

For Immediate Release

Company Name: Shinsei Bank, Limited
 Name of Representative: Hideyuki Kudo
 President and CEO
 (Code: 8303, TSE First Section)

Shinsei Bank Group Medium-Term Strategies “Redesigning Finance” (FY2019-FY2021)

Tokyo (Wednesday, May 15, 2019) --- Shinsei Bank Group announced today that it has formulated its Medium-Term Strategies covering the period from fiscal 2019 to fiscal 2021 as the direction it aims to pursue over the next three years.

The Mid-term Strategies have been formulated with the aim of achieving the “Medium-to Long-Term Vision” (*) based on the summary of past initiatives, including the Third Medium-Term Management Plan, with medium-to long-term changes in the world as the starting point. It is a universal growth story that emphasizes the direction of qualitative strategies rather than quantitative figures. The theme is “Redesigning Finance” which aims to achieve “discontinuous” growth by continually reviewing the financial services that Shinsei Bank Group offers, rather than aiming for growth on an extension of the current situation.

[Overview of Medium-Term Strategies]



(1) Two Core Strategies (Grow through Value Co-Creation)

One of the core strategies in the Medium-Term Strategies is “Grow through Value Co-Creation”, which will identify growth opportunities through the “Value-Co-Creation Model”. The Value-Co-Creation Model is to generate more customer-friendly businesses by identifying the strengths of the Shinsei Bank Group and integrate them with external services. This core strategy consists of the following three components:

① Integration with external services

Create and expand touchpoints with our customers by developing markets and more sophisticated services through building and participating in ecosystems with digital technology and data analysis

② Finance as a Service

Provide our functions and processes when our customers need us

③ Deeper understanding of our customers

Identify target markets and customers through data integration with external partners, and provide high added values based on deep understanding of our customers

(Enhance / Leverage our capability)

Another core strategy is “Enhance / Leverage our capability”, which will foster our advantages that will serve as the source of value creation, competitiveness, and differentiation, by strengthening and utilizing our organizational capability, the source of our corporate growth. This core strategy focuses on the following four components:

① Diverse people and flexible workstyle

Promote women's active participation at every level, acquire skilled senior and young employees, and hire and grow talented personnel with different abilities. Implement human resource policies to support this diversity.

② Customer-centric organization

Respond to customer needs with one-stop services by unifying business strategy planning functions for institutional and individual customers on a Group-wide basis. Further optimize and streamline our Group HQ corporate services.

③ Productive operations

Implement productive operations through accelerated productivity reforms including utilization of digital technologies, work-style reform, and more efficient sales channels. Continue initiatives for stable and safe management such as information system development and compliance measures, as well.

④ Optimal capital usage

While managing capital at an appropriate level, maximize returns against risk-taking through responsible capital usage including non-organic strategies.

(2) Four focus areas

Our four focus areas consist of individual and institutional businesses respectively and related to our management base.

① Small-Scale Finance (Individual Business)

Offer small amount and frequent financing (lending) and settlement services to individuals and small businesses. Small-scale finance has been strong at data analysis and its usage in marketing, credit decision-making, collection and robust operations, and in future it will work on upgrading services by utilizing digital technology and data analysis, in addition to integrating services with external services and offering functions to partners based on “Value Co-Creation”.

② Institutional Investors (Institutional Business)

Aim for one-stop services related to alternative investments in real assets such as renewable energy, infrastructure, and real estate to a wide range of institutional investors, leveraging our network with the investors, trust-structuring capability, and knowledge of a broad range of assets.

③ Group Organization

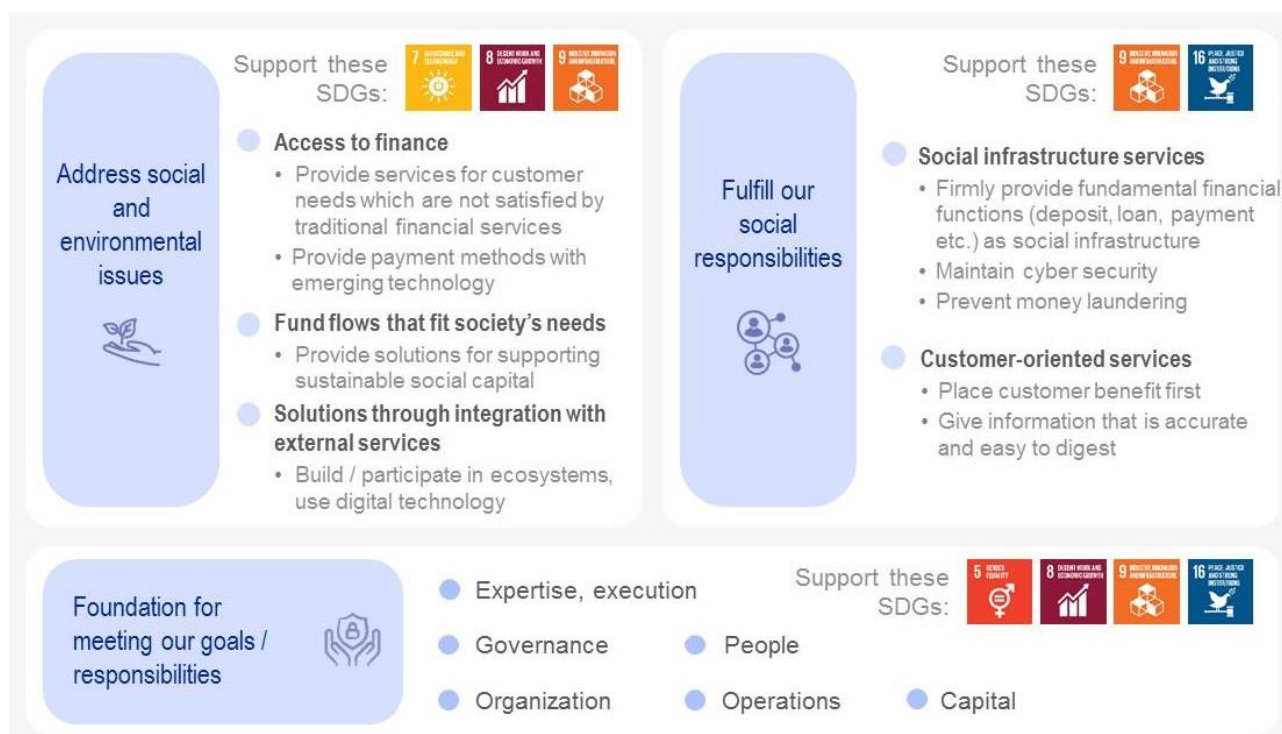
Unify business strategy planning functions for institutional and individual customers on a Group-wide basis in order to further promote Group business integration. Work together as a single entity to provide best solutions for the needs and challenges of our customers.

④ Productivity Reforms

Further promote cost structure reform with no sanctuaries through optimization of branch channel and office space, and using digital technologies and through work style reform

(3) Initiatives for Sustainable Growth

By implementing the above two core strategies, we should be able to achieve sustainable growth. Shinsei Bank Group's priority materiality issues for sustainable growth are classified into the following three categories.



① Address social and environmental issues

Provide financial services tailored to the needs of customers who are not satisfied with traditional financial services. Create an appropriate flow of funds for society by providing financial solutions that promote the circulation of funds into sustainable social capital. Build and participate in ecosystems through integration with external services, and utilize digital technologies to solve a broader range of social issues.

② Fulfill our social responsibilities

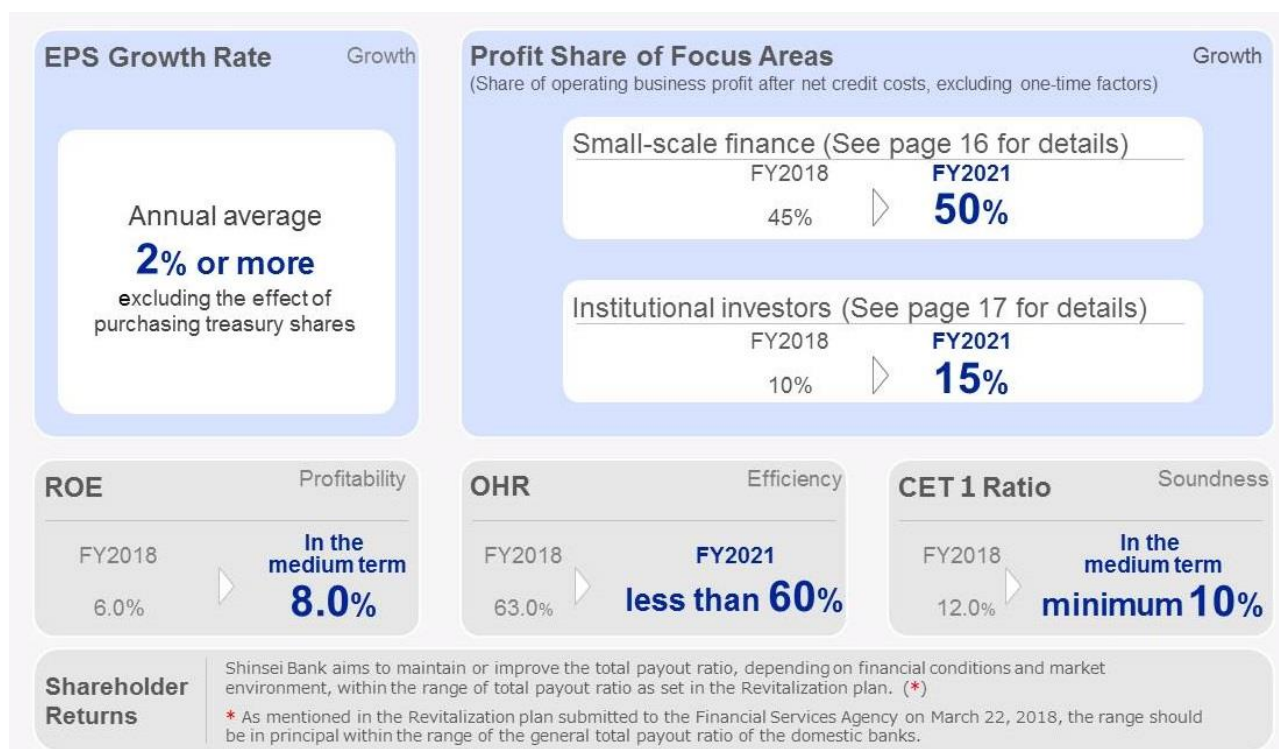
Firmly provide fundamental financial functions (deposit, loan, payment, etc.) as a social infrastructure, as well as high-level efforts to secure cyber security, prevent money laundering and financing of terrorism. Provide customer-oriented services by placing customer benefit first and giving information that is accurate and easy to digest.

③ Foundation for meeting our goals/responsibilities

Be the base that supports the "roles for solving social issues" and the "fulfillment of social responsibilities." Key issues are "human resources," "organizations, which make the most of human resources," "highly productive operations," "capital," "expertise and execution," and "robust governance functions."

(4) Financial Targets

The Mid-term strategies focuses on the direction of growth stories, centered on qualitative strategies, and our quantitative targets are limited. In light of the aim of presenting a growth story, the most important indicator is growth potential.



- We have changed from our traditional net income target and instead targeting EPS growth rates.
- We are also targeting profit shares in small-scale finance business area and businesses with institutional investors, which are key growth drivers.
- Our medium-term goals for ROE and CET1 ratio which are for three to five years.

(*) Shinsei Bank Group “Medium- to Long-Term Vision”

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

End

Shinsei Bank is a leading diversified Japanese financial institution providing a full range of financial products and services to both institutional and individual customers. The Bank has a network of outlets throughout Japan and is committed in its pursuit of uncompromising levels of integrity and transparency in all of its activities in order to earn the trust of its customers, staff and shareholders. The Bank is committed to delivering long-term profit growth and increasing value for all its stakeholders. News and other information about Shinsei Bank is available at <https://www.shinseibank.com/corporate/en/index.html>

For further information, please contact:
 Group Investor Relations & Corporate Communications Division
 Shinsei Bank, Limited (www.shinseibank.com)
 Tel: +81-(0)3-6880-8303/Fax: +81-(0)3-4560-1706



Redesigning Finance

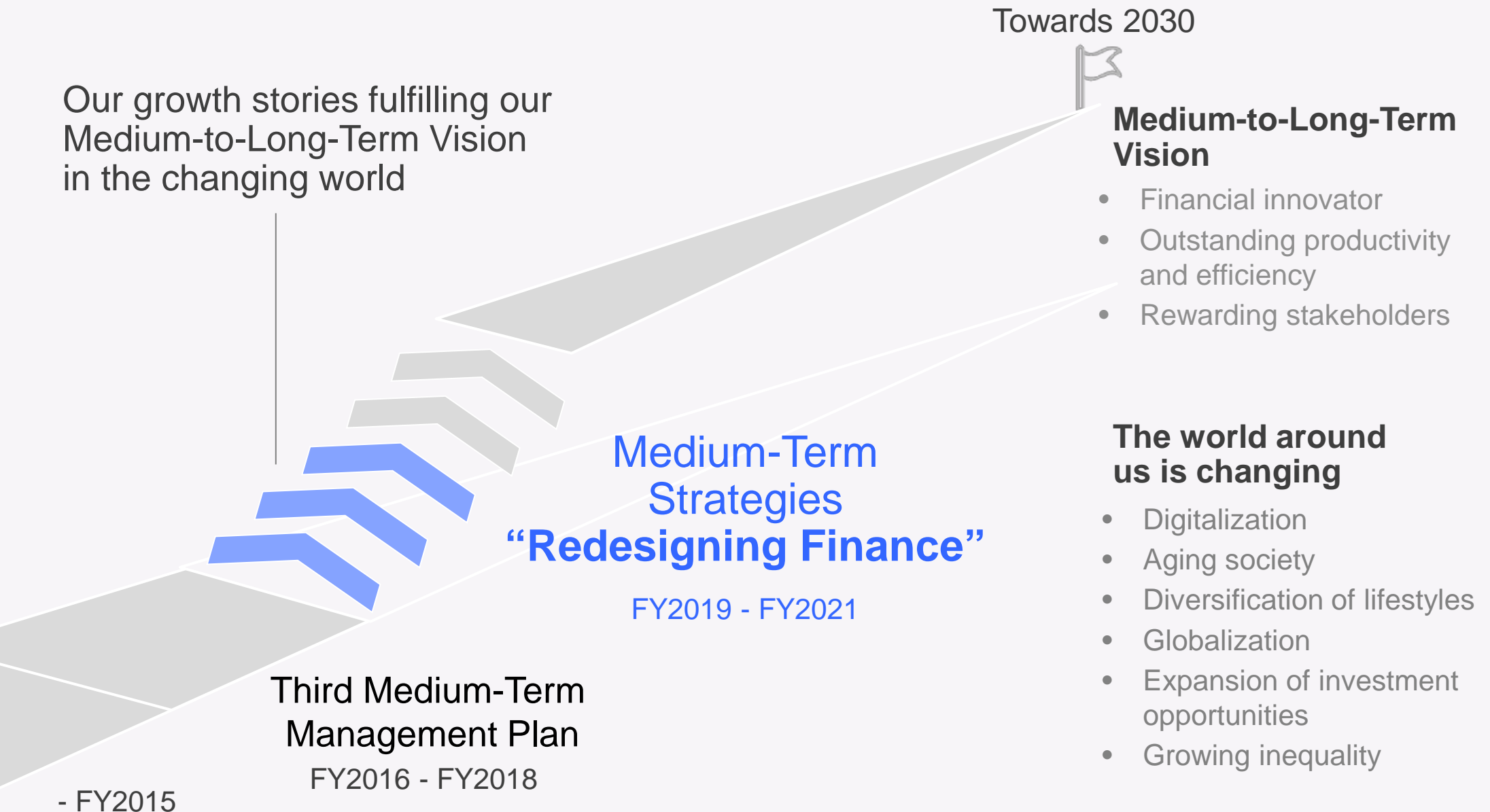
Our Innovation Stories



Medium-Term Strategies

May 2019

Positioning of Medium-Term Strategies



Background of Medium-Term Strategies



Third Medium-Term Management Plan (FY2016 - FY2018)

Selection and Concentration of Businesses

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

Value Creation through Group Integration

- Established our virtual Group HQ
- Built governance structure to reflect group-wide management

Achieve Flexible Business Management and Lean Operations

- Improved productivity on a group-wide basis by enhancing efficiencies

Our Strengths

- Expertise and Execution
- Governance

Our environment is changing

Customers are becoming more sophisticated

Digitalization has accelerated collaboration between service providers

External Environment

“Redesigning Finance”



Medium-Term Strategies (FY2019 - FY2021)

Core Strategies

Grow through Value Co-Creation

Enhance / Leverage our Capabilities

Focus Areas

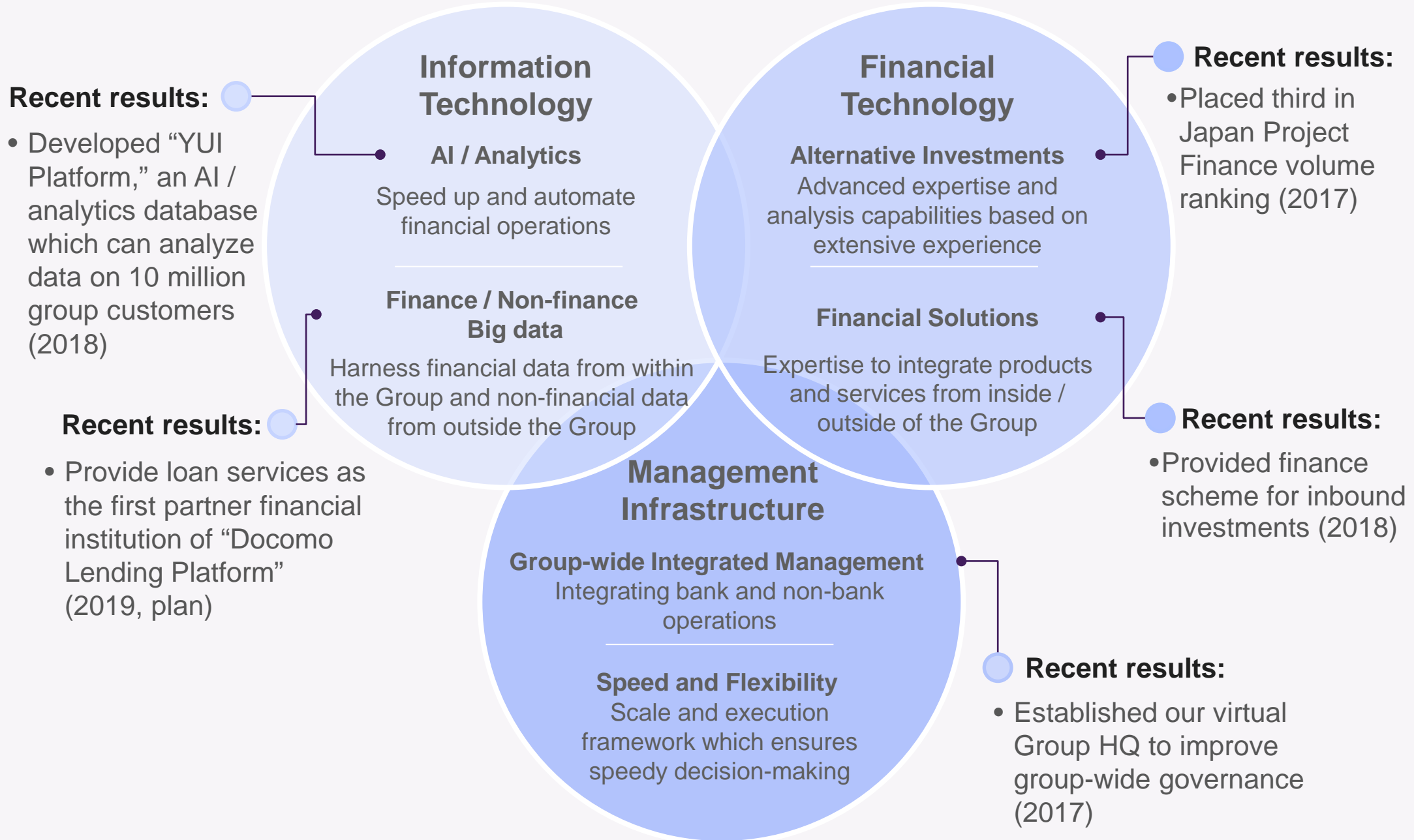
Small-Scale Finance

Institutional Investors

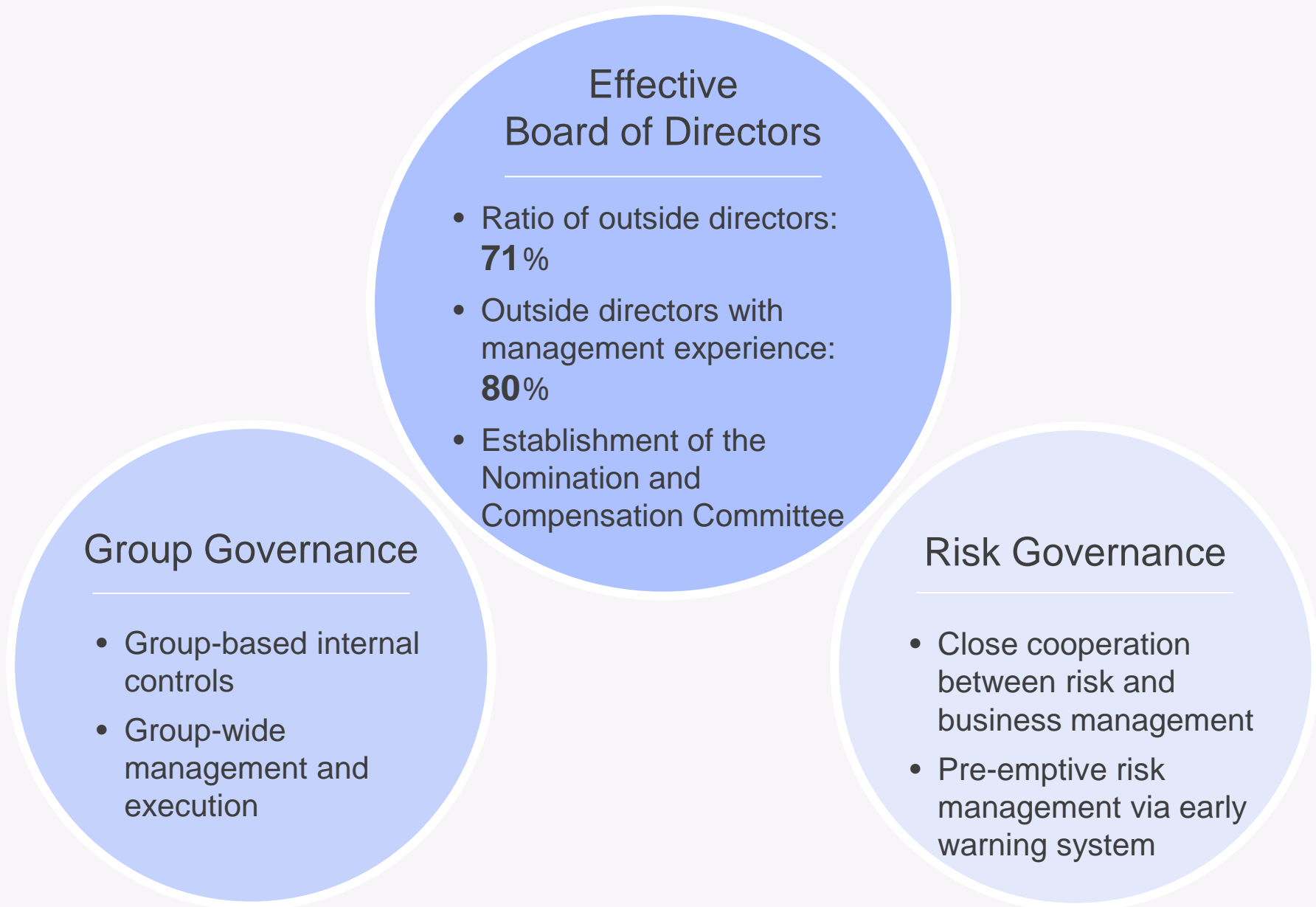
Group Organization

Productivity Reforms

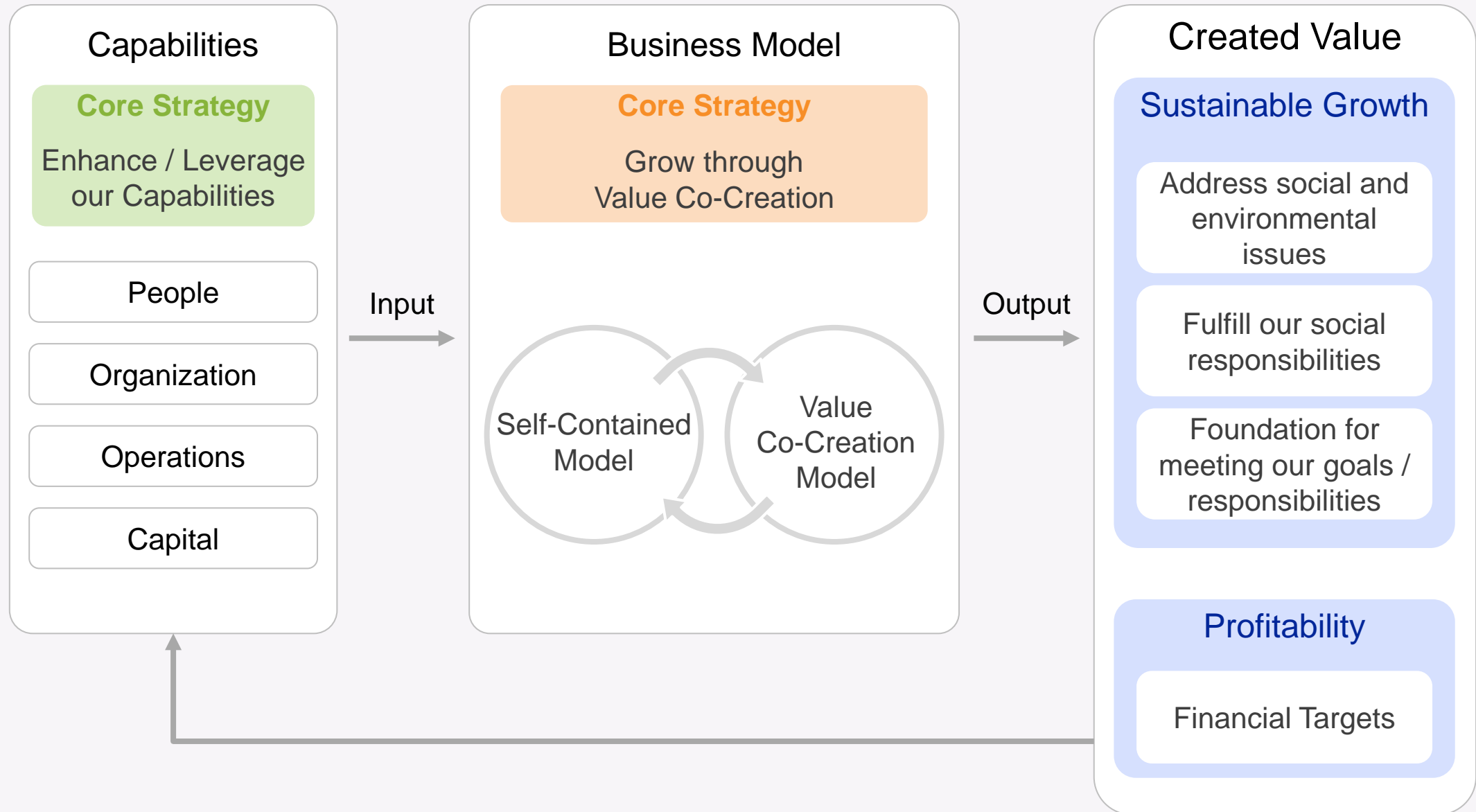
Strengths (Expertise and Execution)



Strengths (Governance)



Overview of Medium-Term Strategies



Core Strategies



Grow through Value Co- Creation

- Integration with external services
- Finance as a Service
- Deeper understanding of our customers

Maximization of
customer value



Enhance / Leverage our Capabilities

- Diverse people and flexible workstyle
- Customer-centric organization
- Productive operations
- Optimal capital usage

Optimal usage of
our resources

Core Strategy 1: Grow through Value Co-Creation

Pursue growth opportunities through **Value Co-Creation Model**

Open Innovation



Integration with
external services

- Be an ecosystem builder or participator
- Utilize digital technology and data analysis

Unbundling



Finance as a
Service

- Provide our functions / processes when our customers need us

Targeting



Deeper
understanding of our
customers

- Zero-in on marketing and service lineup
- Enhance customer value by knowing our customers on a deeper level

Our two Business Models: Self-Contained and Value Co-Creation

Source of our Strengths



Self-Contained Model

B to B to C
/ B to C

Value creation from
internal resources

Quick, flexible business deployment

Flexible response
to customer needs

Internalized
products / services



Deploy
product /
service
know-how



Enhance
product /
service
know-how

Opportunities for Growth



Value Co-Creation Model

B X B to C

Generation of synergies by
integrating data, know-how
with external services

Greater value for our customers

Deeper
understanding of
our customers

Finance as a
Service

Examples: Ecosystems for foreigners
and freelancers

Core Strategy 2: Enhance / Leverage our Capabilities

Grow building blocks for value creation and competitiveness by
enhancing and leveraging our capabilities

People



Diverse people and
flexible workstyle

- Active participation of women at every level
- Acquire skilled employees, young and old
- Hire & grow unique talent
- Human resource policies to support diversity

Organization



Customer-centric
organization

- Unify business planning functions
- Optimize and streamline our Group HQ corporate services

Operations



Productive
operations

- Accelerate productivity reforms through digital technology and more
- Maintain stable system and operations

Capital



Optimal capital
usage

- Manage capital at an appropriate level
- Responsible capital usage including non-organic initiatives

Initiatives for Sustainable Growth (Materiality)

Address social and environmental issues



Support these
SDGs:



- **Access to finance**
 - Provide services for customer needs which are not satisfied by traditional financial services
 - Provide payment methods with emerging technology
- **Fund flows that fit society's needs**
 - Provide solutions for supporting sustainable social capital
- **Solutions through integration with external services**
 - Build / participate in ecosystems, use digital technology

Fulfill our social responsibilities



Support these
SDGs:



- **Social infrastructure services**
 - Firmly provide fundamental financial functions (deposit, loan, payment etc.) as social infrastructure
 - Maintain cyber security
 - Prevent money laundering
- **Customer-oriented services**
 - Place customer benefit first
 - Give information that is accurate and easy to digest

Foundation for meeting our goals / responsibilities



- Expertise, execution
- Governance
- Organization

- People
- Operations

Support these
SDGs:



- Capital

Financial Targets

EPS Growth Rate

Growth

Annual average

2% or more

excluding the effect of
purchasing treasury shares

Profit Share of Focus Areas

Growth

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

Small-scale finance (See page 16 for details)

FY2018

45%



FY2021

50%

Institutional investors (See page 17 for details)

FY2018

10%



FY2021

15%

ROE

Profitability

FY2018

6.0%



**In the
medium term**

8.0%

OHR

Efficiency

FY2018

63.0%



FY2021

less than 60%

CET 1 Ratio

Soundness

FY2018

12.0%



**In the
medium term**

minimum 10%

Shareholder Returns

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

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

Business Strategy

Medium-Term Strategies

Core Strategies

● Grow through Value Co-Creation

● Enhance / Leverage our Capabilities

Business Strategies & Focus Areas

Business Strategy

Individual Business

Focus Area

Small-Scale Finance

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

Business Strategy

Institutional Business

Focus Area

Institutional Investors

Provide one-stop services for alternative investments

Organization Infrastructure

Focus Area

Group Organization

Integrate business functions across the Group

Focus Area

Productivity Reforms

Cost structure reform including usage of digital technology and channel optimization

Strategies for Individual Business

Data analysis to capture customer needs + Personalized solutions

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

Strategies for Institutional Business

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



Focus Area 1: Small-Scale Finance

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

Core Customers

- Individuals and small businesses

Product / Service Lineup

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

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

Our Capabilities

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

Value Co-Creation

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

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

- 2 Strengthen core capabilities, integrate with payments

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

Self-contained Model

- 1 Streamline and speed-up existing processes

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

Focus Area 2: Institutional Investors

Provide one-stop services for alternative investments

Core Customers

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

Product / Service Lineup

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

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

Our Capabilities

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

Value Co-Creation

3 Provide alternative investment services

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

2 Arrange syndicated loans

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

Self-contained Model

1 Arrange bi-lateral structured finance

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

Focus Area 3: Group Organization



Individual Customers



Institutional Customers

Individual
Business Unit



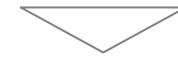
Institutional
Business Unit



Corporate Function (Virtual Group HQ)

● Integration of Group Business

- Unify business planning functions for individual / institutional customers
- Leverage diversity of the Group to create customer value
- Integrate group-wide human resources



Offer the best solutions for meeting customer needs

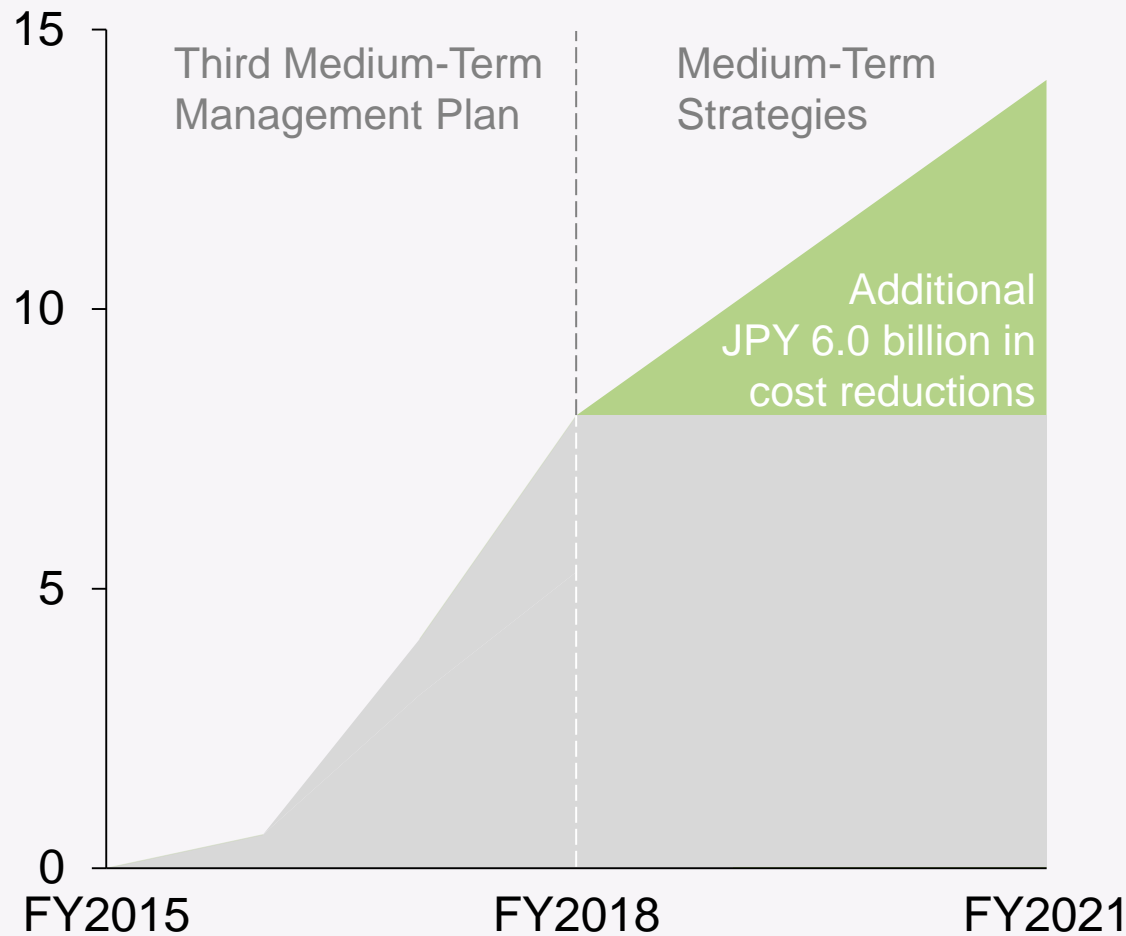
○ Achievements

- Established Virtual Group HQ
- Strengthened group governance

Focus Area 4: Productivity Reforms

Cost Reduction from Productivity Reforms

JPY billion



Note) FY2015 - FY2018; versus FY2015
FY2019 - FY2021; versus FY2018

Further Initiatives for Reforms

- Branch and office optimization
 - ü Efficiency of branch channels
 - ü Effective use of office space
- Cost structure reforms
 - ü Expense reassessment, expenditure control
 - ü Greater enforcement of procurement rules & transparency
- Digital technology and workstyle reforms
 - ü Implementation of AI, digital technology etc.
 - ü Business process / operations review
 - ü More flexible hours and workplaces

Achievements

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

Disclaimer

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