

Financial Results for the 2Q of FY2020

Presentation script

[Moderator]

- Today's financial results briefing will proceed only in an online format through audio live distribution.
- Materials are available on the "Quarterly Financial Results" section of the Shinsei Bank website.
- First, Kudo and Hirano will explain the interim financial results and full year earnings forecasts. In question and answer sessions, Kudo and Hirano will answer questions posted on a Q&A site. The questions will be read by the moderator, so all participants in this online meeting are able to hear the Q&As.

[Kudo CEO]

[Slide 3]

Key points

1 1st half net income¹ at JPY 13.3 billion; building momentum from 2Q

- 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 1st 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

- Net income¹ forecast for 2H FY2020 at JPY 20.7 billion, while net income¹ 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

- 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)

¹ Profit attributable to owners of the parent

- On Slide 3, I would like to begin with 3 main points.
- First, net income attributable to owners of the parent in 1H FY2020 was JPY13.3 billion, a 53% decrease from the same period of the previous fiscal year.
 - This reflects a decrease in top-line revenue due to COVID-19, an increase in net credit costs and higher corporate taxes due to DTA adjustments compared with 1H FY2019.
 - However, looking at the momentum on a quarterly basis, we see a recovery in 2Q , with an increase in both revenue and profits compared with 1Q.
- The second point is on our net income forecast for FY2020 of JPY 34.0 billion.
 - We plan to achieve net income of JPY 20.7 billion in 2H of this fiscal year, compared with JPY13.3 billion in 1H.
 - For the topline revenue in 2H, we expect noninterest income to increase reflecting an increase in fee income while net interest income to remain largely unchanged due to lower net interest income reflecting YOY decline in average balance of unsecured loans. In addition, 2H includes a 2.7 billion loss on legacy investment in Principal Transactions, which had been disclosed as a subsequent event in 1Q financial results.
 - Expense items reflect new investments relating to "redesigning workstyle". We do not envisage a significant increase in net credit costs in 2H.
 - I will elaborate more detail in the later slide.
- Third, we executed a total of JPY13.5 billion repurchase of treasury stock by the end of October 2020 representing 66% of the full fiscal year target.
 - The actual amount and timing of the share repurchases have not changed since our full-year 2019 financial results announcement in May this year.

1H FY2020 net income at JPY 13.3 billion

(Unit: JPY billion)

Consolidated			20.4-9 (Actual)	19.4-9 (Actual)	1H YoY(%)	Better(+)/ Worse(-)
	20.4-6 (1Q)	20.7-9 (2Q)				
Total Revenue	54.7	55.5	110.2	121.5	-9%	
Net Interest Income	31.5	30.3	61.8	66.7	-7%	
Noninterest Income	23.1	25.2	48.4	54.7	-12%	
Expenses	-35.8	-36.8	-72.7	-73.8	+1%	
Ordinary Business Profit (OBP)	18.8	18.7	37.5	47.6	-21%	
Net Credit Costs	-11.0	-6.4	-17.4	-16.5	-5%	
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%	
Net Income	5.9	7.4	13.3	28.1	-53%	

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

- As you will observe on slide 4, 2Q recorded increases in both revenue and profits compared to 1Q. Positive factors include an increase in noninterest income and a decrease in net credit costs, while negative factors include an increase in expenses related to the acquisition of UDC Finance and an increase in corporate taxes due to DTA adjustment.

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(-)	
Total Revenue	110.2	117.3	227.5	239.9	-5%
Net Interest Income	61.8	61.2	123.0	133.5	-8%
Noninterest Income	48.4	56.1	104.5	106.4	-2%
Expenses	-72.7	-78.8	-151.5	-149.5	-1%
Ordinary Business Profit (OBP)	37.5	38.5	76.0	90.4	-16%
Net Credit Costs	-17.4	-15.6	-33.0	-39.1	+16%
OBP after Net Credit Costs	20.0	23.0	43.0	51.2	-16%
Others	-6.7	-2.3	-9.0	-5.6	-61%
Net Income	13.3	20.7	34.0	45.5	-25%

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



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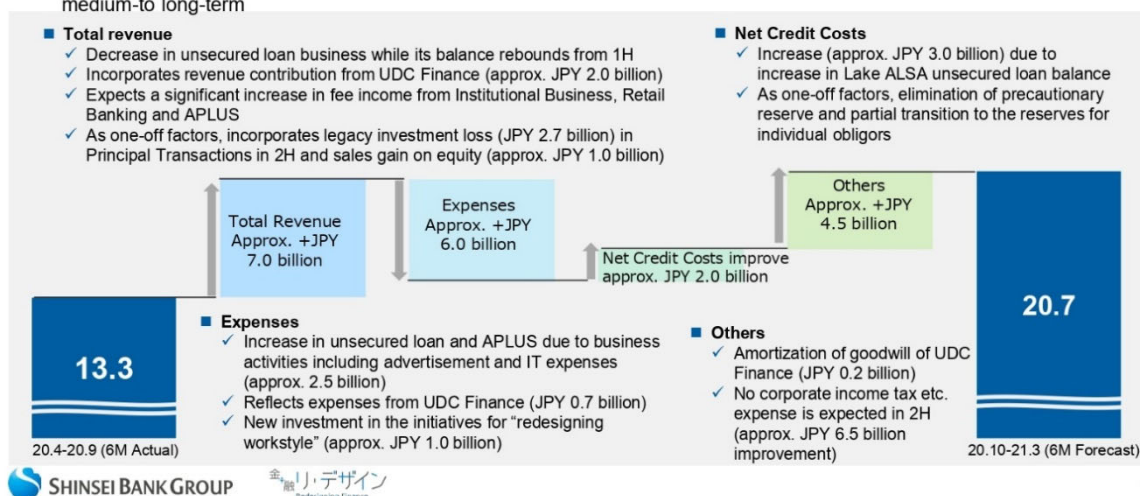
- Slide 6 outlines our full-year earnings forecast for FY2020.
- Net income for the current fiscal year is planned to be JPY 34.0 billion.
- First, while net interest income reflects impact of lower YOY average balance of unsecured loans, noninterest income is forecast to increase in fee income from Corporate Business, Structured Finance, Retail Banking and APLUS. In terms of special factors in the 2H, we have incorporated JPY 2.7 billion of loss on legacy investment in Principal Transactions and JPY 1 billion for gain on sale of equity.
- Next, expenses are expected to increase compared to 1H because we will return to normalized marketing expenses in unsecured loans and make upfront investments to implement "redesigning workstyle" measures in the new normal environment.
- We do not anticipate significant net credit costs from COVID-19 related matters or other individual credit deterioration, while we expect an increase in net credit costs corresponding to an increase in unsecured loan balance. As a result, on a net basis, net credit costs will decrease compared with 1H FY2020.
- Therefore, net income is forecast to increase from JPY13.3 billion in the 1H to JPY 20.7 billion in the 2H, resulting in a full year forecast of JPY 34.0 billion.

- On October 30, 2020 the Bank announced that it would make APLUS FINANCIAL a wholly owned subsidiary. The P&L impact for the current fiscal year is immaterial. However, from the perspective of unwinding the parent-subsidary listing issue and strengthening group-based governance as well as integrated group management, we believe that this is of a great significance in terms of management.

[Slide 7]

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

- Change factors in 2H from 1H FY2020 are as follows (Unit: JPY billion)
 - ✓ 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



- Slide 7 provides a more detailed explanation of the factors behind changes in the guidance for 2H of FY2020 compared with 1H. In 2H, we believe that the short-term impact of COVID-19 on our businesses has largely dissipated, thereby our business activities will normalize. However, as explained earlier 2H earnings will include special/temporary factors as well.
- In this slide, I will add two additional points in addition to the points already explained.
- First, we anticipate that precautionary reserves for specific sectors would be eliminated and partially transferred to the reserves necessary for individual obligor classification.
- Second, in unsecured loan business in 2H FY2020, net credit costs are expected to

increase by approx. JPY 3 billion compared to 1H due to acceleration of loan growth in Lake ALSA. Including this, on a full year basis, YoY decrease in net credit costs of approx. JPY 2 billion is expected due to a decrease in overall loan balance by 7% YoY supporting its bottom-line profit. Stating the obvious, 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 overall 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.

Slides 8 through 10 explain the business assumptions used in the earnings forecast.

[Slide 8]

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

Unsecured Loans	Structured Finance
<ul style="list-style-type: none"> ■ Application and new customer acquisition <ul style="list-style-type: none"> ✓ 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 <ul style="list-style-type: none"> ✓ 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) <ul style="list-style-type: none"> ✓ 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 	<ul style="list-style-type: none"> ■ Real estate finance <ul style="list-style-type: none"> ✓ 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 <ul style="list-style-type: none"> ✓ 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 <ul style="list-style-type: none"> ✓ Credit costs: precautionary reserves were provisioned in 1H. Not expected to materially exceed the precautionary reserve

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



- Slide 8 covers unsecured loans and structured finance.
- In unsecured loans, we plan to increase the number of applications, approval rate and the number of new customers for Lake ALSA from the 2H. Accordingly, the balance is also forecast to stop declining within this fiscal year. We expect net credit costs on

unsecured loans to be lower for the full year due to the YOY decline in loan balance and significantly fewer number of payment deferral.

- In structured finance, real estate finance is expected to decrease from the previous year in both new transactions and balances. Since we have reserved for loan losses in 1H, no major provisioning has been factored into 2H.
- In project finance, the balance is expected to increase, although new commitments will decrease compared to the previous year. Product development including environment- and social-conscious projects and structuring of infrastructure-focused funds are accelerated.
- In aviation finance, we do not anticipate any material increase in net credit costs exceeding the precautionary reserves we have already recorded.

[Slide 9]

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

APLUS FINANCIAL	Showa Leasing
<ul style="list-style-type: none"> ■ Transaction volume <ul style="list-style-type: none"> ✓ 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 <ul style="list-style-type: none"> ✓ Promoting auto leasing, vendor leasing, non-face-to-face card business and rent guarantee businesses ■ Update on payment deferrals in 2Q (3M) <ul style="list-style-type: none"> ✓ 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 	<ul style="list-style-type: none"> ■ Transaction volume <ul style="list-style-type: none"> ✓ New transaction volume is expected to be 90% of FY2019 ■ Credit costs <ul style="list-style-type: none"> ✓ While significant increase exceeding precautionary reserve in specific sectors is not anticipated, YoY increase in net credit costs is expected ■ Business initiatives <ul style="list-style-type: none"> ✓ 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
	<ul style="list-style-type: none"> ■ Operational asset balance <ul style="list-style-type: none"> ✓ Auto loans for individuals and finance to institutional are expected to be about JPY 230 billion (flat YoY) ■ Profit contribution <ul style="list-style-type: none"> ✓ 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

The number of payment deferral (monthly flow)

Period	Number of payment deferral
20.4	26
20.5	61
20.6	21
20.7	67
20.8	61
20.9	61

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Reshaping Finance

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- Slide 9 describes APLUS, Showa Leasing, and UDC Finance.
- APLUS's card shopping and payment businesses, such as non-face-to-face online shopping, are performing well. Net credit costs have also remained at a low level since 1Q.

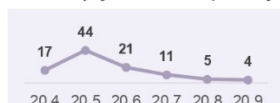
- Showa Leasing expects a slight decline in new transactions and a slight increase in net credit costs.
- UDC Finance, which became our consolidated subsidiary in September 2020, is expected to maintain its March 2020 operating assets level of approx. JPY 230 billion from auto loans for individual business and financing to institutional business. Profit contribution from UDC Finance is expected to be neutral in the current fiscal year because it would be mostly offset by acquisition-related costs and so on. Its full year profit contribution will commence from the next fiscal year.

[Slide 10]

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

Retail Banking	Corporate Business, Markets
<ul style="list-style-type: none"> ■ Asset management products <ul style="list-style-type: none"> ✓ 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) <ul style="list-style-type: none"> ✓ 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 	<ul style="list-style-type: none"> ■ Asset balance <ul style="list-style-type: none"> ✓ 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 <ul style="list-style-type: none"> ✓ 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 <ul style="list-style-type: none"> ✓ Precautionary provision was made. Increase in net credit costs exceeding the precautionary reserve is not expected
	Principal Transactions
	<ul style="list-style-type: none"> ■ Noninterest income <ul style="list-style-type: none"> ✓ 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)

The number of payment deferral (monthly flow)



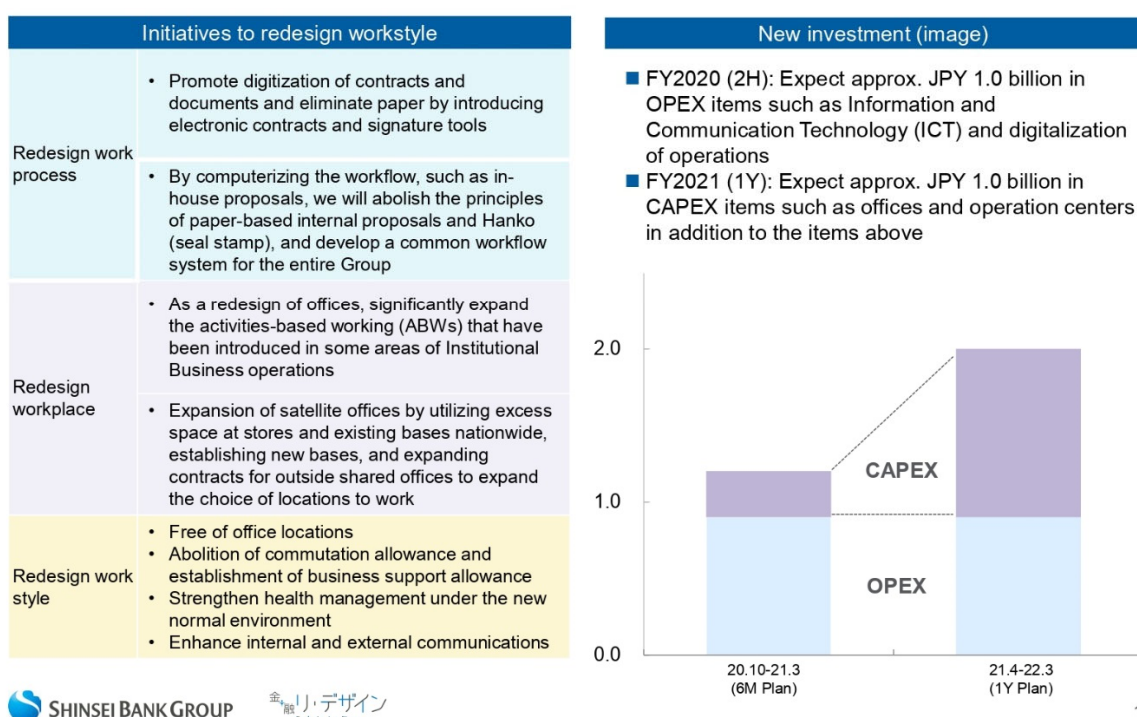
- Slide 10 describes Retail Banking, Corporate Business and Global Markets, and Principal Transactions.
- In Retail Banking, AUM balance is expected to bottom out in 1H and begin to rise in 2H while the overall full year AUM balance is expected to be lower from the end of the previous fiscal year. Sales of asset management products are expected to increase by about 10% year-on-year in 2H due to various measures at in-store branches and remote channels.

- In Corporate Business and Global Markets, though the demand for funds is expected to slow down, fee income is forecast to increase in 2H.
- In Principal Transactions, as I mentioned earlier, an investment loss of JPY2.7 billion will be recorded. On the other hand, IPO market is robust against the backdrop of a rebound in stock prices, expecting a certain level of exit revenues.

[Slide 11]

New investment in initiatives for “redesigning workstyle” 働き方デザイン Redesigning Workstyle

(Unit: JPY billion)



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働き方デザイン Redesigning Finance

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- Slide 11 explains the new investment in "redesigning workstyle" initiatives.
- "Redesigning workstyle" includes: (1) digitization and renovation of business processes as a redesign of work processes; (2) redesign of offices and diversification of work locations as a redesign of work places; and (3) work style redesign, which includes flexible work support measures and communication revitalization based on telecommuting and satellite offices.
- The amounts of new investments are planned as shown in the right-hand side graph. These investments are divided into operating expenses, such as the computerization of operations, and capital expenditures, such as offices and administrative centers optimization.

I would like to conclude with a word commenting on the earnings forecast.

Although the macroeconomic impact of COVID-19 is still unpredictable, I think that our Group's business activities will return to a level fairly close to normal level in the 2H of the fiscal year. In this presentation material, we are compared and explained the plan for the 2H with the results for the 1H in detail, including special factors

Now, I will conclude my explanation. Please refer to Mr. Hirano of Chief Officer of Planning and Finance for an overview of the financials and business from here.

[Hirano CO]

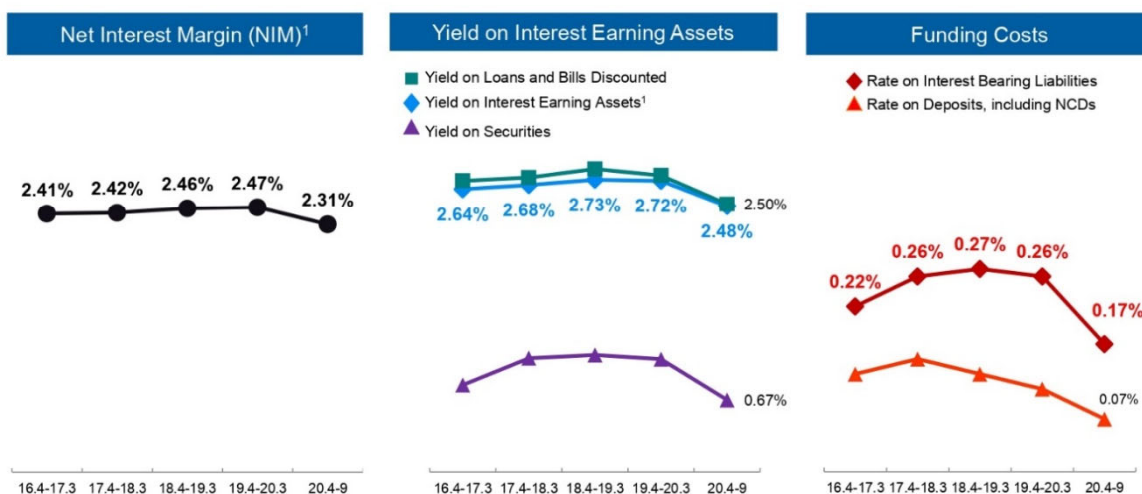
I am Hirano, Chief Officer of Planning and Finance. I will outline focused points on the interim financial results.

[Slide 14]

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

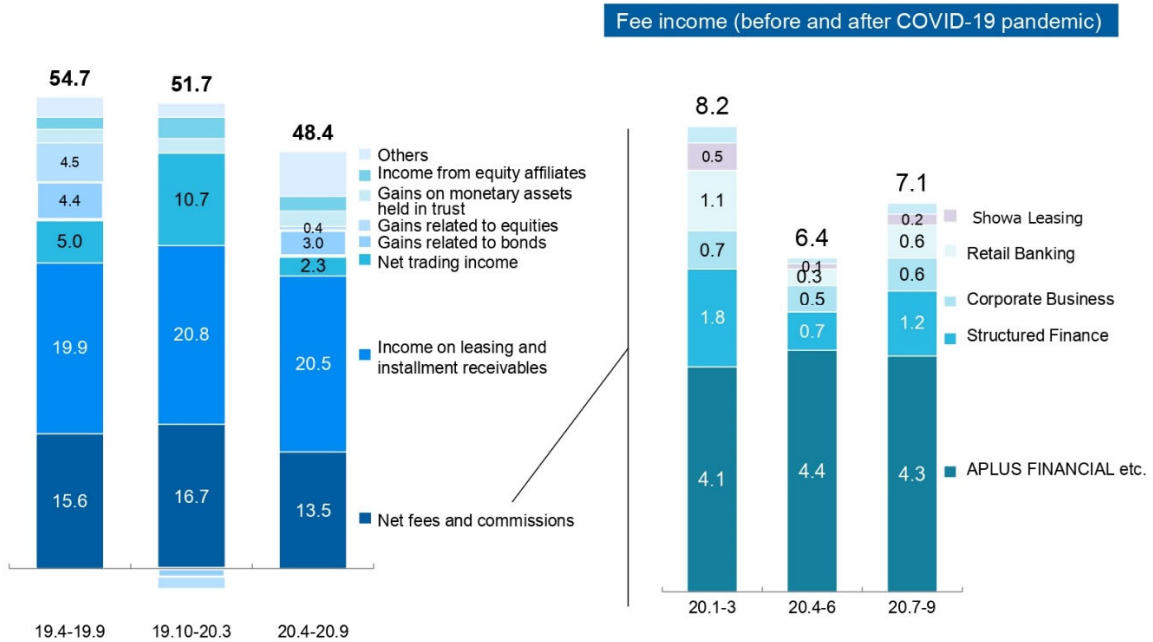


¹ Includes income on leased assets and installment receivables

- Slide 14 explains the net interest margin (NIM).
- Net interest margin declined to 2.31%. This was due to lower yields on loans and securities affected by lower FCY interest rates and/or lower YOY average balances. This was partially offset by lower funding costs.

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

(Unit: JPY billion)



- Slide 15 explains noninterest income.
- Although noninterest income declined in 1H, fee income from Structured Finance and Retail Banking increased in the most recent quarter.

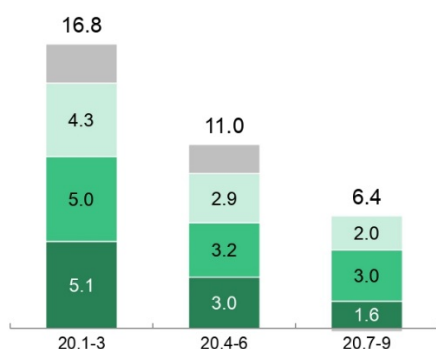
Net credit costs: Decrease in quarterly net credit costs reflects decrease in COVID-19 related net credit costs

(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)

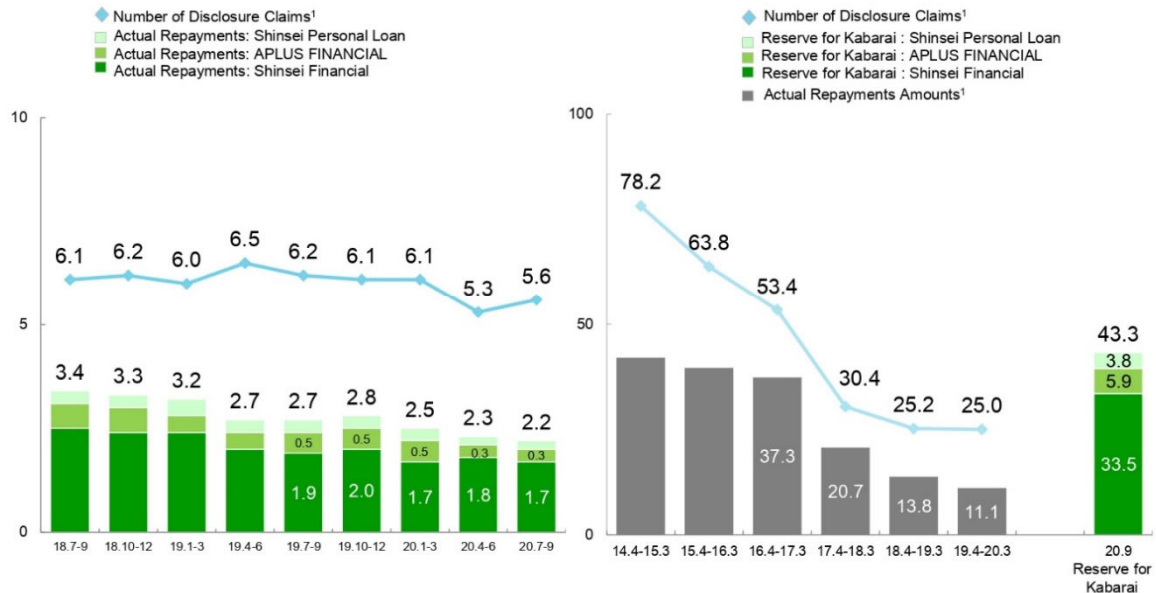
COVID-19 related net credit costs		20.4-6	20.7-9
Institutional businesses	Provisions as a result of applying conservative reserve ratios to all transactions in specific sectors where the COVID-19 impact is conspicuous (Precautionary provisions)	Provision of JPY 1.4 billion in aviation finance	Reversal 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

- Slide 18 elaborates net credit costs.
- The chart shows COVID-19 impact on credit costs on a quarterly basis.
- In Institutional Business, JPY 0.7 billion of credit reserve was reversed in 2Q, mainly for precautionary reserves for the entertainment business, in light of the recovering business conditions. On the other hand, JPY1.3 billion was provisioned for individual obligors in the aviation and hotels industries etc.
- In unsecured loans, JPY 2.8 billion was reversed mainly due to a decrease in the balance of loans and a decrease in payment deferral requests.
- Negative impact in 2Q from COVID-19 related credit costs has become smaller than 1Q in both Institutional Business and Individual Business.

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)



¹ Shinsei Financial, Shinsei Personal Loan and APLUS FINANCIAL combined

- Slide 20 updates Kabarai.
- The number of disclosure claims continue to show a downward trend. Though, on a quarterly basis, the claims number increased in 2Q, reflecting resumption of Kabarai activities by certain Kabarai offices. The balance of Kabarai reserve stands at JPY 43.3 billion, and the coverage level is just below 5 years based on the most recent interest repayment results.

Next, I will explain unsecured loans and project finance as a business overview.

[Slide 22]

- Slide 22 outlines the balance and P&L of unsecured loans.
- The total balance of unsecured loans decreased to JPY 488.4 billion, but Lake ALSA continued to grow. Net interest income declined slightly but net credit costs also declined, resulting in a year-on-year increase in net income.

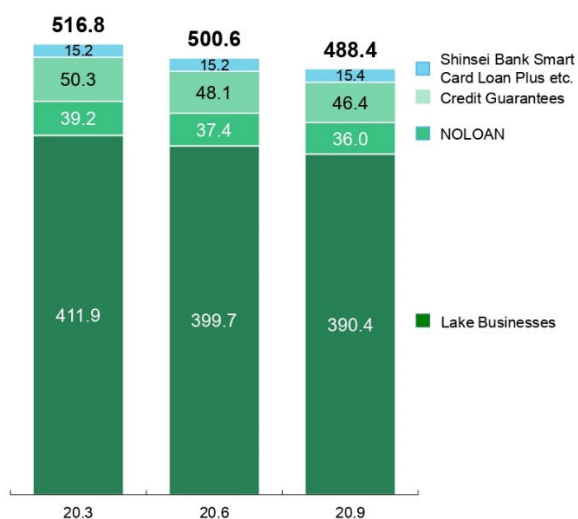
Small Scale Finance

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 ¹	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
Total Revenue	34.0	33.8
Expenses	-16.8	-16.1
Ordinary Business Profit (OBP)	17.2	17.7
Net Credit Costs	-6.9	-4.6
OBP after Net Credit Costs	10.3	13.0

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

Small Scale Finance

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



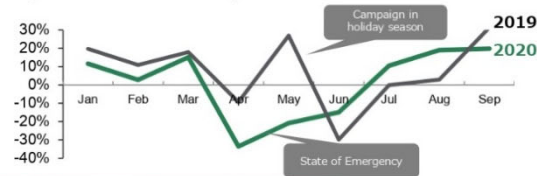
- Slide 23 relates to approval rate and new customers.
- In 1Q, although the number of new customers declined due to a decline in demand caused by “stay-at-home” stance, the number of applications in 2Q increased to 73 thousand from 67 thousand as we resumed advertising and promotional activities in addition to a recovery in demand due to gradual increase in people going out.
- The approval rate also improved to 33.3%. This improvement resulted from a review of the business operation process to eliminate bottleneck points from application to contract conclusion, as well as from the effects of various credit measures. We are upgrading our operating system and aim to further improve our business processes and operations.

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; %)

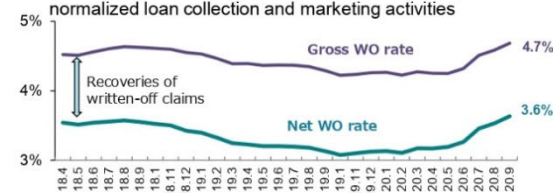
Application (monthly change %)

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



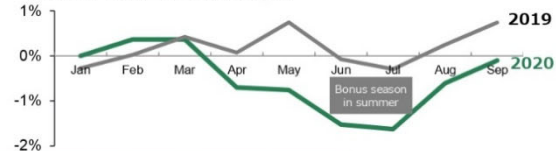
Write-off (WO, monthly trend)

- ✓ 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



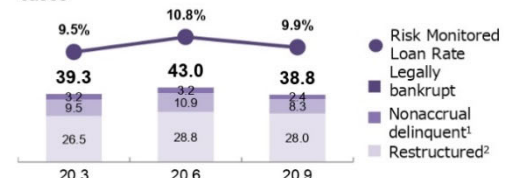
Loan balance (monthly change %)

- ✓ 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



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



¹ Nonaccrual Delinquent Loans constitute obligors such as Virtually Bankrupt, Possibly Bankrupt and Substandard (excluding Restructured Loans)
² Restructured Loans are classified as Substandard obligors (including payment deferral)



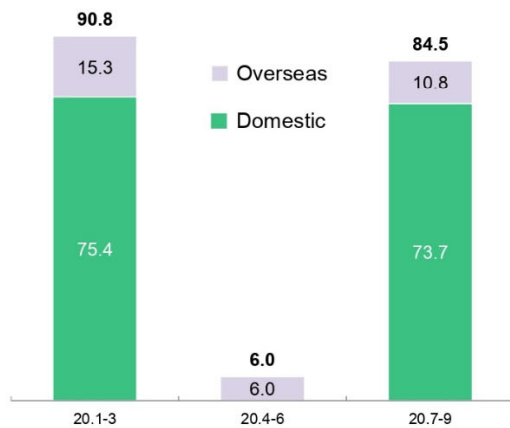
- Slide 24 illustrates the monthly momentum of the Lake portfolio. It demonstrates bottoming out of negative impact of COVID-19 and returning to gradual recovery.
- As evident from the left-hand side graph, the number of monthly applications compared to the previous month declined significantly in April due to the Emergency Declaration, but it began to increase moderately from July. In addition, in the right-hand side graph, outstanding loans have been on a recovery trend since bottoming out in June to July, although there is a slight time lag from the increase in the number of loan applications.
- Credit quality has seen a slight increase in the write-off rate, as lower loan balances as well as an increase in write-off due to stagnant litigation process caused by COVID-19 because of court closures and the suspension of lawyers' offices translates into a higher write-off rate. However, there are no concerns about deterioration in light of the status of inventory and collection of deferred payments. The ratio and balance of risk monitored loans also decreased.

Business with Institutional Investors Project finance: Domestic project finance activities turned around significantly in the 20.7-9

(Unit: JPY billion; %)

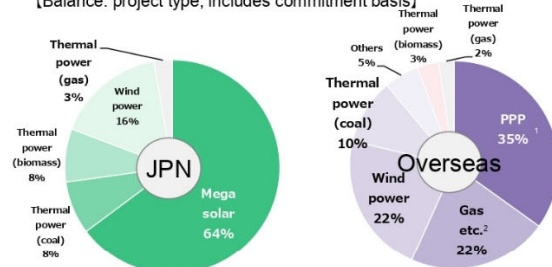
Project Finance New Commitments

- 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



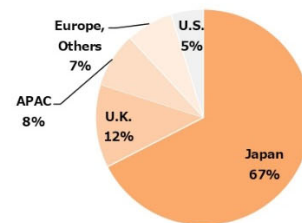
Portfolio (as of September 30, 2020)

[Balance: project type, includes commitment basis]



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

[Balance: regions, includes commitment basis]



- Slide 30 explains project finance.
- Although project finance activities stagnated in 1Q, in 2Q it recovered significantly, promoting the diversification of project types, such as onshore wind power and biomass power. In addition, our pipeline of renewable energy and infrastructure projects is building up, and we are also advancing our sustainability-focused institutional business.

I have mainly explained our focused businesses above. In addition, we saw a recovery momentum in other businesses as well in 2Q. We intend to properly monetize these businesses' initiatives toward achieving our full-year net income forecast of JPY 34.0 billion. This concludes my presentation on the financial results and businesses.

End of document