third-party evaluation of effectiveness

The utilization of evaluations and their necessity are matters that we should continue to study while taking into account the Board's intentions.

(g) Questions for Audit & Supervisory Board members

We confirmed that, as a whole, Audit & Supervisory Board members feel that directors are properly executing the duties expected of them.

From the results of the survey, we concluded that more efficient operation has led to more time being devoted to important discussions within limited meeting times, such as the medium- to long-term business vision. The Bank will also strive to improve and maintain the aspects that were evaluated as appropriate or improved from the previous year, and work to further improve the Board's effectiveness and functioning by examining and making improvements to issues raised in the survey.

Corporate Governance

Directors and Executive Officers Compensation Scheme

Policy for Determining Compensation

- Appropriate incentives are provided in order to advance the Group's business and realize the mid- to long-term Group management principles.
- Reflecting the roles and responsibilities of each director and executive officer, directors and executive officers share common shareholder value by holding the Company's shares over the long term.
- The scheme will curb excessive risk-taking and contribute to ongoing sound management as a financial institution.
- The plan incorporates a compensation system that provides incentive to further increase corporate value considering share price.

Composition of Compensation for Full-Time Directors*

- Basic compensation
Fixed compensation (Annual fixed amount)
- Mid- to long-term incentive compensation
We have introduced mid- to long-term incentive compensation in order to enable directors and executive officers to share with shareholders in the risks and benefits associated with stock price fluctuations and to increase their motivation to contribute to increasing the stock price and enhancing corporate value over the mid- to long-term.
 - 1) Restricted stock compensation (Introduced from fiscal 2018)
 - 2) Equity remuneration type stock options

* There is no short-term incentive compensation to reward full-time directors for performance in a single fiscal year. Note that introduction of restricted stock compensation is under consideration as mid- to long-term incentive compensation for outside directors who are not full-time directors.

Performance-based compensation

Equity remuneration type stock options are calculated using a set formula that is based on the stock prices and net assets of the Bank and other companies in the banking sector. For this reason we have categorized them as "performance-based compensation". Equity remuneration type stock option payment amounts are determined based on internal

rules determined by the Board of Directors. Note that since the indices used in the calculation formula are determined by the market, they are not set as performance targets.

Total Maximum Amount of Compensation for Directors

- (1) Total maximum amount of compensation for directors (including outside directors): Up to ¥180 million per year (of this amount, ¥60 million for outside directors)
- (2) Maximum amount of allotment of restricted stock for full-time directors: Up to ¥20 million per year, within the total maximum amount in (1) above (introduced from fiscal 2018)
- (3) Maximum amount of allotment of equity remuneration type stock options for full-time directors: Up to ¥50 million per year, separate from the total maximum amount in (1) above

Process for Determining Compensation Amounts

Compensation amounts for directors and executive officers are predicated on the content of the Bank's current Plan for Restoring Sound Management and are determined by the Board of Directors taking into consideration the recommendations of the Nomination and Compensation Committee who deliberate on compensation amounts within the scope of compensation amounts determined at a general meeting of shareholders. The Nomination and Compensation Committee is comprised of all of the Bank's outside directors, and the quorum for Nomination and Compensation Committee meetings is a majority of members present. Note that although the Nomination and Compensation Committee was established on March 20, 2019, the process for determining compensation amounts for the Bank's directors and executive officers in fiscal 2018 also involved determination through deliberations at a Board of Directors meeting at which outside directors comprised the majority. Three Board of Directors meetings with matters on the agenda concerning compensation etc. for directors and executive officers were held in fiscal 2018.

■ Total Amounts of Compensation etc. by Category, Total Amounts by Type of Compensation etc., and the Number of Eligible Persons (from April 1, 2018 to March 31, 2019)

Categories	Total amounts of compensation etc. (millions of yen)	Total amounts by type of compensation etc. (millions of yen)					Number of eligible persons
		Fixed compensation	Equity remuneration type stock options	Restricted stock compensation	Retirement benefits	Other	
Directors (excluding outside directors)	139	69	22	19	27	—	3 (One of whom has retired)
Audit & Supervisory Board members (excluding outside Audit & Supervisory Board members)	20	20	—	—	—	—	1
Outside directors and outside Audit & Supervisory Board members	78	72	—	—	6	—	8 (One of whom has retired)
Total	237	161	22	19	33	—	12 (Two of whom have retired)

Notes: 1. Amounts have been rounded down to the nearest unit.

2. Within the categories above, there are three directors who serve concurrently as executive officers (one of whom has retired).

3. Based on a resolution at the 15th Annual General Meeting of Shareholders held on June 17, 2015, one executive director and one outside director who retired at the closing of the 18th Annual General Meeting of Shareholders held on June 20, 2018, were paid retirement benefits of 33 million yen.

Compensation for executive officers as well as chief officers and senior officers in the Group Headquarters is comprised of a fixed compensation component as basic compensation, a bonus component based on the single

year's performance as short-term incentive compensation, and restricted stock compensation as medium- to long-term incentive compensation (introduced in fiscal 2018).

Audit & Supervisory Board Members/Audit & Supervisory Board

Shinsei Bank's Audit & Supervisory Board is composed of one full-time member who has extensive business experience at the Bank and is knowledgeable in finance and accounting and two outside members, one of whom is an attorney and the other is a certified public accountant. By applying the expertise from their respective fields of specialization and their knowledge of corporate governance, the Audit & Supervisory Board, which is fully independent from the Board of Directors, engages in appropriate audits of the performance of the business execution of directors.

In addition, both outside Audit & Supervisory Board members are experienced as external directors of other companies, and, by drawing upon their experience, they are able to provide views with greater objectivity from a position of greater independence, resulting in enhanced effectiveness of the Audit & Supervisory Board's auditing activities. Audit & Supervisory Board members, in addition to personally conducting audit activities such as attending

key meetings, such as Executive Committee meetings, in addition to Board of Directors' meetings, review key documents and conduct interviews with directors, executive officers and accounting auditors, engage with internal control sections such as the Group Internal Audit Division and utilize staff of the Office of Audit & Supervisory Board Members to systematically and efficiently audit the state of the business execution of the entire Shinsei Bank Group, including the Bank as well as its subsidiaries.

■ Activities of Audit & Supervisory Board Members since Fiscal 2018 AGM¹

	Board of Directors meetings	Audit & Supervisory Board meetings
Number of meetings held ²	6 times	12 times
Attendance rate	100%	100%

¹ AGM refers to the annual general meeting of shareholders.

² The total number of meetings held after the AGM in fiscal 2018

Chief Officers/Senior Officers and Executive Officers

In order to ensure agile day-to-day business operations, business operations are split into basic units called "divisions," and under the direction of the Executive Directors led by the President and Chief Executive Officer, the 37 (as of June 19, 2019) executive officers, chief officers, and senior officers appointed by the Board of Directors are responsible for each division as executive officers in charge.

With regard to business functions, business unit heads and executive officers in charge of each division are appointed from among executive officers, and each divisions' executive officers in charge and their supervising executive officers in charge work to promote business with customers based on overall Group business strategies and management resource allocations devised by business unit heads.

We have consolidated indirect functions such as human resources and finance that had been located in each Group company within the Bank's Group Headquarters as much as possible under the Banking Act, the Companies

Act, and other laws and ordinances, and are working to increase the level of sophistication and productivity of operations on a consolidated basis under the responsibility of chief officers and senior officers who assist them.

In addition, as bodies that support the President and Chief Executive Officer in making decisions regarding the execution of business, the Bank has established a Group Executive Committee and an Executive Committee, both comprising Executive Directors, business unit heads, supervising executive officers in charge, chief officers, and others. In addition, by establishing various committees that handle technical matters as a complement to the Group Executive Committee and the Executive Committee, the Bank has put in place a framework for making decisions after adequate deliberation and verification based on the nature of the matter at hand.

Based on this framework, the Bank is strongly promoting Group integration in keeping with the Medium- to Long-Term Vision.

■ Overview of Group Executive Committee, Executive Committee and Other Important Committees

Name	Main Purpose
Group Executive Committee	The President's decision-making body for day-to-day business execution at the Group level
Executive Committee	The President's decision-making body for day-to-day business execution for Shinsei Bank, Limited
Group ALM Committee	Negotiate, formulate policies and make decisions concerning medium- and long-term Asset and Liability Management
Group Compliance Committee	Communicate, coordinate and make decisions on the Group's compliance posture and on matters relating to compliance
Group Risk Policy Committee	Discuss the risk operation policy and management framework for the Group's portfolios, and the Group's approach to major portfolios, sectors, products and so forth
Group IT Committee	Discuss, coordinate and make decisions on matters concerning the Group's information technology systems
Group Business Continuity Management Committee	Discuss, coordinate and make decisions across divisions to advance reforms to the Group's business continuity structure
Group Basel Committee	Discuss, coordinate and make resolutions on matters concerning regulatory capital, with a focus on Basel regulations
Group Management Development Committee	Discuss, coordinate and make decisions about the Group's HR system and related measures, etc.
Group New Business/ Product Committee	Conduct due diligence on each new business and service proposal across the Group and make decisions, and conduct due diligence on strategic investment proposals
Doubtful Debt Committee	Promptly inform top management about significant bad debt exposure, and make decisions on write-offs and other matters concerning sale of debts, debt forgiveness and so forth
SME Loan Committee	Through discussions on the business policy and challenges for the entire institutional banking business, take initiative in bank-wide efforts to achieve SME loan goals set in the Revitalization Plan

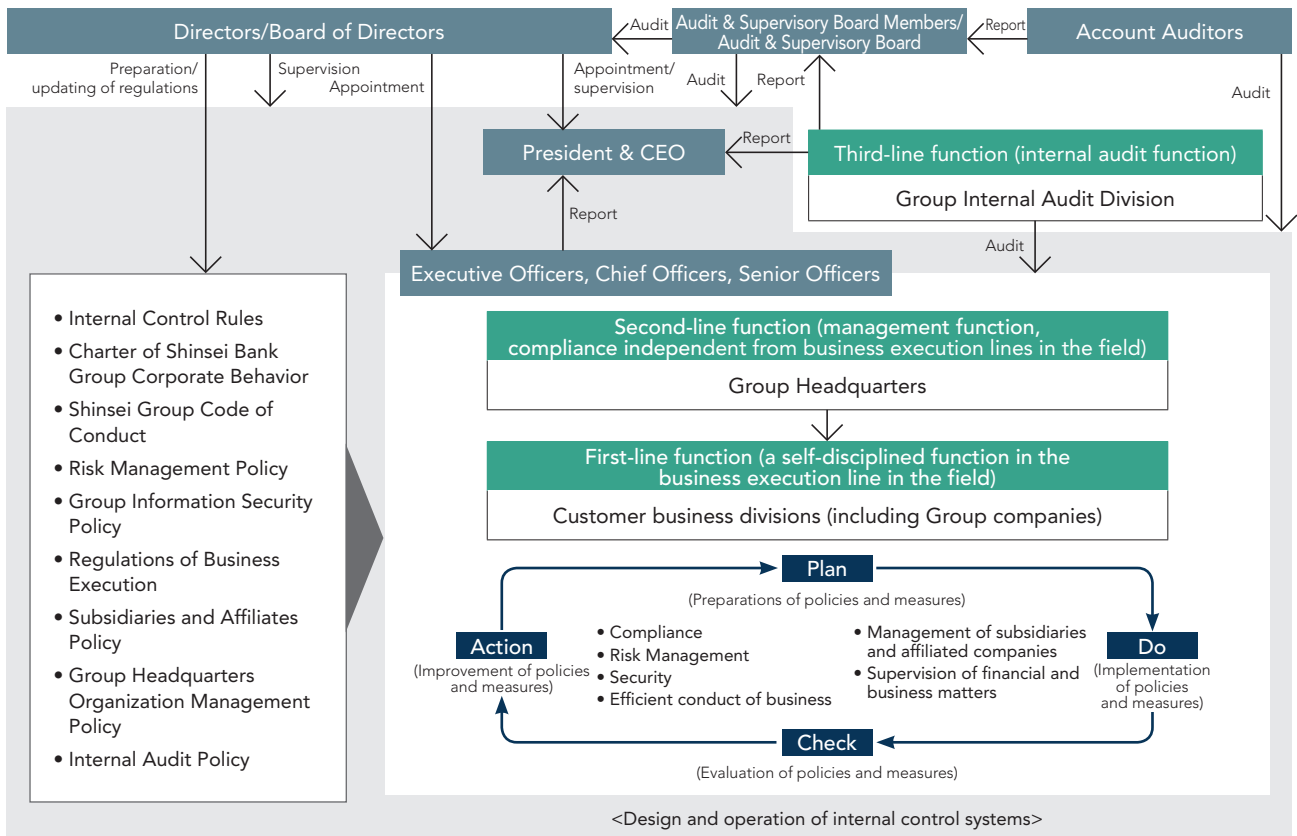
●●● Corporate Governance

Internal Control

In order for corporate governance to function effectively, in addition to creating business execution oversight and decision-making frameworks around the Board of Directors, putting into place frameworks which facilitate the proper functioning of functions such as internal audits and compliance is also necessary. Additionally, the creation of internal control systems as required by the Corporation Act or internal controls that ensure the accuracy of financial reports as required by the Financial Instruments and Exchange Act is also a crucial element in a properly functioning corporate governance structure. While management is responsible for ensuring the implementation of such internal controls, the proper function of overall internal controls can be ensured by installing detailed internal control frameworks within the divisions executing business operations.

Shinsei Bank's basic policy governing its internal control systems has been put in place in order to ensure the propriety and efficiency of day-to-day operations and is defined in the "Internal Control Rules" determined by the Board of Directors, and, furthermore, the adequacy of its internal control systems is reviewed annually by the Board of Directors. The Internal Control Rules clearly state that (1) the internal control system has a self-disciplined function in the business execution line in the field (first-line); a management function, such as compliance independent from business execution lines (second-line); and an internal audit function independent from these functions (third-line); (2) the Board of Directors shall receive timely and appropriate reports from the second-line and third-line functions in order to grasp and deal with serious risks and problems appropriately, and

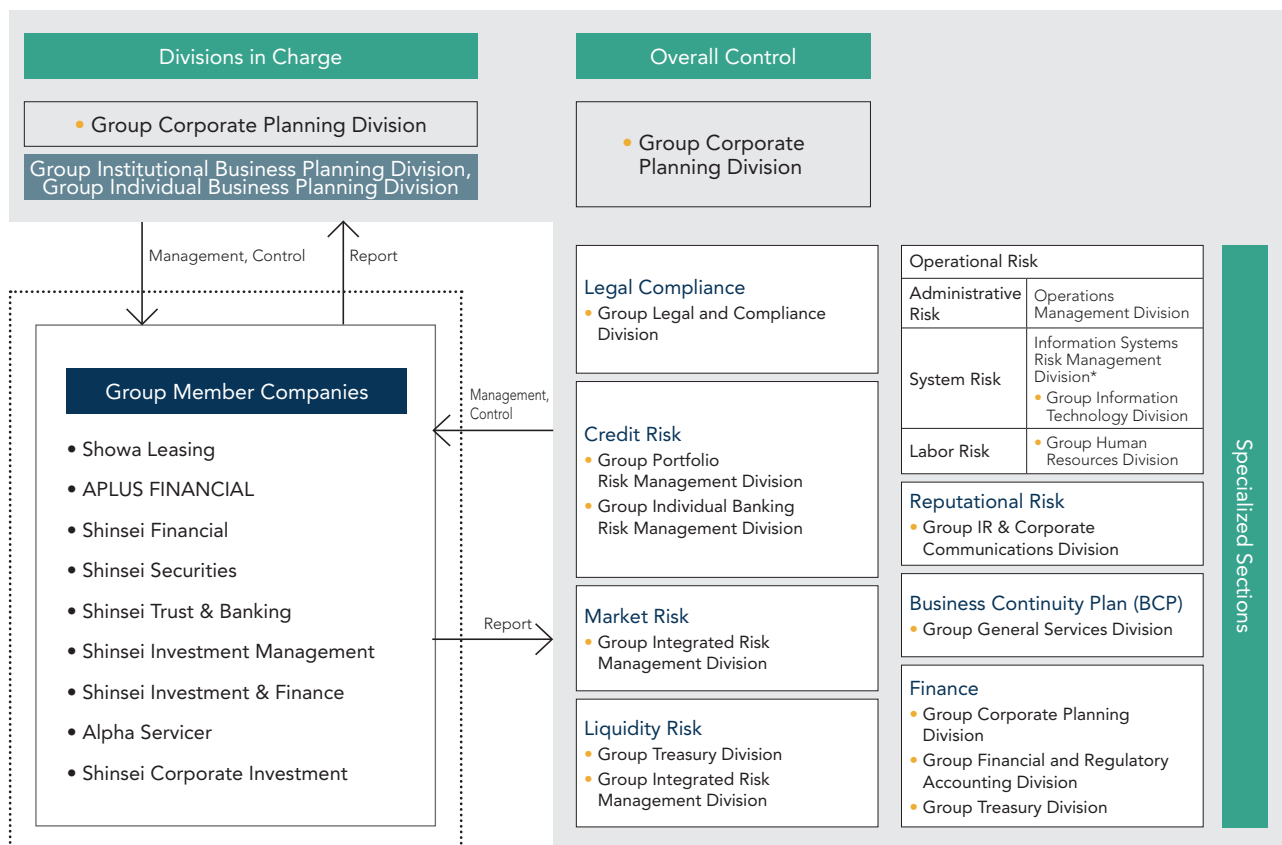
■ Internal Control Framework



shall periodically review the key policies and controls. Under this regulation, the Shinsei Bank Group Code of Conduct, Risk Management Policy, Group Information Security Policy, Regulations of Business Execution, Subsidiaries and Affiliates Policy, Group Headquarters Organization Management Policy and Internal Audit Policy are established as the underlying rules. In addition, by improving the system for ensuring the effectiveness of the audits by Audit & Supervisory Board members, we are striving to ensure the propriety, transparency and efficiency of operations throughout the entire Group, including subsidiaries. Furthermore, we are striving to create systems to sever relationships with anti-social forces and ensure the propriety of operations, including establishing the Charter of Shinsei Bank Group Corporate Behavior to cut off relationships with anti-social forces.

With regard to internal control over group companies, from April 2017, the indirect functions of Group companies have been consolidated at the Group Headquarters and managed centrally, and the departments in charge and specialized sections of the Group Headquarters work together to manage subsidiaries and affiliates. Under this system, matters related to business activities and internal management of subsidiaries and affiliates are regularly reported to the Group Executive Committee, and important matters related to the management of subsidiaries and affiliates are discussed at and reported to the Group Executive Committee. Through the development of this system, we will further enhance the management system of the entire Group, including subsidiaries and affiliates.

■ Group Internal Control Support Framework (as of June 19, 2019)



● Under Group Headquarters

* The specialized sections of each risk area identify and measure the potential risks in cooperation with the controlling division (Group Integrated Risk Management Division).

Corporate Governance

Internal Audit

The Group Internal Audit Division (GIAD) of the Bank makes regular direct reports regarding the results of audits and the status of GIAD activities to the President and the Audit & Supervisory Board. The GIAD supports the President in his responsibility for controlling business execution, in particular for establishing an effective system of internal controls, and also supports the Audit & Supervisory Board in their responsibilities for audit and supervisory activities, in particular for monitoring the system governing internal controls and its operation. The GIAD provides independent and objective assessments of the effectiveness of risk management, control and governance processes, the reliability of information and information technology systems, and compliance with statutory, legal and regulatory requirements, as well as provides solutions to management.

The GIAD is independent of all organizations subject to internal audits, as well as being independent of day-to-day operational activities and control processes, including regular preventive and detective controls. The GIAD utilizes a risk-based audit approach and creates a comprehensive risk assessment by combining a macro-risk assessment, assessing risk from the perspective of the Banking Group as a whole, together with a micro-risk

assessment, assessing risk from an individual business level. Audit resources are prioritized to businesses or processes perceived to have relatively higher risk.

The GIAD has enhanced its off-site monitoring activities by attending key management meetings, reviewing internal control documents and holding regular meetings with senior management.

The GIAD also takes the initiative in developing internal auditors' expertise, in particular, strongly encouraging them to obtain professional certifications such as the Certified Internal Auditor and Certified Information Systems Auditor qualifications. While the GIAD pursues the development and introduction of new audit techniques, it also recognizes the importance of maintaining fundamental skills necessary to perform its audit-related duties.

The GIAD has integrated internal audit functions within the Bank and major subsidiaries, and conducts internal audit activities in an integrated manner across the Bank group. By receiving regular quality assessments carried out by a third party organization of group internal audit activities, we are able to identify opportunities for improvement from an objective viewpoint.

Legal and Compliance Activities

Compliance Framework and Activities

The Group Compliance Committee established in the Group Headquarters, Group Legal and Compliance Division and compliance supervisors (general managers) and compliance managers assigned to divisions, branches and departments in key Group companies, including Shinsei Bank, constitute the main elements of the Shinsei Bank Group's compliance framework. The Group Compliance Committee, chaired by the Chief Officer of the Group Legal and Compliance Division, reports on and discusses the basic policy for the compliance framework spanning the entire Group as well as compliance-related issues.

There are compliance officers within the Group Legal and Compliance Division, and in addition to providing support and guidance for compliance promotion activi-

ties performed by compliance supervisors and compliance managers, these compliance officers prepare an annual Group compliance program, set rules, provide training, and so on.

Whistle-blower System

Shinsei Bank has established a compliance hotline system. Under this system, executives and employees of the Bank can report on violations of laws or ordinances, or matters in which there are suspicions of such violations. If a report is made, the matter is reported to senior management, a team is organized to investigate the issue, and necessary corrective and recovery measures are implemented. The Bank prohibits whistle-blowers from being subject to unfavorable treatment due to the fact that they made a report, and the Group Legal and Compliance Division later follows up to make sure that

the whistle-blower has not been treated unfavorably. Other group companies have also established similar internal whistle-blowing systems.

■ Compliance Hotline

- Three Investigation Teams
 1. Group Legal and Compliance Division
 2. Full-Time Audit & Supervisory Board Member
 3. Outside Law Officer
- Information on the internal whistle-blower system is provided through internal rules and the Company's intranet

Measures against Money Laundering and Provision of the Financing of Terrorism

The Shinsei Bank Group has "Policy on Anti-Money Laundering and Countering the Financing of Terrorism" and has positioned combating money laundering and the provision of funds to terrorist organizations as one of the most critical issues for management, and works to establish a Group-wide framework for doing so. Using a risk-based approach, the Group is reducing risk by implementing individual measures to combat the Shinsei Bank Group's particular risks that have been identified and evaluated. In particular, in fiscal 2019, ahead of the 4th Round of Mutual Evaluations of Japan by the

Financial Action Task Force (FATF), the Shinsei Bank Group is working on measures to combat money laundering and the financing of terrorism under the leadership of senior management. Going forward, assessing the effectiveness of countermeasures and continuously reviewing efforts will be a top priority for the Group.

Legal Supervision

Violations of any laws and ordinances that the Bank and each Group company are required to abide by carries the risk of severe repercussions not only to our credibility and reputation as a financial institution, but to the credibility and functionality of the overall banking system itself. In the case of individual transactions, there exists a risk that we may become embroiled in a dispute and face unexpected claims for damages. Prevention and proper management of these legal risks are a crucial function within the day-to-day operations of today's banking groups. Shinsei Bank has established the Legal Department within its Group Legal and Compliance Division that presides over such legal affairs, including compliance with corporate and transactional laws, legal documentation and litigation supervision, and, through this specialized support, we work with legal officers in all Group companies and, on a Group basis, aim to prevent and manage any legal risk and support our compliance posture from a legal standpoint.

■ Shinsei Bank Group Policy on Anti-Money Laundering and Countering the Financing of Terrorism

1. Risk assessment	Specify and assess the risk of money laundering and financing of terrorism at each company based on the concept of the risk-based approach, while paying attention to laws, ordinances, and other rules in Japan and documents issued by the Financial Action Task Force (FATF), the Basel Committee on Banking Supervision, and other international organizations. Take risk mitigation measures that are appropriate for the risk being addressed. Regularly examine the effectiveness of risk identification and assessment practices and risk mitigation measures and review them as needed.
2. Customer identification and due diligence	Conduct customer identification before entering into transactions pursuant to relevant laws and ordinances, practice proper customer due diligence, and endeavor to eliminate inappropriate transaction relationships with customers including those with antisocial forces.
3. Transaction monitoring, customer screening, and reporting of suspicious transactions	Give the authorities a suspicious transaction report immediately if a transaction is judged to fall under suspicious transactions based on an abnormality found in the customer identification process conducted before entering into a transaction or during transaction monitoring or customer screening or based on a report made by business promotion divisions/branches.
4. Targeted financial sanctions and asset-freezing measures	Eliminate transaction relationships with the parties that are subject to targeted financial sanctions and appropriately take asset-freezing and other measures pursuant to domestic and overseas regulations and so forth.
5. Management of customers with correspondent contract	Appropriately collect information on customers who have entered into a correspondent contract with the Bank and assess their AML/CFT frameworks. Shinsei Bank and its customers who have entered into a correspondent contract with the Bank are prohibited from having transactions with shellbanks and from having transactions using through accounts with a strong level of anonymity.
6. Training for officers and employees	Endeavor to provide guidance and training to officers and employees to deepen their knowledge and understanding of AML/CFT measures and to equip them with expertise and to ensure their suitability according to their roles.
7. Continuous improvement	Regularly check the effectiveness of AML/CFT frameworks and endeavor to keep improving them based on the results of such checks.

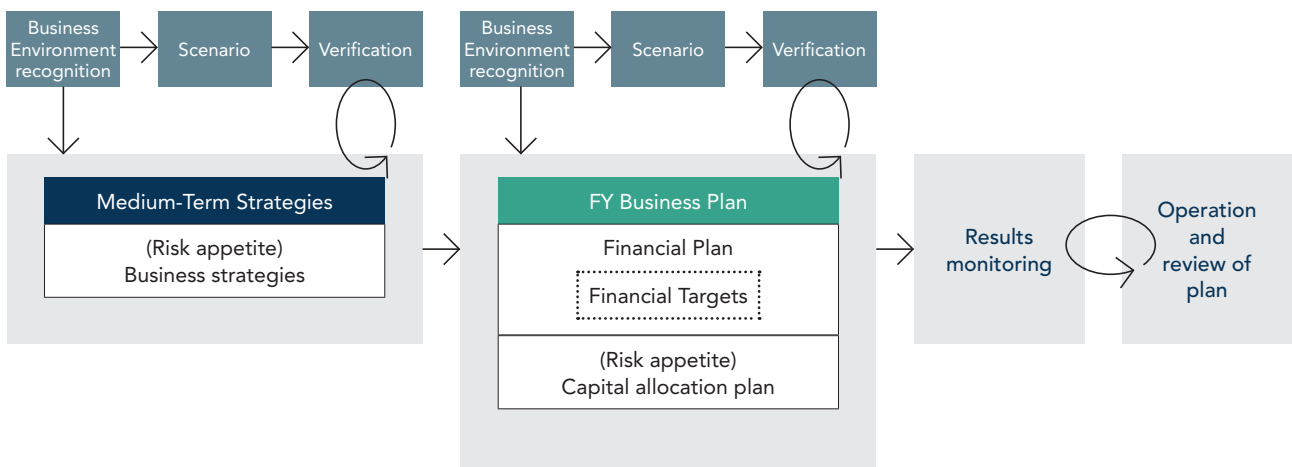
Risk Governance

Basic Approach

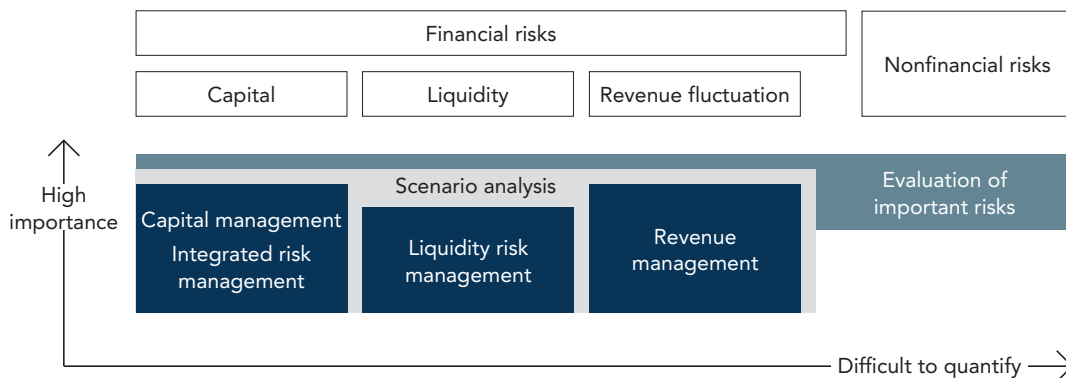
The Shinsei Bank Group handles business and risk management in an integrated manner by matching risk and return. In the process of formulating our annual management plan, we create a financial plan and a capital allocation plan by keeping consistency with one another, based on the risk appetite specified in each business strategy in the Medium-Term Strategies. The capital allocation plan quantifies risk appetite and allocates the required capital to each business line in order to achieve the financial plan. The Shinsei Bank Group has identified

the Common Equity Tier 1 Capital Ratio and ROE (return on equity) etc. as important financial targets in its business strategy, and the consistent framework between financial planning and risk appetite allows us to generate expected return by taking appropriate risk, which will result in improving financial targets through the integrated risk management and business management. This management philosophy based on risk appetite is commonly referred to as the "risk appetite framework."

Conceptual Diagram of Integrated Management



Overview of Integrated Management Functions



Risk Appetite

The types and amounts of key risks are defined as “risk capital” in an integrated risk management method. Risk capital is the amount of risk measured for each of the risk categories: Credit risk, market risk, interest rate risk, and operational risk, and it is a performance indicator vis-à-vis the capital allocation plan. Risk capital by business line is monitored under the strict rules, and the progress of the management plan is managed from the viewpoint of risk appetite. If monitoring activity reveals a deviation from the original capital allocation plan due to changes in the business environment or other factors, we review the plan and/or the operational policy.

In addition, among risks that may emerge in the coming year, risks believed to have a significant impact on business are recognized based on discussions by senior management. This process also emphasizes the consid-

eration of nonfinancial risks that are difficult to quantify, along with other risks. In this process, we visualize trigger events, transmission mechanisms, and financial impacts to the maximum extent possible when determining business impacts. Currently, we identify various important risks including economic downturns, the rise in long-term interest rates, the entry of nonfinancial companies into the industry due to innovations in financial technologies, the risk of fraud in business processes, and the risk of destabilization of the foreign currency procurement environment. We will strive to monitor the signs of, as well as manage, these risks, and bolster our ability to respond in times of emergency. At the Shinsei Bank Group we established a risk policy committee as a consultative body to ensure an alignment between business strategy and risk appetite.

■ Important Risks

Risk scenario	Risk scenario details/impact
1. Decline in asset prices and increase in fund procurement costs due to a rise in long-term interest rates	A change in monetary policy caused by significant inflation resulting from protectionist moves triggered by U.S.-China trade friction. An increase in credit costs and fund procurement costs in conjunction with falling real estate prices caused by a sharp rise in long-term interest rates following interest rate hikes.
2. Entry of nonfinancial companies into the industry due to innovations in financial technologies	Entry by players from other industries into the personal and SME loan market in association with the rise of FinTech and other new technologies. A resulting decline in the Shinsei Bank Group's loan balance and lower profit margins due to competition over interest rates.
3. Risk of fraud in business processes	Internal fraud, including fraud by subcontractors, external fraud (money laundering, cyberattacks, etc.), system failures, etc. Associated penalties and administrative sanctions imposed by relevant authorities, as well as reputational damage, etc.
4. Risk of destabilization of the foreign currency procurement environment	The foreign currency investment/procurement balance increasingly tilts towards excessive investment. Instability and inefficiency of foreign currency procurement, including rising fund procurement costs in conjunction with financial market turmoil under such circumstances.

Management Plan Verification

To ensure the validity of the management plan, our basic approach is to perform verification including scenario analyses, and conduct revisions as necessary. In scenario analyses, we create several scenarios such as an economic downturn, and estimate the revenue fluctuation risk, capital adequacy, and liquidity risk in each scenario. If, based on the analyses, we determine that the plan assumes excessive risk, or if there are doubts about its

feasibility, we review the plan. For nonfinancial risks, we attempt to link these to the management plan and perform the aforementioned important risk analyses during the plan formulation process. This requires close communication between the business management and risk management sections, and this communication is an important factor to integrate risk management and business management.

Initiatives for Employees

The Shinsei Bank Group regards HR-related matters as one of the most important tasks for the growth of the organization. Therefore, we implement ongoing reviews of our existing systems and initiatives. In order to provide optimal value to our customers, the entire Group is working together across departments and groups to develop and utilize personnel and foster an organizational culture.

The Shinsei Bank Group's Diversity & Inclusion



Hideyuki Kudo
President and Chief
Executive Officer

Shinsei Bank Group companies provide financial products and services to corporate and individual customers while collaborating under integrated management. We also conduct reviews of the Group's financial functions from the customer's point of view, and aim to create new businesses that extend beyond existing frameworks based on

customers' true needs. We call on our Group employees to free themselves from conventional concepts and ideas, to enjoy change, and to develop a mindset of respecting diversity and accepting things that are different. "Enjoying" change involves being open minded and adopting a positive approach to change, and proactively embracing your own efforts to respond to changes. At the same time, in order to create new, interesting, and unique things, the Group is working to create a structure whereby the Group is not simply a collection of individual companies, but one in which the various strengths of each company are brought together and the personnel underpinning these strengths work together organically while respecting one another's individuality.

The Shinsei Bank Group's Personnel Strategy

The finance industry has entered a dynamic period of transformation due to the progress of digitalization, the utilization of data and AI, and other advancements, and the Shinsei Bank Group aims to be a financial innovator that provides innovative financial services by further refining our features and strengths. We believe that the key is for the personnel in each Group company to leverage their business platforms, product strengths, and development capabilities to maximize their capabilities. We want all personnel to enhance their level of expertise, while also bringing together their expertise at a high level, generate novel ideas, and proactively deliver new value to customers.

Starting in fiscal 2018, we began using a common performance evaluation system across the Group as a part of our efforts to bolster talent management. We are working to have all employees, regardless of which Group company they belong to, contribute even more value to the Group by maximizing their individual strengths and through the optimal utilization of personnel on a Group-wide basis in addition to helping employees develop their skills. Moreover, we aim to maximize group performance while creating new financial services as we integrate the Group's various financial functions.

Promoting Diversity and the Active Participation of Women in the Workplace

In order to further promote diversity, in February, 2018, the Shinsei Bank Group established the Diversity Promotion Office within the Group Human Resources Division. We have positioned diverse work styles, promoting active participation of women in the workplace, utilization of seniors, etc., as important themes, and we are promoting measures related to these topics. As an

example, to help promote diverse work styles, in April 2018 we introduced a telecommuting system and also started allowing employees to engage in both side work and concurrent work. Allowing employees to engage in both side work and concurrent work received a great deal of attention as a cutting-edge initiative by domestic financial institutions, and was covered by large media

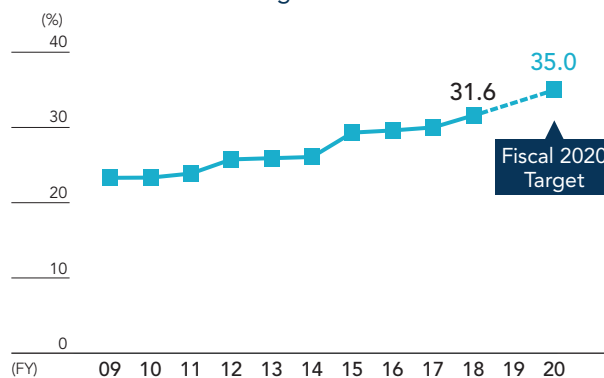
outlets. Leveraging this kind of framework allowing diverse work styles, we will consider hiring more outside talent, such as people with high levels of specialization.

Shinsei Bank President and Chief Executive Officer Hideyuki Kudo supports the “Declaration on Action by a Group of Male Leaders Who Will Create a Society in which Women Shine” advocated by the Cabinet Office. In February 2018, the Bank established the “Committee on Promoting the Role of Group Women in the Workplace,” and is developing a variety of career development systems to promote female employees in the workplace, including providing training opportunities. In fiscal 2020, the Bank aims to have a female manager (section leader-level or higher)¹ ratio of 17% (15.2% in fiscal 2019), and a female manager (section manager-level or higher)² ratio of 35% (31.6% in fiscal 2019).

(Note 1) Ranking of senior manager, deputy senior manager, or above

(Note 2) Ranking of manager or above

■ Promoting Role of Women in Workplace, Trend in Female Manager Ratio



Employee Health Initiatives

The Shinsei Bank Group is working to maintain and improve the health of its employees and create a safe and comfortable working environment by linking the activities of the Health Committee and industrial health, in accordance with laws related to occupational health and safety. We also use stress checks to understand the health risks of individual organizational units based on organizational analyses of each Group company, and take actions to improve them. Shinsei Bank has established a Health Development Center, which provides daily health management and health guidance. The Health Development Center is staffed with full-time industrial physicians.

Employment Initiatives for Persons with Disabilities

There are 88 people with disabilities working in various Shinsei Group workplaces (as of March 31, 2019), based on the idea that personnel with diverse values should be able to harness their individuality and work together in the same workplaces, rather than separating from each other people with disabilities and those without disabilities. In order to maintain a working environment and systems whereby people with disabilities can work with peace of mind for many years, and in order to expand opportunities for continuous active participation based on the circumstances of each individual, the Bank assigns such employees to workplaces in accordance with their individual characteristics.

Work Style Reform Interview ①

Side Work and Concurrent Work

Masahiro Tazawa
Project Finance Division



In addition to my main work in the lending business at Shinsei Bank, I import and sell cashmere wool from Mongolia as a side business. When starting my side business, I made sure that it was the kind of business that would not hinder my main work and would be something that I could do without over-extending myself. I basically limit the time I spend on my side business to weekends and holidays. In creating a business plan for my side business, I meet and speak with a lot of people, and during this process my network grew to include people both outside and inside the Group that I previously had no connection with. This network, along with the various opinions I received from people, have been very useful to me in my main work in the Bank's lending business as well. In addition, I think that by starting my own business and actually experiencing the difficulties that come with running a business first hand, I am able to better understand the customers I lend to and better serve them.

Initiatives for Employees

List of Shinsei Bank's work-style reform-related programs

System	Details
Self-Directed Flex-Time	Allows employees to start or finish work 30 minutes or one hour earlier or later than the normal starting or ending times
Work from Home	Allows employees to work from their home or a relative's (within two degrees of kinship) home, up to a maximum of two days per week
Side Work/Concurrent Work	Allows employees to concurrently engage in personal business (outsourcing, business start-up, company executive, etc.) or work concurrently for another company
Half-Day Paid Time Off	Allows employees to take time off in half-day increments during designated hours in the morning or afternoon
Hourly Paid Time Off	Allows employees to take time off in one-hour increments, up to five days per year (in combination with above half-day paid time off)
Life Support Leave	Allows employees to take a leave of absence for reasons including childcare, family care, study abroad, fertility treatment, spouse work transfer, etc., not covered by existing frameworks
Maternity Leave	Female employees can take leave from 6 weeks prior to childbirth to 8 weeks after childbirth
Childcare Leave	Employees can take leave up until their child reaches the age of two at a maximum
Family Care Leave	In principle, employees can take up to a total of one year (365 days) off to care for each family member who requires care

(Note) Only employees satisfying certain conditions are eligible to take the systems noted above.

Work-Style Design – Office Space Reform

In April 2017, the Shinsei Bank Group integrated the indirect functions of Group companies, established a virtual Group headquarters, and consolidated all employees engaged in indirect functions at Group companies in the Nihonbashi Office. In fiscal 2019, in order to further promote Group integration on the business side, we will consolidate the formerly decentralized Tokyo metropolitan area offices of Group companies into functional units transcending the bounds of legal entities. In addition to workplace strategies and securing work space, such as introducing ABW (Activity Based Working)¹ in areas where institutional business departments are gathered, we have launched a project to promote the redesigning of office environments and working styles, including switching to mobile PCs, adding Wi-Fi in offices, and enhancing the IT environment to facilitate paperless meetings etc., along with other initiatives.

Reducing the Volume of Paper Documents Stored at the Nihonbashi and Meguro Offices to Facilitate More Efficient Use of Space

As part of efforts to reduce the volume of stored paper documents, reduction targets have been set for each department. We achieved the goal of reducing the volume of paper documents stored per person to 1.5fm (file meters). The volume of documents was reduced by 2,714fm in total, which is 2,642 meters when converted to height. This is more than four times the height of Tokyo Skytree. Reducing the amount of space used for document storage allowed office space to be used more effectively.



A PDF file certificate was awarded to departments that achieved significant reductions in the volume of stored paper documents

(Note 1) A work style that allows choice in such things as location of work and desk to match the type of work being performed.

Work Style Reform Interview 2

Assigning Senior Personnel

Mitsumasa Sugiyama
Retail Sales & Support Division



My current job involves arranging general affairs matters within my division; handling inquiries, including inquiries from retail branches concerning personnel matters; and coordinating with related divisions. For 45 years, I was helped along by others at the Long-Term Credit Bank of Japan and then Shinsei Bank. I wanted to return the favor, even if just a little, while other staff members still see me as someone they can depend on. I think that smiles, communication, and handshakes are important. In talking with staff, I try to understand what they are feeling, and talk to them about my experiences and about how to stay motivated. I tell people to take all work seriously, and that what is important is to figure out ways to enjoy the work you're given and to make progress one step at a time with a positive attitude. In order for senior personnel to contribute, what is important is that others rely on us without viewing our age as an issue.

●●● Initiatives for Customers

Customer-Oriented Business Conduct

As a guideline for conducting business operations with top priority on customers' "best interests," the Bank established the "Policy on Customer-Oriented Business Conduct" (hereinafter referred to as the "Policy") and an "Action Plan" to put this Policy into practice. Each Shinsei Bank Group company and all executives and employees of the Group have reaffirmed the importance of "Pursuing customer-oriented business conduct and

contributing to our customers' asset formation," and by firmly committing to customer-oriented business operations, we will contribute to the sustainable growth and development of society and the economy.

For additional details, please refer to Shinsei Bank's website.

▶ <https://www.shinseibank.com/fiduciaryduty.html>

■ Shinsei Bank Group Companies that Have Established and Announced a Policy



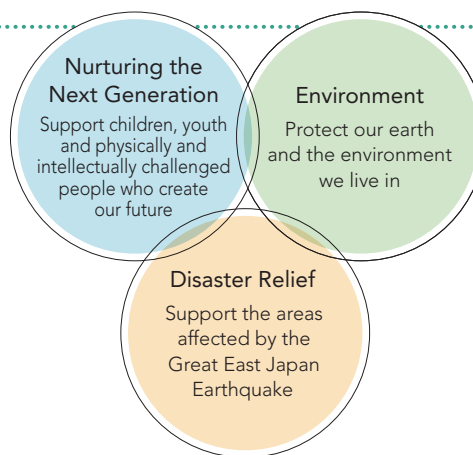
■ The Policy and Actions

Policy	Actions
Implementation of the Policy on Customer-Oriented Business Conduct	Monthly PDCA (Plan-Do-Check-Action) meetings were held among members of divisions including planning, sales, product management and compliance in the retail asset management business regarding customer-oriented business conducts. Status of the action plan for fiscal 2018 has been announced.
The Best Interests of the Customers	We have reviewed operation rules and advisory tools in asset management and consulting services to provide the services suitable for each customer. Asset management products and services have been enhanced and consulting services with video conference system have been introduced in some branches to fulfill the customers' various needs.
Appropriate Management of Conflicts of Interest	31 new products and services were screened and checked for conflicts of interest in the committee. All products and services have been reviewed semi-annually, and also checked changes in market value, status of complaints and its follow-ups in addition to conflicts of interest.
Transparency of Expense and Fee Structures	We renewed our website on mutual fund products for customers to easily compare fees with those of other mutual funds. Internal training program has been enhanced to explain fee structures to the customers in easily understandable ways.
Providing Important Information in Easily Understandable Ways	Advisory tools in asset management consultation was revised and Money Plan Guide has been developed to provide information on life planning and asset formation of customers. We have provided information about structure, risks and fees of mutual funds and also introduced Mutual Fund Lineup as a tool for customers to compare and select mutual funds.
Providing Services Suitable for Each Customer	We have monitored to see if products and services we advised have been good matches for customers' asset management experiences, assets, investment purpose and life plan as well as economic rationality. Monitoring results have been fed backed to employees to improve quality of the services. Particularly, transactions of elderly customers have been continuously monitored as to whether appropriate advice has been made and customers could properly understand.
Frameworks for Appropriate Motivation of Employees	Increase in asset under management and the results of customer satisfaction survey were added to the performance evaluation of branches to ensure that employees could deeply understand customer-oriented business conduct. We also reviewed evaluation frameworks and items in order to encourage employees to act in the best interests of customers. Internal training programs including inheritance, real estate investment and tax in addition to customer-oriented business conduct policy were held for appropriate consulting services for customers.

Social Initiatives

Our Approach

As a corporate group that provides financial services to society, the Shinsei Bank Group is aware that the healthy development of society is the foundation for the Group's continued existence. As such, we actively promote Corporate Philanthropic Initiatives as part of our commitment to acting as a responsible corporate citizen and contributing to the development of a sustainable society. The Shinsei Bank Group promotes employee-driven philanthropic activities, whereby approximately 330 employees throughout the entire Group participated in 33 activities in fiscal 2018 (ended March 31, 2019).



“MoneyConnection®” Financial Literacy Program

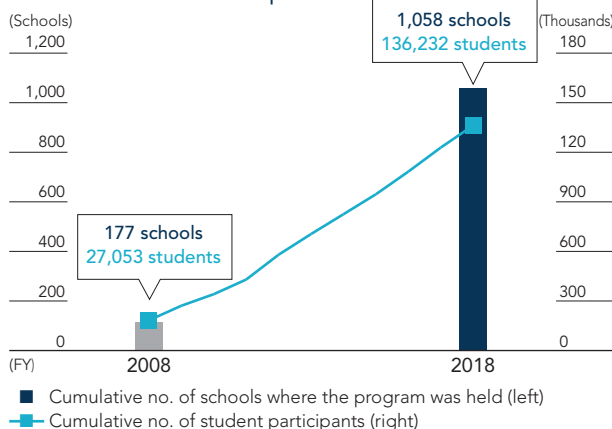
In cooperation with Sodateage.net, an authorized specified nonprofit organization, the Shinsei Bank Group holds “MoneyConnection®,” a financial literacy program that aims to help younger people avoid situations where they are not in employment, education or training (NEET).

This program was developed with the understanding that “a lack of accurate knowledge regarding money and a lack of monetary sense” is one of the reasons that people lapse into a NEET situation. We offer this program with the goal of providing opportunities, mainly to high school students, who are facing the first big choice in their lives regarding their future paths to enable them to consider work, monetary aspects, and the future. Employees are able to participate as class supporters at high schools, and through the pre-program orientation where they learn about the background of the program and about the situation facing youths. In addition, through their interactions with students in the classroom, employees are able to learn about how the risk of young people lapsing into NEET situations, which has a big impact on society, is a social issue that ought to be addressed.

Since this unique program that connects youth with society was launched in 2007, the program has expanded to cover 37 prefectures. The Shinsei Bank Group will continue to proactively support the program, so that even more students have an opportunity to take the course.



■ No. of Schools Where the Program Was Held
■ No. of Student Participants



Post-quake Recovery Support Activities in the Tohoku Region of Japan

Soon after the Great East Japan Earthquake, Shinsei Bank Group employees began and have continued to provide support to local communities in various ways. These include traveling to the region to provide support, collecting internal donations and opening a stall within the Bank to sell food and supplies made at businesses that support the employment of handicapped individuals in Miyagi Prefecture.

Although the ways in which employees have connected with the affected region have continued to change

over time, our employees have continued to work to understand the current situation and to place importance on empathy while continuing to provide the kind of support that is required at each particular point in time.



Stall within the Bank

●●● For Shareholders and Investors

Fiscal 2018 IR/SR Strategy

1. Create environment for the CEO to engage in constructive dialogue with the market
2. Issue Integrated Report and proactively utilize this in dialogue with the market
3. Create environment to facilitate the utilization of IR/SR/ESG information as management information
4. Promote mutual communication between investors/analysts and the company from only feedback from them
5. Enhance communication with those in charge of exercising voting rights and those charged with the responsibility of shareholder stewardship

■ IR Activities (Fiscal 2018 Results)

Individual meetings (including individual meetings at conferences)	208 (127 companies)
Participation in conferences held by securities companies (Total of domestic and overseas)	5 times
Financial results briefings and telephone conferences	8 times
Number of participants at financial briefing session (including live streaming)	More than 280
Dialogue with directors, executive officers and managers by market participants and experts	3 times
IR activity reporting at Board of Directors' meetings, Group Executive Committee meetings and General Manager meetings	5 times

■ Top Management's Commitment to IR (Number of IR Meetings in Fiscal 2018)

CEO	Executive Officers	IR/SR Officers	Total
58	79	71	208
28%	38%	34%	100%

FY2018 Achievements and Issues

The number of repeated meetings between the CEO and the same investors declined while the number of meetings with executive officers remained at the same level of last fiscal year. The number of meetings with IR representatives declined due primarily to reduction of research costs for investors since the introduction of MiFID2 and a decline in appetite for Japanese financial stocks. In fiscal 2019 we plan to focus on cultivating new investors by refining our targeting methodology.

We commenced full-fledged engagement by the CEO and executive officers in charge of IR with proxy voting advisory firms and the responsible investment officers of domestic institutional investors. In fiscal 2019, we aim to strengthen the framework for engagement meetings with investors and analysts.

We issued our first Integrated Report and the CEO conducted an Integrated Report Roadshow both in Japan and overseas. Our Integrated Report was selected as an "Excellent Integrated Report" by asset managers of GPIF (Government Pension Investment Fund) who are entrusted with domestic equity investment.

Feedback of IR information to employees of the Group has been enhanced in addition of reporting to the management. For example, we issued IR reports for the employees, and organized seminars on ESG by the subject matter experts and market valuation of the Group by the market participants. Through the dialogue with investors about ESG, we will make more efforts on supporting each business line to resolve social issues.

Formulation of Group ESG Management Policy

The Company formulated a "Group ESG Management Policy" which clarifies the basic concepts and direction of the Shinsei Bank Group's efforts to address environmental and social issues. In addition to our basic approach to corporate governance, social issues, and

environmental issues, the Policy also clearly defines our approach to investment and financing in both ESG and specific businesses (please refer to page 46 for the "Group ESG Management Policy").

▶ <https://www.shinseibank.com/corporate/en/esg/>

Feature: IR/SR Seminars for the Management Given Market Participants and Experts

We initiated numerous events to receive direct feedback from the market, as a part of measures to utilize IR, SR and ESG information as an important management tool and also to promote on an exchange of information and dialogue based on feedback from investors and analysts. For instance, a buy-side analyst discussed with the Board of Directors about integration of ESG and investment, and a subject matter expert illustrated new trends in disclosing nonfinancial information in the medium-term management plan at the presentation to the executives. Furthermore, a sell-side analyst provided the managers with a market view on the Group. We will continue to create opportunities to directly provide the Group with opinions of the capital market and encourage to make the most of IR, SR and ESG information for the Group's management.

Environmental Initiatives

The Shinsei Bank Group's Renewable Energy Initiatives

Since 2012, Shinsei Bank has been accumulating know-how about deal origination, risk management and other matters through the provision of financing for renewable energy projects involving solar power, wind power, biomass and geothermal energy and has been expanding the base of domestic project financing investors as well as promoting syndication with regional financial institutions. As we enhance our efforts to diversify power sources, in fiscal 2018 we financed a wind power project in Ishikawa Prefecture and an offshore wind power project in the United Kingdom. As of March 31, 2019, wind power accounts for approximately 8% of the approximately ¥260 billion total balance of domestic project finance (including committed amounts), and 21% of the approximately ¥170 billion total balance of overseas project finance (including committed amounts).

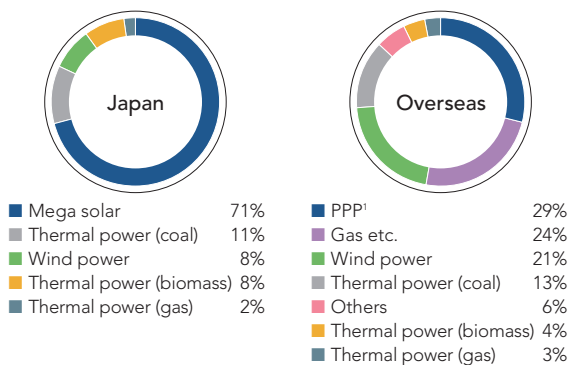
As a market leader in domestic renewable energy projects, the Shinsei Bank Group will continue to contribute to the development of the renewable energy market in Japan and to solve environmental and energy issues through the renewable energy business using diverse power sources.

Under the Group ESG Management Policy, the Shinsei Bank Group prohibits new investment and lending to coal-fired thermal power plants, in principle. However, in the case of ultra-supercritical pressure coal-fired thermal power plants or power plants with the same or higher

levels of efficiency, a careful assessment of many factors is made. This assessment includes the power generation efficiency of the power plant in question, as well as technologies used to reduce greenhouse gas emissions, and other considerations pertaining to each individual power plant, with reference to guidelines such as the OECD Arrangement on Officially Supported Export Credits, and in full consideration of the situation in each country and international conditions relating to coal-fired thermal power plants (please refer to Page 46 for the "Group ESG Management Policy").

Project Finance

Balance: project type, includes commitment basis
(as of the end of March 2019)



1 Public Private Partnership
2 Finance to LNG related facilities and receiving terminal etc.

Business Model Addressing Societal Needs by Promoting Reuse

Harnessing its expertise and corporate network cultivated through the leasing business, Showa Leasing is focusing on its business as a broker-dealer buying and selling used equipment. Tozai Boeki Co., Ltd., which became a wholly-owned subsidiary of Showa Leasing in November 2015, holds three parade auctions a year, where participants bid on used construction machines that are driven out and auctioned in front of bidders one at a time. Many buyers from developing countries come to these auctions, and the Japanese-made construction machinery auctioned off are exported overseas where they support infrastructure-building in emerging markets

including China and other countries in Southeast Asia. In fiscal 2018, the transaction value totaled ¥6.7 billion (up 10% from the previous fiscal year), and the transaction value has been on the rise in recent years. Going forward, the Shinsei Bank Group will continue to promote the reuse of well-maintained used Japanese-made machinery that meets environmental standards.



Construction machines destined for overseas export

Reverse Mortgages for Seniors

—Curbing the Rise in Unoccupied Homes by Helping People Stay in their Homes for their Entire Life

APLUS, a subsidiary of APLUS FINANCIAL, has been offering pre-owned housing purchase/resale loans to

real estate operators since 2017. This initiative provides financing to real estate operators for purchasing

pre-owned housing, renovation work, as well as various other expenses, thereby helping to raise the value of pre-owned homes through renovation and invigorate the market. This program contributes to the revitalization of the market for pre-owned homes, primarily targeting young people and families with children.

In addition, with the rapidly declining birthrate and aging population, there is also a need to provide financial support to allow elderly people to continue to have fulfilling lives independently in their homes for the rest of their life. In 2018, we started offering reverse mortgages to seniors with the aim of helping seniors over the age of 60 who own their own home but are struggling to

pay bills due to a decline in income and other factors in order for them to continue to stay in their home with peace of mind and continue to have a fulfilling life. Using their homes as collateral, reverse mortgages help people stay in high-quality “final abodes” that allow them to live a safe, healthy, and comfortable life by providing mortgage refinancing or renovation funds for the rest of their life. As a result, reverse mortgages also help curb the increase in unoccupied homes.

Through these initiatives, the Shinsei Bank Group is providing solutions to help address the low birthrate and aging population as well as the associated problem of the rise in the number of unoccupied homes.

Addressing the Plastic Problem through Investment

—Supporting a Company Developing Material as a Plastic Alternative

With environmental pollution from ocean plastics and other waste having become a global problem, the Shinsei Bank Group made an investment in TBM Co., Ltd., a Japanese venture company that develops, produces, and sells LIMEX, a new material made primarily from limestone. LIMEX is drawing attention as a material that is both eco-friendly and economical. Using LIMEX, which employs a very limited amount of petroleum-based material, as an alternative to plastic, will allow for manufacturing costs to be reduced going forward, while limestone, the raw material for LIMEX, is abundant in Japan, with a self-sufficiency ratio exceeding 100% and there are no concerns about depletion.

TBM is accelerating its efforts to contribute to the transition to a sustainable circular economy. Examples include upcycling recyclable LIMEX as a more valuable plastic alternative and developing and spreading the use of biodegradable LIMEX. In addition to expecting returns on this investment, the Shinsei Bank Group will support TBM's initiatives to help realize a sustainable society via financing and business matching.



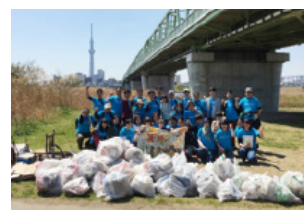
LIMEX, an alternative to plastic

Participating in Arakawa Clean Aid to Address the Plastic Problem

—Raising Employees' Awareness of Environmental Problems and Contributing to the Local Community

The Shinsei Bank Group has been participating in the Arakawa Clean Aid program run by the Arakawa Clean Aid Forum, an NPO, since 2009. More than 380 people in total have participated in waste pickup surveys in the Arakawa River riverbed to check the amount and types of waste. The most prevalent types of scattered waste on the Arakawa River are plastic waste, including plastic beverage bottles, plastic food bags, and plastic containers. Even after cleaning up the waste, new waste floats ashore again and starts to accumulate in about a month. It is said that 50-80% of the waste in the ocean comes from land, and participants in the program learn through firsthand experience that a large amount of waste is flowing out from Tokyo Bay and into the ocean, and also

learn that collecting it before it gets to the ocean is critical because plastic waste left in the riverbed is degraded by ultraviolet light as well as the wind and waves, and eventually becomes microplastic which is even harder to recover. In addition to raising the environmental awareness of employees, this program also provides an opportunity to recognize that we are responsible for solving environmental problems as a member of the local community.



Arakawa Clean Aid participants and the waste they collected

Business and Financial Results

Financial Summary

Shinsei Bank, Limited, and Consolidated Subsidiaries
For the fiscal years ended March 31, 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018 and 2019¹

	FY2008	FY2009	FY2010	FY2011
For the fiscal year (Billions of yen)¹:				
Total revenue	183.1	264.2	262.6	202.9
General and administrative expenses	182.0	170.8	145.3	130.3
Net credit costs	129.0	112.2	68.3	12.2
Income before income taxes	(119.0)	(123.0)	57.7	15.3
Profit attributable to owners of the parent	(143.0)	(140.1)	42.6	6.4
Balances at fiscal year-end (Billions of yen):				
Securities	2,174.1	3,233.3	3,286.3	1,873.4
Loans and bills discounted	5,876.9	5,163.7	4,291.4	4,136.8
Lease receivables and leased investment assets	232.5	213.7	206.2	197.4
Total assets	11,949.1	11,376.7	10,231.5	8,609.6
Deposits and negotiable certificates of deposit	6,272.1	6,475.3	5,610.6	5,362.4
Total liabilities	11,181.7	10,741.8	9,620.3	7,982.0
Total equity	767.4	634.9	611.1	627.6
Per share data (Yen):				
Common equity	284.95	232.72	205.83	212.67
Basic profit	(72.85)	(71.36)	21.36	2.42
Dividends	—	—	1.00	1.00
Ratios (%):				
Return on assets ²	(1.2)	(1.2)	0.4	0.1
Return on equity ³	(22.4)	(27.6)	8.5	1.2
Expenses-to-revenue ratio	99.4	64.6	55.3	64.2
Total capital adequacy ratio (Basel II, Domestic Standard)	8.35	8.35	9.76	10.27
Capital ratio (Basel III, Domestic Standard)	—	—	—	—
Ratio of nonperforming claims classified under the Financial Revitalization Law to total claims	2.51	6.70	6.78	6.66

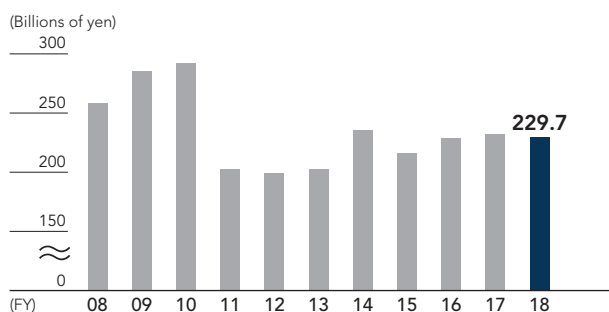
1 Since all yen figures have been truncated rather than rounded, the totals do not necessarily equal the sum of the individual amounts.

2 Return on assets is calculated by dividing profit (loss) attributable to owners of the parent by the average of total assets at the beginning and end of the period presented.

3 Return on equity (fully diluted) is calculated by dividing profit (loss) attributable to owners of the parent by the average amount of (total equity – share warrants – noncontrolling interests) at the beginning and end of the period presented.

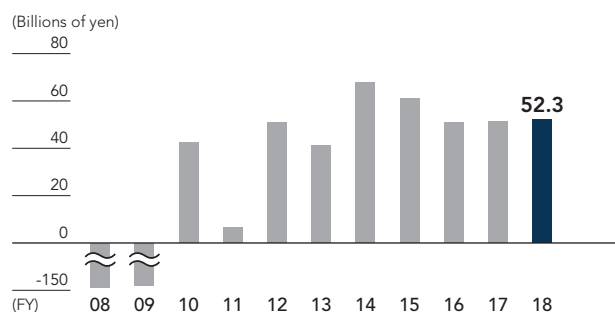
4 Shinsei Bank consolidated its shares with a rate of ten shares of common stock into one share on October 1, 2017. Common equity per share and basic profit per share are calculated as if the consolidation of shares had occurred at the beginning of FY2016.

Total revenue



• While earnings have been lifted since fiscal 2010 on factors such as gains from repurchasing preferred securities and items such as gains on the sale of assets on which loss disposals had been recorded in the prior years, total revenue has steadily grown since fiscal 2012 when such one-off gains dropped out of the picture. From fiscal 2016 onward, we applied “selection and concentration” tests to our businesses in accordance with the Group’s strengths and the growth potential of each business to identify growth areas, and we have actively invested management resources into them.

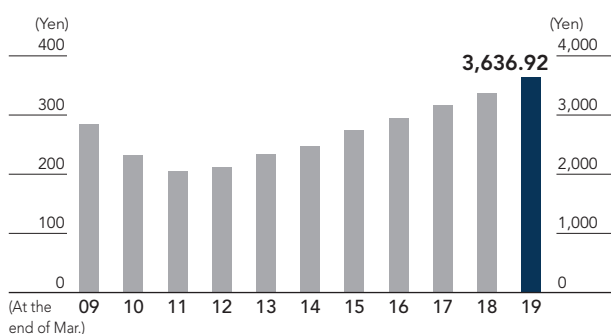
Profit attributable to owners of the parent



• The Shinsei Bank Group recorded losses in fiscal 2008 and 2009 on the effects of the global financial crisis sparked by the collapse of Lehman Brothers but the Group has continued to book profits every year since fiscal 2010. The Group is working to improve the quality of earnings by adding more heft to core profits and limiting profits from nonrecurring and high-volatility sources.

	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018
	199.0	203.0	235.3	216.6	228.5	232.0	229.6
	130.9	135.0	144.2	141.3	144.2	142.9	145.7
	5.5	0.2	11.8	3.7	31.8	37.2	29.3
	53.8	46.0	72.7	62.8	51.7	55.4	54.5
	51.0	41.3	67.8	60.9	50.7	51.4	52.3
	1,842.3	1,557.0	1,477.3	1,227.8	1,014.6	1,123.5	1,130.2
	4,292.4	4,319.8	4,461.2	4,562.9	4,833.4	4,895.9	4,986.8
	203.5	227.7	227.0	211.4	191.4	171.4	176.5
	9,029.3	9,321.1	8,889.8	8,928.7	9,258.3	9,456.6	9,571.1
	5,457.5	5,850.4	5,452.7	5,800.9	5,862.9	6,067.0	5,922.1
	8,345.6	8,598.5	8,136.0	8,135.6	8,437.5	8,600.6	8,674.5
	683.6	722.5	753.7	793.1	820.7	8,560.0	896.6
	233.65	247.82	275.45	294.41	3,163.89 ⁴	3,376.39 ⁴	3,636.92
	19.24	15.59	25.57	22.96	194.65 ⁴	199.01 ⁴	211.24
	1.00	1.00	1.00	1.00	1.00	10.00 ⁴	10.00
	0.6	0.5	0.7	0.7	0.6	0.5	0.5
	8.6	6.5	9.8	8.1	6.3	6.1	6.0
	65.8	66.5	61.3	65.3	63.1	61.6	63.5
	12.24	—	—	—	—	—	—
	—	13.58	14.86	14.20	13.06	12.83	11.85
	5.32	3.81	1.42	0.79	0.22	0.17	0.20

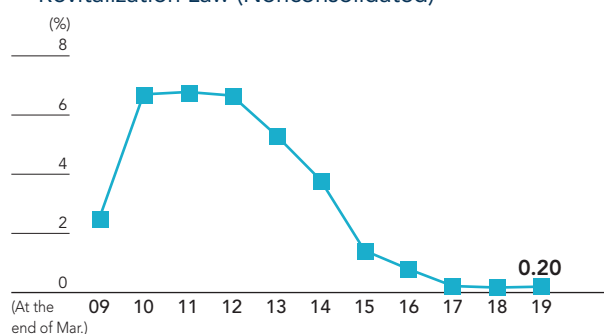
Common equity per share



- Common equity per share has continued to increase on a steady buildup of profits.

Note: Shinsei Bank consolidated its shares with a rate of ten shares of common stock into one share on October 1, 2017.

Nonperforming loan ratio under the Financial Revitalization Law (Nonconsolidated)



- As we have sharply reduced claims classified as nonperforming loans stemming from the global financial crisis sparked by the collapse of Lehman Brothers, the nonperforming loan ratio under the Financial Revitalization Law has fallen to its lowest level, and our asset quality has improved.

Review of Fiscal 2018

Results of Operations

(FY)	(Unit: ¥ billion)		YoY % B(+)/W(-)
	2017	2018	
Consolidated			
Total Revenue	232.0	229.7	-1%
Net Interest Income	128.7	133.8	+4%
Noninterest Income	103.2	95.9	-7%
Expenses	-142.5	-144.7	-2%
Ordinary Business Profit (OBP)	89.4	84.9	-5%
Net Credit Costs	-37.2	-29.3	+21%
OBP after Net Credit Costs	52.1	55.6	+7%
Others	-0.7	-3.3	-371%
Provisions of reserve for losses on interest repayment	6.0	2.3	-62%
Income Tax, etc.	-3.8	-2.5	+34%
Net Income	51.4	52.3	+2%

Total revenue decreased by 1% year on year to ¥229.7 billion, reflecting a decrease in noninterest income due mainly to absence of gains on stock transactions recorded in the previous fiscal year despite an increase of 4% in net interest income as we grew the average balance of operational assets in growth business areas.

Total expenses were at ¥144.7 billion, an increase of 2% year on year due to an increase in new core banking system related IT expenses.

Since total revenue was below the original plan, expenses-to-revenue ratio increased to 63% from 61.5% in fiscal 2017.

Net credit costs significantly decreased to ¥29.3 billion, reflecting net credit recoveries in Institutional Businesses as well as release of reserve due to a decline in loan balance and better collections in unsecured loan. This was partly offset by one-time credit provision in APLUS Financial related to its delinquent loan portfolio.

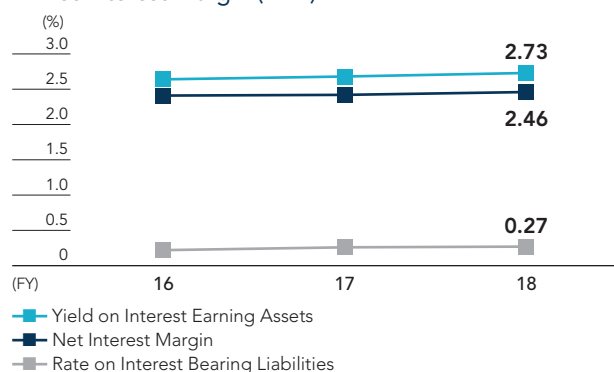
As for **Excess Interest Repayments (Kabarai)**, we released reserve of ¥2.3 billion on a net basis. APLUS recorded ¥3.5 billion of additional provisions which was fully offset by ¥5.6 billion of reserve release in Shinsei Financial and ¥0.1 billion reversal in Shinsei Personal Loan.

Income tax expenses decreased reflecting final disposal of legacy assets.

Net income increased to ¥52.3 billion.

Net Interest Margin (NIM): increased to 2.46%, reflecting improvement in yields on loan assets coupled with flattish overall funding rate.

Net Interest Margin (NIM)



Asset Quality

Risk-Monitored Loan Ratio (Consolidated) stood at 1.56%,

Nonperforming Loan (NPL) Ratio based on Financial Revitalization Law (Nonconsolidated) stood at 0.20%. Both ratios remained at a low level.

Capital Adequacy

Common Equity Tier 1 Ratio (International Standard; Fully Loaded Basis) was 12.0%. Increase in risk assets reflects asset growth in project finance and real estate nonrecourse loans in structured finance (including securitization exposure) and APLUS FINANCIAL, resulting in a decline in common equity tier 1 ratio.

Shareholder Return

A total ¥13 billion in acquisition of treasury shares was included in fiscal 2018, aiming to improve per share value, considering current share price, financial/capital and market environment.

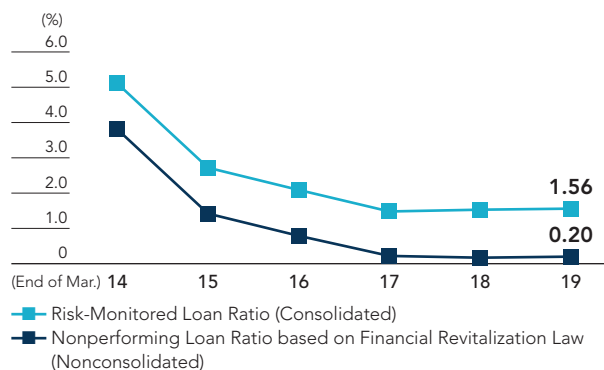
As a result of steady profits and share buyback, EPS increased by 6% to ¥211 and BPS increased by 8% to ¥3,636 compared to fiscal 2017.

In fiscal 2019, a share buyback program up to ¥23.5 billion has been approved by the Board of Directors, resulting in total payout ratio of 50% towards the result of fiscal 2018 net income.

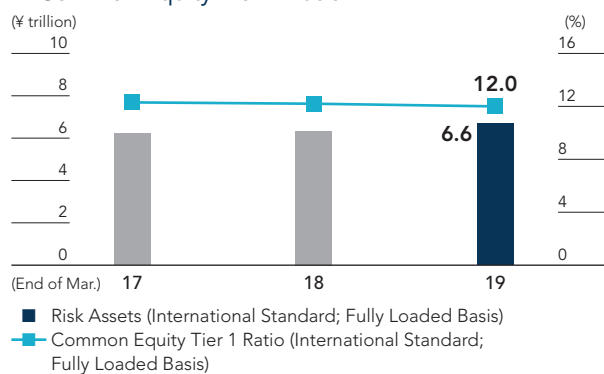
Shinsei Bank has decided the shareholder return for fiscal 2018 up to the maximum available share buyback program by taking into consideration the capital policy as stated in the Revitalization Plan that, "we will maintain or improve the total payout ratio within the range of average Japanese banks" as we think that the current share price is undervalued and it does not reflect its true share value.

However, the scheme/amount of shareholder return and the total payout ratio will be decided at each time period based on prevailing share price, financial/capital position and market conditions at the time. The total payout ratio based on this year's shareholder return does not necessarily make any reference to future total payout ratios.

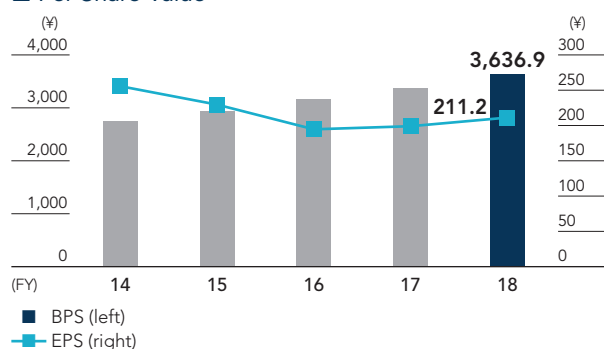
Risk-Monitored Loan Ratio NPL Ratio based on Financial Revitalization Law



Common Equity Tier 1 Ratio

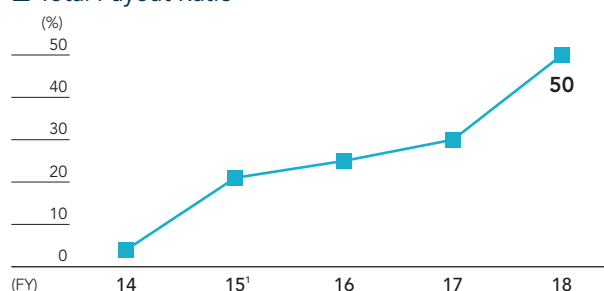


Per Share Value¹



¹ Reserve stock split (10 stocks to 1 stock) was executed in October 2017. Per share data for previous years has been adjusted to conform to current period presentation

Total Payout Ratio



¹ Excluding ¥2 billion relating to acquisition of treasury shares in order to attain full ownership of Showa Leasing

Status of SME Management Improvement and Regional Revitalization Initiatives

To improve the management of Small and Medium-sized Enterprises (SMEs) and contribute to regional revitalization, Shinsei Bank engages in initiatives such as those described below, providing our expertise and, depending on the initiative, cooperating with regional financial institutions and the SME Business Support Cooperative. With respect to supporting SMEs and local businesses that have technologies or business models with unrealized growth potential as well as new business fields or business domains that contribute to regional economic revitalization, the Bank goes beyond merely satisfying funding needs to provide financing that emphasizes cash flows and multifaceted solutions to such management issues as business strategy planning and implementation support and other complementary functions. Through such efforts, the Bank aims to expand the operations of growth-stage SME clients and contribute to the development of new business opportunities that accompany innovation.

Examples of Shinsei Bank Initiatives

Supporting management improvement and business expansion

A car dealership: Amid concern that the market will shrink due to the declining birth rate and population aging along with the growth of the sharing economy, the company needed to strengthen its financial position as well as its sales capabilities in order to demonstrate its presence amid the restructuring trend in the industry. The company was also facing the issue of disposing of unprofitable, non core businesses, and the Bank helped the company quickly resolve the urgent problem of enhancing its equity capital by providing equity financing through the underwriting of preferred stock. Currently, the company is expanding its domestic sales area and growing its overseas business as a means of effectively utilizing the equity funds procured, and is expected to further enhance its corporate value.

Supporting management improvement

A regenerative medicine startup: Having applied its unique cell lamination technology, the company has had success in putting into practical use a device for producing three-dimensional cellular tissue. The company's innovative technology is expected to lead to dramatic advances in regenerative medicine, but the company also aimed to develop an improved device capable of producing three-dimensional cellular structures in a shorter time, therefore a partnership with a company possessing extremely precise manufacturing technologies was indispensable in realizing that aim. Recognizing the possibility that the advanced equipment design know-how and other technologies possessed by a semiconductor-related venture company that the Bank has a business relationship with could meet the demands of the company in question, Shinsei Bank matched the two companies and, as a result, by overcoming these issues they promoted the development of an improved device. In the years to come, the company's product will be utilized by many research institutes and universities, and it is expected that it will greatly contribute to the development of regenerative medicine.

Supporting business rehabilitation

A regional supermarket: Through management by local capital, this supermarket had met the daily shopping needs of people in the local community for many years, but in

recent years business results have declined due to changes in the business environment, such as a decline in the number of residents living in the commercial area, the aging of the population, and competition with drug stores. The company ended up posting losses and was considering going under the umbrella of a sponsor that is large in scale and possesses abundant know-how. The company initially sought support from its main bank, but when these talks hit a snag, the company approached us for help. By accurately grasping the characteristics of the stores and product mix, and utilizing our nationwide network, the Bank succeeded in recruiting a strong sponsor capable of leveraging the company's potential from outside the region. The business transfer was concluded based on the conditions that the company desired, including maintaining the company's employees, and the Bank was highly commended by both the company and its main bank.

Business succession support

A regional meal service company: As one of the few business operators conforming to the standards set by local government, in addition to being entrusted with providing the meals for local schools the company had supplied dishes and ingredients for food supermarkets and hospitals. In recent years, however, the company had been suffering a deterioration in business performance due to factors such as a decrease in the number of pupils. Despite having worked on a raft of management improvement measures, the company had reached the point where it had ceased rebuilding under its own power. Through its main bank, a local financial institution, Shinsei Bank was approached to cooperate in inviting an outside sponsor. The company concerned presented local social conditions to be taken into consideration, such as keeping its workers in employment and the continuation of the school lunch program. Shinsei Bank utilized its network, backed by its abundant experience and track record on business revitalization M&A, and succeeded in engaging a prominent sponsor that met the conditions desired by the company. Following the business succession of the new sponsor, performance improved in an extremely short period of time. The local government, which was concerned about the continuation of the school lunch program, and the local financial institution have both been unstinting in their praise of Shinsei Bank with regard to this initiative.

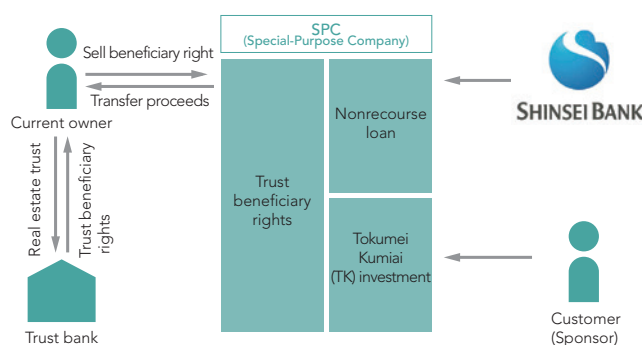
●●● Glossary

Management/Finance	
Common equity per share	Common equity per share is calculated by dividing common equity by the total number of common shares outstanding at the end of the term.
Earnings per share	Earnings per share is calculated by dividing net income by the total number of common shares outstanding for a period of the term.
ESG	An acronym for Environment, Social and Corporate Governance, which refers to perspectives important to the long-term growth and development of a company.
Excess Interest Repayment (Kabarai)	Prior to the interest rate reduction implemented as part of the revisions to the Money Lending Business Law, the interest rates on some consumer finance products offered by the Shinsei Bank Group's subsidiaries exceeded the upper limit stipulated by the Investment Law. Following a ruling by the Supreme Court in January 2006, customers who paid more than the upper limit stipulated by the Investment Law have been allowed to request a refund of the extra interest paid. Accordingly, consumer finance companies have recorded reserves in order to cover losses on (grey zone) excess interest repayments.
Net Credit Costs	Net Credit Costs are the sum of reserves for loan losses set aside (credit costs) according to the credit standing of borrowers, write-off (losses), reversal (gains) of reserves for loan losses and recoveries of written-off claims resulting from their disposal.
Nonperforming loan ratio under the Financial Revitalization Law	Nonperforming Loan ratio is the ratio of nonperforming claims under the Financial Revitalization Law to total claims.
Ordinary Business Profit (Loss)	Ordinary Business Profit (Loss)—the indicator of profit (loss) from core business after expenses—is calculated by subtracting "expenses" from "total revenue." "Net credit costs" are excluded from this calculation.
Profit attributable to owners of the parent	Profit attributable to owners of the parent indicates the final profit over a twelve-month fiscal term in accounting terms.
Total Return Ratio	The Total Return Ratio shows the magnitude of a company's shareholder returns.
Total Revenue	Total Revenue is composed of "Net interest income" such as interest from loans and "Noninterest income" such as fee income, as indicated by gross profit from core business operations.

Business	
Advisory	Shinsei Bank's advisory business proposes solutions to meet customers' diverse needs in areas such as M&A, corporate restructuring and fundraising in Japan and overseas.
Alternative investment	Alternative investment is a new investment method, such as private equity and real estate investment, not traditional asset management such as equity or bond.
API	API, abbreviation of Application Programming Interface, means to link and coordinate more than one software.
Business Succession Support	The provision of investments and loans to meet capital requirements for the transfer of shares, etc. to customers considering family members or employees as business successors in order to facilitate the smooth handover of business ownership.
Derivative	Derivative is a collective term referring to transactions that are derived from or linked to other underlying transactions such as interest rate, bond, foreign exchange and equity transactions. They are also called "financial derivatives" since most of the transactions originate from financial products.

●●● Glossary

Economic Ecosystem	The Economic Ecosystem refers to the entire industry environment and all of its constituent moving parts and their interactions, much like the ecosystems of the natural world.
Fiduciary Duty	The responsibility held by a trustee towards their beneficiary. In finance, this refers to the responsibility that financial institutions have towards their customers and their entrusted assets.
Finance as a Service	Financial product is unbundled and provided as each of functions rather than as a package.
Nonrecourse Loan	Nonrecourse Loans are finances for which repayment is made solely from the cash flows generated from specific businesses or assets (typically, but not always real estate), with no recourse to the sponsor.

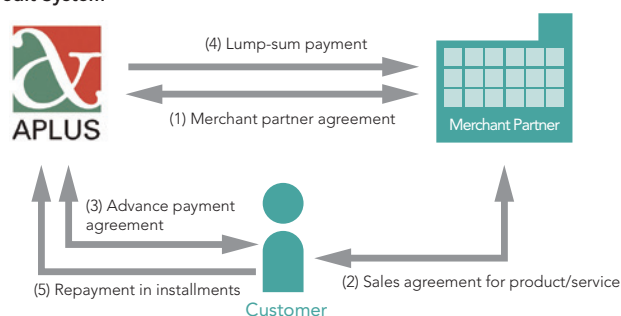


Principal Transactions	Principal Transactions generally refer to a bank's proprietary investments. Shinsei Bank proactively makes proprietary investments in the Credit Trading and Private Equity businesses in order to meet customers' needs for corporate restructuring, business succession and growth funds.
Private Equity	In general, Private Equity refers to privately placed shares and shares that are not traded in stock exchanges or over-the-counter markets. Private equity investments can be classified into venture capital, which is an investment to growing companies, and investments to acquire control of mature companies in order to implement restructuring. Shinsei Bank is proactively engaged in venture capital investments, investing in up to 5% of total shares with representative rights of customers planning a public share offering as well as making buyout investments related to business divestments from mature companies.
Project Finance	Project Finance refers to loans to finance specific projects for which the principal source of repayment is the cash flow generated from the project itself. Project Finance is often used for medium-to-long term projects in energy, natural resources and infrastructure.
RPA (Robotic Process Automation)	RPA refers to technology that allows for the streamlining and automation of the simple tasks such as white-collar labor.

Shopping Credit

Shopping Credit is a service that allows customers to pay for goods or services in installments without using a credit card. The Shinsei Bank Group offers this service primarily through APLUS.

Shopping Credit System



- (1) APLUS concludes a merchant partner agreement with the merchant partner
- (2) Customer purchases a product or a service from the merchant partner
- (3) Customer applies to APLUS for installment sales credit
- (4) APLUS pays the purchase price for the product/service as a lump sum to the merchant partner
- (5) Customer repays the purchase price to APLUS in installments

Specialty Finance

Specialty Finance at Shinsei Bank refers to M&A finance, LBO finance and other types of finance that focus on the cash flows and value generated by businesses and assets. It is a type of structured finance.

Structured Finance

Structured Finance refers to finance requiring special structures. In general, it takes the form of project finance or nonrecourse finance which focuses on the cash flows or value generated by a specific project or asset. Shinsei Bank is primarily active in real estate finance, project finance, M&A finance and corporate restructuring finance.

Syndicated Loan

Syndicated Loans are loans provided jointly by a syndication of multiple financial institutions (lender group) based on a single loan agreement.

UI/UX

UI (User Interface) is the space where interactions between humans and machines occur, such as font or graphical content. UX (User Experience) refers to a person's experience by using a particular product or service.

Unsecured Loan

A type of loan/product offered by financial institutions such as banks and consumer finance companies that enables a consumer to borrow without security.

Financial Statements (Consolidated)

Please see Shinsei Bank's Integrated Report 2019 Data Appendix for supplemental financial information (including Notes).

CONSOLIDATED BALANCE SHEET

Shinsei Bank, Limited, and its Consolidated Subsidiaries
As of March 31, 2019

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
ASSETS			
Cash and due from banks (Notes 4, 24, and 38)	¥ 1,355,966	¥ 1,465,663	\$ 12,244,592
Receivables under securities borrowing transactions (Note 38)	2,119	2,629	19,135
Other monetary claims purchased (Notes 5 and 38)	30,994	36,332	279,888
Trading assets (Notes 6, 24, 38 and 39)	204,415	205,295	1,845,901
Monetary assets held in trust (Notes 7, 24 and 38)	305,879	234,924	2,762,137
Securities (Notes 8, 24, 25 and 38)	1,130,286	1,123,522	10,206,669
Loans and bills discounted (Notes 9, 24, and 38)	4,986,839	4,895,963	45,031,963
Foreign exchanges (Note 10)	29,546	32,511	266,813
Lease receivables and leased investment assets (Notes 24, 35 and 38)	176,553	171,429	1,594,311
Other assets (Notes 11, 24, 38 and 39)	851,287	856,213	7,687,266
Premises and equipment (Notes 12, 24 and 35)	45,341	50,261	409,442
Intangible assets (Notes 13 and 35)	67,189	59,484	606,733
Assets for retirement benefits (Note 21)	10,931	13,261	98,711
Deferred tax assets (Note 32)	15,096	14,705	136,325
Customers' liabilities for acceptances and guarantees (Note 22)	456,759	395,301	4,124,607
Reserve for credit losses (Note 14)	(98,034)	(100,840)	(885,272)
Total assets	¥ 9,571,172	¥ 9,456,660	\$ 86,429,222
LIABILITIES AND EQUITY			
Liabilities:			
Deposits, including negotiable certificates of deposit (Notes 15, 24 and 38)	¥ 5,922,145	¥ 6,067,096	\$ 53,477,923
Debentures (Notes 16 and 38)	—	423	—
Call money (Notes 38)	145,000	—	1,309,373
Payables under repurchase agreements (Notes 24 and 38)	59,098	55,919	533,671
Payables under securities lending transactions (Notes 24 and 38)	510,229	433,462	4,607,458
Trading liabilities (Notes 17, 38 and 39)	182,363	184,582	1,646,776
Borrowed money (Notes 18, 24, 25 and 38)	684,077	739,578	6,177,334
Foreign exchanges (Note 10)	471	102	4,256
Short-term corporate bonds (Note 38)	191,000	175,700	1,724,761
Corporate bonds (Notes 19 and 38)	92,335	85,000	833,800
Other liabilities (Notes 20, 24, 38 and 39)	347,383	367,734	3,136,925
Accrued employees' bonuses	8,598	8,489	77,649
Accrued directors' bonuses	44	51	404
Liabilities for retirement benefits (Note 21)	8,232	8,366	74,337
Reserve for reimbursement of debentures	3,764	4,130	33,991
Reserve for losses on interest repayments	63,025	74,687	569,131
Acceptances and guarantees (Notes 22, 24 and 38)	456,759	395,301	4,124,607
Total liabilities	8,674,529	8,600,625	78,332,396
Equity:			
Common stock (Note 26)	512,204	512,204	4,625,290
Capital surplus	78,506	78,506	708,925
Stock acquisition rights (Note 27)	99	318	896
Retained earnings	346,562	361,368	3,129,519
Treasury stock, at cost (Note 26)	(37,729)	(89,540)	(340,699)
Accumulated other comprehensive income:			
Unrealized gain (loss) on available-for-sale securities (Note 8)	10,041	5,187	90,673
Deferred gain (loss) on derivatives under hedge accounting	(16,391)	(14,457)	(148,018)
Foreign currency translation adjustments	(1,527)	(1,573)	(13,798)
Defined retirement benefit plans (Note 21)	378	2,089	3,415
Total	892,143	854,103	8,056,202
Noncontrolling interests	4,498	1,930	40,623
Total equity	896,642	856,034	8,096,825
Total liabilities and equity	¥ 9,571,172	¥ 9,456,660	\$ 86,429,222

See accompanying "Notes to Consolidated Financial Statements," which are an integral part of these statements.

CONSOLIDATED STATEMENT OF INCOME

Shinsei Bank, Limited, and its Consolidated Subsidiaries
For the fiscal year ended March 31, 2019

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2019	2018	2019	
Interest income:				
Interest on loans and bills discounted	¥ 140,177	¥ 134,858	\$ 1,265,827	
Interest and dividends on securities	12,531	11,705	113,158	
Interest on deposits with banks	1,162	1,069	10,501	
Other interest income	971	871	8,774	
Total interest income	154,843	148,504	1,398,261	
Interest expenses:				
Interest on deposits, including negotiable certificates of deposit	7,802	9,021	70,457	
Interest and discounts on debentures	0	3	1	
Interest on other borrowings	3,356	3,432	30,311	
Interest on corporate bonds	466	952	4,210	
Other interest expenses	9,401	6,318	84,900	
Total interest expenses	21,027	19,728	189,878	
Net interest income	133,816	128,775	1,208,383	
Fees and commissions income	55,332	50,129	499,665	
Fees and commissions expenses	23,981	25,059	216,558	
Net fees and commissions	31,351	25,070	283,107	
Net trading income (loss) (Note 28)	6,673	8,542	60,265	
Other business income (loss), net:				
Income on lease transactions and installment receivables, net	37,525	37,030	338,865	
Net gain (loss) on monetary assets held in trust	2,535	2,760	22,897	
Net gain (loss) on foreign exchanges	6,719	9,466	60,675	
Net gain (loss) on securities	378	9,936	3,415	
Net gain (loss) on other monetary claims purchased	809	1,193	7,307	
Other, net (Note 29)	9,886	9,253	89,279	
Net other business income (loss)	57,854	69,641	522,438	
Total revenue	229,696	232,030	2,074,194	
General and administrative expenses:				
Personnel expenses	56,509	56,249	510,288	
Premises expenses	19,679	20,065	177,713	
Technology and data processing expenses	23,265	20,810	210,088	
Advertising expenses	10,951	11,052	98,897	
Consumption and property taxes	10,406	9,389	93,976	
Deposit insurance premium	1,645	1,775	14,862	
Other general and administrative expenses	23,275	23,637	210,179	
General and administrative expenses	145,734	142,981	1,316,002	
Amortization of goodwill and intangible assets acquired in business combinations	2,811	3,987	25,386	
Total general and administrative expenses	148,545	146,969	1,341,389	
Net business profit (loss)	81,150	85,060	732,805	
Net credit costs (recoveries) (Note 30)	29,348	37,270	265,024	
Other gains (losses), net (Note 31)	2,782	7,621	25,123	
Income (loss) before income taxes	54,584	55,411	492,904	
Income taxes (benefit) (Note 32):				
Current	3,810	1,266	34,410	
Deferred	(1,306)	2,574	(11,800)	
Profit	52,080	51,570	470,293	
Profit (loss) attributable to noncontrolling interests	(239)	156	(2,160)	
Profit attributable to owners of the parent	¥ 52,319	¥ 51,414	\$ 472,453	

	Yen		U.S. dollars (Note 1)	
Basic earnings per share (Note 33)	¥ 211.24	¥ 199.01	\$ 1.91	
Diluted earnings per share (Note 33)	¥ 211.22	¥ 198.98	\$ 1.91	

See accompanying "Notes to Consolidated Financial Statements," which are an integral part of these statements.

Shinsei Bank executed a 1-for-10 reverse stock split on October 1, 2017. The above earnings per share data is calculated as if the reverse stock split had been implemented at the beginning of the fiscal year ended March 31, 2018.

Equity and Credit Rating Information

Stock Information

(As of March 31, 2019)

■ Shares Outstanding and Capital

(1,000 shares, millions of yen)

Date	Shares outstanding		Capital		Capital surplus		Notes
	Change	Balance	Change	Balance	Change	Balance	
July 29, 2003	(1,358,537)	2,033,065 ¹	—	451,296	—	18,558	2-for-1 reverse share split for common shares Post reverse split common shares outstanding 1,358,537 thousand shares
July 31, 2006	(99,966)	1,933,098 ¹	—	451,296	—	18,558	Use of call feature for Series 3 Class-B preferred shares Issuance of 200,033 thousand common shares Retirement of Series 3 Class-B preferred shares -300,000 thousand shares
November 16, 2006	(85,000)	1,848,098 ¹	—	451,296	—	18,558	Cancellation of treasury shares (common) -85,000 thousand shares
August 1, 2007	(100,000)	1,748,098 ¹	—	451,296	—	18,558	Mandatory acquisition of Series 3 Class-B preferred shares Issuance of 200,000 thousand common shares Retirement of Series 3 Class-B preferred shares -300,000 thousand shares
February 4, 2008	117,647	1,865,746 ¹	25,000	476,296	25,000	43,558	Third-party allocation of shares (common shares) Subscription price ¥425, par value ¥212.5
March 31, 2008	194,600	2,060,346	—	476,296	—	43,558	Use of call feature for Series 2 Class-A preferred shares Issuance of 269,128 thousand common shares Retirement of Series 2 Class-A preferred shares -74,528 thousand shares
March 15, 2011	690,000	2,750,346	35,907	512,204	35,907	79,465	New shares issued through International Offering (common shares) Subscription price ¥108, par value ¥52.04
October 1, 2017	(2,475,312)	275,034	—	512,204	—	79,465	10-for-1 reverse share split for common shares Post reverse split common shares outstanding 275,034 thousand shares
May 18, 2018	(16,000)	259,034	—	512,204	—	79,465	Cancellation of treasury shares (common) -16,000 thousand shares

¹ Figures include number of preferred shares outstanding

■ Largest Shareholders

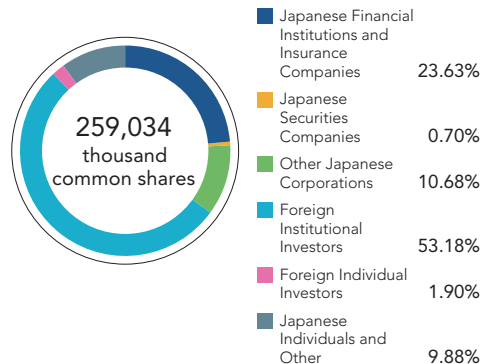
Common Stock

Rank	Shareholders	Thousands of Common Shares	%
1	SATURN IV SUB LP (JPMCB 380111)	32,368	12.49%
2	Deposit Insurance Corporation of Japan	26,912	10.38%
3	THE RESOLUTION AND COLLECTION CORPORATION	20,000	7.72%
4	SHINSEI BANK, LIMITED	13,760	5.31%
5	THE MASTER TRUST BANK OF JAPAN, LTD. (TRUST ACCOUNT)	12,680	4.89%
6	SATURN JAPAN III SUB C.V. (JPMCB 380113)	11,044	4.26%
7	STATE STREET BANK AND TRUST COMPANY	8,671	3.34%
8	JAPAN TRUSTEE SERVICE BANK, LTD. (TRUST ACCOUNT 9)	8,483	3.27%
9	J. CHRISTOPHER FLOWERS	7,675	2.96%
10	JAPAN TRUSTEE SERVICE BANK, LTD. (TRUST ACCOUNT)	6,238	2.40%
11	GOLDMAN SACHS INTERNATIONAL	4,750	1.83%
Total (includes treasury shares)		259,034	100.00%

Notes: 1 As of March 31, 2019, a group of investors, including affiliates of J.C. Flowers & Co. LLC., holds 55,366,348 common shares or 22.57% of Shinsei Bank's outstanding common shares, excluding treasury shares.

2 As of March 31, 2019, in total, the Deposit Insurance Corporation and the Resolution and Collection Corporation hold 46,912,888 common shares or 19.12% of Shinsei Bank's outstanding common shares, excluding treasury shares.

■ Beneficial Ownership/Type of Shareholder



Notes: 1 "Japanese Financial Institutions and Insurance Companies" includes the Resolution and Collection Corporation.

2 "Other Japanese Corporations" includes the Deposit Insurance Corporation.

3 "Japanese Individuals and Other" includes treasury shares.

Ratings Information

(As of May 31, 2019)

	Long-Term (Outlook)	Short-Term
R&I	A- (Stable)	a-1
JCR	A- (Stable)	J-1
S&P	BBB+ (Stable)	A-2
Moody's	Baa2 (Stable)	Prime-2

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