

# Creating Values through Businesses

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# AT A GLANCE

## Segment Data

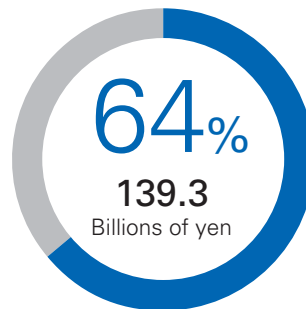
### INDIVIDUAL BUSINESS

#### Major Business

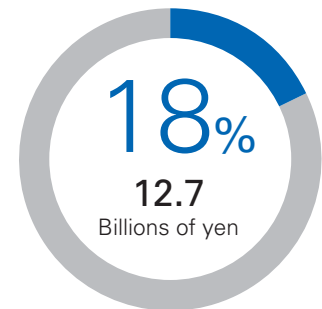
- Retail Banking
  - Deposit related products (saving deposits, time deposits, structured deposits, foreign currency deposits)
  - Asset management (consultation, mutual funds, annuity products)
  - Housing loans
- Consumer Finance
  - Unsecured personal loans (Shinsei Bank, Shinsei Financial, SHINKI)
  - Installment sales credit, settlement, credit cards (APLUS FINANCIAL)
  - Credit Guarantees (Shinsei Financial, APLUS FINANCIAL)

#### Contribution<sup>1</sup>

##### Total Revenue



##### Ordinary Business Profit after Net Credit Costs



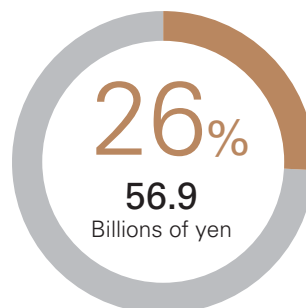
### INSTITUTIONAL BUSINESS

#### Major Business

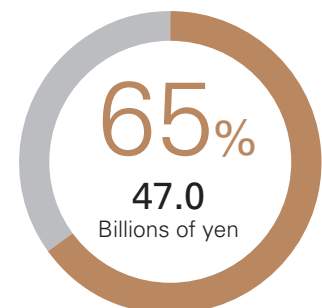
- Corporate, Financial Institutions & Public Sector Finance
- Healthcare Finance
- Real Estate Finance
- Specialty Finance
- Corporate Restructuring
- Credit Trading
- Private Equity
- Advisory Services
- Leasing (Showa Leasing)
- Trust operations (Shinsei Trust & Banking)

#### Contribution<sup>1</sup>

##### Total Revenue



##### Ordinary Business Profit after Net Credit Costs



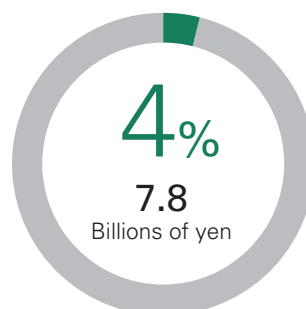
### GLOBAL MARKETS BUSINESS

#### Major Business

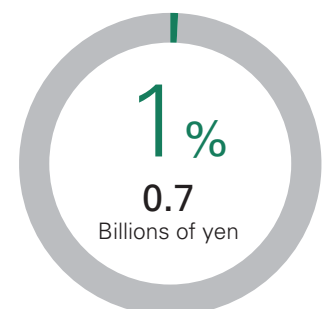
- Markets
- Asset Management
- Wealth Management
- Securitization (Shinsei Securities)

#### Contribution<sup>1</sup>

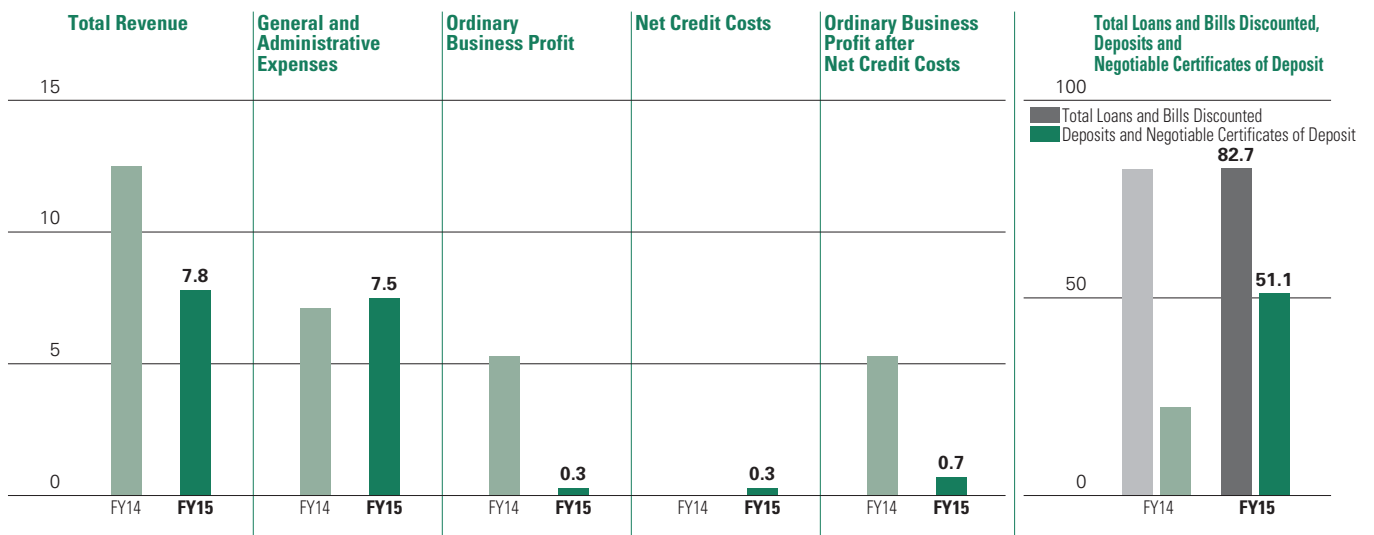
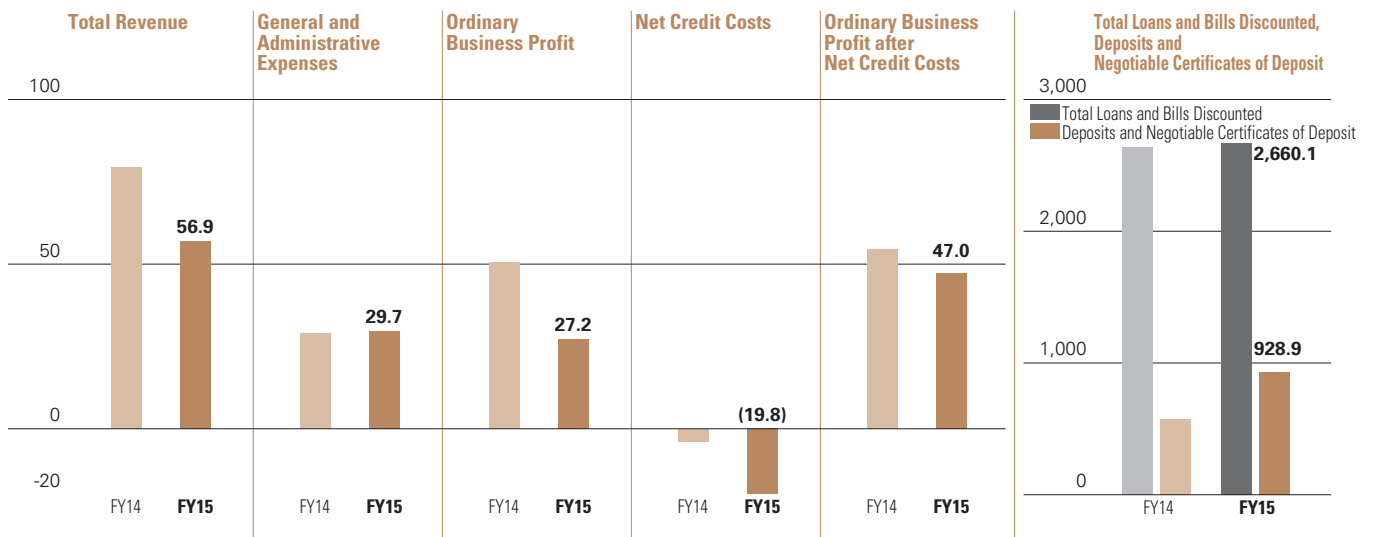
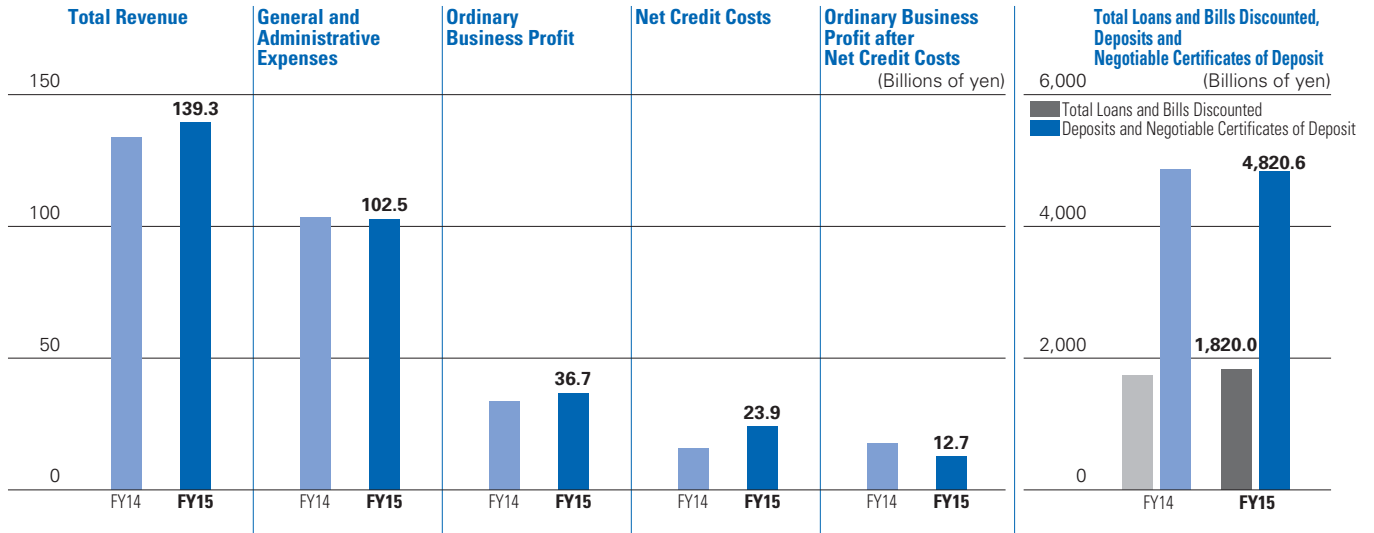
##### Total Revenue



##### Ordinary Business Profit after Net Credit Costs



<sup>1</sup> The percentage figures do not add up to 100% due to the contribution of Corporate/Other.



# Explanations of Major Businesses

About the Shinsei Bank Group

Strategies for Increasing Corporate Value

Creating Values through Businesses At a Glance

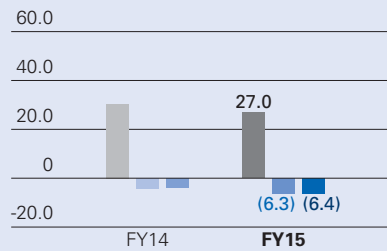
Strategies Supporting Corporate Value

Data Section

## INDIVIDUAL BUSINESS

### Retail Banking

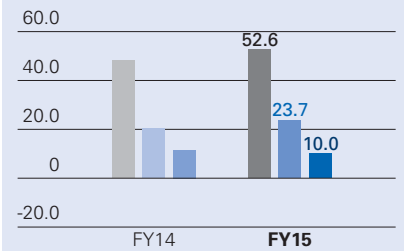
Financial products and services for individual customers, such as yen/foreign currency deposits, structured deposits, investment trusts, brokerage service through an alliance partner, life/casualty insurance through alliance partners, and housing loans



(Billions of yen)  
 ■ Revenue  
 ■ Ordinary Business Profit (Loss)  
 ■ OBP (Loss) after Net Credit Costs

### Shinsei Financial and Shinsei Bank Card Loan—Lake

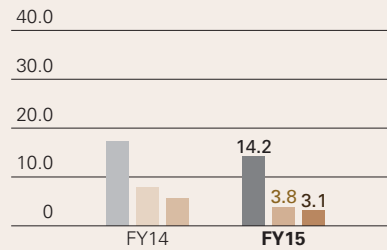
Unsecured personal loan business and credit guarantee services (Shinsei Financial and *Shinsei Bank Card Loan—Lake*)



## INSTITUTIONAL BUSINESS

### Corporate Business

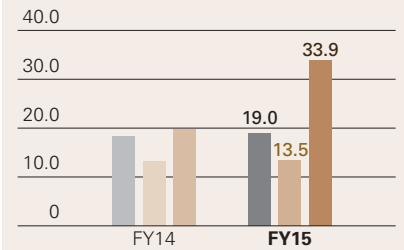
Financial products and services for corporate, public and financial sector customers (including healthcare finance and advisory services)



(Billions of yen)  
 ■ Revenue  
 ■ Ordinary Business Profit  
 ■ OBP after Net Credit Costs

### Structured Finance

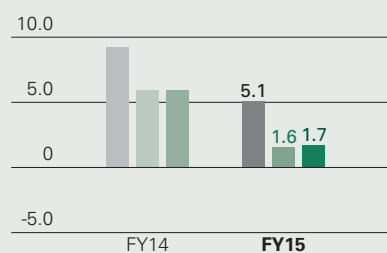
Specialty finance business including real estate finance, M&A related finance and project finance, as well as corporate restructuring and trust business



## GLOBAL MARKETS BUSINESS

### Markets

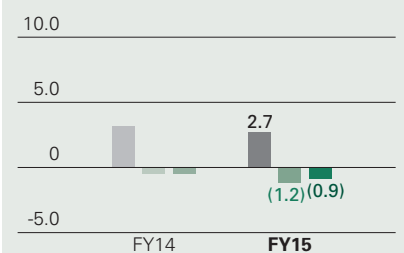
Foreign currency exchange, derivatives, equity, and other capital markets business



(Billions of yen)  
 ■ Revenue  
 ■ Ordinary Business Profit (Loss)  
 ■ OBP (Loss) after Net Credit Costs

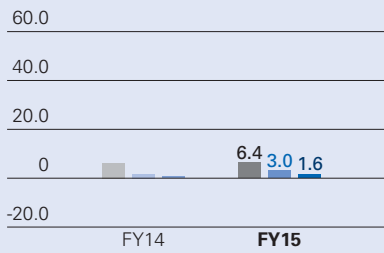
### Other Businesses

Shinsei Securities, asset management, and wealth management business



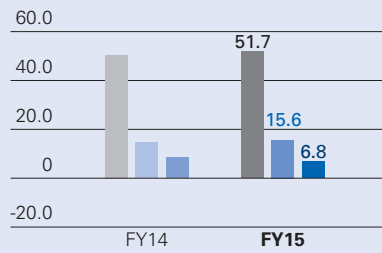
### SHINKI

Unsecured personal loan business—brand name “NOLOAN”



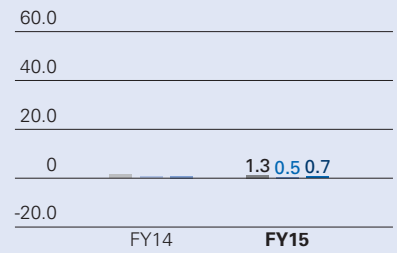
### APLUS FINANCIAL

Installment sales credit, credit cards, credit guarantee services, loans, and settlement services



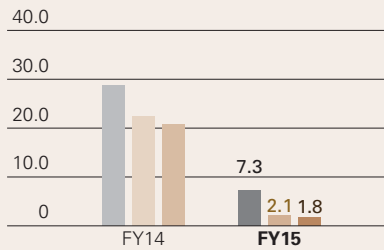
### Other Businesses

Consumer Finance Sub-Group and Shinsei Property Finance which is engaged in real estate collateralized finance



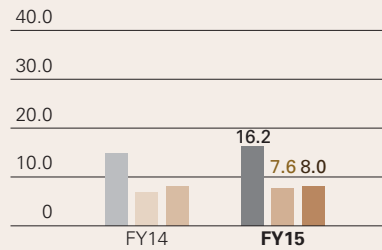
### Principal Transactions

Credit trading—the business of trading various monetary claims—and private equity



### Showa Leasing

Leasing services for information equipment, industrial machinery, and machine tools as well as finance services such as installment sales credit





**Tetsuro Shimizu**  
Managing Executive Officer,  
Head of Individual Business

**Masayoshi Tomita**  
Executive Officer,  
Executive Officer in charge of Individual Business

# INDIVIDUAL BUSINESS

The Individual Group is composed of: (1) Shinsei Bank's retail banking business, which handles deposits, investment trusts, insurance, housing loans, unsecured personal loans issued under the *Shinsei Bank Card Loan—Lake* brand, (2) Shinsei Financial Co., Ltd., which handles unsecured personal loans and credit guarantee operations, (3) SHINKI Co., Ltd., (4) APLUS FINANCIAL Co., Ltd., which is engaged mainly in the credit card business and the installment sales credit business, and (5) Shinsei Property Finance Co., Ltd., which issues loans secured by real estate.

## Key Developments in the Fiscal Year 2015

During fiscal year 2015, the Individual Group engaged in efforts to “expand the customer base and enhance profit-generating capabilities” by leveraging the various resources of the Shinsei Bank Group to meet customer needs by providing its customers with the wide range of products and services available from all Group companies.

### Retail Banking

In recognition of the Bank's superior in-branch customer service and its rich lineup of financial products, Shinsei Bank's retail banking services were ranked No. 1 overall for the first time in 2015 by the 11th annual Nikkei Retail Strength Survey conducted by Nikkei Inc. and Nikkei Research. A Key development in fiscal year 2015 included the opening of the Shibuya Financial Center in January 2016 which strengthened our marketing structure in the southern part of the Tokyo Metropolis. We also enhanced our retail marketing base in the Nagoya area through a dual location structure—the Nagoya Financial Center and the Sakae Financial Center, both of which opened in February. In conjunction with the opening of the Shibuya Financial Center, we closed the Roppongi Hills Financial Center and the Jiyugaoka Consulting Spot in a move targeted at enhancing the efficiency of our marketing network.

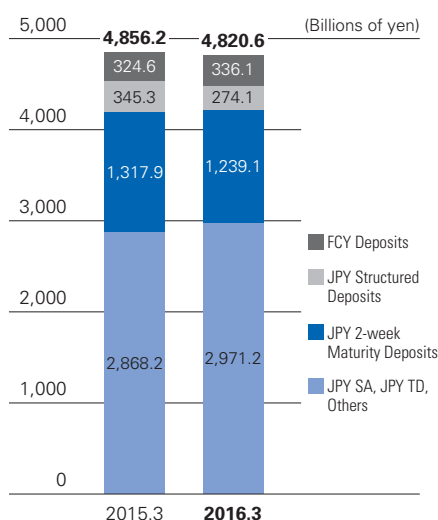
In the housing loan business, our *Shinsei Bank PowerSmart Home Mortgage Anshin Pack W* continues to be selected by a growing number of customers, especially in urban areas, due to the loan product's unique value-added propositions. To further enhance the product's feature in April 2015 we began offering the TOKYU Group Plan through a business alliance with the Tokyo Corporation and its group companies. This new loan package provides after-school and other services to PowerSmart Home Mortgage borrowers. We also were one of the first banks to lower mortgage rates following the Bank of Japan's introduction of its negative interest rate policy in February 2016.

### Unsecured Personal Loans

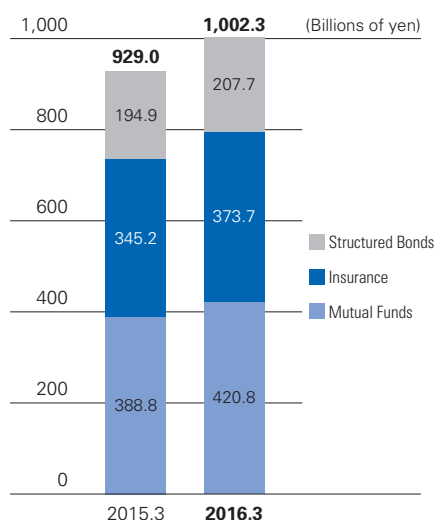
The *Shinsei Bank Card Loan—Lake* business (hereafter, *Lake*) expanded its loan balance and customer base in fiscal year 2015 by further strengthening marketing efforts based on the smartphone app introduced in fiscal year 2012, the creation of new brand proposition and the introduction of new brand ambassadors.

In November 2015, we launched the *Shinsei Bank Smart Card Loan Plus* as a new loan product brand targeted primarily at customers with *Shinsei Bank PowerFlex* comprehensive retail accounts, as well as customers of other Shinsei Bank Group companies.

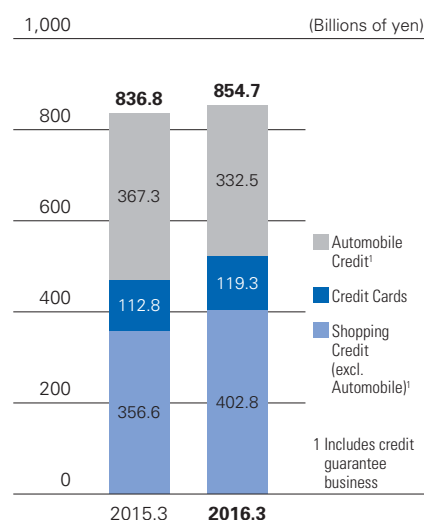
### Retail Banking: Deposit Balance



### Retail Banking: Balance of Asset Management Products



### APLUS FINANCIAL: Operating Asset Balance



Shinsei Financial Co., Ltd. (hereafter, Shinsei Financial) engaged in efforts to expand its credit guarantee business for unsecured loans to individual customers of other financial institutions, while also strengthening services for its existing customers. In July 2015, Shinsei Financial entered into an agreement with Shizuoka Bank, Ltd. to guarantee their unsecured card loans.

### Credit Card and Shopping Credit

From July 2015, APLUS Co., Ltd. (hereafter, APLUS) began issuing the "Overseas Prepaid Card GAICA," which can be used by customers for credit card transactions and to withdraw cash in foreign currencies from overseas ATMs. The new card can also be linked to Bank customers' *Shinsei PowerFlex* accounts. Also, in November 2015 APLUS launched its *Rental House Plan*, a new loan for individuals needing funds required for entering into new residential rental contracts. In the finance lease guarantee business targeted at self-proprietors and small businesses, we formed new alliances with Tochigin Leasing Co., Ltd., a subsidiary of Tochigi Bank, Ltd., in December 2015 and Tomato Lease in February 2016.

### Real Estate-Backed Loans

Shinsei Property Finance Co., Ltd., in May 2015 entered into business alliances with Tokyu Livable, Inc., and Tokyu Housing Lease Corporation to provide real estate-backed loans to Hong Kong residential customers who are investors seeking to purchase condominiums in Tokyo.

### Results of the Second MTMP and Key Objectives in the Third MTMP

During the Second MTMP, our retail banking business received positive evaluations from customers and the markets, leading to the receipt of various awards. In addition, the unsecured personal loan business saw a sharp increase in its overall loan balance across the entire Shinsei Bank Group. On a less positive note, we fell far short of achieving the plan's goal of five million core customers.

The Third MTMP does not include any major changes from the Second MTMP's basic strategies for our retail banking

business. It does, however, call for fully utilizing the approximately 10 million-strong customer base of the Shinsei Bank Group to strengthen the consumer finance business, which the plan targets as a growth area.

### Growth Areas

**Unsecured personal loans:** During the Third MTMP, we aim to expand total revenue generated by our unsecured personal loan business by leveraging the special features of our three unsecured personal loan products—namely, our core *Lake* brand loan, the new *Shinsei Bank Smart Card Loan Plus* brand and SHINKI's *NOLOAN* brand.

### Stable Revenue Areas

**Asset Management Consulting:** This is one of the key business areas where we expect to achieve stable and moderate growth by utilizing the various strengths of the Shinsei Bank. We will introduce new technologies, including new devices that enable customers who have difficulty visiting branch offices to safely and securely contact the Bank. We also will promote greater coordination among our various channels to create a system that makes it more convenient for customers to contact the Bank from anyplace at any time.

**Credit Card & Shopping Credit:** In the credit card business, we will continue to increase new credit card issuances as we seek to increase our total number of customers. We will also undertake various promotions designed to increase credit card usage. In the shopping credit business, we will enhance customer convenience through initiatives such as the e-Order system for online applications and by promoting the provision of housing-related shopping credit products such as those used for home renovations.

### Strategic Initiative Areas

**Settlements Business:** We will deliver a settlement gateway service by utilizing APLUS's settlements function as a Group platform, while also promoting the creation of a business platform capable of utilizing new settlement methods, especially those associated with the EC market, where the use of prepaid cards is expanding.





**Shinichirou Seto**  
Senior Managing Executive Officer,  
Head of Institutional Business

# INSTITUTIONAL BUSINESS

The Institutional Group is composed of: (1) the Institutional Business Sub-Group that provides private and public sector corporate customers financial institution customers with loans, other corporate financial services, and financial products and solutions and structured finance for real estate and other projects, (2) the Principal Investments Department that operates the credit trading and private equity businesses, (3) Showa Leasing, which is engaged in the leasing business and (4) Shinsei Trust & Banking, which is engaged in the trust business.

## Key Developments in the Fiscal Year 2015

In fiscal year 2015, the Institutional Group continued to leverage the functions of various Shinsei Group companies, the Group's customer base and its relationships with regional financial institutions to provide highly differentiated products and services that strengthen capabilities in strategic focus areas as well as in areas where the Bank has demonstrated expertise.

### Institutional Business

In the institutional business, the Bank continued its efforts to expand its core customer base and build transaction-based relations from a long-term perspective. Our efforts included enhancing our marketing approach by utilizing customer segmentation that focuses on customer growth prospects and profitability in order to increase transaction volume per customer, as well as deepening customer relationships through the cross-selling of the Bank's other products and services.

### Healthcare Finance

In July 2015, a healthcare REIT management company, in which the Bank invested, listed its investment corporation, Japan Senior Living Investment Corporation, on the Tokyo Stock Exchange's market for real estate investment trusts.

### Real Estate Finance

Amid a favorable domestic real estate market environment, the real estate finance business continued its efforts to identify and participate in highly attractive new real estate projects. In May 2015, the Bank acquired a real estate nonrecourse loan portfolio valued at about ¥65 billion (face value) from GE Japan Corporation. Going forward, the Bank will continue to seek out deals taking into consideration the overall condition of real estate market in addition to the risk-return prospects of each individual project.

### Project Finance

The Bank continued efforts from the previous fiscal year to establish and develop a domestic project finance market for renewable energy projects through collaboration with regional financial institutions to provide financing for a range of renewable energy projects, including mega solar power generation plants.

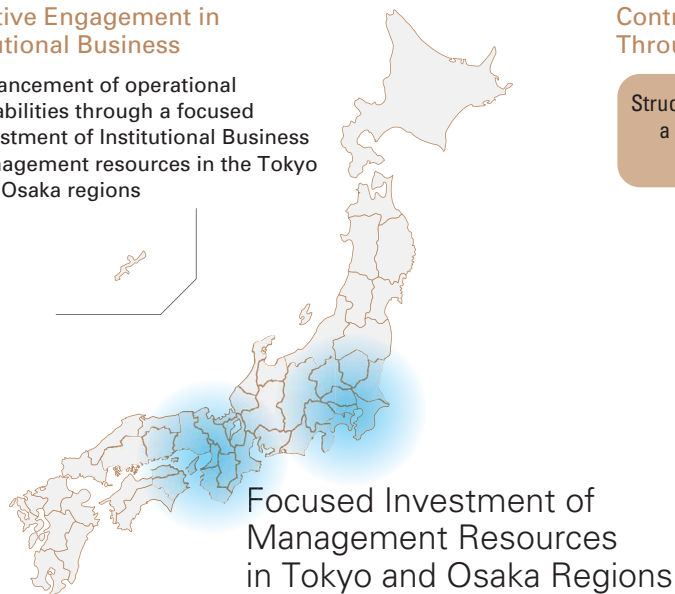
### Principle Investments (PI)

Leveraging the platform provided by the Bank's subsidiary, the Shinsei Principal Investments Group (Shinsei PI Group), the Bank has continued from the previous fiscal year to support corporate customers seeking to exit from noncore and unprofitable businesses. This includes investments and loans as well as the provision of solutions for long-term fixed claims. Meanwhile, the PI Group is helping venture firms increase their investment value by supporting their business growth.



### Selective Engagement in Institutional Business

- Enhancement of operational capabilities through a focused investment of Institutional Business management resources in the Tokyo and Osaka regions



### Showa Leasing Co., Ltd.

In addition to providing leases for industrial machinery, machine tools, construction machinery and other essential equipment to middle-market companies and SMEs, Showa Leasing is providing solutions such as the buying and selling used equipment, providing loan guarantees backed by movable property collateral, arranging financing to promote the acquisition of environmentally sound products and renewable energy related equipment, and purchasing long-term care receivables.

### Results of the Second MTMP and Key Objectives in the Third MTMP

During the Second MTMP, the Institutional Group's basic strategy was to support the growth of enterprises, industry, and regional economies through participation in businesses while honing its own specialized capabilities. We promoted differentiation of our services in targeted areas, such as medical & healthcare, renewable energy, and support for business establishment and corporate restructurings. Through aggressive efforts to expand our business, we achieved a measure of success in some target areas, such as in the medical, healthcare and renewable energy fields. However, we still have work to do to complete the establishment of a stable revenue source and a customer base, including core customers, which will support earnings growth over the medium-term. In light of these remaining issues, during the Third MTMP the Bank will selectively invest management resources in areas in which it possesses specialized expertise and in businesses and markets with strong growth potential. Aided by the horizontal integration of Group operations, the Institutional Group aims to deliver high value-added financial solutions that conform to client needs.

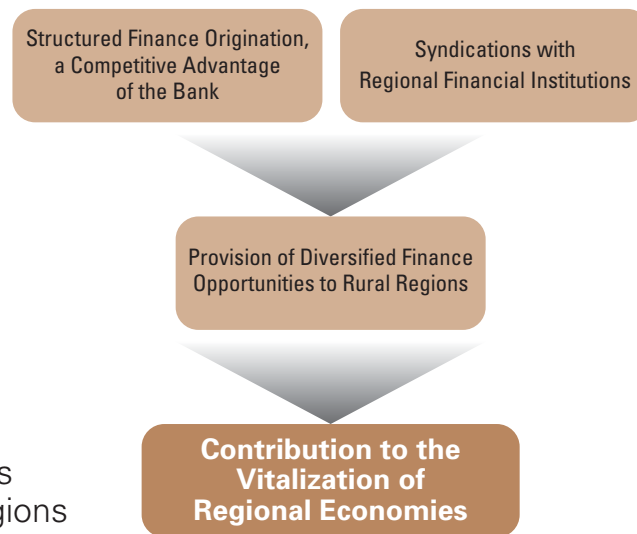
### Growth Areas

The Third MTMP has designated structured finance as an area in which the Bank's extensive expertise provides a considerable competitive advantage, and facilitates pursuing further specialization to grow our business.

In real estate finance, we will use our abundant expertise to conduct quick project analysis, while flexibly responding to property attributes, location, and risk levels, and put together projects that flexibly meet client needs, all while closely monitoring risk-return profiles.

In the project finance business, we will be an active participant in projects both in Japan and overseas, including renewable

### Contributing to the Vitalization of Regional Economies Through Cooperation and Collaboration (e.g.)



energy projects and PPP/PFI (Public Private Partnership/Private Financial Initiative) projects.

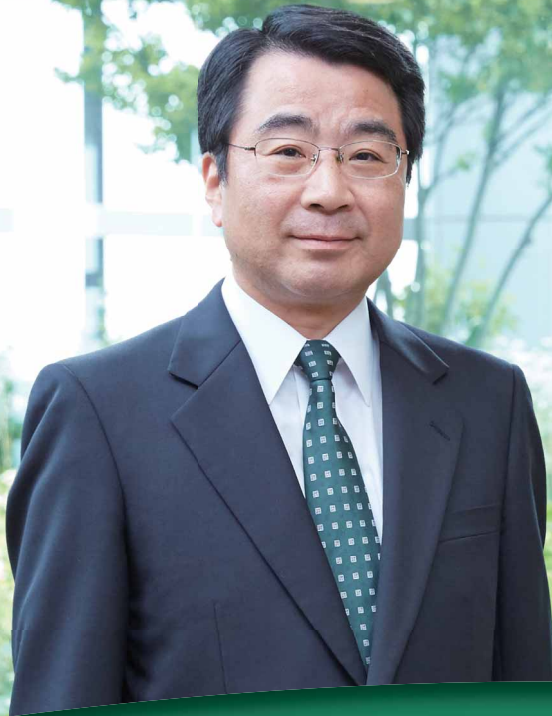
### Stable Revenue Areas

We aim for continued expansion of our customer base by working with other Group companies to provide products and services that meet clients' most-crucial needs.

The Institutional Business will endeavor to build a core of long-term customers by continuing its efforts to develop new clients and expand per-customer transaction value by applying a customer segmentation process that focuses on profitability and growth prospects and pursuing the deepening of relationships through cross-selling of products and services of other Group companies.

### Strategic Initiative Areas

- The Institutional Group will continue to deliver solutions to SME customers that leverage the strengths of the Shinsei Group. Specifically, we will aim to provide new value to our customers by creating a business framework that provides them with one-stop access to the wide range of financial services offered by the entire Shinsei Group. In particular, we will promote greater integration with Showa Leasing, whose transactions with SMEs are a core strength.
- We also will promote cooperation and collaboration with the Group's extensive network of regional financial institution partners. To meet the funding needs of regional financial institutions and other business partners, we will provide a range of investment products, including structured financings that fully utilize the Group's expertise. In addition, to support these business partners' efforts to strengthen their main businesses, we will provide the wide range of financial solutions available from the Shinsei Group. More specifically, we will help our regional financial institution partners meet the needs of their retail customers by providing loan guarantees, structured deposits and other services.
- In addition, with an increasing number of baby-boomer generation owners of small businesses approaching retirement, we plan to respond to the growing needs of SMEs and middle-market companies for business succession and business change/cessation solutions through the provision of buyout finance, debt disposal, and other financial solutions. Our small, elite team of highly experienced professionals will deliver customized solutions that leverage the know-how and expertise accumulated by our PI Group as well as the resources of the entire Shinsei Group.



**Hironobu Satou**  
 Managing Executive Officer,  
 Head of Global Markets Business

# GLOBAL MARKETS BUSINESS

The Global Markets Group is composed of: 1) the Markets Sub-Group that engages in foreign exchange, derivatives, and other capital markets operations, 2) the Asset Management Sub-Group that engages in the asset management business, including the provision of investment trusts, and a wealth management business that provides financial products and services to high net-worth individuals and 3) and Shinsei Securities, a securities company engaged in securitizations and securities brokerage business.

## Key Developments in the Fiscal Year 2015

In fiscal year 2015, the Global Markets Group remained focused its business with its customers and engaging in solutions-oriented marketing based on current market conditions and customers' business environment. We also looked to respond to the increasingly diverse needs of our customer by expanding our product lineup and providing unique products that helped to further differentiate our products and services from our competition.

### Markets Sub-Group

The Markets Sub-Group was faced with unprecedented conditions in Japan's financial markets due to factors such as the introduction of the Bank of Japan's negative interest rate policy. Despite rising volatility and increasing uncertainty in the markets, we continued our efforts to enhance our ability to provide finely-tuned solutions that meet the diverse needs of our customers in a timely manner by upgrading our systems for marketing to corporate and individual customers and by reviewing and expanding our offering of products and services. During the year, the Markets Sub-Group engaged in efforts to attract

new customers and win new business with existing customers by strengthening its solutions-based marketing system. As a result, we continued to enjoy a firm performance in our derivatives transactions that meet corporate customers' needs to hedge against foreign exchange and interest rate fluctuations. By providing solutions that responded to a wide range of customer's actual needs, we were able to steadily expand our customer base while simultaneously deepening ties with our existing customers.

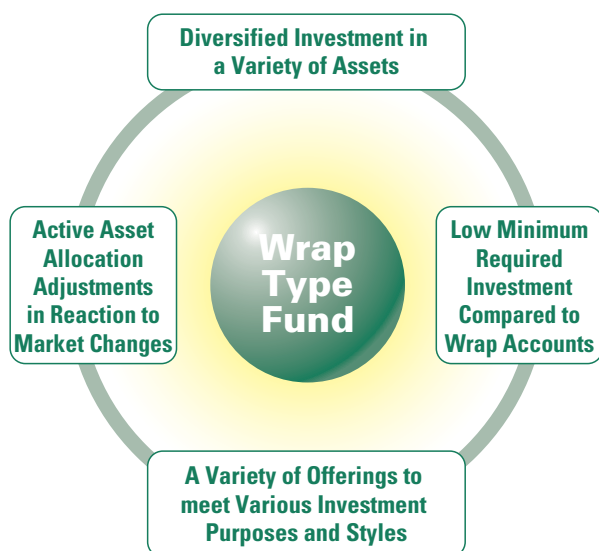
### Shinsei Securities

At Shinsei Securities, a subsidiary of the Shinsei Bank, sales of structured bonds to individual investors via the Bank's securities brokerage business made a major contribution to earnings recorded in fiscal year 2015. The subsidiary also continued to apply its accumulated expertise to grow its securitization business, which has led to the development of a diverse range of structured finance products. In its underwriting business, Shinsei Securities served as joint lead underwriter for bond issues by the Japan Housing Finance Agency in July 2015 and February 2016.

## Asset Management Sub-Group

The strongly positive reception received by the Shinsei World Smart Bond Fund and the Shinsei World Wrap Fund launched by Shinsei Group subsidiary Shinsei Investment Management Co., Ltd., prompted the serialization of the products. We also continued to focus on the creation and sales of privately placed investment trusts in tune with market trends and the special investment needs of financial institutions and high-net-worth individuals. Specifically, in order to meet Japanese regional financial institutions' growing need to diversify their investments, Shinsei Investment Management in November 2015 established a privately placed investment trust investing primarily in US municipal bonds.

### Feature of the Shinsei World Wrap Fund



## Results of the Second MTMP and Key Objectives in the Third MTMP

During the Second MTMP, the Global Markets Group remained focused serving client business and strove to supplement and strengthen its ability to provide market-based solutions as well as its lineup of products and services. In particular, its derivatives trading operations helped it win new clients, while Shinsei Investment Management greatly increased its offerings of new investment trusts. As a result, the Global Markets Group was able to expand its business scale to some degree.

Considering the overall competitive environment, it is obvious that not all regional financial institutions can engage in these businesses. At the same time, we have noticed restructuring of Japan's financial institution landscape and the withdrawal of some foreign institutions from the Japanese market have taken place. From our customers' perspectives, the opacity of the market is increasing the need for foreign exchange and interest rate hedging. However, the number of financial institutions able to handle these transactions has effectively decreased. Consequently, we expect to see increases in demand for derivative trading from corporate clients and for asset management products from financial institutions. Given this operating environment, during the Third MTMP, the Bank will leverage the expertise and experience accumulated during the Second MTMP and allocate sufficient management resources to ensure further expansion of derivative trading for corporate clients and the provision of asset management products to financial institutions. We will also endeavor to strengthen our operational platform and invest in systems and other necessary infrastructure. In addition, with market interest rates expected to remain at low levels, we will enhance our efforts to provide attractive investment products, including structured bonds through our securities brokerage business, to meet the needs of not only corporate clients and financial institutions but also the needs of individual investors. In particular, we think that growth of the market for investment trust products is a near certainty. At present, investment trusts account for only about 6% of Japanese individuals' financial assets totaling ¥1.7 quadrillion, a much smaller percentage than in the US and Europe. However, Japan has only relatively recently introduced the Nippon Individual Savings Accounts (NISA), a system that should encourage the flow of funds from savings to asset management products. We therefore expect that flow to gain momentum in coming years. Of the various asset management products, we expect strong demand for investment trusts, which enable investors to diversify their investment portfolio even while investing relatively small amounts. One of the strengths of the Shinsei Bank Group is its ability to provide customers with a variety of domestic and overseas investment trusts, unrestrained by group affiliations. Going forward, we will leverage that strength to differentiate our products and services from the competition.

# Status of Regional Revitalization and SME Management Improvement Initiatives

To improve the management of Small- and Medium-sized Enterprises (“SMEs”) and contribute to regional revitalization, Shinsei Bank is engaging in initiatives such as those described below, providing our expertise and, depending upon the initiative, cooperating with local financial institutions and the SME Business Rehabilitation Support Cooperative. In addition to supporting SMEs and local businesses that have promising technologies or business models, the Bank is promoting the development of new business areas and businesses that contribute to the revitalization of regional economies. The Bank’s efforts focus on providing multifaceted management solutions that satisfy not only funding need, with an emphasis on cash flow financing, but also needs for such services as business strategy planning and implementation support. Through such efforts, the Bank aims to expand the scope of its business with growing SMEs and contribute to the development of new innovative businesses.

## Examples of Shinsei Bank Initiatives

### • Supporting regional revitalization through business rehabilitation

**Golf course operator in North Kanto:** Golf courses with lodging facilities have faced a difficult operating environment ever since the bursting of Japan’s economic bubble, as the number of users and the market prices for golf club memberships have both declined. Strapped with huge debts, this golf course in North Kanto entered legal liquidation procedures. However, the local government’s desire to maintain the golf course as a place for the relaxation and recreation of local residents set in motion the search for a sponsor that would assume operation of golf course. Shinsei Bank was selected as financial adviser for selecting a sponsor on the basis of its extensive experience in golf course M&A and high evaluation of its related expertise. The Bank supported the sponsor selection process, setting as conditions the preservation of existing club members playing privileges, job security for local employees, and financing sufficient for the continuation of golf course operations. With the Bank’s support and advice, the golf course was successfully sold to an influential local business operator with the ability to resuscitate the golf course while fulfilling all the above conditions. The new sponsor is now in the process of reviewing operating costs and renovating facilities in preparation for reopening of the golf course.

### • Supporting companies in their growth stages

**Construction and civil engineering company in the Tohoku region:** After completing civil rehabilitation procedures, this company’s challenge was to rebuild relationships with financial institutions to secure funding capacity for future business expansion. Additionally, since the company aimed to revitalize its business by maximizing its contribution to meeting reconstruction demand of the Tohoku region following the Great East Japan Earthquake, Shinsei Bank commenced support for the

company through corporate revitalization financing. Specifically, after carefully examining the company’s business plan, the Bank proposed an agency collection scheme for construction payments from local governments and other customers and provided efficient funding in a form that doesn’t necessarily depend on collateral or guarantees. Taking advantage of this opportunity, the company took initiatives to strengthen its management foundation through business diversification to prepare for future changes in the business environment. The rehabilitation phase has ended, and the company is now proceeding toward a normal growth path.

### • Supporting companies in their growth stage

**Semiconductor packaging venture company:** This company, whose main business is the development and manufacture of semiconductor packages on a consignment basis, successfully developed a technique for mounting chips to substrates with an extremely low defect rate. This technique reduced the size of the chip package and greatly increased the product’s competitiveness, leading to its application in communications and medical devices. Recognizing the high growth potential of its unique technology, Shinsei Bank has been providing the company with the financing needed to grow its business. In addition, the Bank has helped the venture company strengthen its ability to develop target markets through a business matching service that put the company in touch with several other clients of the Bank. One of the companies introduced by the Bank was so impressed with the venture company’s advanced technologies that it has begun considering a business alliance that goes beyond sales support. Access to the Shinsei Bank network has thus provided the venture company with vital support for the growth of its business.

### • Supporting management improvement

**Mid-sized regional fishing company:** Several years ago, this fishing company entered the real estate industry and opened a large business hotel for the purpose of supplementing its core business, which is subject to large fluctuations in business performance. Although the hotel business performed favorably, the company’s financial health deteriorated because of the burden of hotel construction loans, and this was expected to impede fundraising for equipment to strengthen its core business.

For this reason, the company considered selling the hotel and appointed Shinsei Bank as an advisor. In response to the company’s objective of selling the hotel on favorable terms to a buyer capable of adhering to the company’s hotel management philosophy and further developing the hotel, the Bank proposed a sale to a joint venture between a major hotel operator with a strong reputation and a well-financed hotel REIT, contributing to the realization of a sale on favorable terms in a short period of time. This transaction enabled the company to recover its capacity to raise funds to acquire fishing vessels and made possible initiatives to strengthen its core business.



# GLOSSARY

## 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.

## ALM (Asset Liability Management)

ALM refers to the comprehensive management of the market and liquidity risks that exist in the Bank's balance sheet (i.e. assets and liabilities) as a result of its business operations. ALM aims to optimize interest rate income from the Bank's balance sheet and economic value by monitoring interest rate conditions and asset/liability duration, including off-balance items such as derivatives on the Bank's account, and adjusting for risks in assets/liabilities and derivatives transactions in consideration of the change in value of assets, liabilities, and periodic profits or losses due to market fluctuations.

## Asset Management

In a broad sense, Asset Management refers to Shinsei Bank's overall asset management business, but in a narrower sense it refers to the investment trust business and investment advisory business. Shinsei Bank offers a variety of unique financial products and services for both institutional and individual (including high-net worth) customers, primarily through the Global Markets Group and the Individual Group (retail banking Business).

## 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 hand over of business ownership.

## Capital Markets Business

Capital Markets business refers to capital markets-related transactions, including derivatives and trading, in order to meet customer needs for investment, risk hedging, fundraising, etc.

## Common Equity Tier 1 Ratio

The financial indicator calculated in accordance with the international standard of the third Basel accord, indicating the adequacy ratio of capital of an even higher level of quality than the capital adequacy ratio commonly used to gauge the financial stability of banks, etc. The ratio is calculated by dividing the balance of common equity tier 1 capital, which is comprised of capital with high loss absorption capability such as common equity and retained earnings, and dividing the total by the balance of risk assets, the indicator of the magnitude of risk of assets, etc. held by banks.

## Credit Guarantee Business

Credit Guarantees represent a guarantee to repay a loan made by a partner financial institution on behalf of the borrower, in the case that the borrower becomes unable to make repayments, in return for a fee. In the Shinsei Bank Group, Shinsei Financial is focused on this business, offering comprehensive support to partner financial institutions including advice on advertising strategies and product design as part of its service.

## Credit Trading

Credit Trading offers balance sheet optimization solutions, including the purchase of loan receivables from current creditors or an investment in (purchase of) monetary claims held by the customer. Shinsei Bank also invests in monetary claims such as loans and leases sold in the secondary market for non-performing loans, aiming to make profits by securing a greater return than the initial investment through servicing or resale of the receivables.

## 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.

## Exposure

Exposure refers to an amount of assets or an amount of money that is exposed to foreign exchange, price fluctuations or other risks as a result of loans and investments.

## (Grey Zone) Interest Repayment

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) interest repayments.

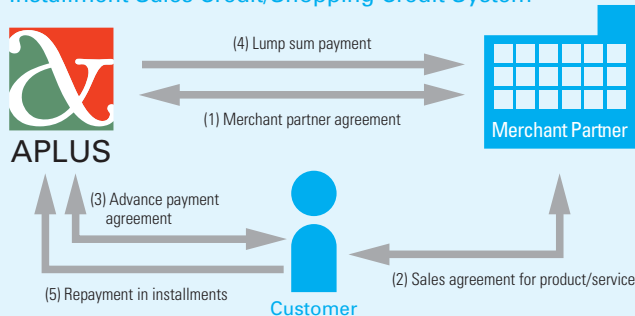
## Healthcare Finance

Healthcare Finance refers to financing— primarily nonrecourse loans— as well as financial advisory on management strategies and M&A for senior care facilities and nursing homes.

## Installment Sales Credit (Shopping Credit)

Installment Sales Credit (Shopping Credit) is a service that allows customers to pay for goods or services in installments without using a credit card. Shinsei Bank group offers this service primarily through APLUS FINANCIAL.

## Installment Sales Credit/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

## LBO Finance (Leveraged Buyout Finance)

LBO finance is a type of M&A finance based on the assets or future cash flows of a company to be acquired. It is used when a company or an investment fund acquires another company. At Shinsei Bank, LBO Finance is included in Specialty Finance.

## MBO Finance

MBO stands for Management Buyout. It is a type of LBO finance offered when a company's management buys its own company co-working with an investment fund and others. At Shinsei Bank, MBO Finance is included in Specialty Finance.

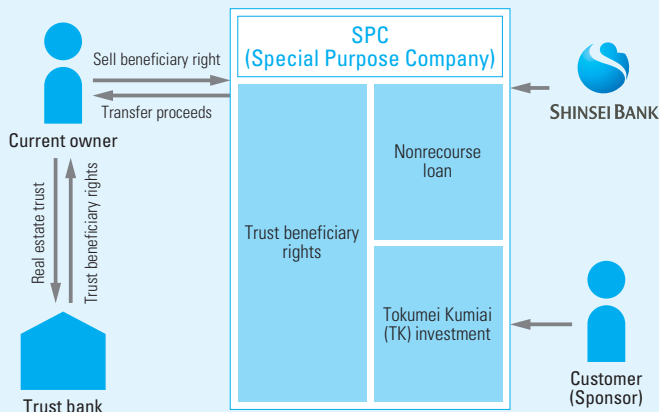
## Net Credit Costs

Net credit costs are the sum of reserves for loan losses set aside (credit costs) according to the credit standing of borrowers, reversal (gains) of reserves for loan losses and recoveries of written-off claims resulting from their disposal.



### Nonrecourse Loan

Nonrecourse loans are loans 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.



### 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.

### Portfolio

A portfolio refers to a group of various components. An asset portfolio, for example, refers to a collection of various assets such as real estate, cash deposits and equities.

### 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 are investments in 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.

### Private Finance Initiative (PFI)

A financing technique based upon the idea of utilizing private capital and expertise in the design, construction, maintenance and operation of projects, such as public construction works, and performing the provision of the public services through the private sector in order to ensure their efficiency and effectiveness.

### Profit (Loss) Attributable to Owners of the Parent, Cash Basis Profit (Loss) Attributable to Owners of the Parent

Cash basis profit (loss) attributable to owners of the parent is calculated by excluding impairment and amortization of goodwill resulting from acquisitions of subsidiaries and other intangible assets, net of tax benefits, from profit (loss) attributable to owners of the parent—and represents the bottom-line profit for the relevant fiscal year.

### 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. At Shinsei Bank, Project Finance is included in Specialty Finance.

### Public Private Partnership (PPP)

A scheme in which public services are provided through a collaboration between the public and private sectors. PFI is a representative form of PPP.

### Revised Money Lending Business Law

The key points of the Revised Money Lending Business Law which was enacted and issued in December 2006 are: (1) optimizing control of the money lending business (tightening entry requirements etc.), (2) reducing excessive lending (implementation of the designated credit bureau system and income-linked lending limitation), and (3) controlling the interest rate system (reducing the upper limit of the interest rate under the Investment Law to 20% p.a.). The Law was enforced in a phased manner and was fully enforced in June 2010.

### Risk Weighed Assets

Risk weighed assets are an amount equivalent to the volume of “credit risk” and “market risk” of the Bank’s assets/transactions and “operational risk” involving operational errors.

### RORA

Return on Risk-Weighted Assets—the indicator which shows a profitability based on Risk-Weighted Assets. RORA is calculated as the ratio of its profit attributable to owners of the parent to the total Risk-Weighted Assets at the end of the term.

### Ship Finance

Finance for the shipping industry. Shinsei Bank primarily provides shipping companies with funds for ship acquisition.

### Specialty Finance

Specialty Finance at Shinsei Bank refers to M&A finance, LBO finance, project 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 non-recourse 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.

### Treasury

Treasury is normally the function in a company which is responsible for ALM (asset and liability management). At Shinsei Bank, Treasury basically refers to the function (Sub-Group) responsible for cash flow management including collateral management, transactions through transfer pricing (FTP, the inter-office fund transfer price), issuance or buyback of (subordinated) corporate bonds, liquidity planning, management of overseas subsidiaries that issue capital securities as well as ALM for the entire Group.

### Wealth Management

Wealth Management refers to the financial services that Shinsei Bank offers to high-net worth customers. The Bank offers a variety of differentiated wealth management services tailored to customers’ needs.