

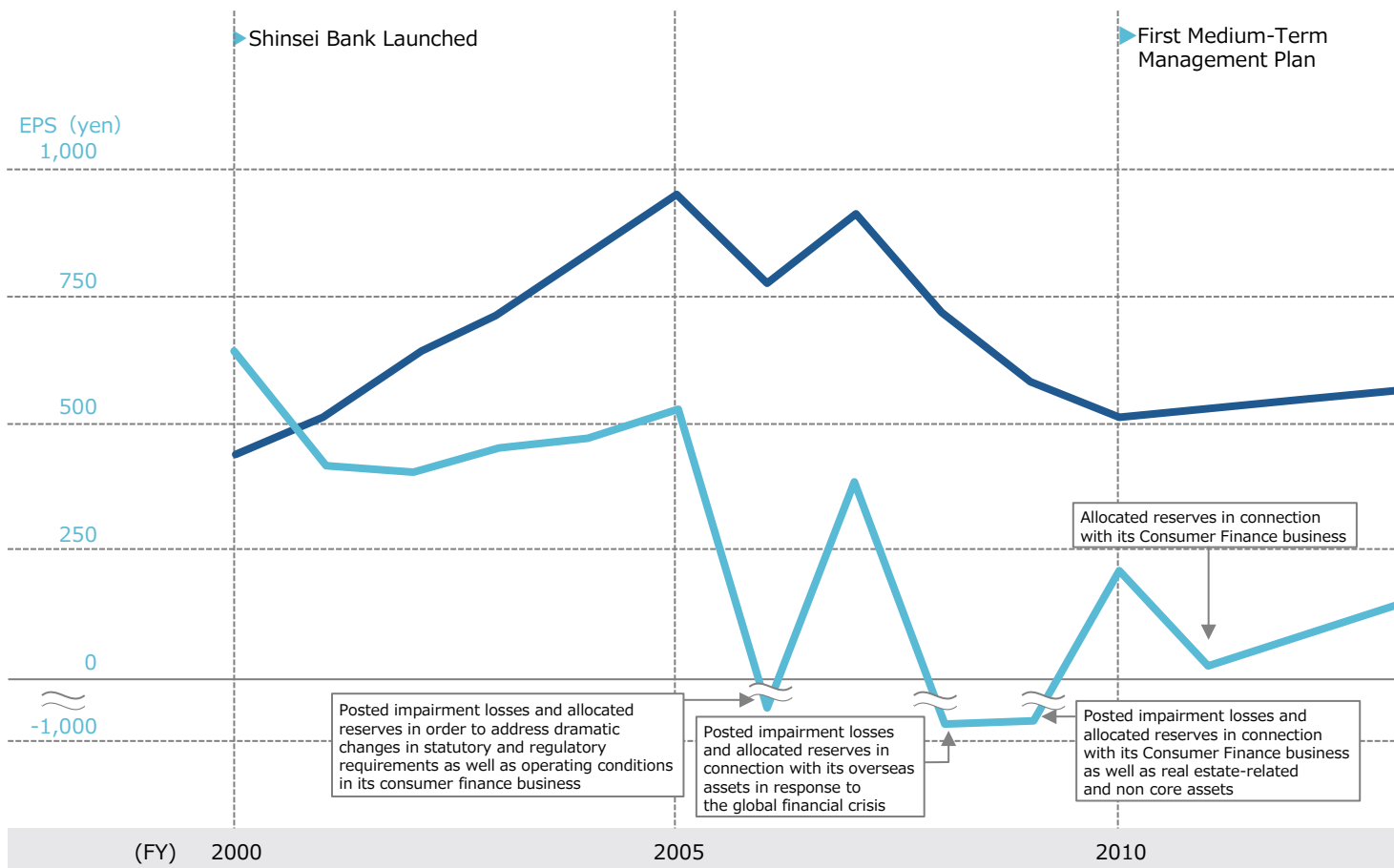


INTEGRATED REPORT 2019
For the fiscal year ended March 31, 2019

Digest Version

●●● Evolution of the Shinsei Bank Group

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.



▶ 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

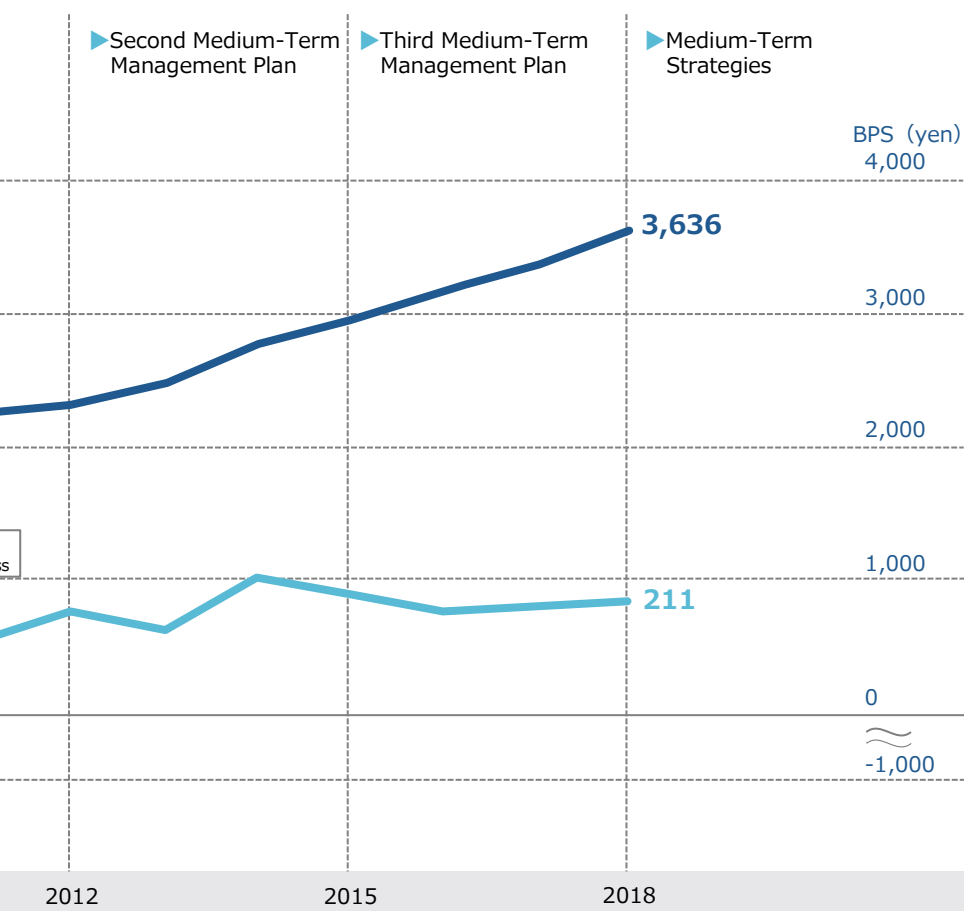
2008

- ▶ 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

2010

- ▶ European debt crisis

●●● Evolution of the Shinsei Bank Group



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.

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)

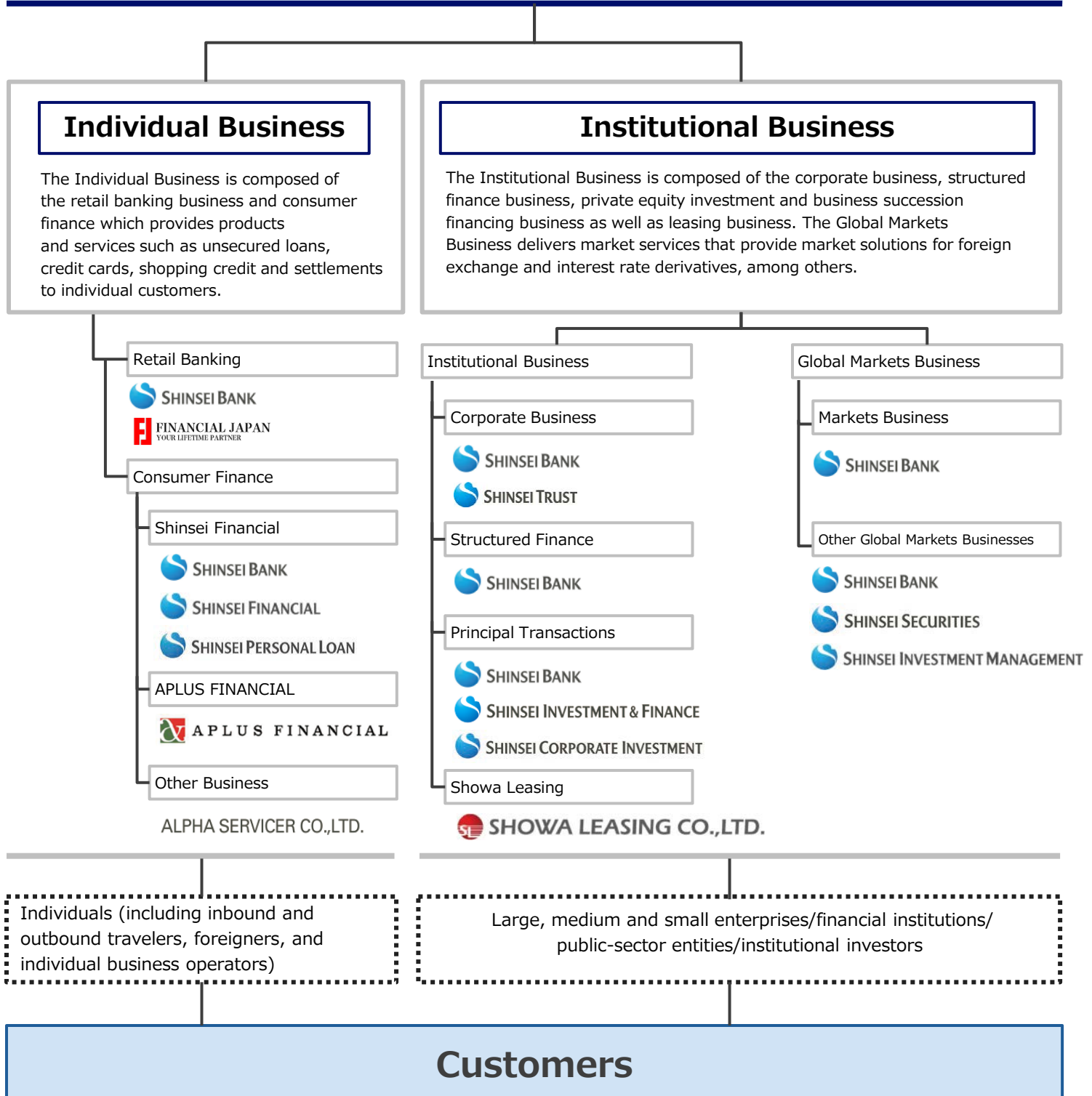
Individual Business **Institutional Business**

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

●●● Group Business Structures

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.

Shinsei Bank Group



Major Business

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**

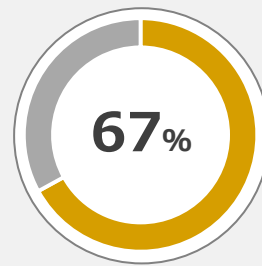
Unsecured loans (Lake, NOLOAN) and credit guarantees

- **APLUS FINANCIAL**

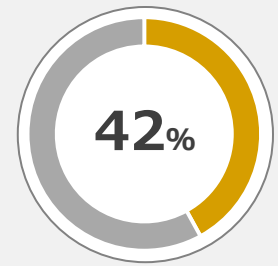
Shopping credit and settlements, credit cards, credit guarantees, loans and collection services

- **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

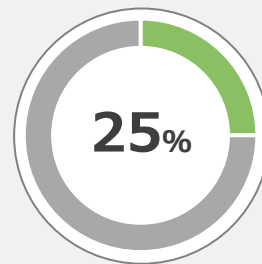
Global Markets Business

- **Markets Business**

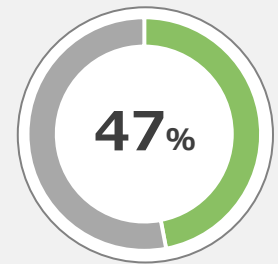
Foreign exchange, derivatives, equity-related and other capital markets business

- **Other Global Markets Businesses**

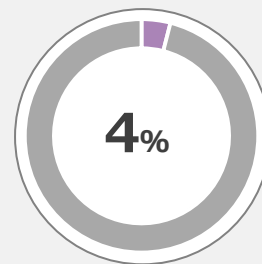
Securities business, asset management business, wealth management business



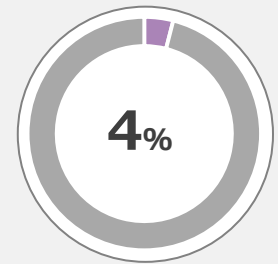
58.0 Billion yen



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.

●●● 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.

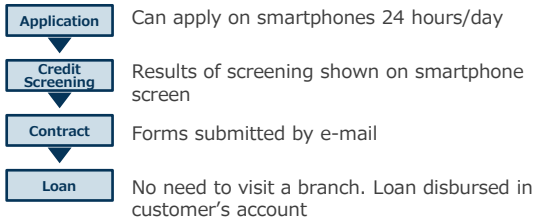
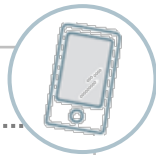
Unsecured Loan Business

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, noninterest 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

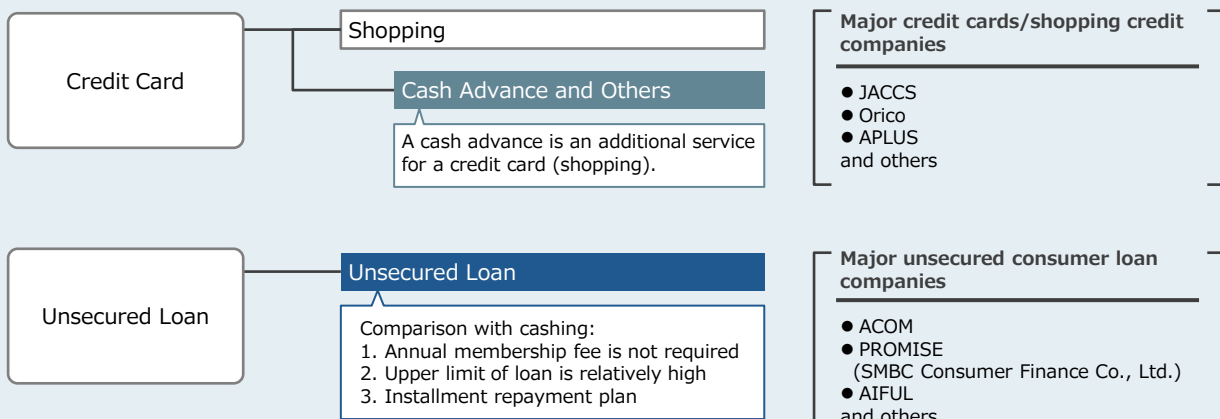


■ Number of New Unsecured Loan Customers and Approval Rate

	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.



●●● Distinctive Business Activities

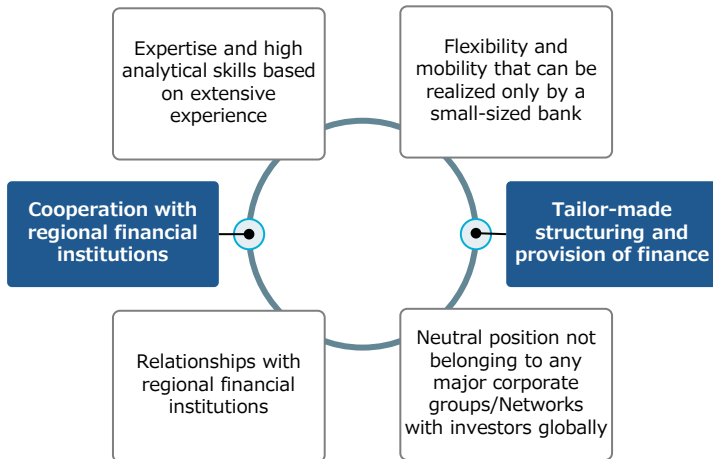
Structured Finance Business

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.

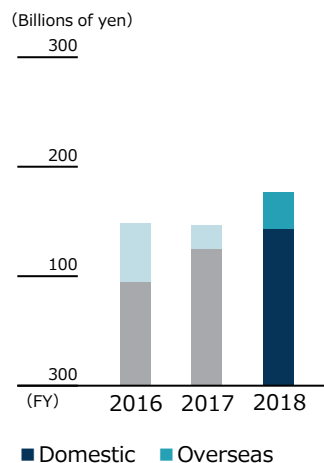
- We are better able to tackle projects with a focus on flexibility and speed than megabanks.
- We have more expertise and greater analytical skill given our extensive experience than regional financial institutions.
- We are able to do business from an independent standpoint with a broad range of customers 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



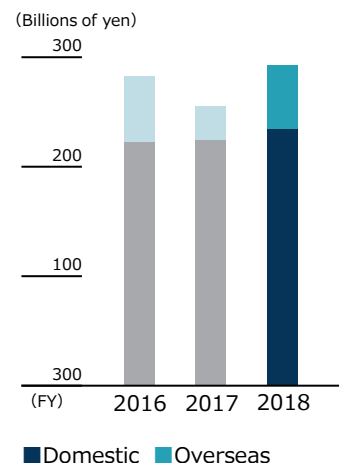
■ New Commitments

Project Finance



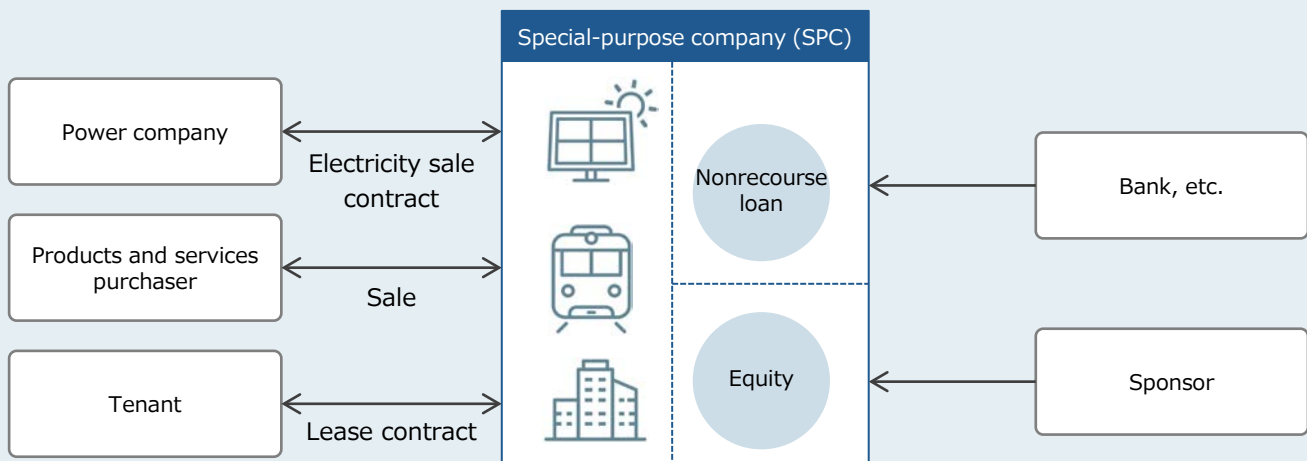
■ New Disbursements

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.



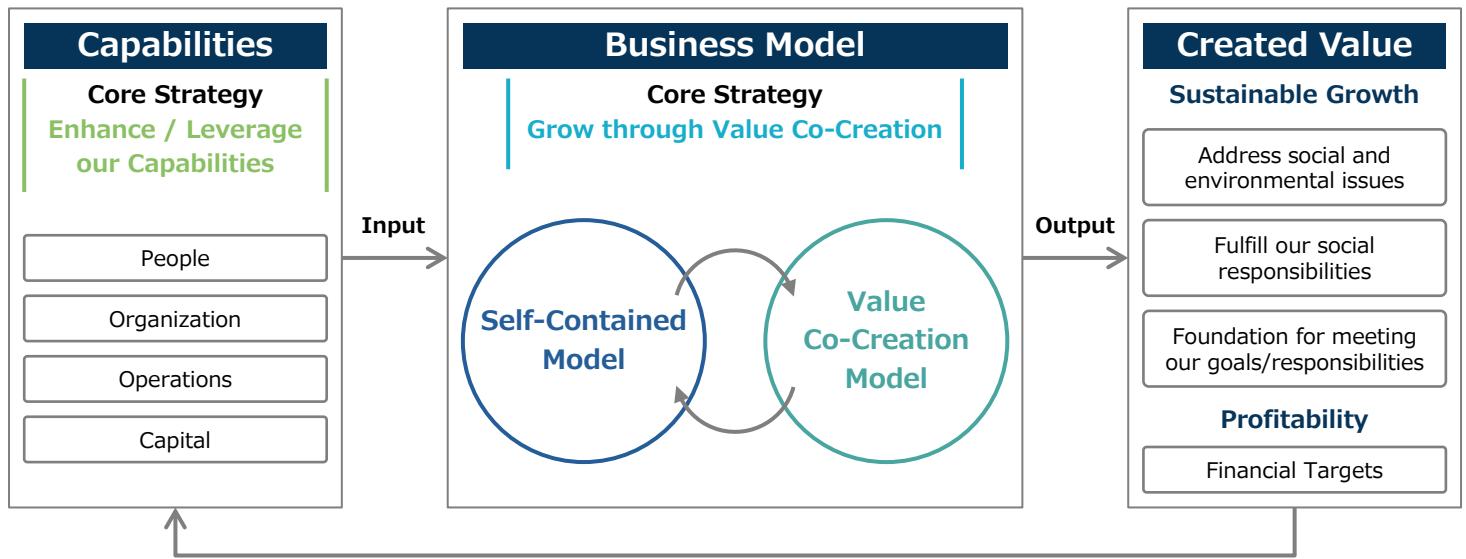


Seamlessly integrating the Group’s management resources that cross over a wide range of corporate entities and industries, Shinsei Bank Group is looking to directly help realize a society that can enjoy the benefits of financial and nonfinancial products and services that meet the underserved needs of 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.

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.



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.

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.

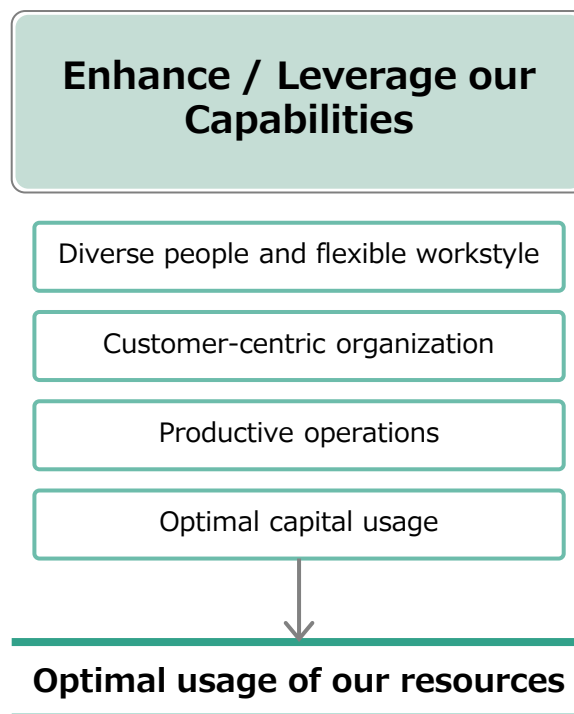
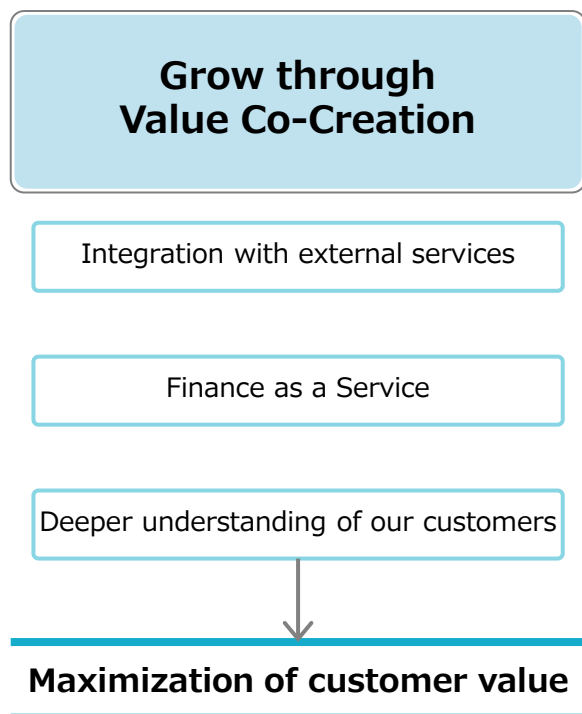
Message to Our Stakeholders

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.

●●● Medium-Term Strategies (FY2019 - FY2021)

Core Strategies



Financial Targets

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

Shareholder Returns

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

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

••• Medium-Term Strategies

Business Strategies

What is small-scale finance?

Core Customers

Individuals and small businesses

Product / Service Lineup

Small-size, high-frequency credit and payment transactions:

- Unsecured loans, shopping credit
- Credit guarantee, rent guarantee
- Credit cards, prepaid cards
- Other cashless payments

Our Capabilities

- Large and diverse customer portfolio
- Strong analytical capabilities for marketing, credit assessment and collection
- Stable operations

Value Co-Creation

③ Build / participate in ecosystems, share data to better understand our customers

- Provide functions (credit assessment, guarantees, collection, payments etc.) based on partner needs
- Share and use customer data and know-how
- Serve foreign nationals and freelancers

② Strengthen core capabilities, integrate with payment platforms

- Utilize AI / RPA to analyze data and streamline operations
- Deploy all-in-one platform for payments, credit assessment and other services

Self-contained Model

① Streamline and speed-up existing processes

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

What is institutional investor oriented business?

Core Customers

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

Product / Service Lineup

Alternative investment solutions focusing on real assets (renewable energy, infrastructure, real estate):

- Arrangement, advisory, financing, equity, risk hedging solutions etc.

Our Capabilities

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

Value Co-Creation

③ Provide alternative investment services

- Investment opportunities for wide variety of institutional investors
- Senior, mezzanine and equity financing, and advisory services
- Enhancing structuring capabilities including debt and equity funds

② Arrange syndicated loans

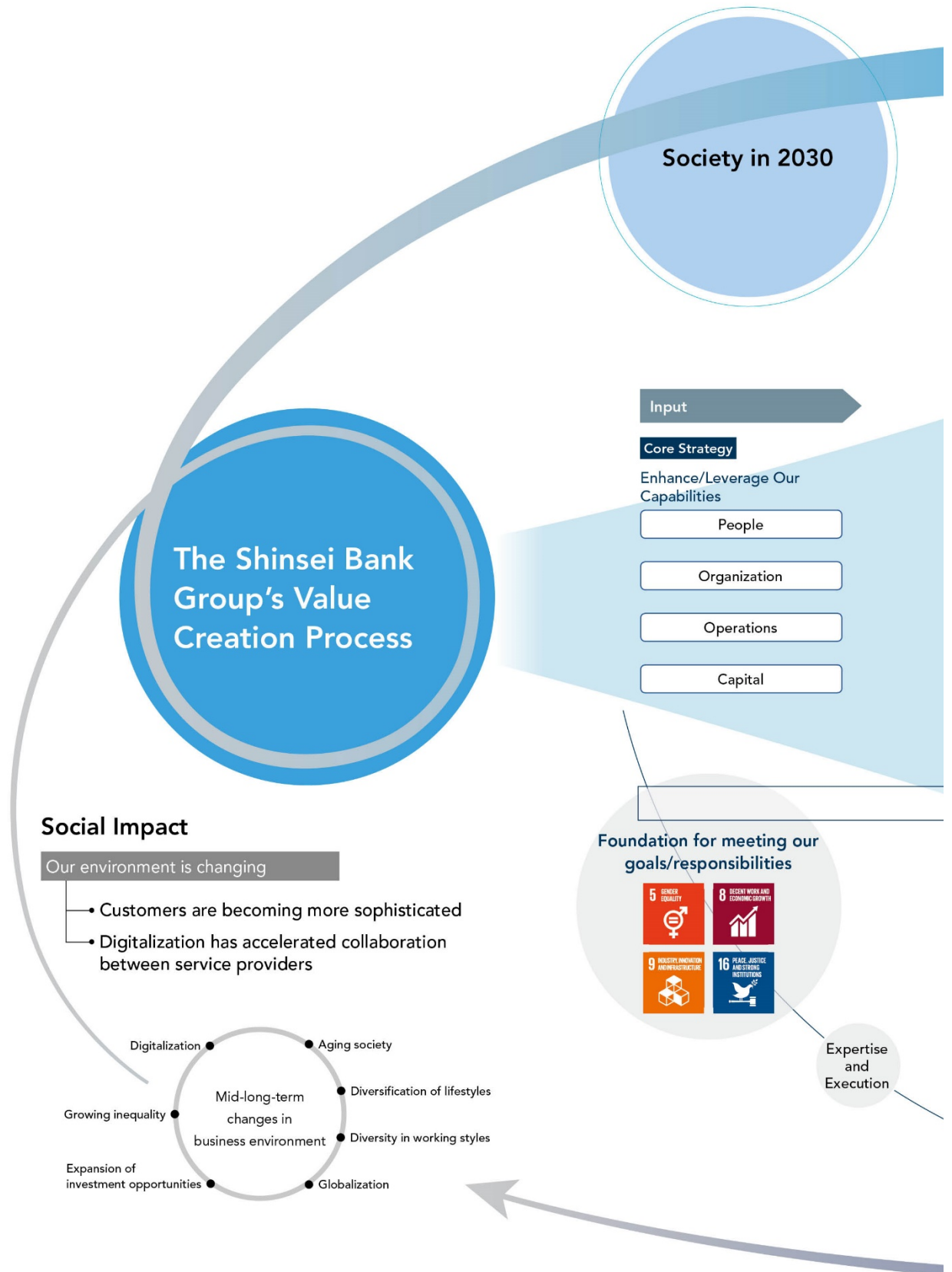
- Partner with regional financial institutions to provide senior loans
- Target assets: Renewable energy, real estate, others

Self-contained Model

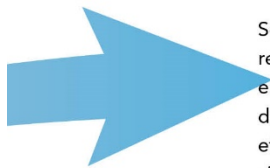
① Arrange bilateral structured finance

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

Corporate Value Creation Mechanism



Corporate Value Creation Mechanism



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.



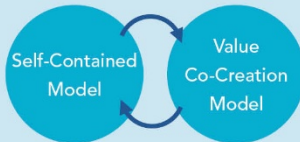
Outcome

Output

Business Model

Core Strategy

Grow through Value Co-Creation



Strengths



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

▶ Access to finance

▶ Fund flows that fit society's needs

▶ Solutions through integration with external services



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



Governance

People

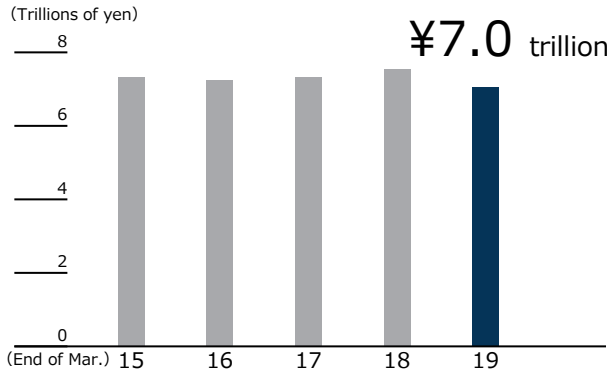
Organization

Operations

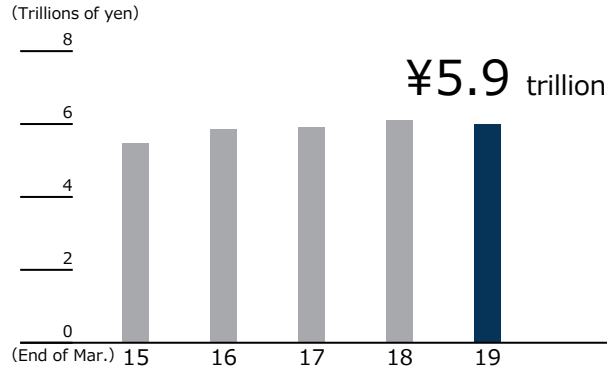
Capital

Financial Highlights

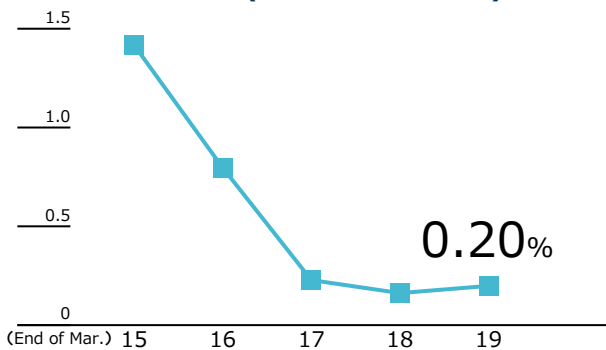
Operating Assets



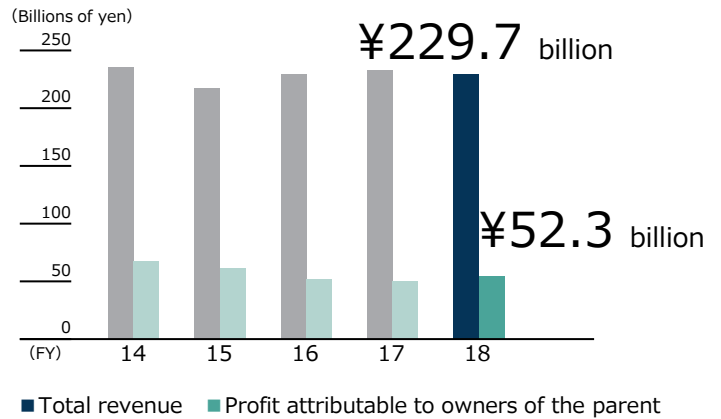
Deposits



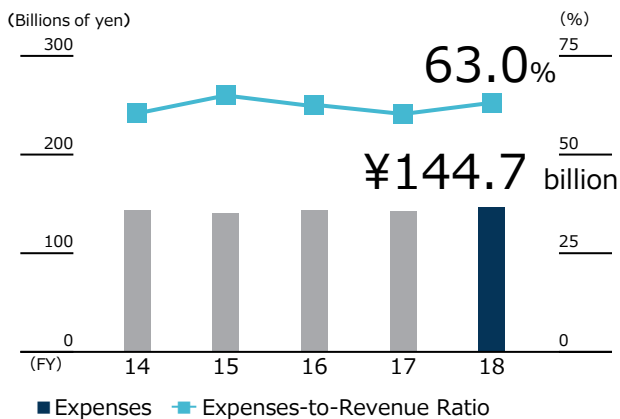
Ratio of Nonperforming Claims Classified under the Financial Revitalization Law to Total Claims (Nonconsolidated)



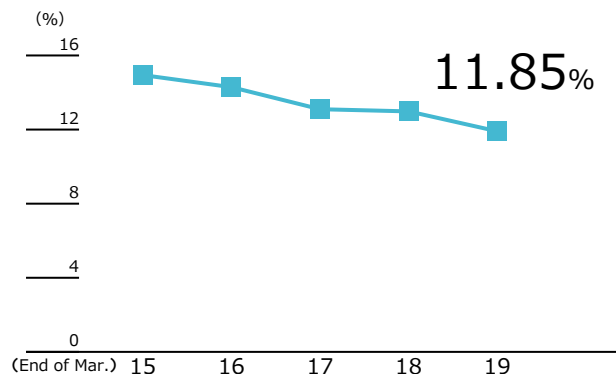
Total Revenue/Profit Attributable to Owners of the Parent



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



Capital Ratio (Basel III, Domestic Standard)



Four Features of Shinsei Bank's Corporate Governance

Ratio of Outside Directors on the Board of Directors

- 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.

71%



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

- 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.

100%



58 meetings

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

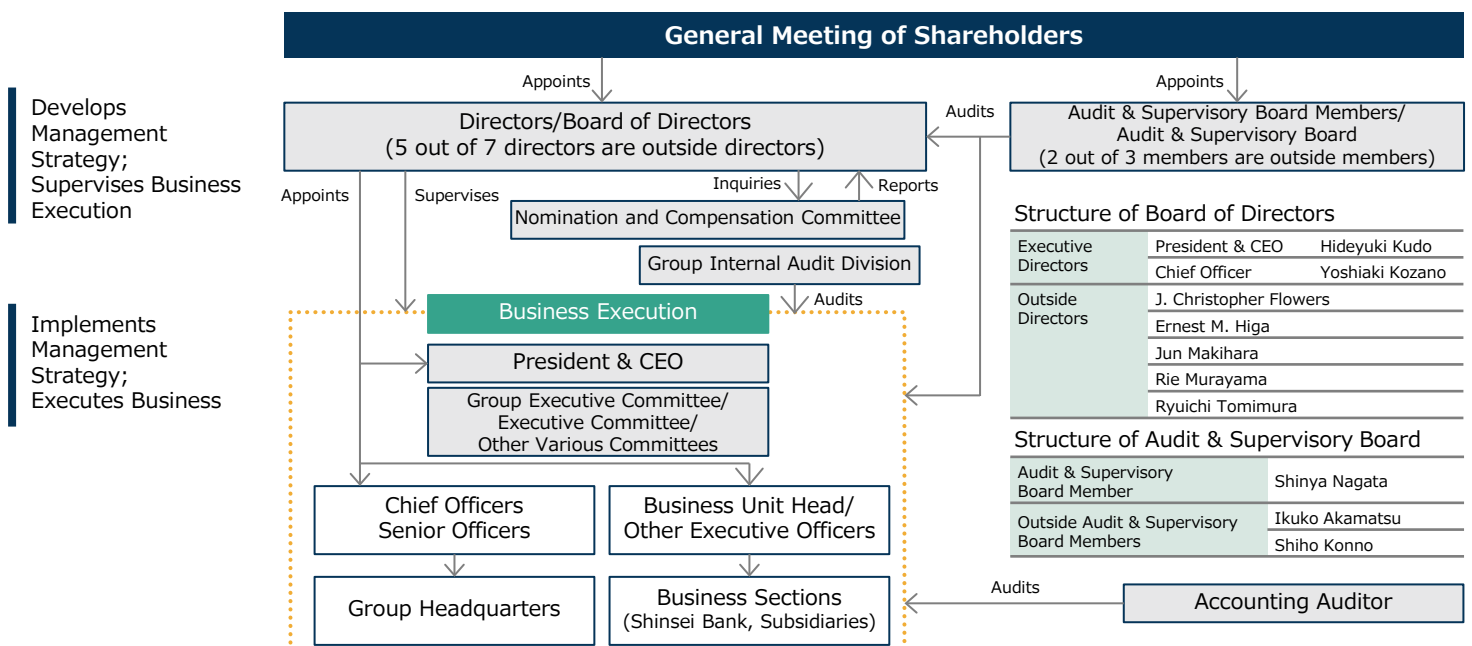
- The CEO has been assigned ultimate responsibility for investor relations (IR) activities and engages in constructive dialogue with the market in Japan, North America, Europe and Asia.
- The Bank has reduced the number of duplicative meetings by CEO with the same investors, and focused on the meetings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



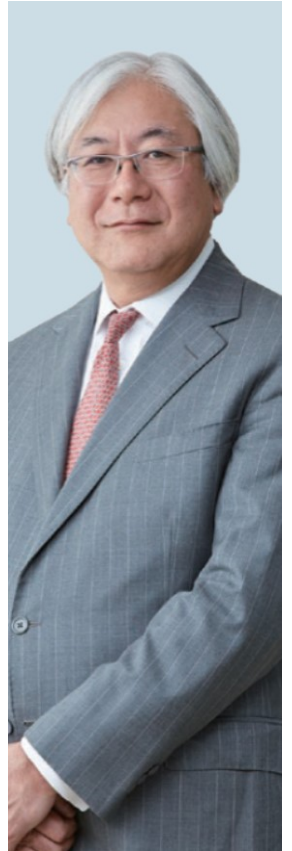
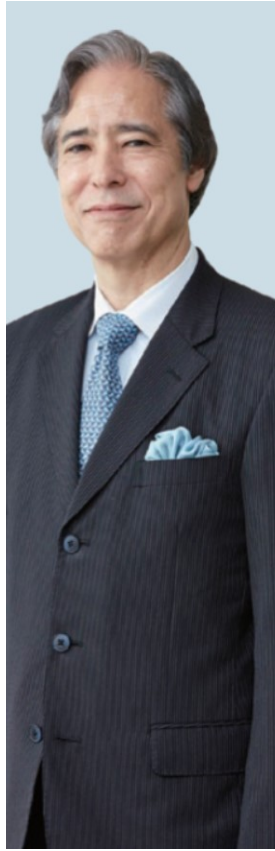
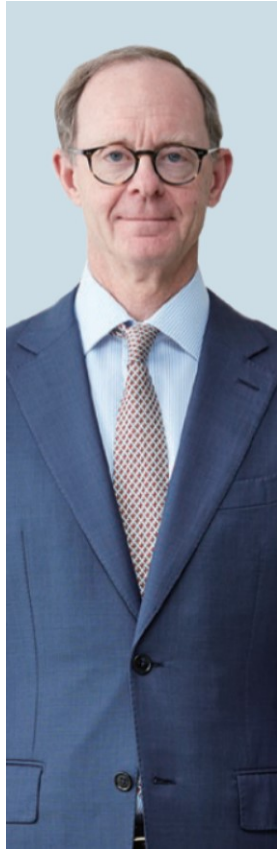
56 companies

Corporate Governance of Shinsei Bank

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



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	○				○

Board of Directors, Audit & Supervisory Board Members



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			○

●●● Initiatives for Employees

The Shinsei Bank Group's Personnel Strategy



Hideyuki Kudo
President and Chief
Executive Officer

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.



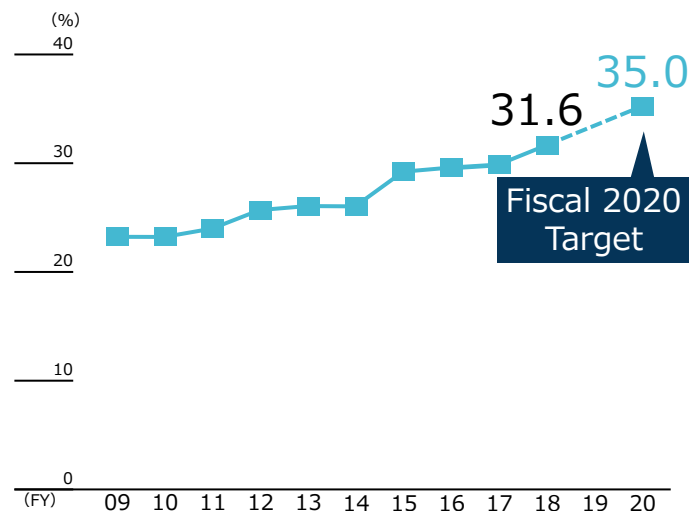
Shiho Konno
Outside Audit &
Supervisory Board
Member, Lawyer

Promoting Diversity in Corporate Management

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.

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 being raising children and providing nursing care.

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



(Note) Ratio of female managers at section manager-level or higher.

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

System	
Self-Directed Flex-Time	Life Support Leave
Work from Home	Maternity Leave
Side Work/Concurrent Work	Childcare Leave
Half-Day Paid Time Off	Family Care Leave
Hourly Paid Time Off	

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

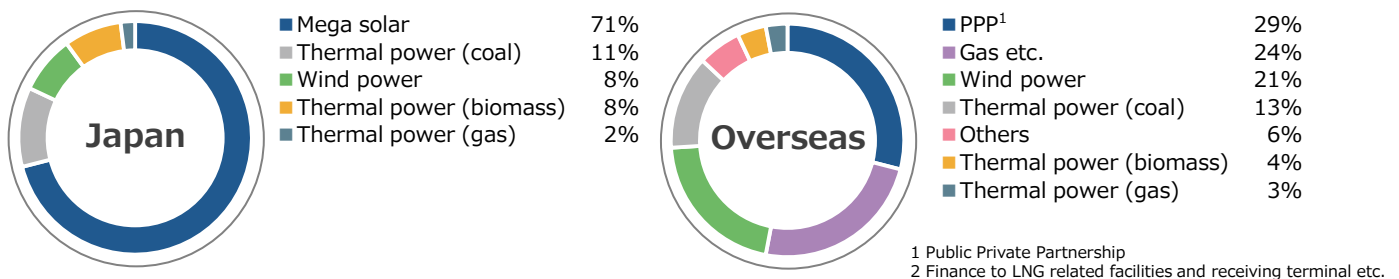
●●● Environmental Initiatives

The Shinsei Bank Group's Renewable Energy Initiatives

Since 2012, Shinsei Bank has been accumulating knowhow 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. 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 ¥260 billion total balance of domestic project finance (including committed amounts), and 21% of the ¥170 billion total balance of overseas project finance (including committed amounts).

■ Project Finance

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



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

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. 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

(Nonconsolidated)		FY2016	FY2017	FY2018
Corporate Governance	Number of Directors	7	7	7
	Ratio of Female Directors	0%	0%	14.20%
	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 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
		1. Including corruption prevention and bribery prevention
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
		Financial Facilitation Initiatives
Contribution to Society	Approach for Corporate Philanthropic Activities	
Environment	Basic Stance	Group ESG Management Policy
	Promotion of ESG Investment and Loan	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>	



Principles for Financial Action for the 21st Century



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.

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Disclaimer

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

• Unless otherwise noted, the financial data contained in these materials are presented under Japanese GAAP. Shinsei Bank Group disclaims any obligation to update or to announce any revision to forward-looking statements to reflect future events or developments. Unless otherwise specified, all the financials are shown on a consolidated basis.

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