

# Business and Financial Highlights

First Half Ended September 30, 2020

November 2020

# Agenda

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# Key points

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## 1 1<sup>st</sup> half net income<sup>1</sup> at JPY 13.3 billion; building momentum from 2Q

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- Net income for 1H FY20: JPY 13.3 billion (YoY -53%)
  - ✓ Total revenue: JPY 110.2 billion (YoY -9%)
  - ✓ Expenses: JPY 72.7 billion (YoY +1%)
  - ✓ Net credit costs: JPY 17.4 billion (YoY -5%)
  - ✓ Others: JPY -6.7 billion (YoY -131%)
- While the 1<sup>st</sup> half net income decreased compared with same period of previous year, 2Q FY2020 revenue and profits increased from 1Q FY2020, reflecting a recovery of the momentum from COVID-19

## 2 FY2020 full year earnings forecast at JPY 34.0 billion; expecting 2H net income to increase +56% vs. 1H

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- Net income<sup>1</sup> forecast for 2H FY2020 at JPY 20.7 billion, while net income<sup>1</sup> for 1H FY2020 resulted in JPY 13.3 billion
- Topline in 2H: increase in fee income while decrease in NII from unsecured loans. As one-off factors, legacy investment losses in principal transactions (as disclosed as a subsequent event in the 1Q results announcement)
- Cost line in 2H: new investment (expenses) for “redesigning workstyle” initiatives. Large credit costs are not envisaged

## 3 Share buyback of JPY 13.5 billion achieved as of October 31, 2020

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- Dividend remains unchanged at JPY 10 per common share and buyback program of JPY 20.5 billion has been determined resulting in total shareholders return ratio at maximum 50%
- Execution of the buyback program will be judged in terms of its feasibility, amount and/or timing depending on impacts on earnings and capital during this fiscal year as well as the trends of external environments including macro economy and stock market. (There is a possibility of not being able to fully execute the total amount of the buyback program)

<sup>1</sup> Profit attributable to owners of the parent

# 1H FY2020 net income at JPY 13.3 billion

(Unit: JPY billion)

Consolidated	20.4-6	20.7-9	20.4-9	19.4-9	1H
	(1Q)	(2Q)	(Actual)	(Actual)	YoY(%)
					Better(+)/ Worse(-)
<b>Total Revenue</b>	<b>54.7</b>	<b>55.5</b>	<b>110.2</b>	121.5	<b>-9%</b>
Net Interest Income	31.5	30.3	61.8	66.7	-7%
Noninterest Income	23.1	25.2	48.4	54.7	-12%
<b>Expenses</b>	<b>-35.8</b>	<b>-36.8</b>	<b>-72.7</b>	-73.8	<b>+1%</b>
Ordinary Business Profit (OBP)	18.8	18.7	37.5	47.6	-21%
<b>Net Credit Costs</b>	<b>-11.0</b>	<b>-6.4</b>	<b>-17.4</b>	-16.5	<b>-5%</b>
OBP after Net Credit Costs	7.8	12.2	20.0	31.1	-36%
Others	-1.8	-4.8	-6.7	-2.9	-131%
Income Taxes etc.	-1.3	-5.1	-6.5	-3.2	-103%
<b>Net Income</b>	<b>5.9</b>	<b>7.4</b>	<b>13.3</b>	28.1	<b>-53%</b>

## Building momentum in 2Q

- Increase in revenue and profits in 20.7-9 (2Q) compared with 20.4-6 (1Q) demonstrates momentum back in 2Q
- Total revenue
  - ✓ Decrease in NII due to lower FCY interest rate and lower unsecured loan balance
  - ✓ Non-NII gradually recovering in Structured Finance and Corporate Business etc.
- Expenses
  - ✓ The increase reflects acquisition related expenses of UDC Finance
- Net credit costs
  - ✓ Decrease in COVID-19 related credit costs in Institutional Businesses
  - ✓ Lower net credit costs due to decline in unsecured loan balance
- Others
  - ✓ Increase in income taxes due to deferred tax assets (DTA) adjustments
  - ✓ JPY 0.9 billion of reversal of Kabarai reserve

# FY2020 Earnings Forecast

# Earnings forecast shows bounce back in 2H FY2020

(Unit: JPY billion)

Consolidated			20.4-21.3 (Forecast)	19.4-20.3 (Actual)	YoY (%)
	20.4-9 (Actual)	20.10-21.3 (Forecast)			Better(+)/ Worse(-)
<b>Total Revenue</b>	110.2	117.3	<b>227.5</b>	239.9	<b>-5%</b>
Net Interest Income	61.8	61.2	123.0	133.5	-8%
Noninterest Income	48.4	56.1	104.5	106.4	-2%
<b>Expenses</b>	<b>-72.7</b>	<b>-78.8</b>	<b>-151.5</b>	-149.5	<b>-1%</b>
Ordinary Business Profit (OBP)	37.5	38.5	76.0	90.4	-16%
<b>Net Credit Costs</b>	<b>-17.4</b>	<b>-15.6</b>	<b>-33.0</b>	-39.1	<b>+16%</b>
OBP after Net Credit Costs	20.0	23.0	43.0	51.2	-16%
Others	-6.7	-2.3	-9.0	-5.6	-61%
<b>Net Income</b>	<b>13.3</b>	<b>20.7</b>	<b>34.0</b>	45.5	<b>-25%</b>

## Key points of 2H

- Net Interest Income (NII): largely flat due to decrease in interest income from unsecured loans
- Noninterest Income (Non-NII) : expects a significant increase in fee income from Institutional Business, Retail Banking and APLUS
  - ✓ As one-off factors, legacy investment loss in Principal Transactions (disclosed as subsequent event in 1Q) and sales gain on equity
- Expenses: increase reflects new investments for initiatives related to “redesigning workstyle”
- Net Credit Costs: not expecting large provisions

## APLUS becomes a fully owned subsidiary

- The Bank has determined to acquire 100% ownership of APLUS (announced on Oct. 30, 2020)
  - ✓ Achieve a higher level of group-based governance by resolving dual listings of parent and subsidiary
  - ✓ Immaterial impact on our consolidated full-year earnings of FY2020

# Net income for 2H expects a significant increase reflecting recovery of business momentum

(Unit: JPY billion)

## Change factors in 2H from 1H FY2020 are as follows

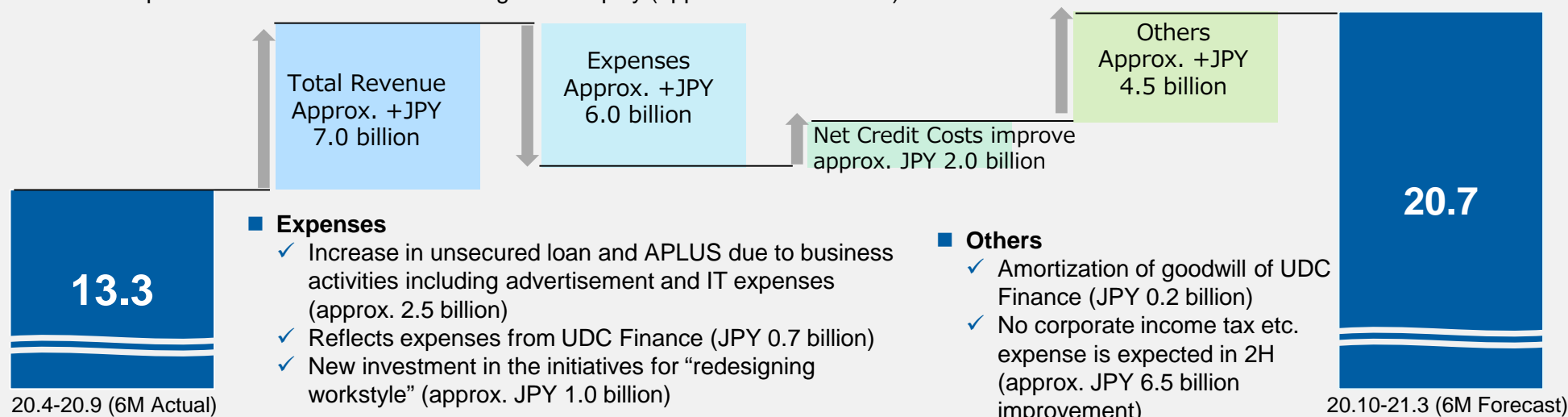
- ✓ One-off factors: JPY 2.7 billion of investment losses in Principal Transactions and JPY approx. 1.0 billion of gain on equity sales, as well as assuming that precautionary reserves for specific sectors would be eliminated and partially transferred to the reserves necessary for individual obligor classification
- ✓ Unsecured loans: In the 2H FY2020, net credit costs is expected to increase by approx. JPY 3.0 billion compared to the 1H due to acceleration of loan growth in Lake ALSA. Including this, on a full year basis, YoY decrease in net credit costs (approx. JPY 2.0 billion) is expected due to a decrease in overall loan balance by 7% YoY supporting the bottom-line profit. In the loan balance building up phase going forward, a corresponding increase in net credit costs at the inception and hence translating into a higher reserve ratio will put pressure on its profits. Considering that ultimate net credit costs rate is controlled at a low level, we will continue to take measures to prioritize loan growth coupled with an improvement in the contract approval rate in medium-to long-term

### Total revenue

- ✓ Decrease in unsecured loan business while its balance rebounds from 1H
- ✓ Incorporates revenue contribution from UDC Finance (approx. JPY 2.0 billion)
- ✓ Expects a significant increase in fee income from Institutional Business, Retail Banking and APLUS
- ✓ As one-off factors, incorporates legacy investment loss (JPY 2.7 billion) in Principal Transactions in 2H and sales gain on equity (approx. JPY 1.0 billion)

### Net Credit Costs

- ✓ Increase (approx. JPY 3.0 billion) due to increase in Lake ALSA unsecured loan balance
- ✓ As one-off factors, elimination of precautionary reserve and partial transition to the reserves for individual obligors



### Expenses

- ✓ Increase in unsecured loan and APLUS due to business activities including advertisement and IT expenses (approx. 2.5 billion)
- ✓ Reflects expenses from UDC Finance (JPY 0.7 billion)
- ✓ New investment in the initiatives for “redesigning workstyle” (approx. JPY 1.0 billion)

### Others

- ✓ Amortization of goodwill of UDC Finance (JPY 0.2 billion)
- ✓ No corporate income tax etc. expense is expected in 2H (approx. JPY 6.5 billion improvement)

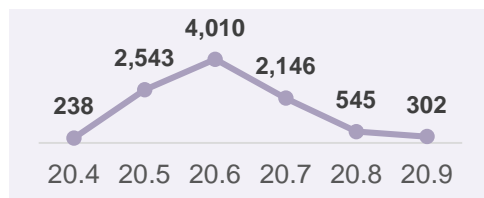


# 2H FY2020 earnings: underlying assumption of businesses (1)

## Unsecured Loans

- Application and new customer acquisition
  - ✓ Expect it to further recover since bottoming out in June and July 2020 while it remains affected by COVID-19 impact
  - ✓ Application volume in 2H to increase by 25% and new customer acquisition volume to increase by 35% vs. 1H
  - ✓ Approval rate of Lake ALSA in 2H is expected to further improve to over 35% from 33% in 1H through numerous initiatives including upgrade of IT system
- Loan balance
  - ✓ Expect it to bottom out within this fiscal year
  - ✓ Year-end balance is expected to decrease 7% YoY
- Update on payment deferrals in 2Q (3M)
  - ✓ Peaked in June-end and the number of deferrals (stock basis) declining every month since June. Deferral amount at JPY 0.18 billion, and P&L impact in net credit costs is nearly zero

The number of payment deferral (month-end stock basis)



## Structured Finance

- Real estate finance
  - ✓ New disbursement (full year): expect 50% level of the previous year
  - ✓ Asset balance: expect to decline about 10% YoY
  - ✓ Credit costs under COVID-19: precautionary reserve, which was provisioned in FY2019, was used in 1H since credit costs were apparent in 1H. No significant provisioning is expected to include in our forecast in 2H
- Project finance
  - ✓ New commitment: transaction flows exist to some extent but expect to decline about 20% YoY
  - ✓ Asset balance: disbursement of previously committed transactions reflect about 10% increase in the balance YoY
  - ✓ Credit costs expect to increase in 2H associated with an increase in new disbursements
  - ✓ Product development including environment-and social-conscious projects and structuring of infrastructure-focused funds is accelerated for domestic institutional investors
- Aviation finance
  - ✓ Credit costs: precautionary reserves were provisioned in 1H. Not expected to materially exceed the precautionary reserve

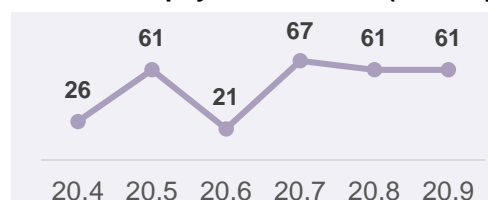


## 2H FY2020 earnings: underlying assumption of businesses (2)

### APLUS FINANCIAL

- Transaction volume
  - ✓ Shopping credit: expect to decrease about 10% due to peaking out of industrial solar power generation
  - ✓ Card shopping: while non-face-to-face businesses such as online shopping is robust, activities of gas stations, restaurants and shopping centers are expected to decline, resulting in slight YoY decrease
  - ✓ Payment: favorable performance in payment by 7% increase YoY
- Business initiatives
  - ✓ Promoting auto leasing, vendor leasing, non-face-to-face card business and rent guarantee businesses
- Update on payment deferrals in 2Q (3M)
  - ✓ The number of payment deferral applied: 1,179 (decreased 80% from 1Q)
  - ✓ The number of payment deferral accepted: 189
  - ✓ The amount of payment deferral: JPY 0.2 billion
  - ✓ Loan collection: No change from 1Q. Good performance in collection and credit costs remain at a low level

The number of payment deferral (monthly flow)



### Showa Leasing

- Transaction volume
  - ✓ New transaction volume is expected to be 90% of FY2019
- Credit costs
  - ✓ While significant increase exceeding precautionary reserve in specific sectors is not anticipated, YoY increase in net credit costs is expected
- Business initiatives
  - ✓ Non-face-to-face sales activities via online tool is installed
  - ✓ Accumulate deals by partner businesses and co-creation of values with regional financial institutions

### UDC Finance

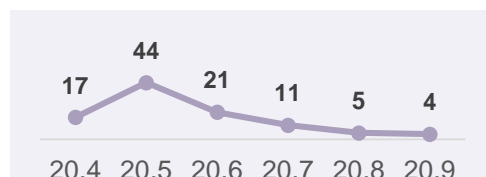
- Operational asset balance
  - ✓ Auto loans for individuals and finance to institutional are expected to be about JPY 230 billion (flat YoY)
- Profit contribution
  - ✓ FY2020 profit contribution is neutral, reflecting quarterly net income of JPY 1.3 billion largely offset by acquisition transaction related fees
  - ✓ Full year profit contribution will start from FY2021

## 2H FY2020 earnings: underlying assumption of businesses (3)

### Retail Banking

- Asset management products
  - ✓ AUM: expect overall AUM to bottom out in 1H resulting in a decline in YoY balance
  - ✓ Non-NII: expects to increase approx. 10% in 2H compared with the same period of last year
  - ✓ Aim to increase sales volume and revenue by introducing investment products for customers who need to accumulate asset from mid-to-long term perspectives and by increasing transaction volume
- Update on payment deferrals in 2Q (3M)
  - ✓ Housing loan: the number of payment deferral application (received) peaked in May. The deferral balance at JPY 1.9 billion and net credit costs in 2Q is JPY 0.05 billion
  - ✓ Loan collection: No particular change in the repayment situation

The number of payment deferral (monthly flow)



### Corporate Business, Markets

- Asset balance
  - ✓ Demand for funds under COVID-19 was robust in 1H. Expect the balance to increase slightly in 2H while the demand associated with COVID-19 will slow down
- Total revenue
  - ✓ Corresponding to the customers' needs for funds and taking counter-measures to mitigate credit deterioration of customers is being prioritized
  - ✓ Fees and derivative income are expected to rebound in 2H while experiencing overall decrease about 30% YoY
- Credit costs
  - ✓ Precautionary provision was made. Increase in net credit costs exceeding the precautionary reserve is not expected

### Principal Transactions

- Noninterest income
  - ✓ Revenue from exit transactions is expected to some extent as IPO market gaining momentum due to recovery of stock price in the market
  - ✓ Expect to record approx. JPY 2.7 billion of legacy investment loss since an investment fund of Shinsei had decided to sell its equity stake of their investment (This was disclosed as a subsequent event. Please see the page 7 in the 1Q results presentation slides)

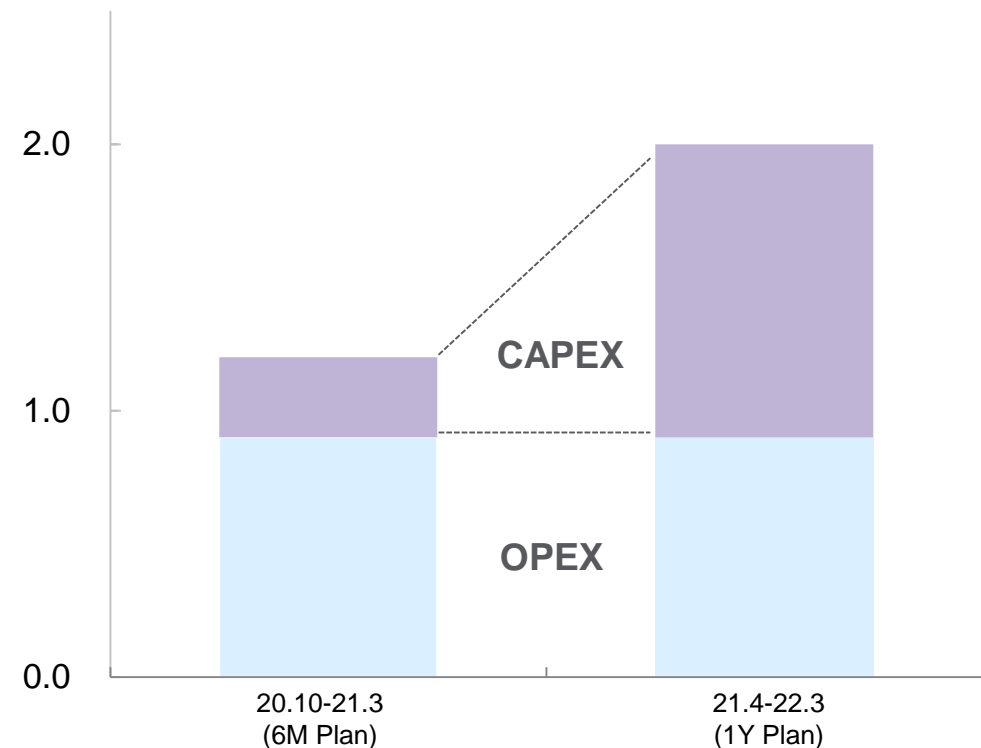
# New investment in initiatives for “redesigning workstyle”

(Unit: JPY billion)

Initiatives to redesign workstyle	
Redesign work process	<ul style="list-style-type: none"> <li>Promote digitization of contracts and documents and eliminate paper by introducing electronic contracts and signature tools</li> </ul>
	<ul style="list-style-type: none"> <li>By computerizing the workflow, such as in-house proposals, we will abolish the principles of paper-based internal proposals and Hanko (seal stamp), and develop a common workflow system for the entire Group</li> </ul>
Redesign workplace	<ul style="list-style-type: none"> <li>As a redesign of offices, significantly expand the activities-based working (ABWs) that have been introduced in some areas of Institutional Business operations</li> </ul>
	<ul style="list-style-type: none"> <li>Expansion of satellite offices by utilizing excess space at stores and existing bases nationwide, establishing new bases, and expanding contracts for outside shared offices to expand the choice of locations to work</li> </ul>
Redesign work style	<ul style="list-style-type: none"> <li>Free of office locations</li> <li>Abolition of commutation allowance and establishment of business support allowance</li> <li>Strengthen health management under the new normal environment</li> <li>Enhance internal and external communications</li> </ul>

## New investment (image)

- FY2020 (2H): Expect approx. JPY 1.0 billion in OPEX items such as Information and Communication Technology (ICT) and digitalization of operations
- FY2021 (1Y): Expect approx. JPY 1.0 billion in CAPEX items such as offices and operation centers in addition to the items above

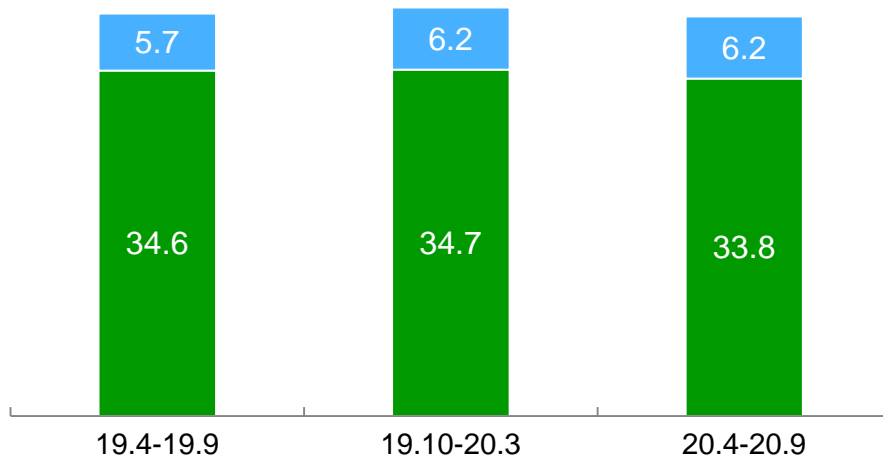
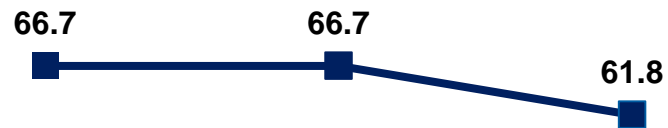


# Financial Update

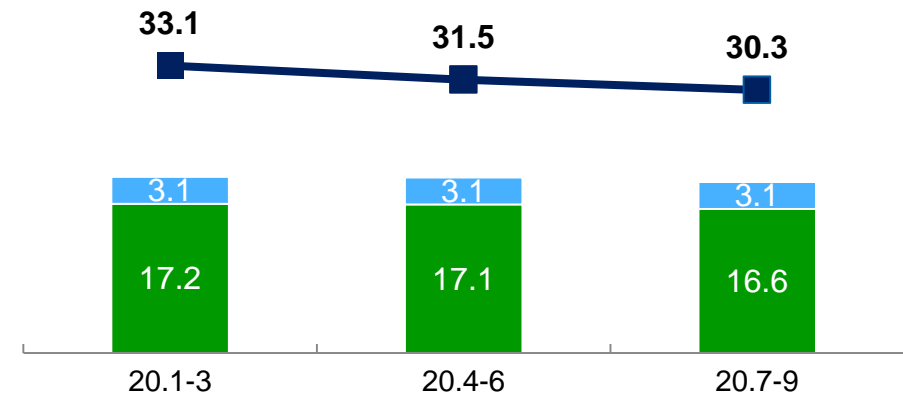
# Net interest income: YoY decrease reflects lower FCY related market interest rate and decrease in unsecured loan balance

(Unit: JPY billion)

- Net Interest Income
- Of which, Structured Finance
- Of which, Unsecured Loans  
(Lake Businesses, NOLOAN, Shinsei Bank SmartCard Loan Plus etc.)

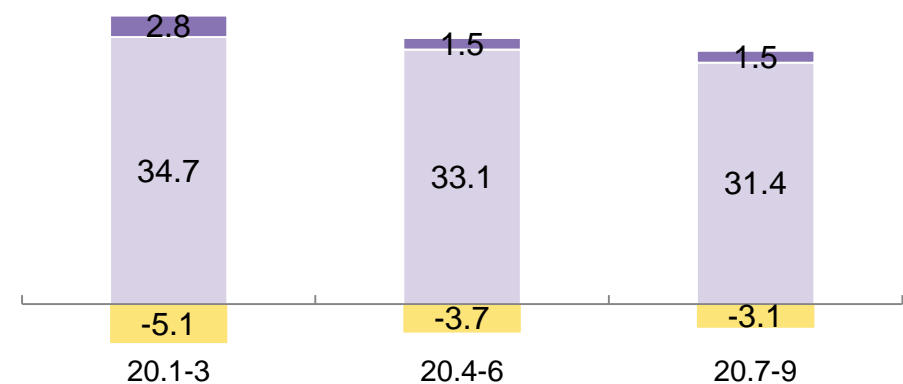


## NII (before and after COVID-19 pandemic)



## Interest income (before and after COVID-19 pandemic)

- Interest income from securities
- Interest income from loans and bills discounted
- Interest expenses from interest-bearing liabilities

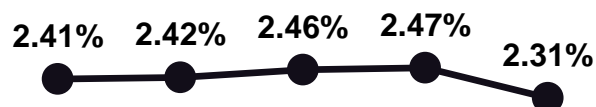


# NIM: Decreased to 2.31%

(Unit: %)

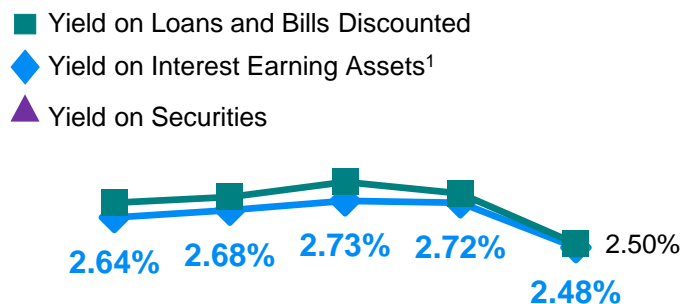
- Lower yield on interest earning assets reflects lower yield on loans and securities in institutional business due to lower FCY interest rate was partly offset by lower funding costs

### Net Interest Margin (NIM)<sup>1</sup>



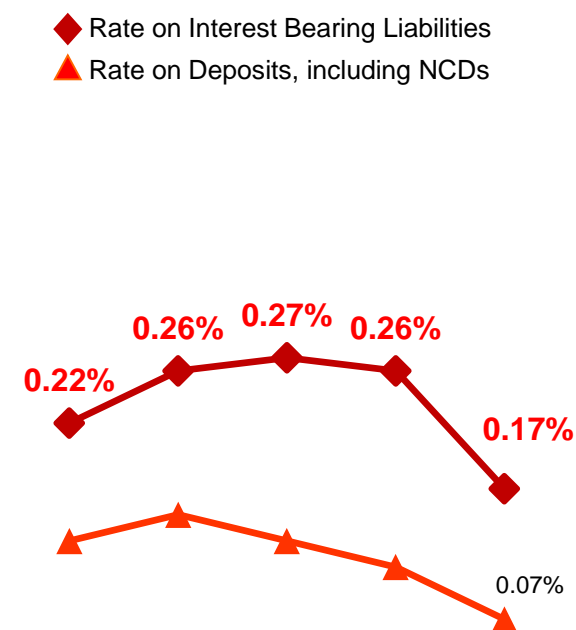
16.4-17.3 17.4-18.3 18.4-19.3 19.4-20.3 20.4-9

### Yield on Interest Earning Assets



16.4-17.3 17.4-18.3 18.4-19.3 19.4-20.3 20.4-9

### Funding Costs



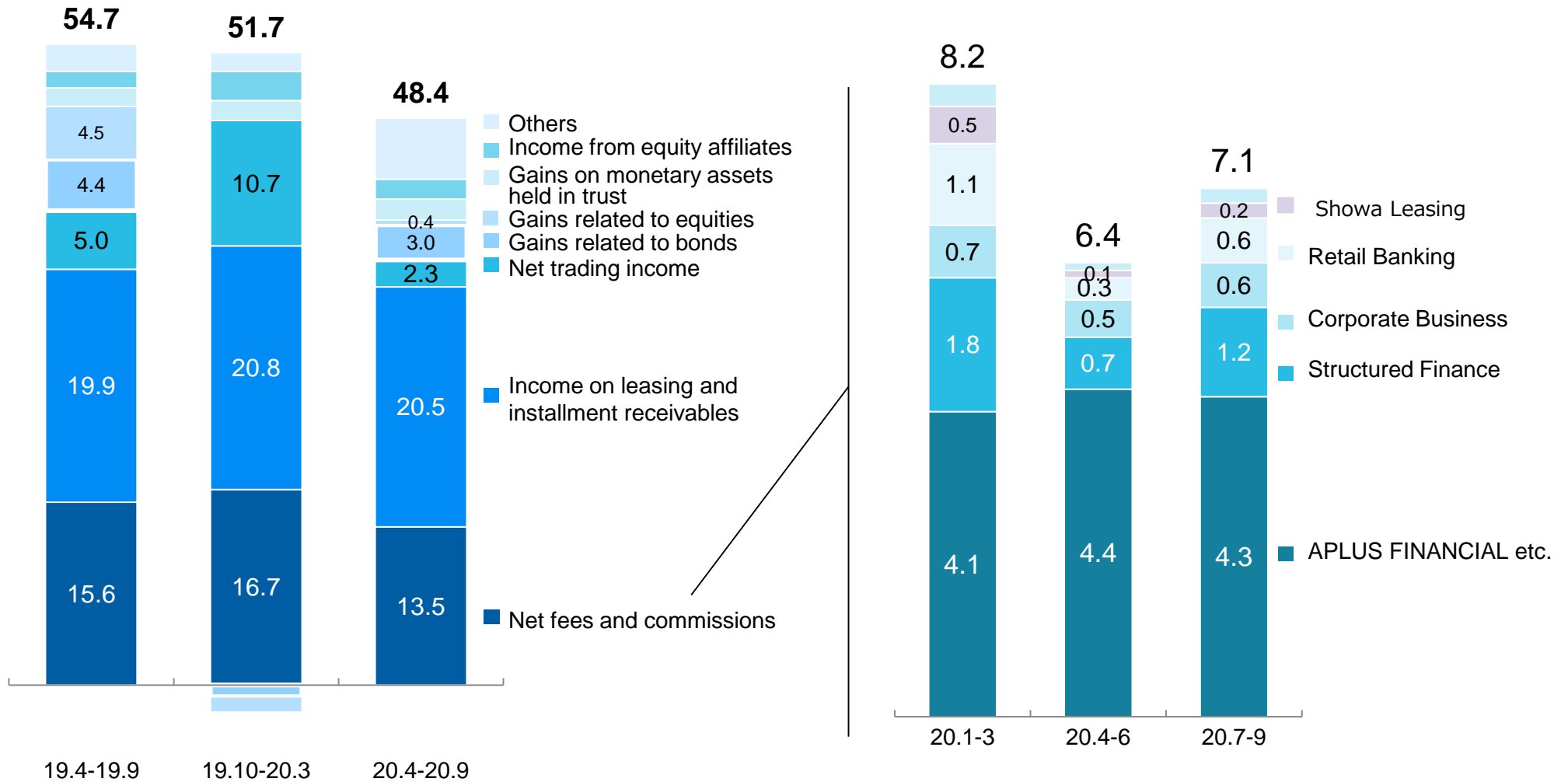
16.4-17.3 17.4-18.3 18.4-19.3 19.4-20.3 20.4-9

<sup>1</sup> Includes income on leased assets and installment receivables

# Noninterest income: while fee income in 1H decreased YoY, it demonstrates recovery in 20.7-9 vs. 20.4-6

(Unit: JPY billion)

Fee income (before and after COVID-19 pandemic)

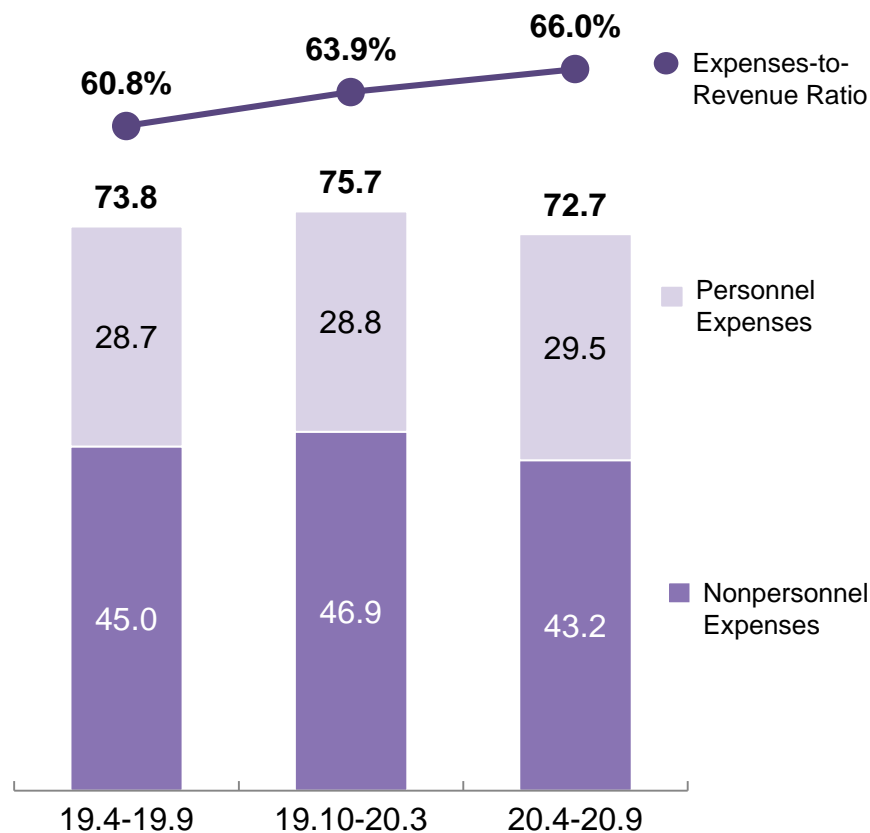




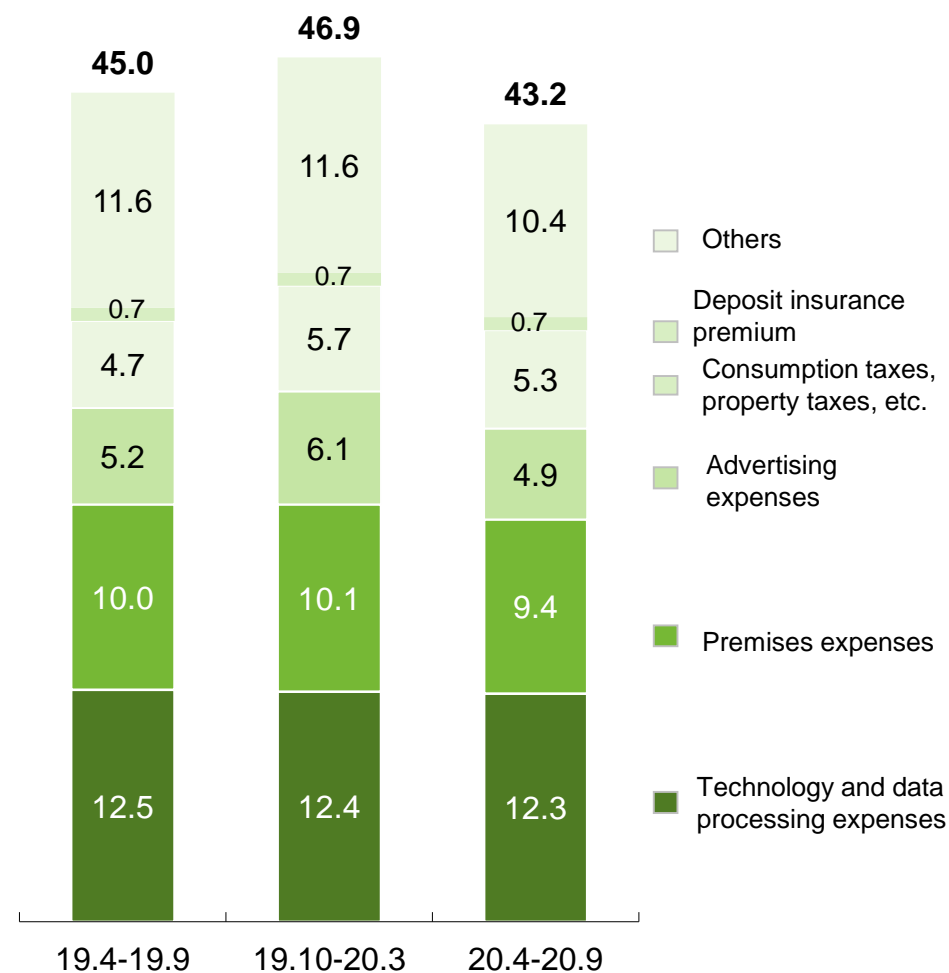
# Expenses: Expenses-to-revenue ratio increased to 66%

(Unit: JPY billion)

- Increase in personnel expenses reflects acquisition of SHINKO LEASE and Financial Japan
- Decrease in nonpersonnel expenses reflects mainly decrease in advertising and entertainment fees



## Breakdown of Nonpersonnel Expenses



# Net credit costs: Net credit costs ratios in unsecured loans and APLUS remain unchanged

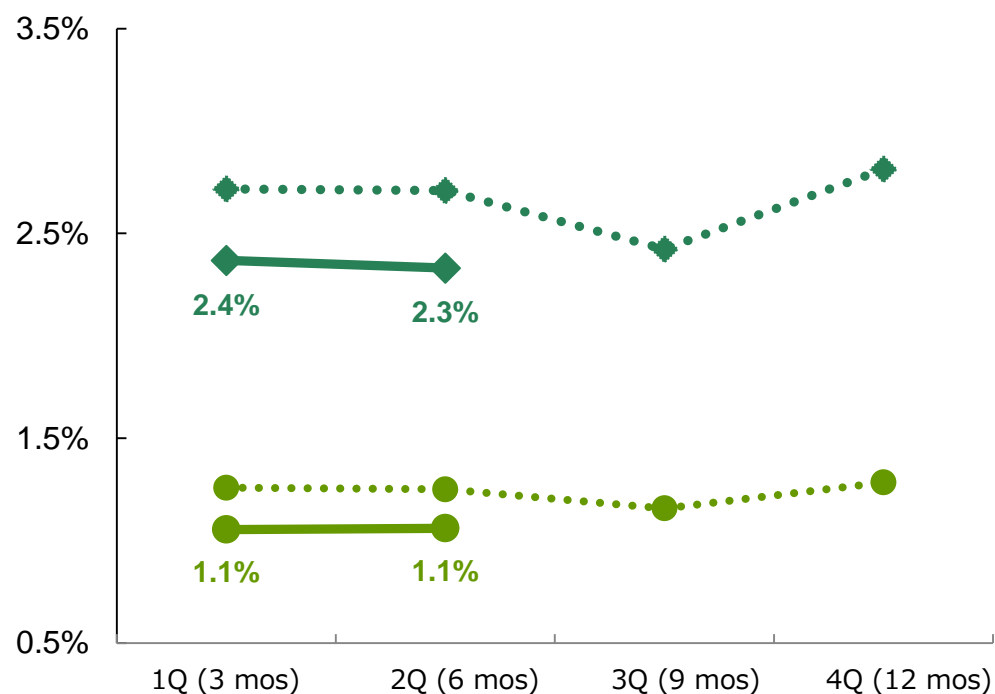
(Unit: JPY billion; %)

- Others (Corporate Business, Showa Leasing, Global Markets, Retail Banking etc.)
- Structured Finance
- APLUS FINANCIAL
- Unsecured Loans



## Net Credit Costs Ratio: Consumer Finance

- ◆ FY2019 Unsecured Loans: Net Credit Costs Ratio (annualized basis<sup>1</sup>)
- ◆ FY2020 Unsecured Loans: Net Credit Costs Ratio (annualized basis<sup>1</sup>)
- FY2019 APLUS FINANCIAL: Net Credit Costs Ratio (annualized basis<sup>1</sup>)
- FY2020 APLUS FINANCIAL: Net Credit Costs Ratio (annualized basis<sup>1</sup>)



<sup>1</sup> Net Credit Costs Ratio = Calculated by annualizing the following formula :  
 (Net Credit Costs ÷ Average of Beginning and End of Period Operating Assets Balances)

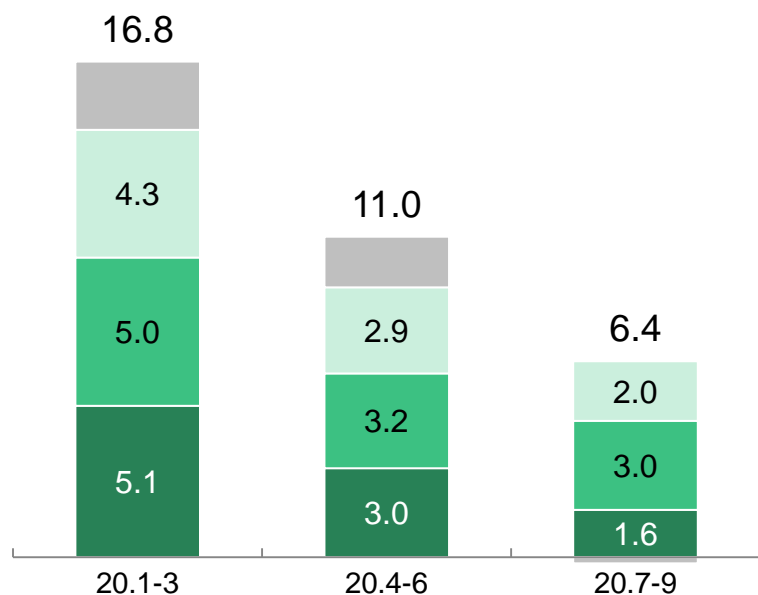
# Net credit costs: Decrease in quarterly net credit costs reflects decrease in COVID-19 related net credit costs

(Unit: JPY billion)

## Net Credit Costs (before and after COVID-19 pandemic)

- Structured finance reflects additional provisioning in aircraft finance and real estate finance in 20.4-6
- Decrease in unsecured loans in 20.7-9 reflects decrease in its loan balance

■ Others (Corporate Business, Showa Leasing, Global Markets, Retail Banking etc.)  
■ Structured Finance  
■ APLUS FINANCIAL  
■ Unsecured Loans



## COVID-19 related Net Credit Costs

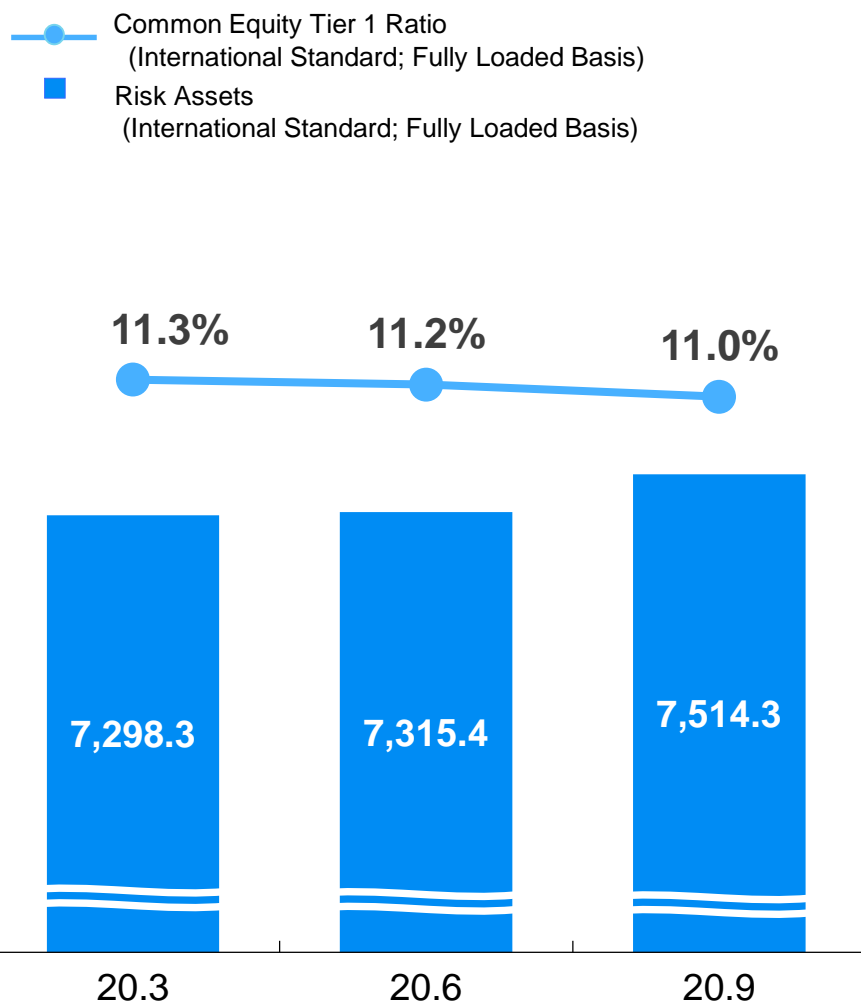
- Breakdown of COVID-19 related net credit costs
  - ✓ Institutional businesses: JPY 5.9 billion (cost) in 1H (1Q: JPY 5.2 billion, 2Q: 0.6 billion)
  - ✓ Unsecured loans: JPY 4.2 billion (recovery) in 1H (1Q: JPY 1.4 billion, 2Q: JPY 2.8 billion)

COVID-19 related net credit costs		20.4-6	20.7-9
Institutional businesses	Provisions as a result of applying conservative reserve ratios to all transactions in specific sectors where the COVID-19 impact is conspicuous (Precautionary provisions)	Provision of JPY 1.4 billion in aviation finance	Reversal of JPY 0.7 billion from entertainment sector etc. due to recovery of the business
	Provisions as a result of deterioration in individual transactions	Provision of JPY 3.8 billion to transactions of hotels and aviation finance	Provision of JPY 1.3 billion for transactions in aviation and hotels etc.
Unsecured loans	Provision due to change in loan balance	Reversal of JPY 1.4 billion due to decline in the loan balance	Reversal of JPY 2.8 billion due to decline in the loan balance and payment deferral

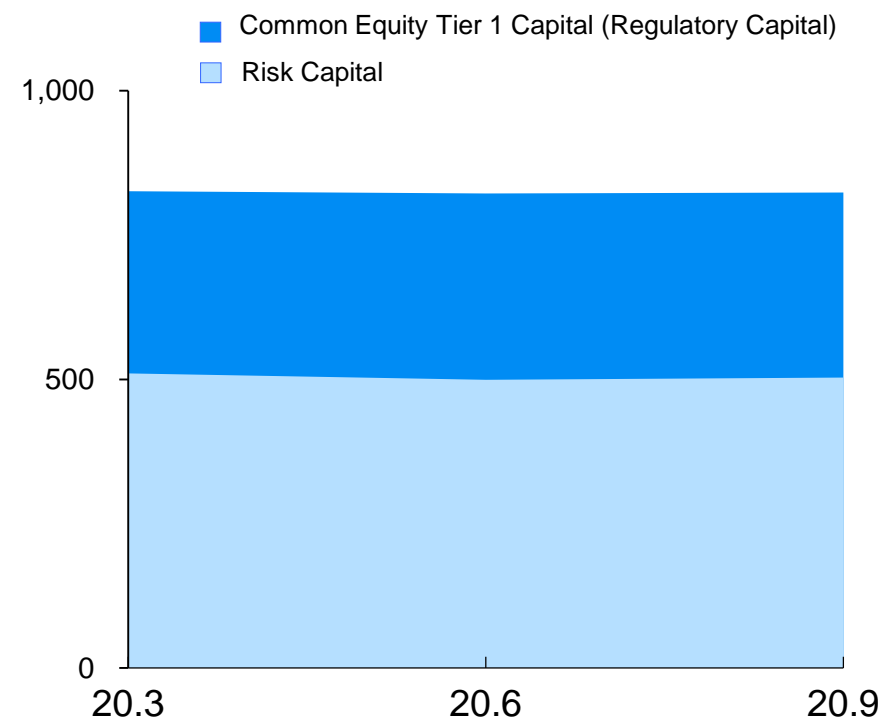
- Precautionary reserve (balance)
  - Balance (Mar. 31, 2020) : JPY 3.9 billion
  - (-) Usage of reserve in 1Q : JPY 1.6 billion (mainly real estate)
  - (+) Credit provisioning in 1Q : JPY 1.4 billion (aviation)
  - Balance (Jun. 30, 2020) : JPY 3.7 billion
  - (-) Reversal in 2Q : JPY 0.7 billion (mainly entertainment)
  - Balance (Sep. 30, 2020) : JPY 3.0 billion

# Capital adequacy: Increase in risk assets reflects consolidation<sup>1</sup> of UDC Finance

(Unit: JPY billion; %)



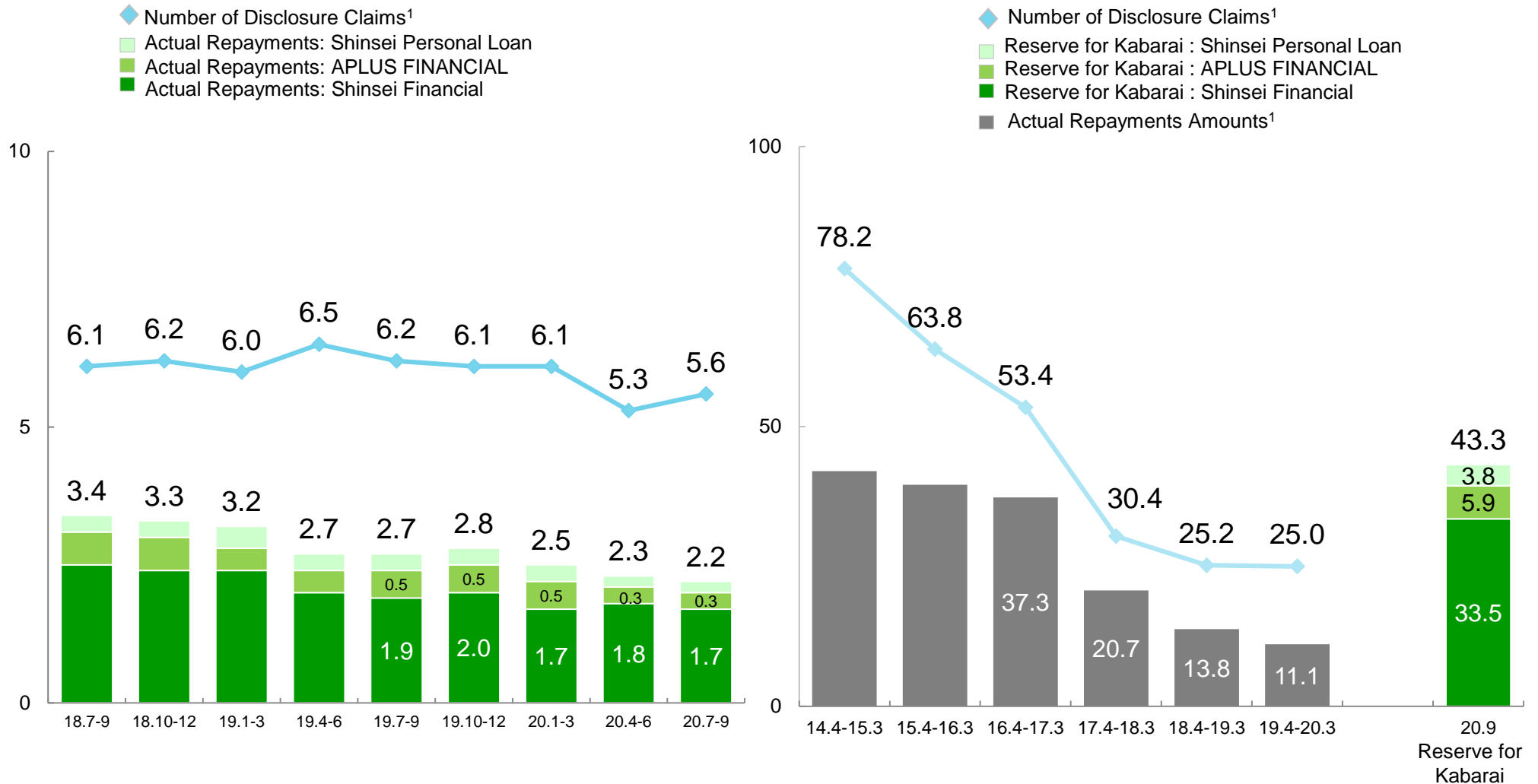
	2020.3	2020.6	2020.9
Common Equity Tier 1 Capital (International Standard; Fully Loaded Basis)	823.4	821.9	<b>823.6</b>
Risk Capital	510.2	499.2	<b>503.3</b>



<sup>1</sup> P&L of UDC Finance will be reflected from 2H FY2020  
B/S of UDC Finance has been reflected from 1H FY2020

# Kabarai: Number of disclosure claims continue to decline while the increase in 20.7-9 reflects resumption of activity of Kabarai agents

(Unit: JPY billion; thousands)



<sup>1</sup> Shinsei Financial, Shinsei Personal Loan and APLUS FINANCIAL combined

# Business Update

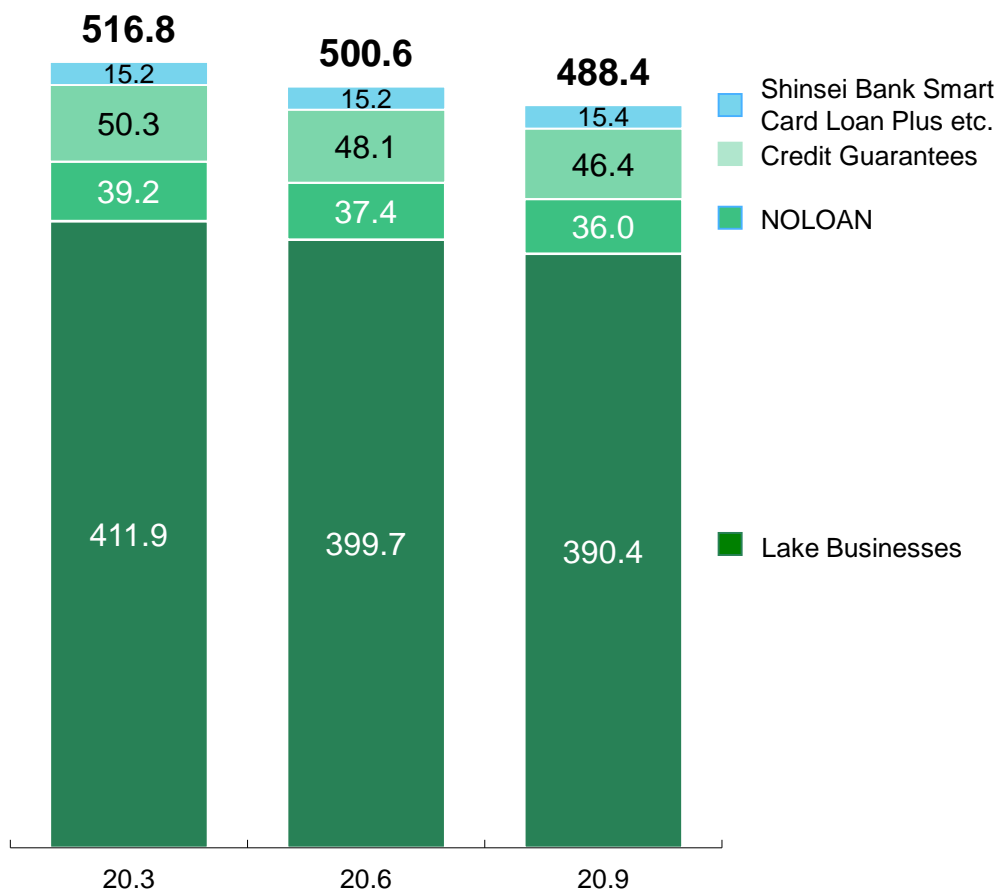
# Unsecured loan: while total balance decreased, Lake ALSA balance continued to grow

(Unit: JPY billion)

- Lake ALSA loan balance increased to JPY 82.7 billion (September 30, 2020) from JPY 77.5 billion (June 30, 2020) and JPY 73.2 billion (March 31, 2020)

- Decrease in net interest income offset by lower net credit costs and expenses resulted in higher profit YoY

## 【Loan Balance】



Shinsei Financial <sup>1</sup>	19.4-9	20.4-9
Net Interest Income	34.6	33.8
of which, Lake Businesses	31.7	31.1
Noninterest Income	-0.5	0.0
<b>Total Revenue</b>	<b>34.0</b>	<b>33.8</b>
Expenses	-16.8	-16.1
Ordinary Business Profit (OBP)	17.2	17.7
Net Credit Costs	-6.9	-4.6
<b>OBP after Net Credit Costs</b>	<b>10.3</b>	<b>13.0</b>

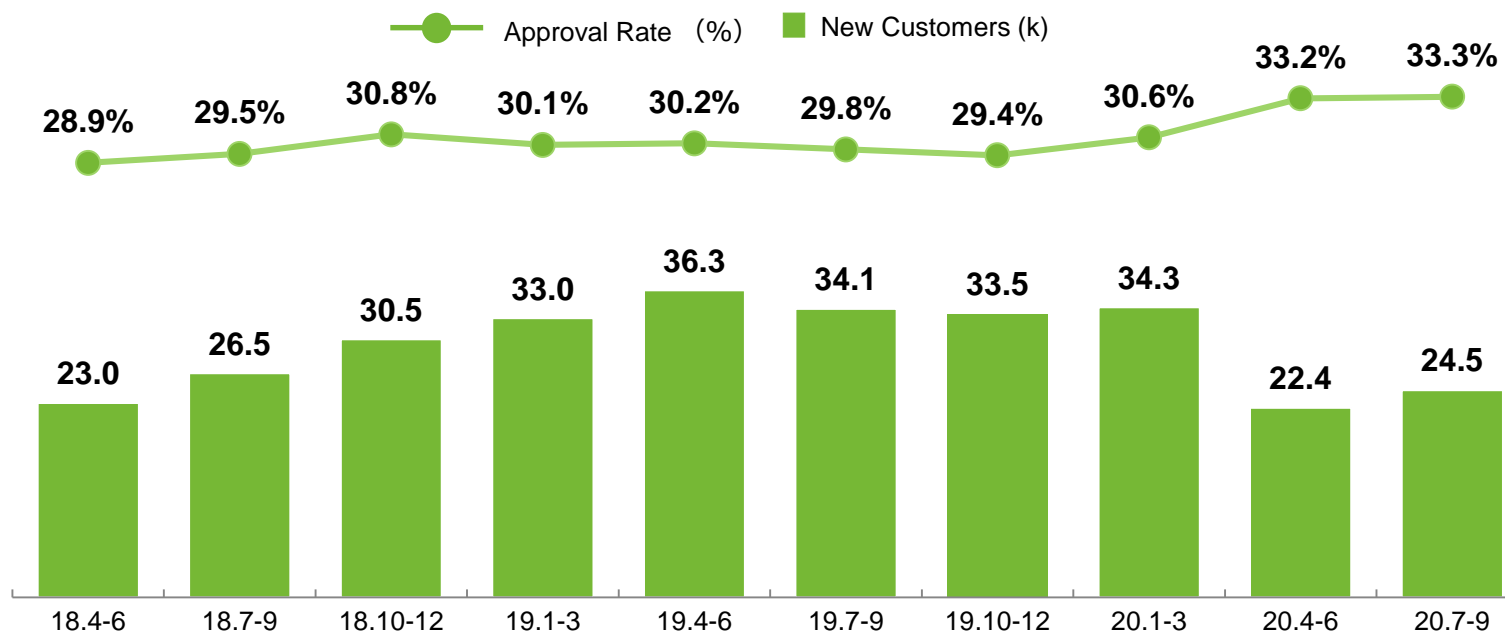
<sup>1</sup> Includes profits and losses of Shinsei Financial, Shinsei Bank Card Loan L, and Shinsei Bank Smart Card Loan Plus etc.



# Lake ALSA: Approval rate continued to improve in the 20.7-9

(Unit: thousand; %)

- New customer acquisition increased from 20.4-6
  - ✓ Application: increased 9%. In addition to recovery of cash demand due to deregulation of going-out activities, resumption of advertising activities shows a sign of increase in the application volume from 67K (20.4-6) to 73K (20.7-9)
  - ✓ Approval rate: improved to 33.3%; various measures taken for operation processes and credit assessment to tackle operational process related bottlenecks from application to contract completion, as a part of the approval rate improvement task force. We will upgrade operating system and further improve business processes for better operations from 2H

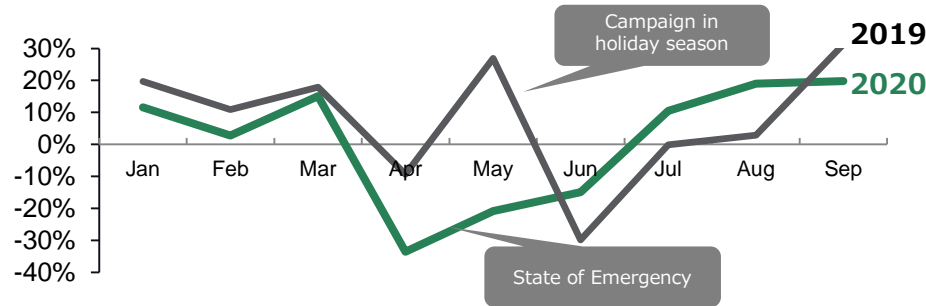


# Lake portfolio momentum: negative impact of COVID-19 bottomed out and business returned to gradual recovery in the 20.7-9. No significant concerns about write-off and credit quality

(Unit: JPY billion; %)

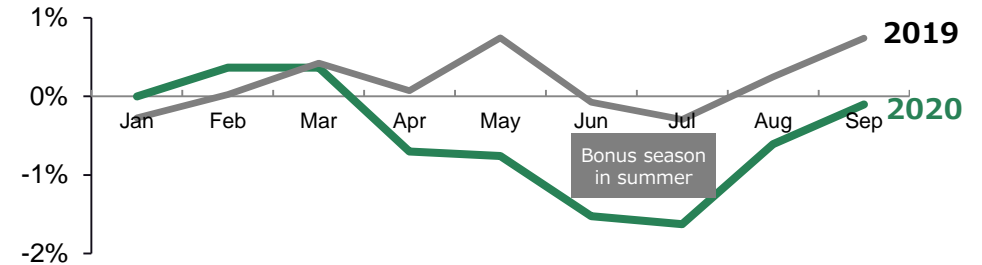
## Application (monthly change %)

- ✓ In 2020, monthly change in application volume compare with previous month shows bottoming out in April and returning to a gradual increase from July



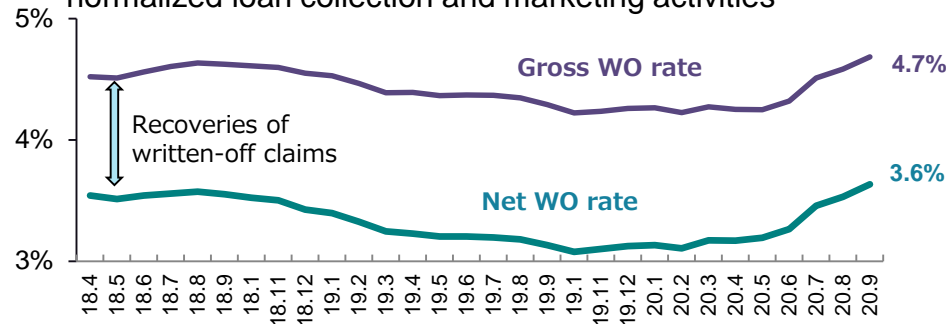
## Loan balance (monthly change %)

- ✓ In 2020, monthly change in the Lake loan balance compared with previous month was bottomed in June - July and showed gradual recovery. The loan balance usually decreases in the summer bonus season in Japan



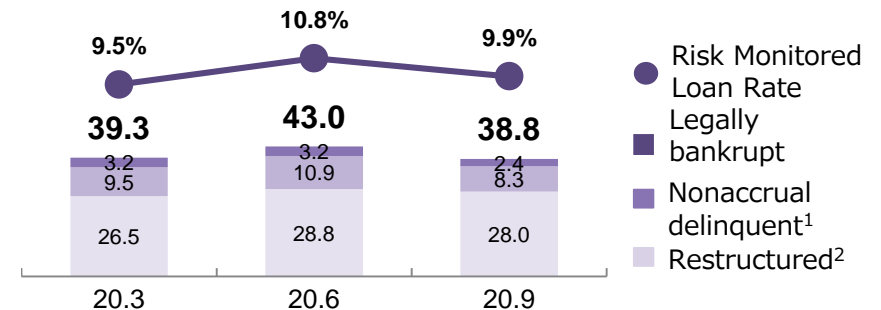
## Write-off (WO, monthly trend)

- ✓ WO rate was slightly up but no signs of deterioration due to payment deferrals and delayed collection
  - Increase in WO rate reflects increase in WO due to stagnant litigation process and aging of delinquent loans because of closure of courts and agency firms, and decrease in loan balance
  - Gradual improvement of WO rate is expected in light of normalized loan collection and marketing activities



## Risk-monitored loans and rate

- ✓ Risk-monitored loan balance increased in 1Q but decreased in 2Q
  - Loan collection improved since recovery of attendance rate at operation centers
  - Decrease in the number of payment deferrals as well as balance (strict treatment in payment deferrals)
  - Resumption of courts and agency firms to process litigation cases

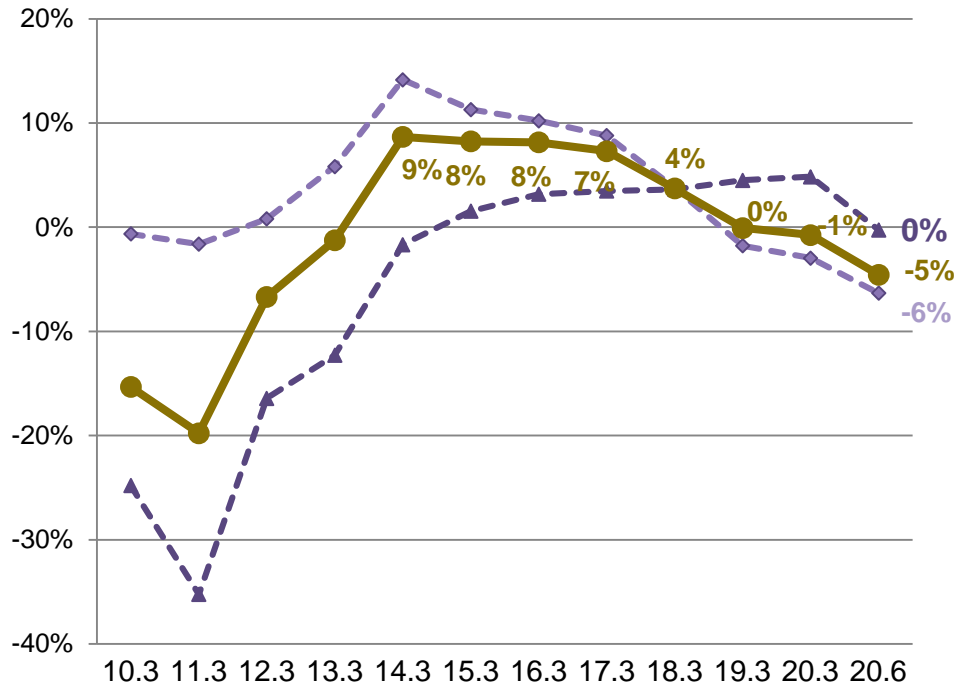


<sup>1</sup> Nonaccrual Delinquent Loans constitute obligors such as Virtually Bankrupt, Possibly Bankrupt and Substandard (excluding Restructured Loans)

<sup>2</sup> Restructured Loans are classified as Substandard obligors (including payment deferral)

# Unsecured loan market: Growth rates of nonbank market and overall market were down

## Unsecured Loan Market: Growth Rate (YoY)

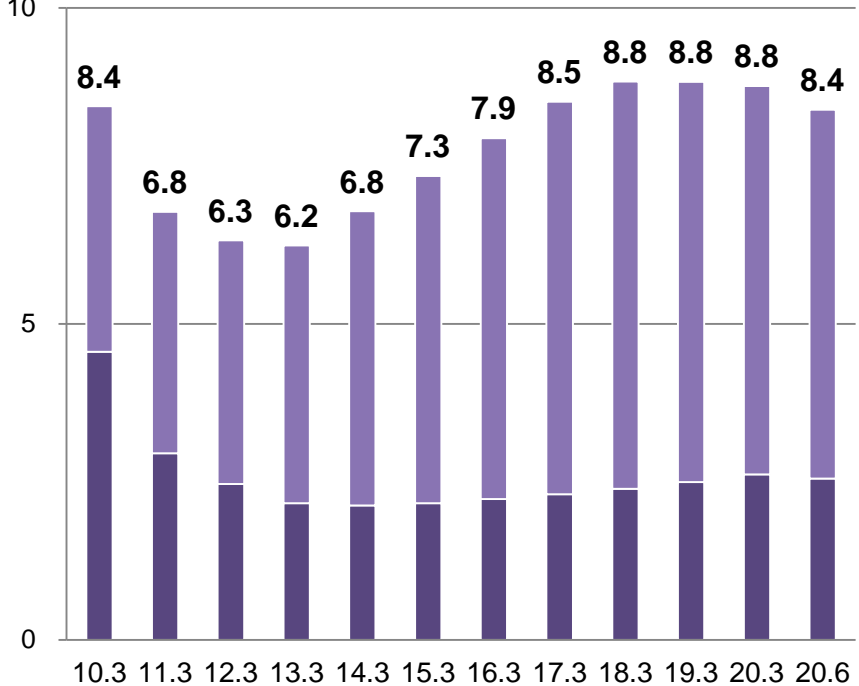


(Data Source) Bank of Japan, Japan Financial Service Association

- ◆ YoY: Bank Card Loan Growth Rate
- YoY: Unsecured Loan Market Growth Rate
- ▲ YoY: Nonbank Unsecured Loan Growth Rate

## Unsecured Loan Market: Size

(Unit: JPY trillion)



(Data Source) Bank of Japan, Japan Financial Service Association

- Bank Card Loan Balance
- Nonbank Unsecured Loan Balance

"Unsecured loan market" = "Bank card loan balance" + "Nonbank unsecured loan balance"

"Bank card loan balance": Statistics aggregated by the Bank of Japan; Balance of consumer card loans extended by domestic banks and credit unions

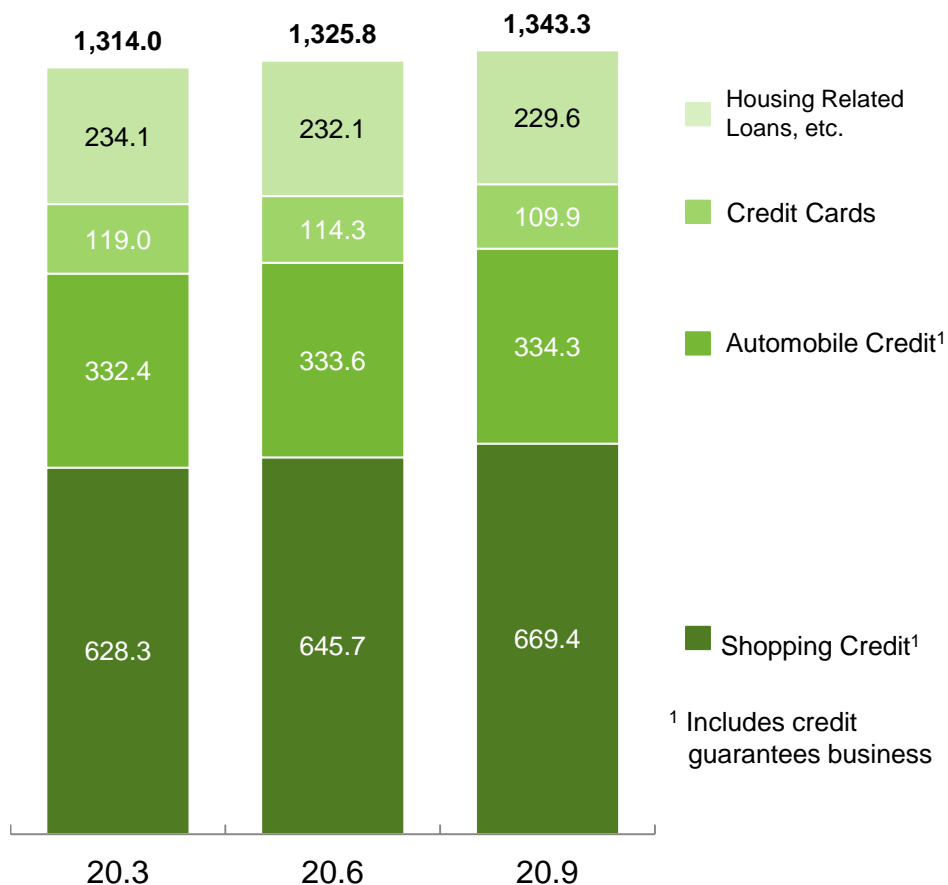
"Nonbank unsecured loan balance": Statistics aggregated by the Japan Financial Services Association; Unsecured loans (consumer finance sector) month end balance (excludes housing loans)

# APLUS FINANCIAL: Steady growth in shopping credit balance

(Unit: JPY billion)

【Operating Assets balance】

■ Increase in noninterest income and lower net credit costs improved profit YoY



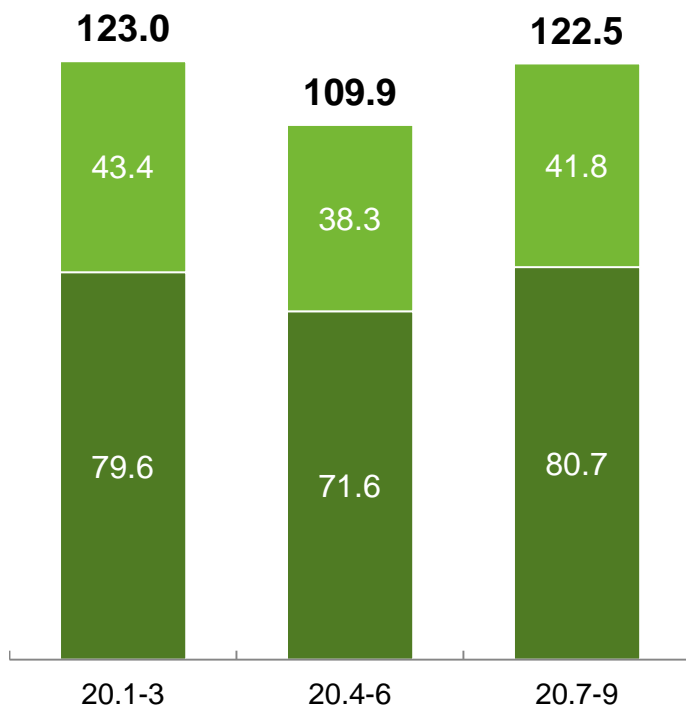
APLUS FINANCIAL	19.4-9	20.4-9
Net Interest Income	4.9	4.3
Noninterest Income	23.9	24.6
<b>Total Revenue</b>	<b>28.8</b>	<b>29.0</b>
Expenses	-19.1	-18.9
Ordinary Business Profit (OBP)	9.6	10.0
Net Credit Costs	-7.1	-6.2
<b>OBP after Net Credit Costs</b>	<b>2.5</b>	<b>3.8</b>

# APLUS FINANCIAL: Shopping credit and payment business rebounded in the 20.7-9

(Unit: JPY billion)

## Transaction Volume: Auto Credit, Other Shopping Credit

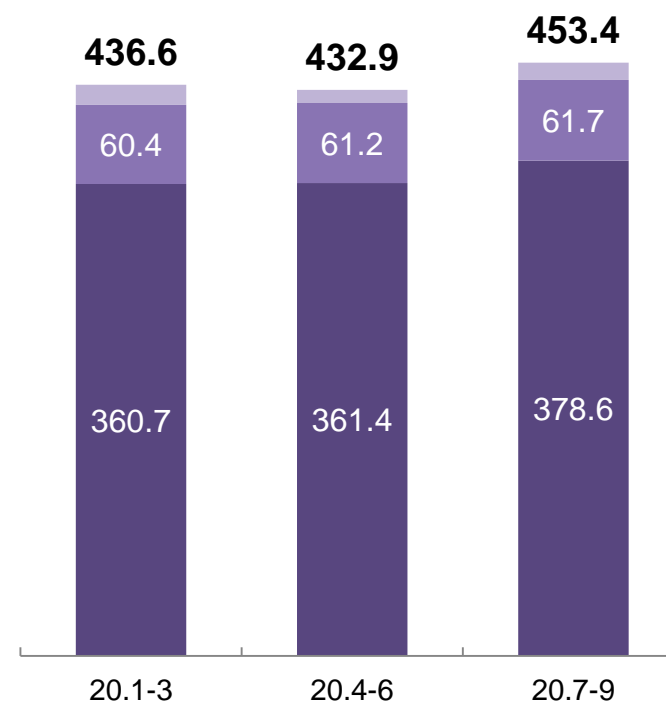
- Auto Credit<sup>1</sup>
- Other Shopping Credit<sup>1</sup>  
(Medical including dental treatment, solar power generation including storage battery for industrial and household usage, and vendor leasing etc. )



<sup>1</sup> Includes credit guarantees and leasing businesses

## Transaction Volume: Payment

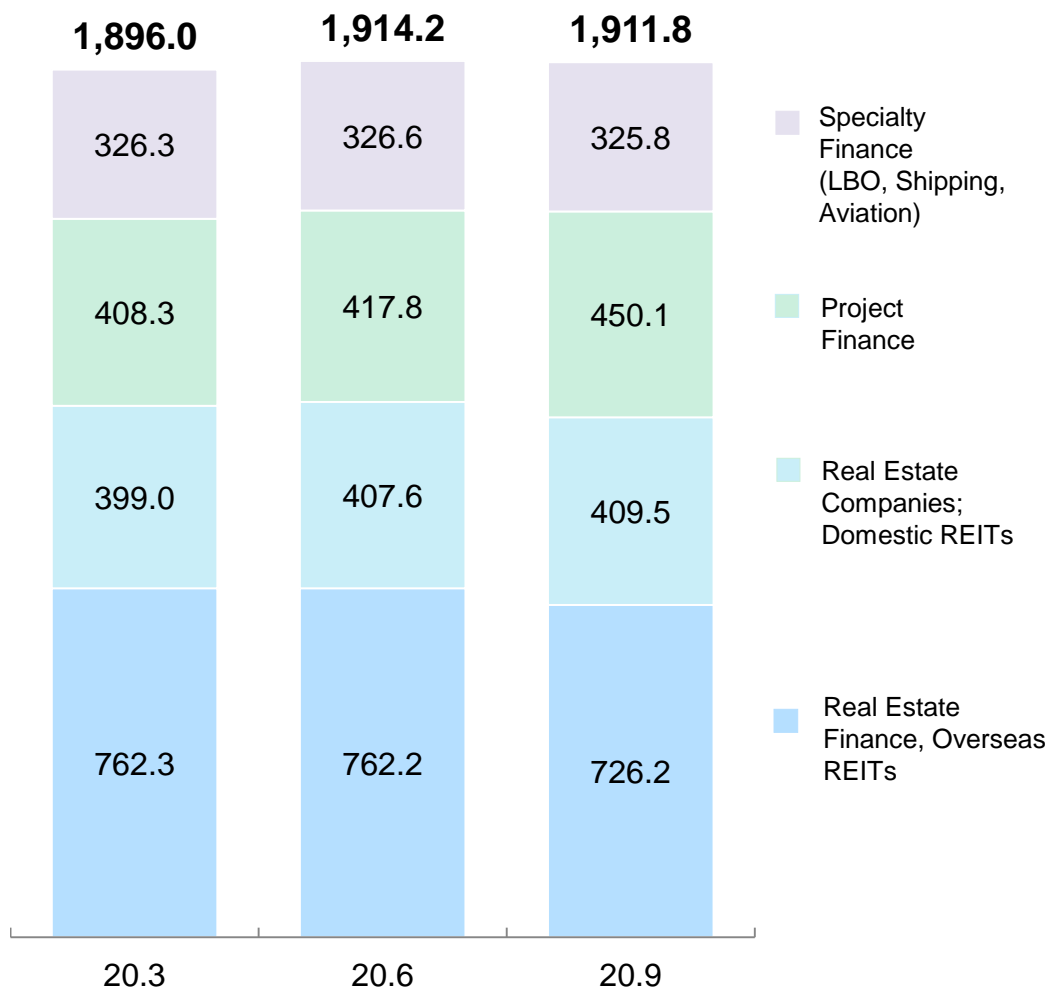
- Code settlement services
- Rent guarantees
- Settlement via bank accounts etc.



# Structured finance: Robust increase in balance of project finance

(Unit: JPY billion)

## 【Operating Assets Balance】



- While total revenue increased, provisioning of credit reserve in real estate finance and aviation finance in 20.4-6 decreased profit YoY

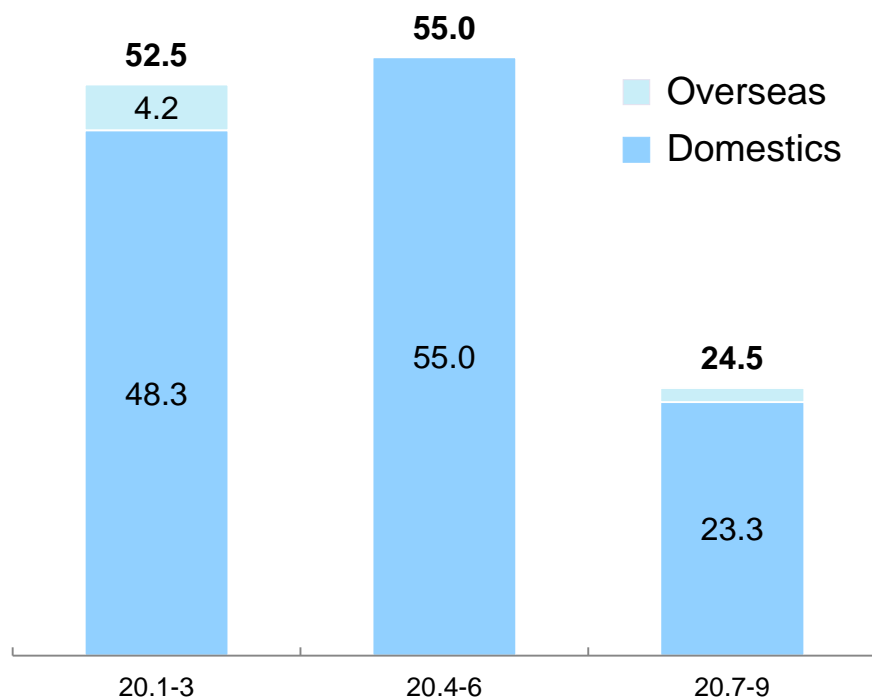
	19.4-9	20.4-9
<b>Structured Finance</b>	19.4-9	20.4-9
Net Interest Income	5.7	6.2
Noninterest Income	3.1	3.4
<b>Total Revenue</b>	<b>8.8</b>	<b>9.7</b>
Expenses	-4.1	-4.5
Ordinary Business Profit (OBP)	4.6	5.1
Net Credit Costs	-1.3	-5.0
<b>OBP after Net Credit Costs</b>	<b>3.2</b>	<b>0.1</b>

# Real estate finance: Business activities are back to the recovery momentum while new disbursements in the 20.7-9 remained weak

(Unit: JPY billion; %)

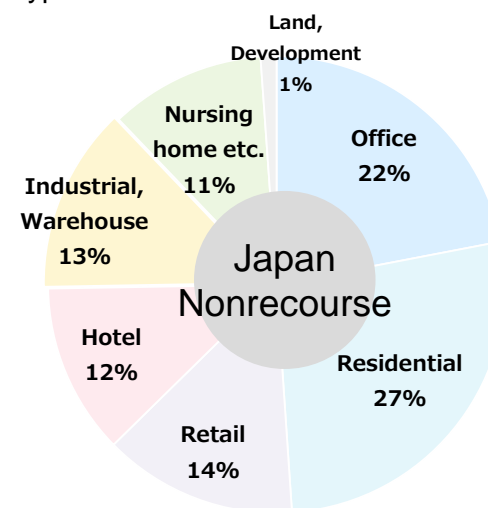
## Real Estate Nonrecourse Finance New Disbursements

- Activities of domestic and foreign investors as well as lenders showed gradual recovery. Transaction flows of logistic facilities and residentials were relatively active
- We selectively focus on asset types such as offices, residentials and logistic facilities as well as the assets which consider environment and social issues, while monitoring the overall real estate market trend as well as each asset type

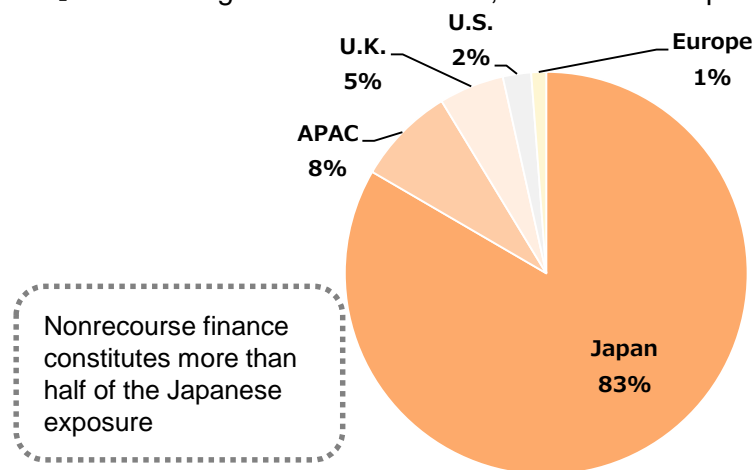


## Portfolio (as of September 30, 2020)

【Balance: asset type】



【Balance: regions in nonrecourse, real estate companies and REITs】





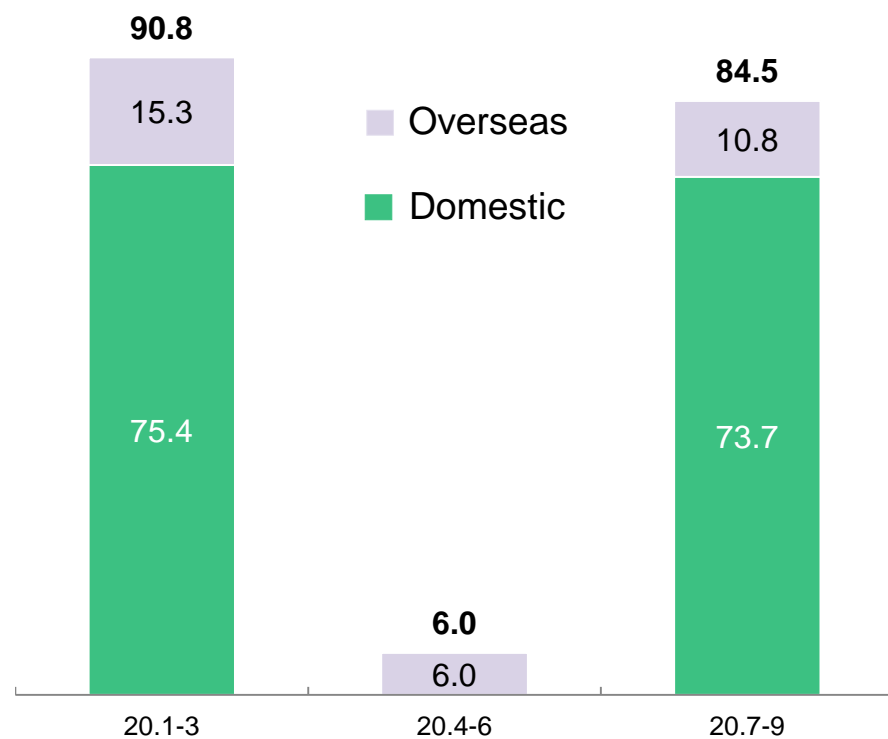
# Business with Institutional Investors

## Project finance: Domestic project finance activities turned around significantly in the 20.7-9

(Unit: JPY billion; %)

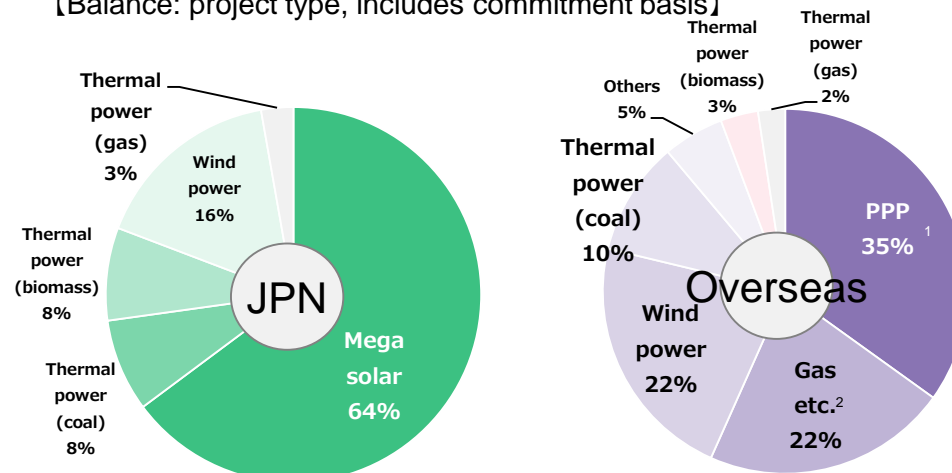
### Project Finance New Commitments

- Domestic renewable energy projects shifted to onshore wind power and biomass power generation
- Pipelines of renewable energy projects and infrastructure projects are building; sustainability-focused business with institutional investors shows good progress



### Portfolio (as of September 30, 2020)

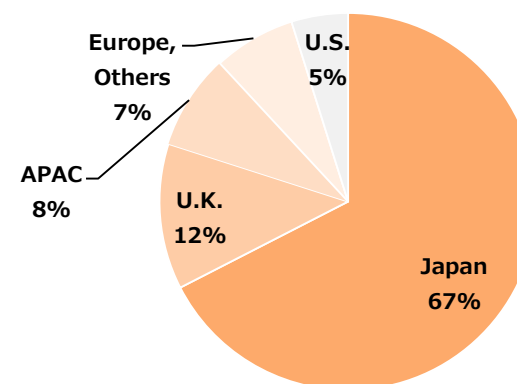
【Balance: project type, includes commitment basis】



<sup>1</sup> Public Private Partnership

<sup>2</sup> Finance to LNG related facilities and receiving terminal etc.

【Balance: regions, includes commitment basis】



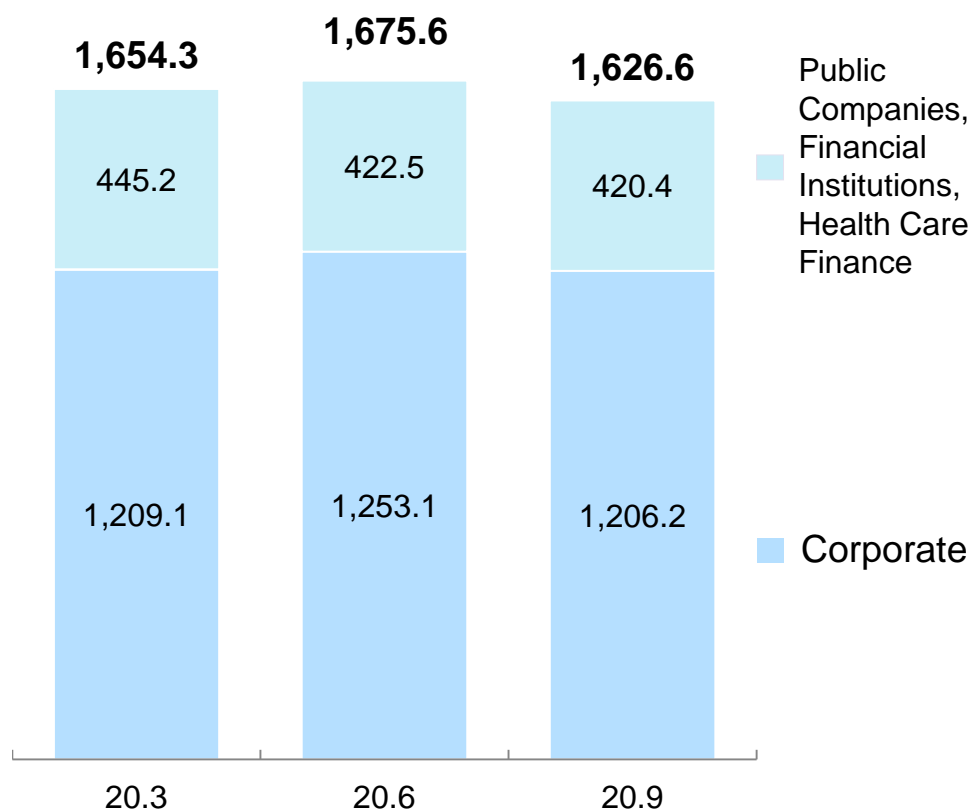
# Corporate Business: Slight decrease in balance as cash demand from customers under COVID-19 dissipates

(Unit: JPY billion)

- Cash demand in the 20.4-6 resulting from COVID-19 has dissipated in the 20.7-9. The balance of operating assets declined by approx. JPY 50 billion (vs. 20.6) due to a decrease in the amount of current overdrafts by suppliers in addition to completion of repayment and contracted repayments in the 20.7-9

- Decrease in net interest income reflects decrease in fee income in 20.4-6 as well as one-off gain on sales of equity (approx. JPY 3 billion) recorded in 19.4-9

【Operating Assets Balance】



Corporate Business	19.4-9	20.4-9
Net Interest Income	5.0	5.7
Noninterest Income	5.7	1.6
<b>Total Revenue</b>	<b>10.8</b>	<b>7.3</b>
Expenses	-6.3	-5.8
Ordinary Business Profit (OBP)	4.4	1.4
Net Credit Costs	-1.1	-0.9
<b>OBP after Net Credit Costs</b>	<b>3.3</b>	<b>0.4</b>

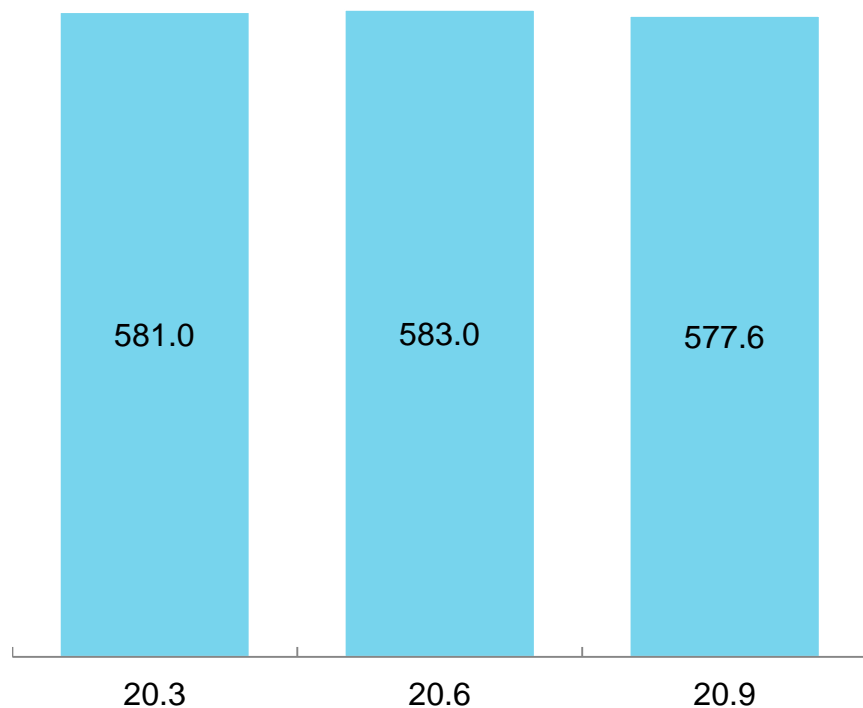
# Showa Leasing: Asset balance remains largely flat

(Unit: JPY billion)

- Overall balance had increased in the 20.4-6 quarter due to the execution of projects that were contracted in the previous fiscal year. The balance at the end of September decreased due to a decrease in the acquisition of new projects due to restrictions on operating activities in the previous quarter

- While total revenue increased, decrease in profit reflects increase in expenses and net credit costs

【Operating Assets Balance】



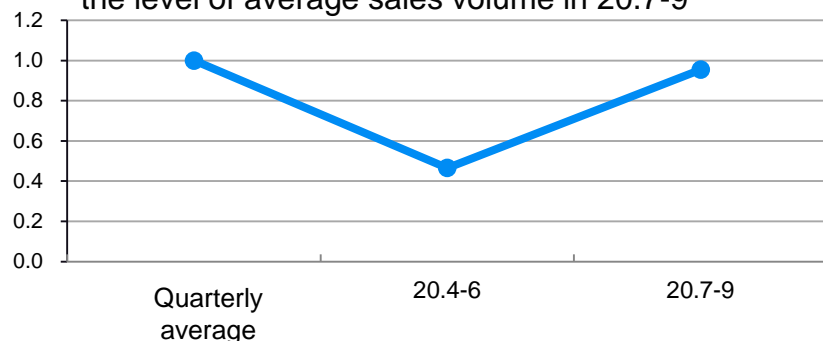
Showa Leasing	19.4-9	20.4-9
Net Interest Income	-0.1	0.0
Noninterest Income	7.0	7.1
<b>Total Revenue</b>	<b>6.9</b>	<b>7.2</b>
Expenses	-5.1	-5.5
Ordinary Business Profit (OBP)	1.8	1.7
Net Credit Costs	0.0	-0.3
<b>OBP after Net Credit Costs</b>	<b>1.8</b>	<b>1.4</b>

# Retail Banking: Asset under management product sales recovered in the 20.7-9

(Unit: JPY billion)

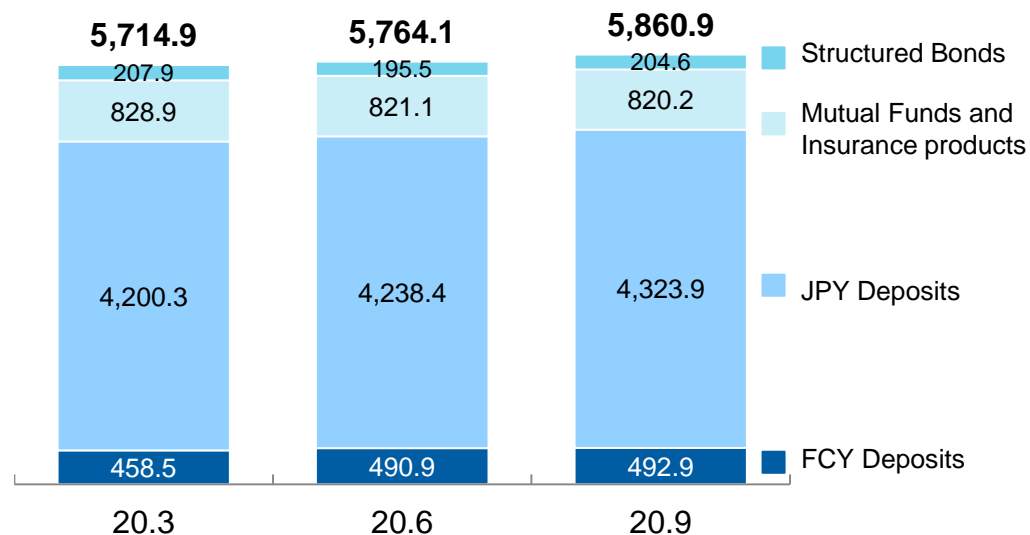
## 【Trend of sales volume of asset management products<sup>1</sup>】 (Structured bonds, Mutual funds, Insurance products, Structured deposits)

- ✓ Significantly declined in 20.4-6 but it rebounded to the level of average sales volume in 20.7-9



<sup>1</sup> Quarterly average sales volume from FY17 to FY19 (3 years) is set at 1.0

## 【AUM Balance】



- Decrease in profit reflects decrease in fee income from asset management products and increase in expenses associated with consolidation of Financial Japan

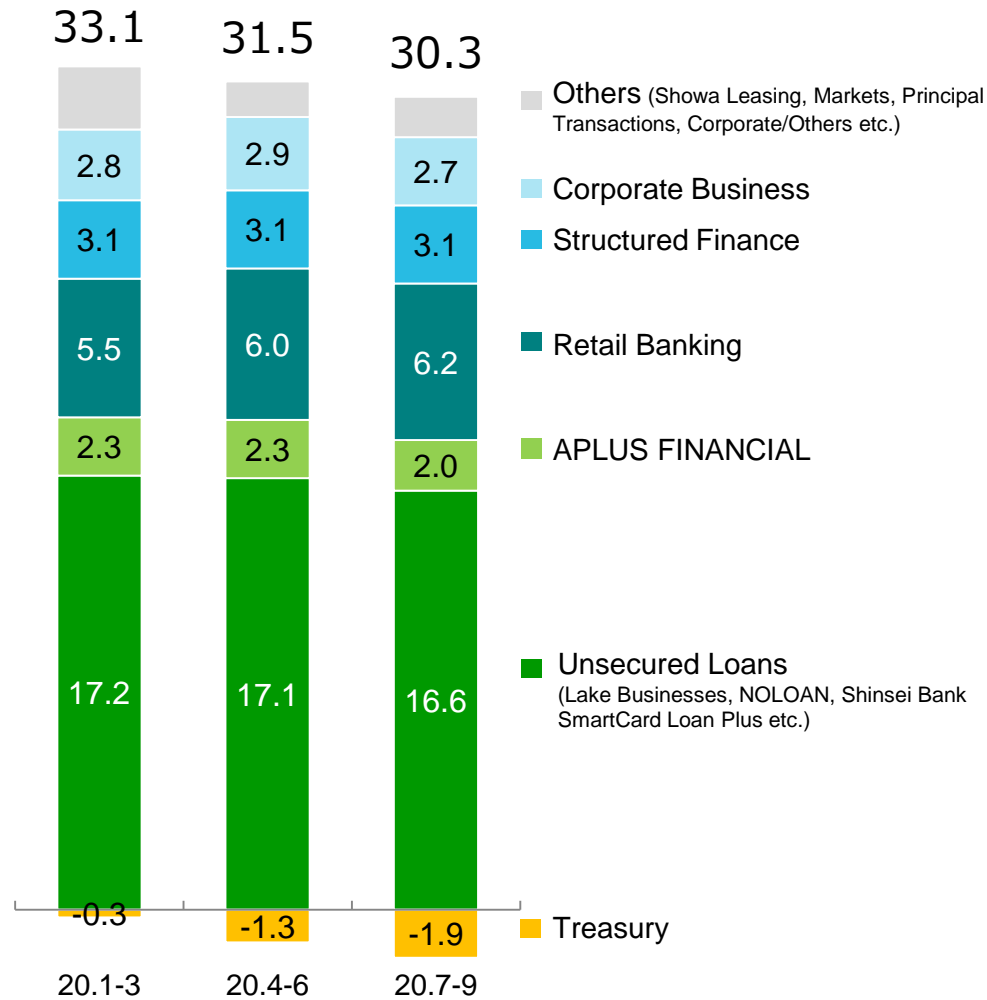
Retail Banking	19.4-9	20.4-9
Net Interest Income	12.0	12.3
of which, from Loans	4.6	4.6
of which, from Deposits, etc.	7.3	7.6
Noninterest Income	2.2	1.3
of which, from Asset Management Products	4.3	2.8
of which, Other fees (Loan origination, ATM, FT, FX etc.)	-2.0	-1.5
<b>Total Revenue</b>	<b>14.2</b>	<b>13.6</b>
Expenses	-13.7	-14.2
Ordinary Business Profit (OBP)	0.5	-0.5
Net Credit Costs	-0.0	-0.2
<b>OBP after Net Credit Costs</b>	<b>0.5</b>	<b>-0.8</b>

# Segment Information

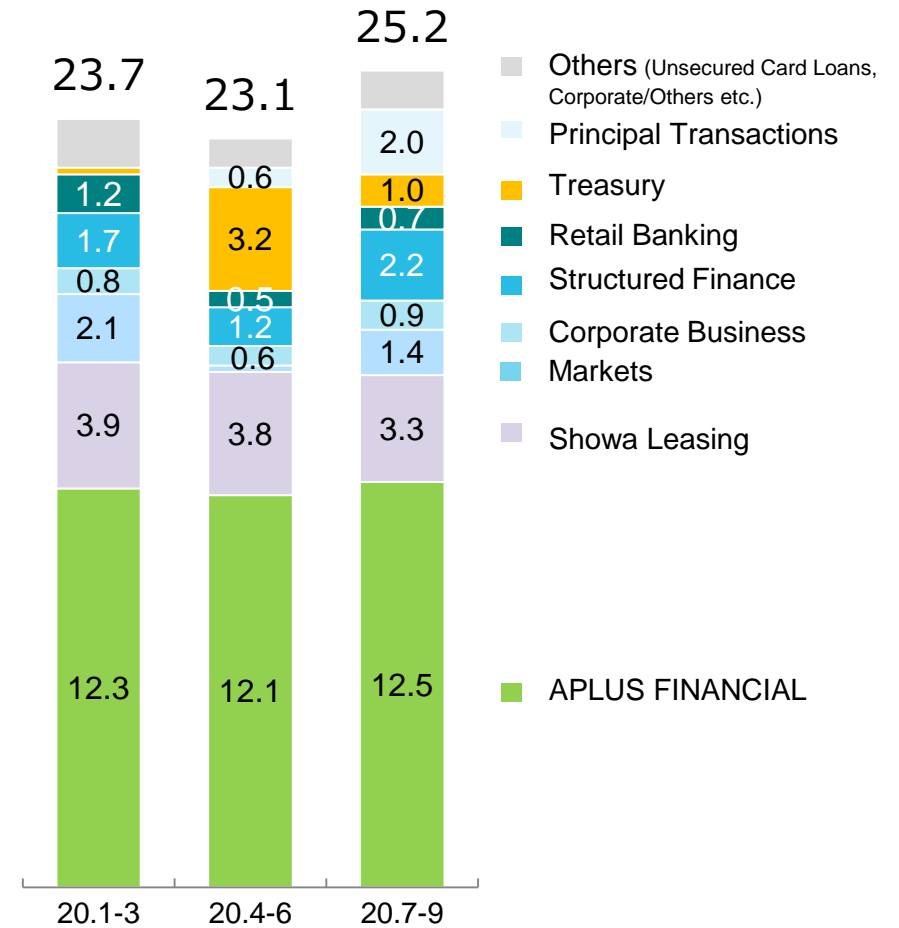
# Segment: Net Interest Income, Noninterest Income

(Unit: JPY billion)

## Net Interest Income per Segment



## Noninterest Income per Segment

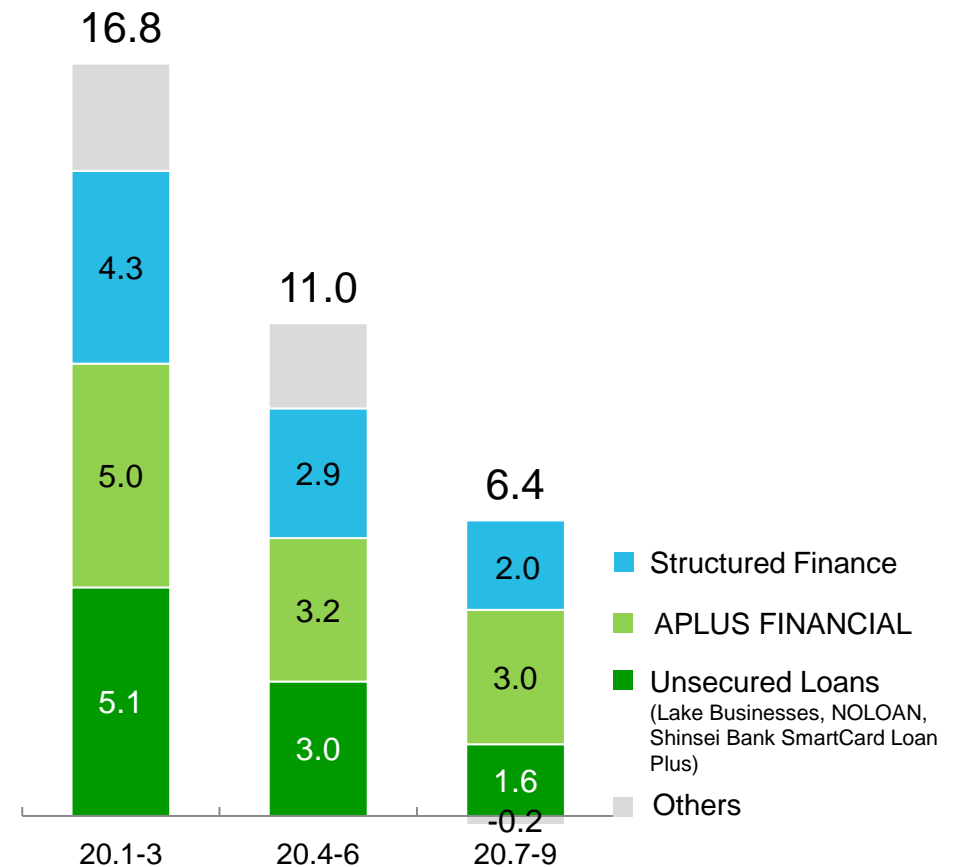
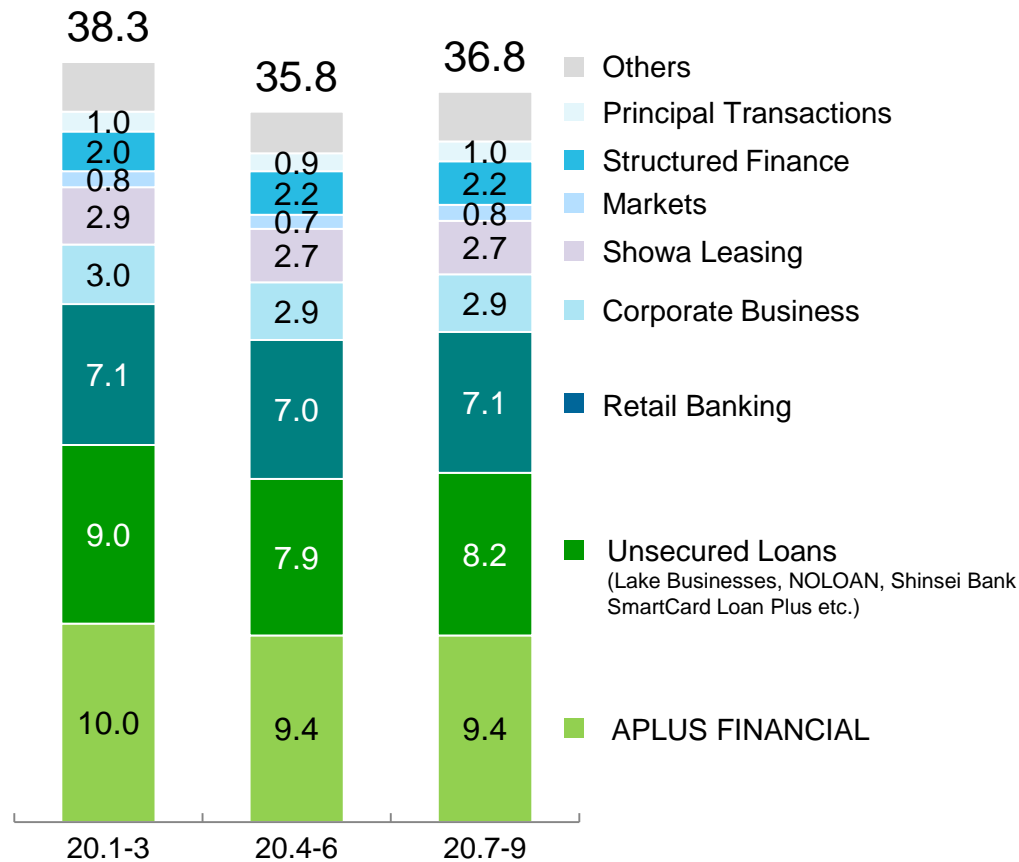


# Segment: Expenses, Net Credit Costs

(Unit: JPY billion)

## Expenses per Segment

## Net Credit Costs per Segment



# Segment: Quarterly P&L

(Unit: JPY billion)

Segment P&L (OBP after Net Credit Costs)	FY2018				FY2019				FY2020	
	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3	4-6	7-9
<b>Individual Business</b>	<b>4.5</b>	<b>6.5</b>	<b>9.3</b>	<b>2.9</b>	<b>6.4</b>	<b>6.6</b>	<b>8.5</b>	<b>2.2</b>	<b>7.3</b>	<b>9.0</b>
Retail Banking	-0.5	-0.4	0.2	0.0	0.3	0.1	0.1	-0.3	-0.6	-0.1
Shinsei Financial <sup>1</sup>	4.6	5.6	6.6	4.2	5.0	5.2	6.3	2.8	6.2	6.8
APLUS FINANCIAL	0.4	1.1	2.2	-0.7	1.1	1.3	2.1	-0.4	1.7	2.0
Other Individuals	0.0	0.1	0.1	-0.6	-0.1	-0.1	-0.1	0.2	0.0	0.3
<b>Institutional Business</b>	<b>5.2</b>	<b>10.6</b>	<b>5.1</b>	<b>7.7</b>	<b>7.1</b>	<b>6.6</b>	<b>10.8</b>	<b>0.0</b>	<b>-1.0</b>	<b>4.8</b>
Corporate Business	0.6	-0.6	0.0	3.9	0.3	2.9	1.3	-0.6	0.0	0.4
Structured Finance	-0.2	7.8	2.6	1.8	4.1	-0.8	3.2	-1.5	-0.8	0.9
Principal Transactions	2.4	2.1	1.5	-0.8	-0.0	2.6	2.8	0.3	-0.1	1.9
Showa Leasing	2.2	0.8	0.2	1.6	1.2	0.6	0.8	0.0	0.4	1.0
Markets	0.3	0.7	0.8	1.3	1.2	1.1	2.2	1.6	-0.2	0.8
Other Global Markets	-0.1	-0.3	-0.3	-0.2	0.0	0.1	0.4	0.2	-0.2	-0.2
<b>Corporate/Other</b>	<b>1.4</b>	<b>0.8</b>	<b>1.3</b>	<b>-0.0</b>	<b>2.7</b>	<b>1.4</b>	<b>-0.8</b>	<b>-0.7</b>	<b>1.5</b>	<b>-1.6</b>
Treasury	1.0	0.7	0.9	1.6	3.2	2.0	-0.5	-0.4	1.5	-1.2
Corporate/Other (excluding Treasury)	0.4	0.0	0.3	-1.7	-0.5	-0.5	-0.3	-0.2	0.0	-0.3
<b>Total</b>	<b>11.3</b>	<b>17.9</b>	<b>15.8</b>	<b>10.5</b>	<b>16.3</b>	<b>14.8</b>	<b>18.5</b>	<b>1.5</b>	<b>7.8</b>	<b>12.2</b>



# Segment: P&L and Operating Assets Balance (1HFY2020)

(Unit: JPY billion; %)

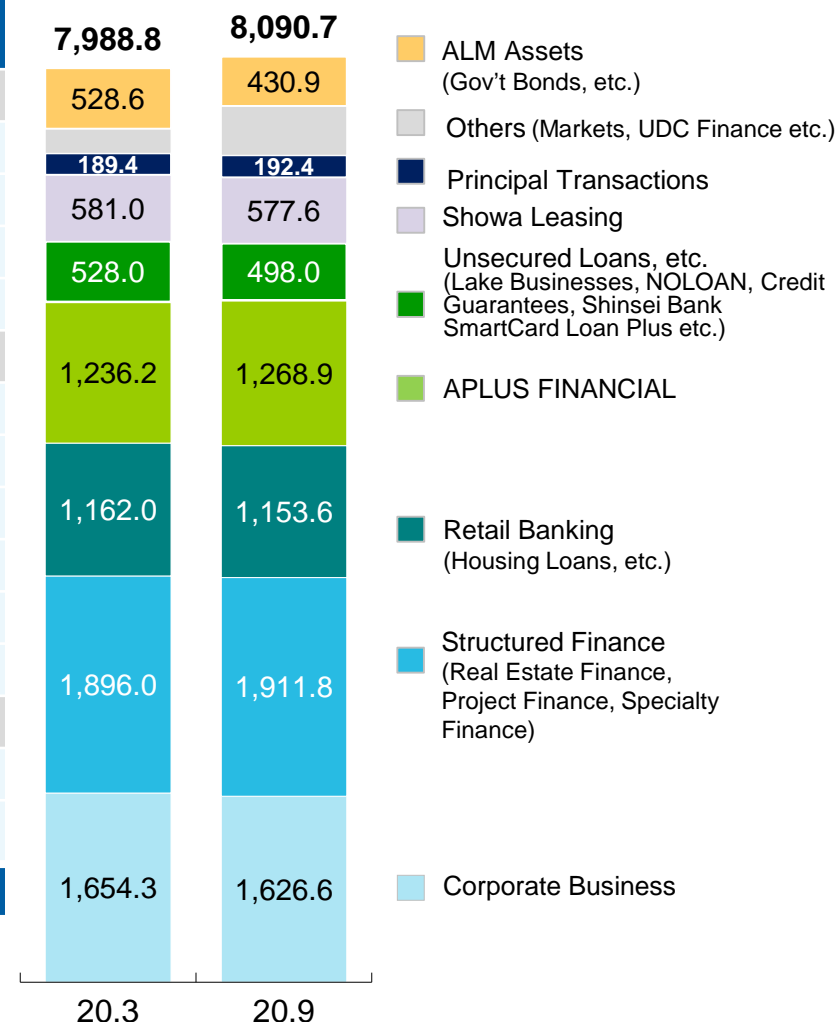
Segment	20.4-20.9 (1HFY20)		
	Amounts (OBP after net credit costs)	Weight	ROA <sup>3</sup> (Reference)
<b>Individual Business</b>	<b>16.3</b>	<b>81.5%</b>	<b>-</b>
Retail Banking	-0.8	-4%	-0.1%
Shinsei Financial <sup>1</sup>	13.0	65%	5.1%
APLUS FINANCIAL	3.8	19%	0.6%
Other Individuals	0.3	2%	1.1%
<b>Institutional Business</b>	<b>3.8</b>	<b>19.0%</b>	<b>-</b>
Corporate Business	0.4	2%	0.0%
Structured Finance	0.1	1%	0.0%
Principal Transactions	1.7	9%	1.8%
Showa Leasing	1.4	7%	0.5%
Markets	0.5	3%	n.m.
Other Global Markets	-0.5	-3%	n.m.
<b>Corporate/Other</b>	<b>-0.1</b>	<b>-0.5%</b>	<b>-</b>
Treasury	0.2	1%	0.1%
Corporate/Other (excluding Treasury)	-0.3	-2%	n.m.
<b>Total (OBP after net credit costs)</b>	<b>20.0</b>	<b>100%</b>	<b>0.5%</b>

<sup>1</sup> Includes Lake Businesses, NOLOAN, Shinsei Bank SmartCard Loan Plus, etc.

<sup>2</sup> Includes guarantees not requiring funding (customers' liabilities for acceptances and guarantees)

<sup>3</sup> Segment ROA = OBP after net credit costs per segment / average operating assets balance of beginning of term and end of term

## Operating Assets<sup>2</sup> + ALM Assets



# Segment: P&L and Operating Assets Balance (FY2019)

(Unit: JPY billion; %)

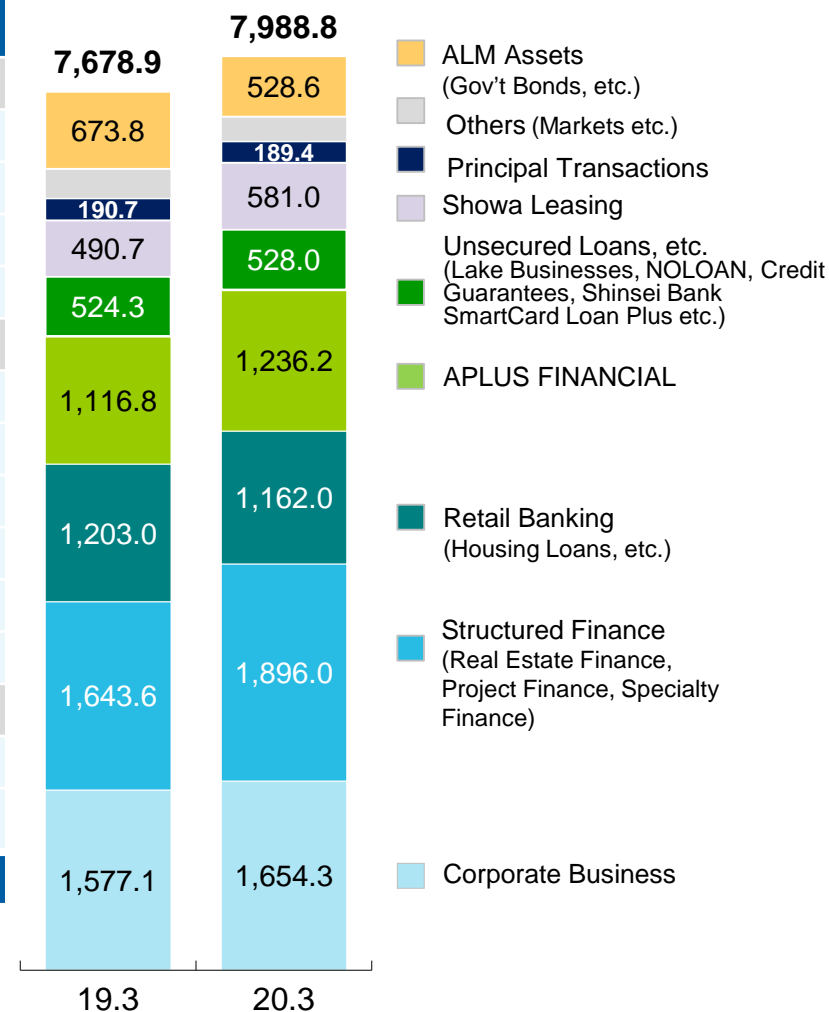
Segment	19.4-20.3 (FY19)		
	Amounts (OBP after net credit costs)	Weight	ROA <sup>3</sup> (Reference)
<b>Individual Business</b>	<b>23.9</b>	<b>47%</b>	<b>-</b>
Retail Banking	0.3	1%	0.0%
Shinsei Financial <sup>1</sup>	19.5	38%	3.7%
APLUS FINANCIAL	4.2	8%	0.4%
Other Individuals	-0.2	0%	-0.4%
<b>Institutional Business</b>	<b>24.6</b>	<b>48%</b>	<b>-</b>
Corporate Business	4.0	8%	0.2%
Structured Finance	4.9	10%	0.3%
Principal Transactions	5.7	11%	3.0%
Showa Leasing	2.7	5%	0.5%
Markets	6.2	12%	n.m.
Other Global Markets	0.9	2%	n.m.
<b>Corporate/Other</b>	<b>2.6</b>	<b>5%</b>	<b>-</b>
Treasury	4.3	8%	0.7%
Corporate/Other (excluding Treasury)	-1.6	-3%	n.m.
<b>Total (OBP after net credit costs)</b>	<b>51.2</b>	<b>100%</b>	<b>0.7%</b>

<sup>1</sup> Includes Lake Businesses, NOLOAN, Shinsei Bank SmartCard Loan Plus, etc.

<sup>2</sup> Includes guarantees not requiring funding (customers' liabilities for acceptances and guarantees)

<sup>3</sup> Segment ROA = OBP after net credit costs per segment / average operating assets balance of beginning of term and end of term

## Operating Assets<sup>2</sup> + ALM Assets



# Key Data

## Balance Sheet

(Unit: JPY billion)	FY16	FY17	FY18	FY19	1H FY20
Loans and bills discounted	4,833.4	4,895.9	4,986.8	5,110.4	5,204.1
Securities	1,014.6	1,123.5	1,130.2	957.0	853.2
Lease receivables/ leased investment assets	191.4	171.4	176.5	193.4	198.3
Installment receivables	541.4	558.8	562.2	670.7	792.8
Reserve for credit losses	-100.1	-100.8	-98.0	-107.9	-109.6
Deferred Tax Assets	15.5	14.7	15.0	16.9	14.4
<b>Total assets</b>	<b>9,258.3</b>	<b>9,456.6</b>	<b>9,571.1</b>	<b>10,226.5</b>	<b>10,323.9</b>
Deposits including negotiable certificates of deposits	5,862.9	6,067.0	5,922.1	6,305.1	6,393.9
Borrowed money	789.6	739.5	684.0	881.9	880.4
Corporate bonds	112.6	85.0	92.3	166.5	353.3
Grey zone reserves	101.8	74.6	63.0	49.3	43.3
<b>Total liabilities</b>	<b>8,437.5</b>	<b>8,600.6</b>	<b>8,674.5</b>	<b>9,316.0</b>	<b>9,410.9</b>
Shareholders' equity	823.7	862.5	899.5	919.2	920.8
<b>Total net assets</b>	<b>820.7</b>	<b>856.0</b>	<b>896.6</b>	<b>910.4</b>	<b>913.0</b>

## Financial Ratios

(Unit: %)	FY16	FY17	FY18	FY19	1H FY20
Expenses-to-revenue ratio	62.3	61.5	63.0	62.3	66.0
Loan-to-deposit ratio	82.4	80.7	84.2	81.1	81.4
ROA	0.6	0.5	0.5	0.5	0.3
ROE	6.3	6.1	6.0	5.1	2.9
NPL Ratio <sup>1</sup>	0.22	0.17	0.20	0.34	0.64

## Per Share Data

(Unit: JPY)	FY16	FY17	FY18	FY19	1H FY20
BPS <sup>2</sup>	3,163.89	3,376.39	3,636.92	3,913.40	4,043.30
EPS <sup>2</sup>	194.65	199.01	211.24	190.59	58.35

## Credit Ratings

	17.3	18.3	19.3	20.3	20.9
R&I	BBB+	A-	A-	A-	A-
JCR	BBB+	BBB+	A-	A-	A-
S&P	BBB+	BBB+	BBB+	BBB+	BBB
Moody's	Baa2	Baa2	Baa2	Baa1	Baa1

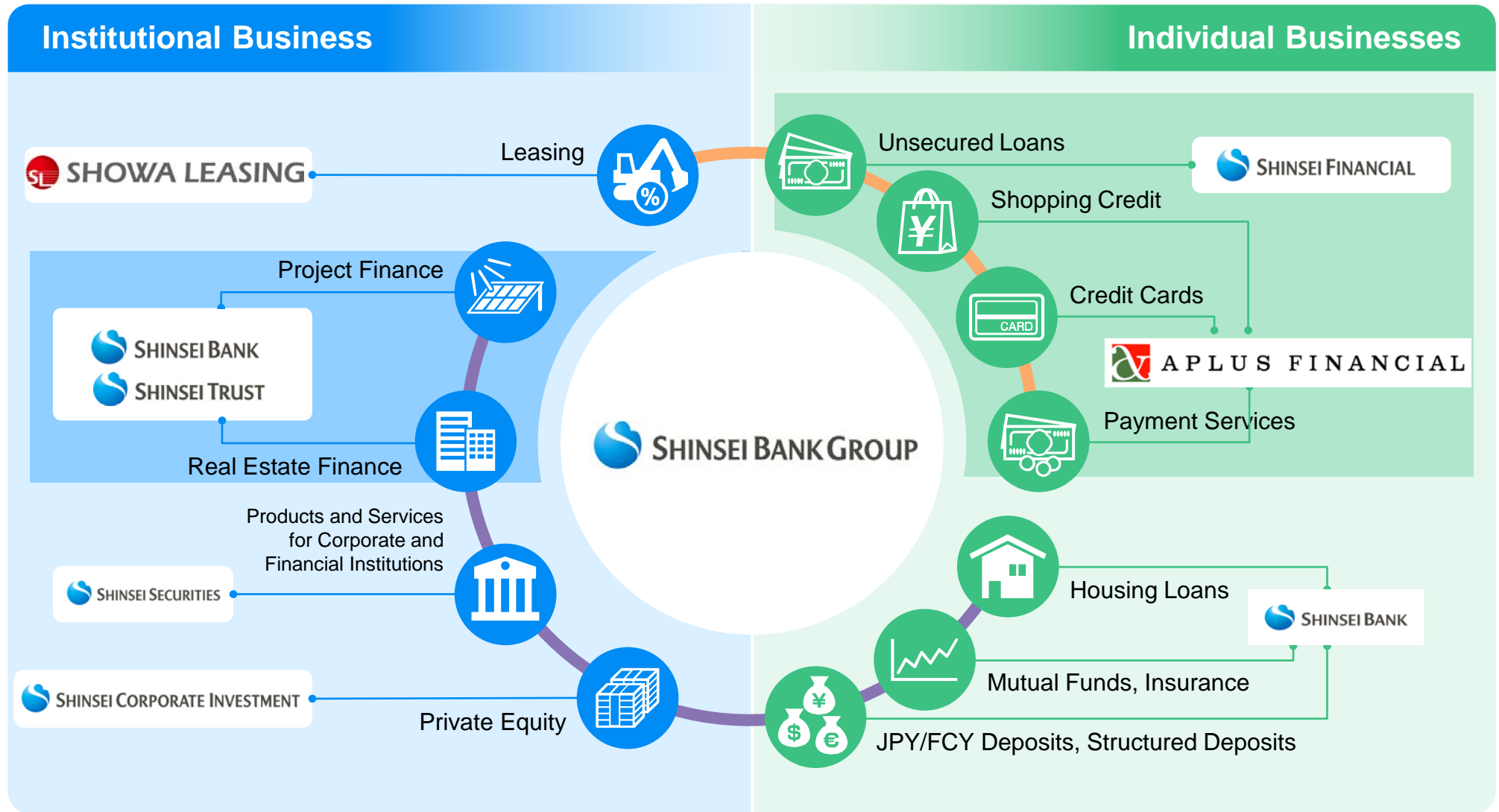
<sup>1</sup> NPL ratio based on Financial Revitalization Law (Nonconsolidated)

<sup>2</sup> Reverse stock split (10 stocks to 1 stock) was executed on October 1, 2017.

Per share data for FY16 has been adjusted to conform to current period presentation

# Reference

# Shinsei's hybrid and seamless products and services portfolio



# “Redesigning Finance” to address society’s underserved needs

## Address social and environmental issue

### Access to finance

- Provide services for customer needs which are not satisfied by traditional financial services
- Provide payment methods with emerging technology

### Fund flows that fit society’s needs

- Provide solutions for supporting sustainable social capital

### Solutions through integration with external services

- Build / participate in ecosystems, use digital technology



Foundation for meeting our goals/responsibilities

## Fulfill our social responsibilities

### Social infrastructure services

- Firmly provide fundamental financial functions (deposit, loan, payment etc.) as social infrastructure
- Maintain cyber security
- Prevent money laundering

### Customer-oriented services

- Place customer benefit first
- Give information that is accurate and easy to digest

#### Support these SDGs



Expertise, Execution

Governance

Organization

People

Operations

Capital

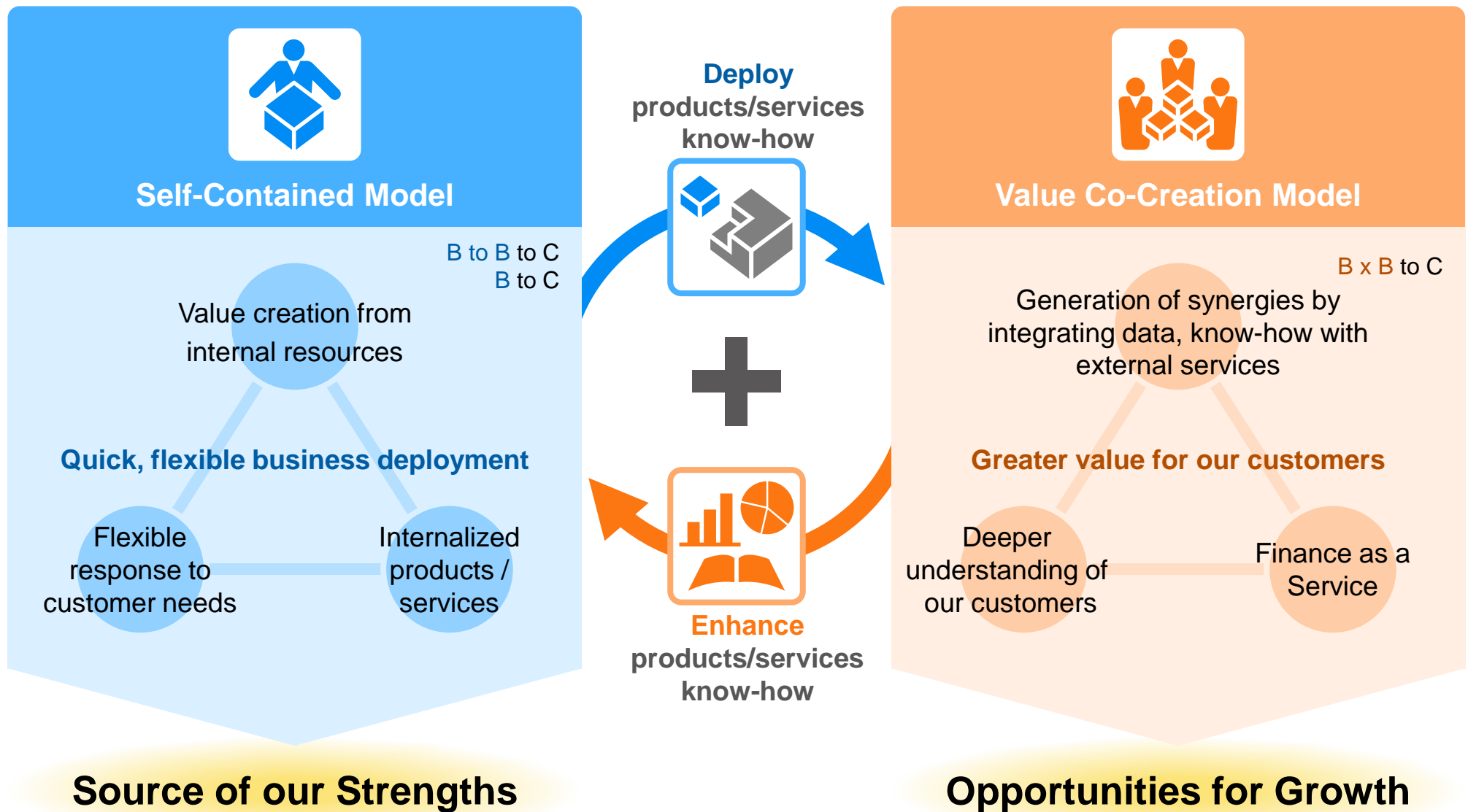
#### Support these SDGs



#### Support these SDGs



# Medium-term strategies (FY19-21): Value co-creation with partners leveraging our strengths



# Value co-creation business: small-scale finance with partners

FY2016

FY2019

FY2020

## Commenced small-scale finance in Vietnam (m credit)

- ✓ In 2016, small-scale finance business started through a JV with a major private commercial bank in Vietnam (i.e. Military Commercial Joint Stock Bank)



For **Docomo** users  
Shinsei Bank Smart Money Lending

USEN-NEXT  
FINANCIAL  
USEN-NEXT GROUP



## Providing lending functions for individuals

- ✓ Aug. 2019 : Commenced “Shinsei Bank Smart Money Lending” for Docomo Users
- ✓ Nov. 2020 : Commenced “Shinsei Bank Card Loan Plus for Nissen” for retail customers of Nissen

## Providing various financial services to micro and small enterprises (MSE)

- ✓ Dec. 2019 : Announced a joint financial business with USEN-NEXT HOLDINGS
- ✓ Aug. 2020 : Launched shopping credit and credit card services to corporate customers of USEN-NEXT GROUP

## Providing credit services to foreign residents in Japan

- ✓ Jan. 2020 : Established Credd Finance, Ltd. with Seven Bank, Ltd.
- ✓ Aug. 2020 : Started issuance of credit cards
- ✓ Oct. 2020 : Commenced unsecured loans for specific purposes

*Sendy* Personal Loan



## Launched Financial platform BANKIT®

- ✓ Mar. 2020 : Started neo-bank platform BANKIT® which enables to connect to smartphone apps and client's system with API
- ✓ Jun. 2020 : Started BANKIT® apps to 3PLATZ which provides services to foreign residents



## Acquired UDC Finance, a leading company in non-bank industry in New Zealand

- ✓ Sep. 2020 : Completed share transfer and made it a 100% owned subsidiary



# Value co-creation business: sustainable impact with institutional investors



Jan. 2017

- ▶ **Established Japan Impact Investment I Fund (childcare support)**

Jun. 2019

- ▶ **Established Japan Impact Investment II Fund (childcare, nursing care and new work style-related businesses)**

Feb. 2020

- ▶ **Disbursed finance to domestic offshore wind power project (first domestic commercial offshore wind power project finance)**

Aug. 2020

- ▶ **Provided green finance to designate use of funds to build wind farm**

Aug. 2020

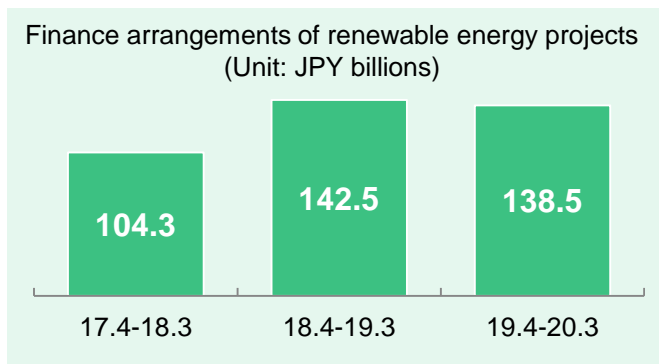
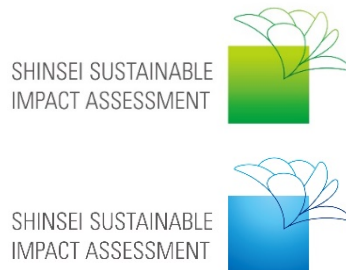
- ▶ **Provided social finance to designate use of funds to acquire health care facilities and elderly housings with supportive services**

Oct. 2020

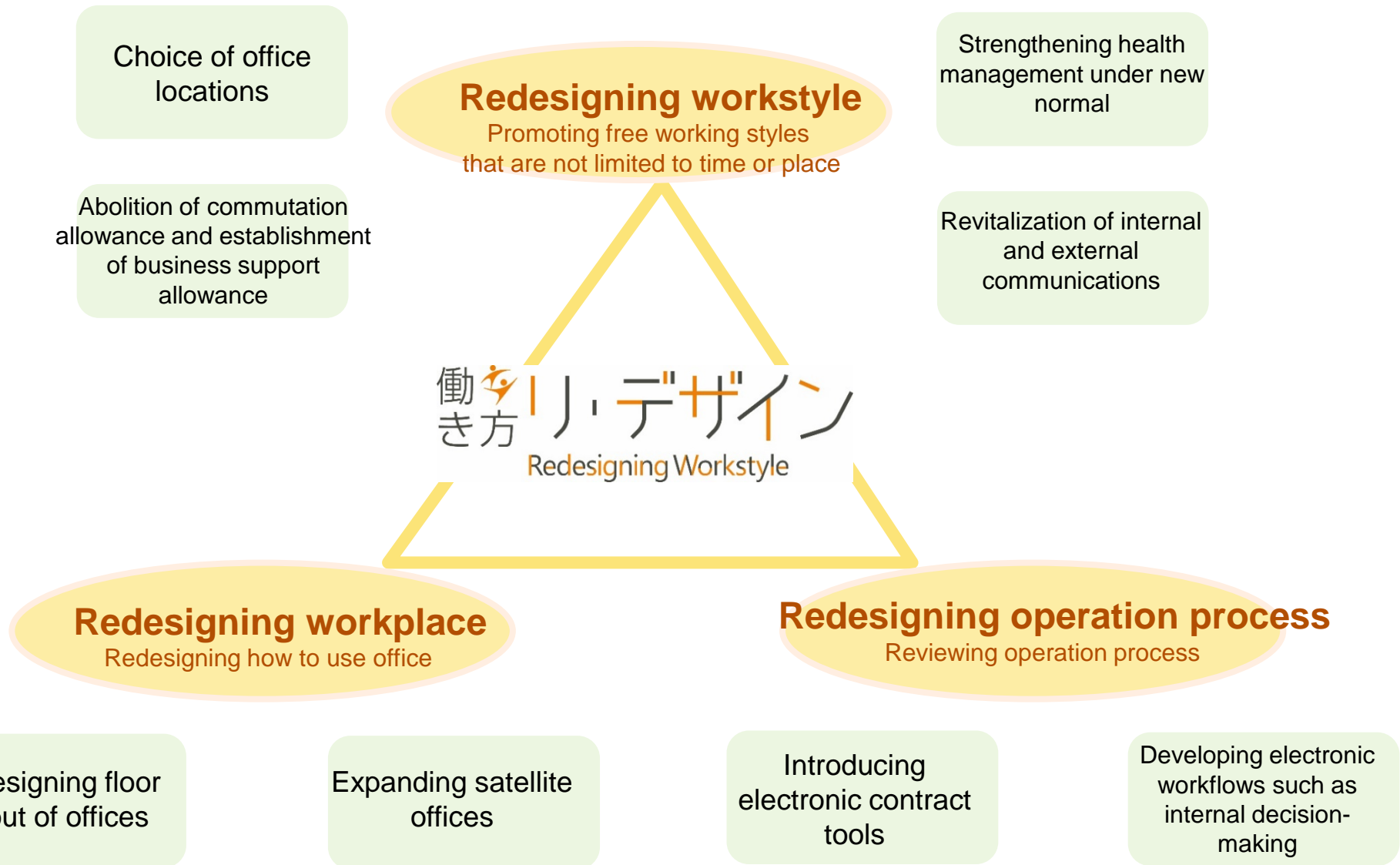
- ▶ **Provided social finance to designate use of funds to acquire mainly nursing care clinic**

Oct. 2020

- ▶ **Commenced to provide mezzanine finance to domestic renewable energy projects with Daiwa Energy & Infrastructure Co. Ltd.**



# Enhancement of capability: Redesigning workstyle has launched



# Disclaimer

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