

INTEGRATED REPORT 2021

For the fiscal year ended March 31, 2021



Management Principles

The Shinsei Bank Group has established the following Management Principles and is working on a day-by-day basis toward their attainment.

To become a banking group that is sought out by customers, and contributes to the development of both domestic and international industrial economies, while maintaining stable profitability.

To become a banking group that values diverse talents and cultures and is constantly taking on new challenges presented by change, based on its experiences and history.

To become a banking group that strives for highly transparent management and values that is trusted by all stakeholders including customers, investors, and employees.

Medium-Term Strategies: Redesigning Finance ▶ P.49

The Shinsei Bank Group has been pursuing its "Redesigning Finance" initiative with its stakeholders by identifying and responding to the underserved needs of society in this wave of change.

The major waves of DX (Digital Transformation) and SX (Sustainability Transformation) are accelerating our efforts in this regard.



Design Concept


The font color, which has an alternating blue and gray design concept, expresses the value co-creation business model that brings together services of not only the Shinsei Bank Group but also other companies. The object in human form in the center of the word "finance" symbolizes our stance connecting people with finance to provide valuable new financial services.

A variety of combinations for creating value for the future.

What the Shinsei Bank Group has valued is to continue to be a unique player with presence that cannot be found elsewhere as a niche player.

We have collaborated with companies outside the financial industry to create new services by combining diverse value without being bound by existing concepts in the banking and finance industries and the boundaries of our own Group. Under the theme of "Redesigning Finance," Medium-Term Strategies is pursuing growth through value co-creation as one of its basic strategies. We are working to integrate this business with other services.

Going forward, the Shinsei Bank Group will continue to quickly capture the needs of consumers who are not yet attended to by anyone and accelerate innovation beyond common sense.



Value Co-Creation

Every person's color creates value.

A bank's cash card had no specific characteristics. Hence, based on the concept of "Color your life," Shinsei Bank began a revolutionary effort in 2005 to encourage customers to choose their own color from among 32 distinctive hues. This initiative has been well received.

Similarly, the Shinsei Bank Group values the individuality and colors of every employee. We regard human resources as one of our most important management resources. Under the theme of "Redesigning Finance," the Medium-Term Strategies have identified "enhance/leverage capabilities" as one of the core strategies, alongside "growth through value co-creation."

Based on diversity and inclusion, we have created a framework and culture that enables diverse human resources to work in different ways and to maximize Group's performance.



[Movie] Shinsei Bank color cash card
Story of 32 Colors (Japanese only)
<https://youtu.be/9Sq0RHvG81k>



The Integrated Report 2021 focuses on the invisible corporate value (value of intangibles) of the Shinsei Bank Group, with a focus on human capital. There are five key words for expressing this invisible corporate value. These five key words are linked to one another, and we would like to introduce their relevance here.

Five key words



The concept of the Medium-Term Strategies, which started in fiscal 2019, is "**Redesigning Finance**." The Shinsei Bank Group is a hybrid comprehensive financial group with bank and nonbank financial functions. We aim to unbundle the financial functions of the Group and develop new niche markets that respond to **underserved customer needs** with conventional financial services and products. One of the basic strategies in our Medium-Term Strategies is to develop new markets by providing products and services in collaboration with external partners and to "grow through **value co-creation**." This initiative is supported by human resources, organizations, and systems that have diverse experience and know-how. These basic abilities that support the Shinsei Bank Group's businesses are collectively referred to as **capabilities**, and "enhance/leverage our capabilities" is another basic strategy for the Medium-Term Strategies. In order to develop new products and services that are not in the world today, it is important to have a variety of experiences and values (diversity) and inclusions that allow people to recognize each other's diverse values and respect each other's opinions. The Integrated Report 2021 visualizes the **diversity and inclusion organizational culture that leads to proactive dialogues**.

Participation in Initiatives

United Nations Global Compact



Principles for Financial Action for the 21st Century



Women's Empowerment Principles (WEPs)

In support of



Established by UN Women and the UN Global Compact Office

30% Club Japan



Equator Principles



Task Force on Climate-related Financial Disclosures (TCFD)

Principles for Responsible Banking



The Poseidon Principles



ESG Index

MSCI

2021 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

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Bloomberg Gender-Equality Index



Awards and Accreditation

Semi-Nadeshiko



Kurumin



Gan (cancer) Ally Award



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Editorial Policy Here in this Integrated Report, the Shinsei Bank Group brings together financial and nonfinancial information in a bid to help investors and other stakeholders gain an understanding of the Group's strategies and efforts toward creating sustainable corporate value.

Having referred during the editing process to the frameworks presented by the International Integrated Reporting Council (IIRC)¹ and the Guidance for Collaborative Value Creation² indicated by the Ministry of Economy, Trade and Industry, we show the "big picture" narrative of the Shinsei Bank Group's corporate value creation.

In addition, this Report and the Shinsei Bank Integrated Report 2021 Data Appendix fulfill the disclosure requirements (an explanation of the Shinsei Bank's operations and matters regarding our financial position) stipulated under Article 21 of Japan's Banking Act. The Report also contains statements about the Group's management policies and future operating results. These forward-looking statements are not a guarantee of future performance. Actual results could differ from those indicated due to a variety of factors, including changes in the operating environment. Please see Shinsei Bank's Integrated Report 2021 Data Appendix for supplemental financial information.

Notes: 1 Established in 2010 for the purpose of developing an international framework for the disclosure of corporate information, the International Integrated Reporting Council (IIRC) is a global coalition of regulators, investors, companies, standard setters, the accounting professions and NGOs.

2 A manual for systematically organizing and integrating the information (management principles, business model, strategy, governance, etc.) that companies should convey to investors. Created and published by the Ministry of Economy, Trade and Industry for the purpose of enhancing the quality of information disclosure and dialogue with investors.

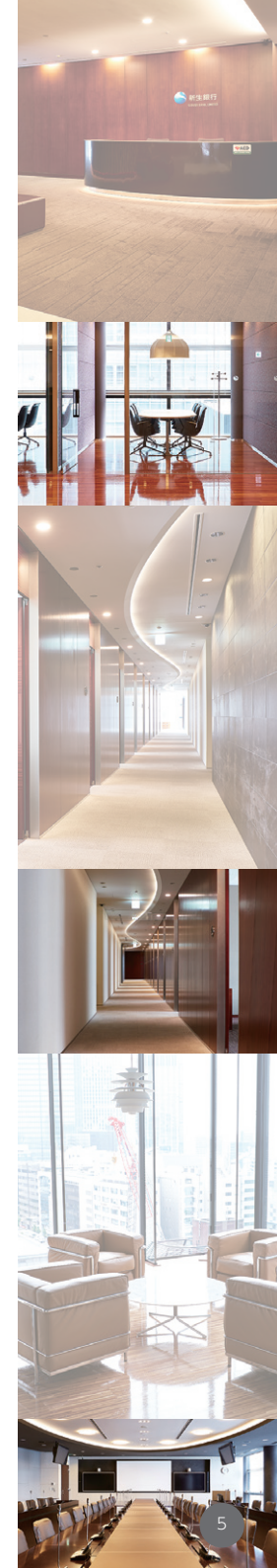
Pave the Way to Achieve What the Shinsei Bank Group Wishes to be

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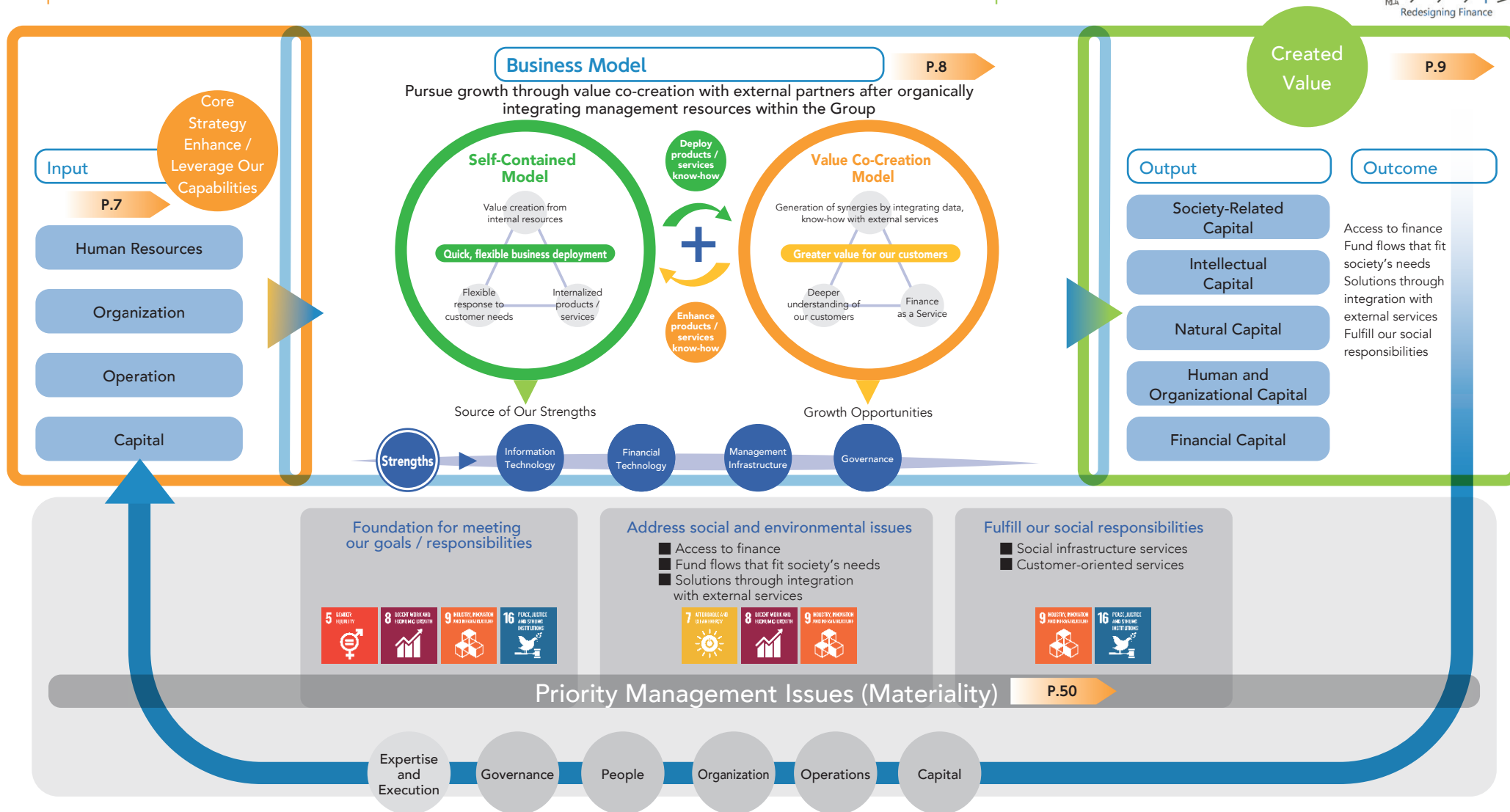
Corporate Value Creation Mechanism

Integrate organically management resources within the Group across companies and industries

By co-creation with outside partners

Achieve a society in which each person and every company can enjoy financial and nonfinancial products and services that meet their needs

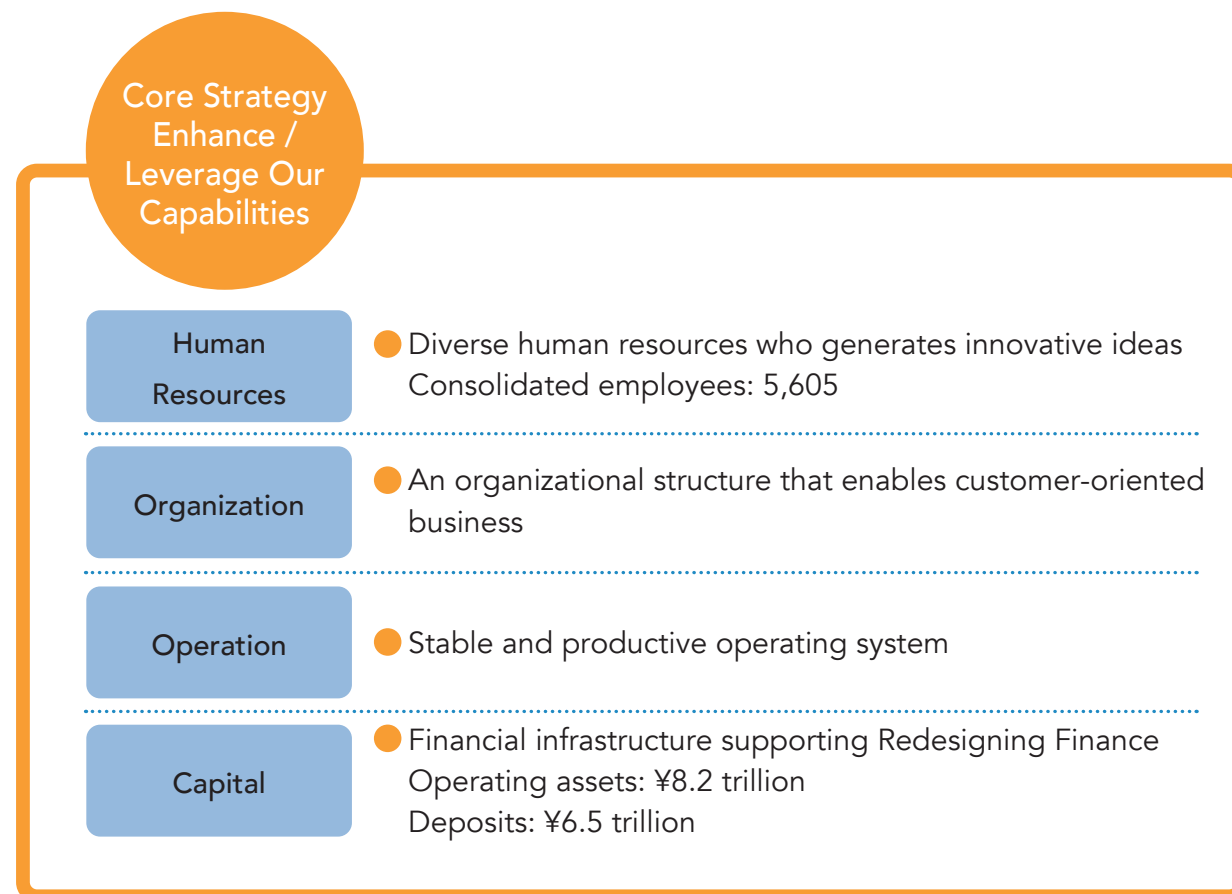
金融リ・デザイン
Reshaping Finance



Input

Input that generates all creative value are expressed as organizational abilities and capabilities.

Capabilities are organizational capabilities that are the source of a company's growth and primarily encompass four points: human resources, organization, operations and capital. Strengthening and leveraging the capabilities that serve as input is a source of differentiation, and this is one of fundamental strategies of Medium-Term Strategies.

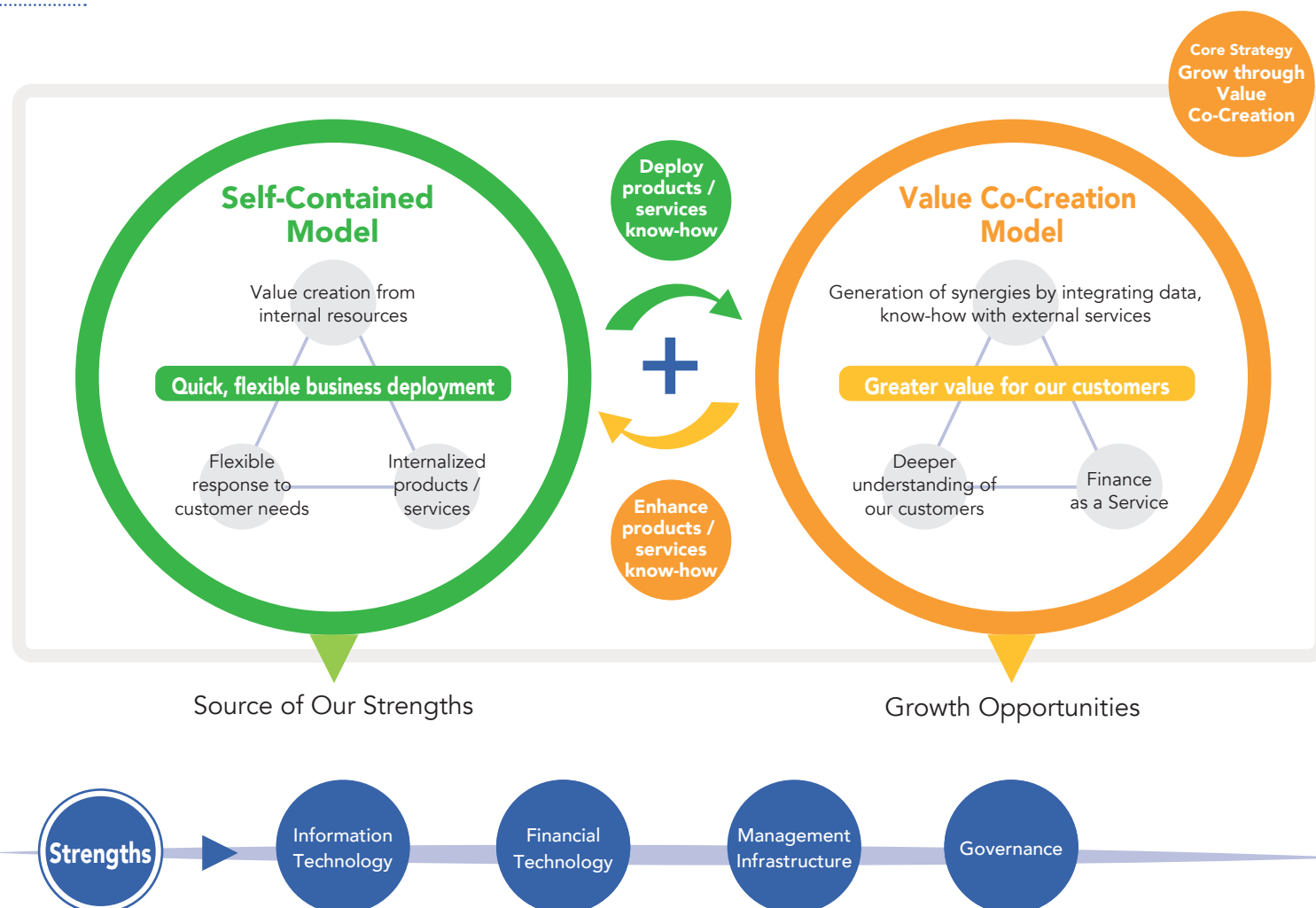


(As of March 31, 2021)

Business Model

The difference between a self-contained business model and a value co-creation business model lies in the scope of collaboration. In a self-contained business model, we have been creating synergies through collaboration within the Group. In a value co-creation business model, we have been creating synergies through the integration of data and know-how with other parties outside the Group. In addition, in a value co-creation business model, the Group's functions are broken down to provide customers with the necessary functions and respond flexibly to their needs.

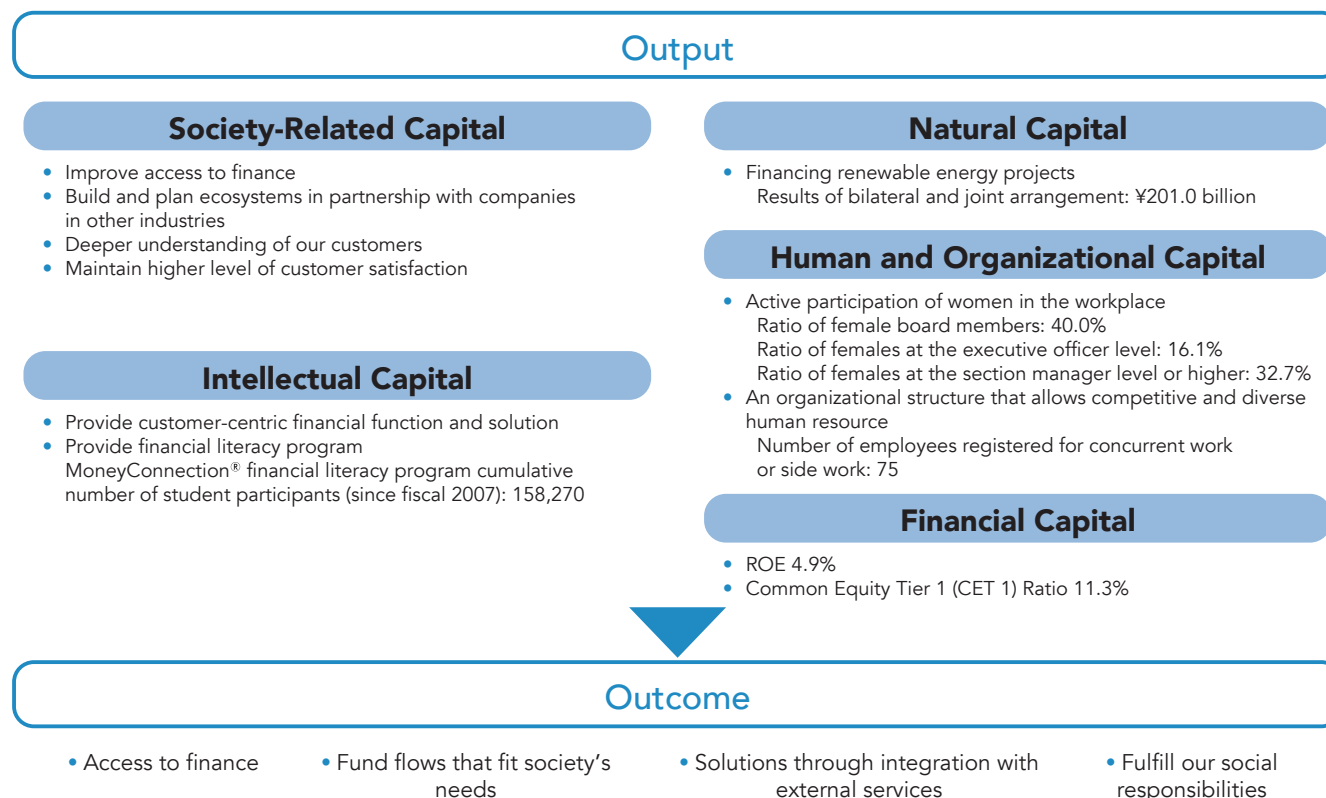
Both of these business models are mutually enhancing, and we are able to form partnerships with others through our know-how cultivated in a self-contained manner. We have been accumulating the experience and knowledge gained through value co-creation as new self-contained know-how.



Output and Outcome

Among the values (output) created by business models, quantitative targets are financial targets, and qualitative targets are initiatives for sustainable growth. This qualitative goal is synonymous with materiality (a key management issue) and also encompasses contributing to the SDGs.

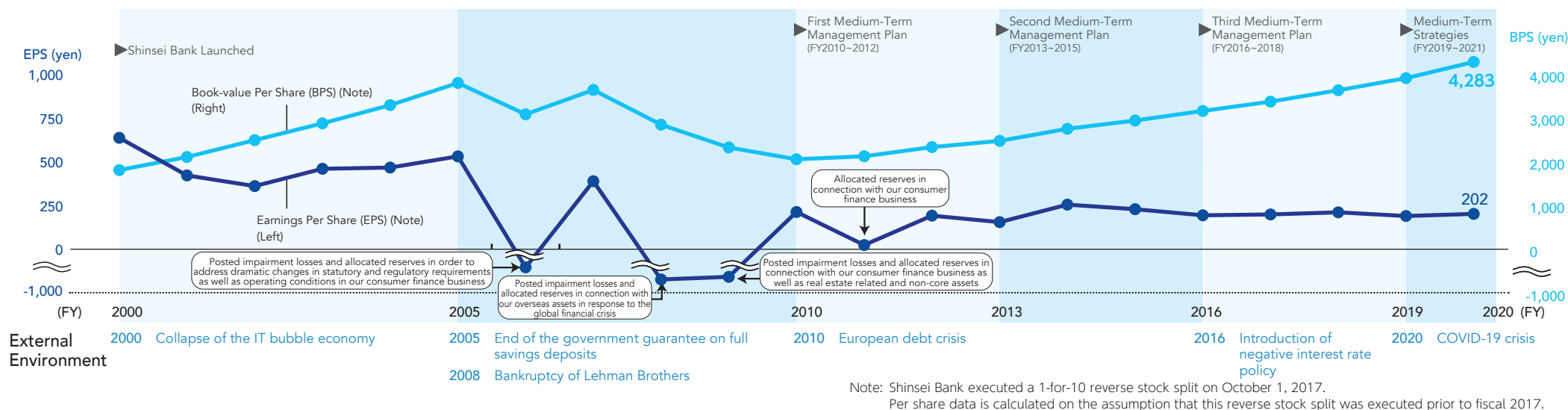
We have further strengthened our efforts to address climate change issues compared to when the Medium-Term Strategies were first formulated. For information disclosure of output, in addition to expanding financial information, we have also strengthened information disclosure through the TCFD framework.



(As of March 31, 2021)

Evolution of the Shinsei Bank Group

Since our launch as Shinsei Bank, Limited in 2000, the Group has continued to expand the customer base and stabilize income while acquiring new financial functions through acquisitions including APLUS FINANCIAL Co., Ltd., Showa Leasing Co., Ltd., and Shinsei Financial Co., Ltd.



Transition of the Shinsei Bank Group

1952 The Long-Term Credit Bank of Japan, Limited established
1998 Due to business failures, temporary nationalization and special public management began based on the Financial Revitalization Law
2000 The Long-Term Credit Bank of Japan, Limited was bought out by New LTCB Partners CV, a US private equity investment consortium comprised of Ripplewood Holdings and J.C. Flowers & Co. LLC

2000 Shinsei Bank launched
Name changed from The Long-Term Credit Bank of Japan, Limited (LTCB), to Shinsei Bank, Limited
2001 Shinsei Securities Co., Ltd. commenced operations
2003 Shinsei Investment Management Co., Ltd. commenced operations

2004 APLUS Co., Ltd. (now APLUS FINANCIAL Co., Ltd.) converted into a consolidated subsidiary. Listed the Bank's common stock on the First Section of the Tokyo Stock Exchange. Converted the Bank's long-term credit bank charter to an ordinary bank charter
2005 Showa Leasing Co., Ltd. converted into a consolidated subsidiary
2007 SHINKI Co., Ltd. (now Shinsei Personal Loan Co., Ltd.) converted into a consolidated subsidiary
2008 GE Consumer Finance Co., Ltd. (now Shinsei Financial Co., Ltd.) converted into a consolidated subsidiary

2016 Showa Leasing Co., Ltd. converted into a wholly owned consolidated subsidiary
Shinsei Financial Co., Ltd. entered the unsecured personal loan business in Vietnam
2017 Established the Shinsei Bank Group Headquarters
2019 Acquired all shares of Financial Japan Co., Ltd.
Showa Leasing Co., Ltd. acquired the shares of SHINKO LEASE CO., LTD. Formulated "Redesigning Finance" Medium-Term Strategies (fiscal 2019 to 2021)
2020 Concluded an agreement to acquire stocks of UDC Finance Limited to make it a wholly owned subsidiary
APLUS FINANCIAL Co., Ltd. converted into a wholly owned consolidated subsidiary

Business Topics

2005 Launched 32 colors of new cash cards for retail Power-Flex account customers

2016 Entered unsecured personal loan business in Vietnam

2018 Launched a new Lake ALSA brand, an unsecured loan product

Transition of Stock

2000 Preferred stock capital injection and a partial reduction of preferred stock capital without compensation
2003 Reduction of capital through the merger of two shares of common stock into one share

2006 Partial repayment of public funds / Cancellation of treasury shares
2007 Conversion of preferred stock into common stock
2008 Issuance of new shares by third-party allotment / Conversion of preferred stock into common stock

2011 Issuance of new shares through international offering
2016 Acquisition of treasury shares
2017 Acquisition of treasury shares / Merger of 10 shares of common stock into one share

2018 Acquisition and cancellation of treasury shares
2019 Implemented a secondary offering of shares of common stock of the Bank / Acquired treasury shares
2020 Acquired treasury shares



Recent Business Topics

[Fiscal 2020]

April	Institutional ESG	Adopted Equator Principles	November	Institutional ESG	Formed Shinsei Green Loans for the purpose of lending to Kushima Woody Biomass	March	Institutional ESG	Executed green loan to a special purpose company formed by Japan Renewable Energy Corporation
June	ESG	Introduced a restricted stock compensation plan for outside directors		Institutional ESG	Commenced green loan to Takara Leben Infrastructure Fund		Institutional ESG	Executed green loan to DREAM Private REIT Inc.
August	Institutional ESG	Commenced social loans to a limited liability company formed by Daiwa ACA Healthcare Inc.	December	Individual ESG	Commenced selling charity notes	[Fiscal 2021]		
	Institutional ESG	Commenced social finance to a special purpose company formed by Bridge C Capital Inc.	January	Shinsei Bank Group ESG	Established Group Sustainability Committee	April	Shinsei Bank Group	Formulated the Declaration of Cyber Security Management of the Shinsei Bank Group
	Individual	Launched credit card for residents from overseas		Shinsei Bank Group	Concluded LOI for a comprehensive business partnership in the financial instruments intermediary business and company split with Monex, Inc.		Institutional ESG	Executed green loan to a special purpose company formed by Invenergy Japan G.K.
	Institutional ESG	Executed green loan to Ichigo Eco Energy Co., Ltd.					Shinsei Bank Group ESG	Signed to the Principles of Responsible Banking
	Institutional	Established Regional Revitalization Partners Co., Ltd.	February	Institutional ESG	Commenced social loans to a limited liability company formed by Healthcare Management Partners, Inc.			
September	Shinsei Bank Group	Acquired shares of UDC Finance Limited (New Zealand) (wholly owned subsidiary)		Individual	Commenced collaboration on FamiPay Loan, a new loan service for FamiPay users			
October	Institutional ESG	Commenced social loans to a limited liability company formed by Healthcare Management Partners, Inc.	March	Shinsei Bank Group ESG	Issued sustainability bonds			
	Individual ESG	Issued green bonds with structured bonds format		Institutional ESG	Commenced social loans to Canadian Solar Infrastructure Fund, Inc.			
	Institutional ESG	Commenced mezzanine finance by the Shinsei Bank Group and Daiwa Energy & Infrastructure Co., Ltd.		Shinsei Bank Group	Concluded an agreement on a capital alliance with Latitude Group (Australia)			
	Individual	Started offering purpose loans (unsecured), Senty Personal Loans to residents from overseas		Institutional ESG	Participated in the Poseidon Principles			
	Shinsei Bank Group	APLUS FINANCIAL Co., Ltd. converted into a wholly owned consolidated subsidiary		Shinsei Bank Group ESG	Held a Group action event International Women's Day			
November	Institutional ESG	Concluded green loan agreement with a limited liability company formed by Sky Solar Japan		Shinsei Bank ESG	Selected as Semi-Nadeshiko Brand in 2021			
	Individual	Launched Shinsei Smart Card Loan Plus for Nissen		Shinsei Bank Group	Concluded a simple absorption-type corporate split agreement with Monex			

International Women's Day Action Event

In March 2021, the Shinsei Bank Group held action events to enable all employees to participate. Events included wearing yellow flowers to demonstrate support for gender equality, and creating and distributing mimosa flowers as wallpapers and yellow backgrounds for Web conferences, in line with International Women's Day on March 8.



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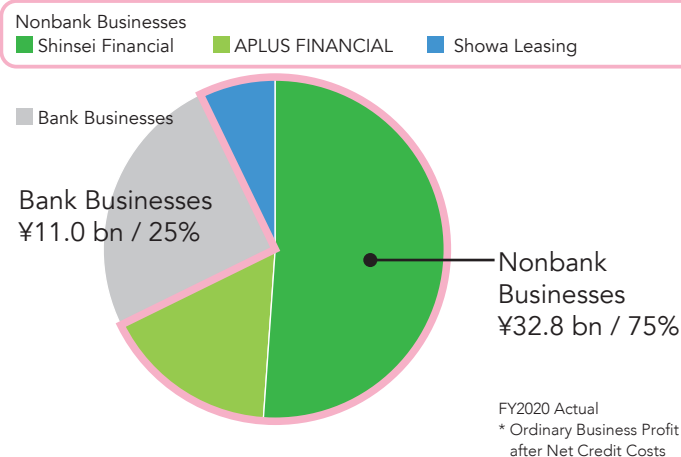
Shinsei Bank Group's Products and Services

Unique products and services

The Shinsei Bank Group is a hybrid comprehensive financial group that is engaged in both bank and nonbank functions.

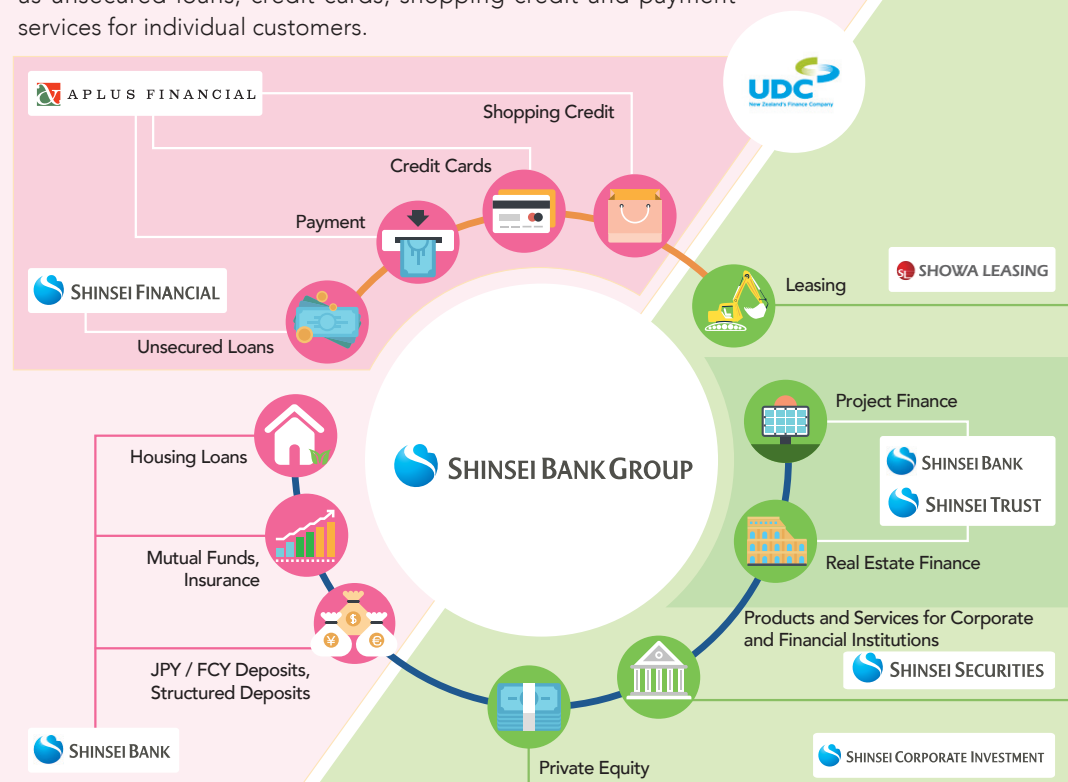
Taking into account the mega trends of society, we aim to leverage the strengths of a hybrid financial group and combine the financial functions of the Group to provide products and services that respond to customers who are unsatisfied with traditional financial and nonfinancial services.

■ Profit share from bank and nonbank businesses*



Individual Business

The Individual Business is composed of the retail banking business and consumer finance, which provides products and services such as unsecured loans, credit cards, shopping credit and payment services for individual customers.

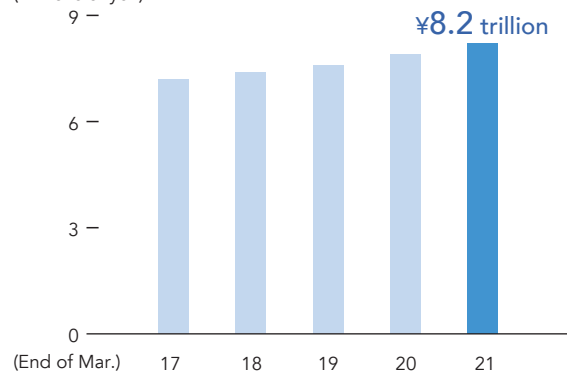


The Institutional Business is composed of the corporate business, structured finance business, private equity investment and business succession financing business, leasing business, as well as delivering market services that provide market solutions for foreign exchange and interest rate derivatives, among others.

Institutional Business

Operating Assets

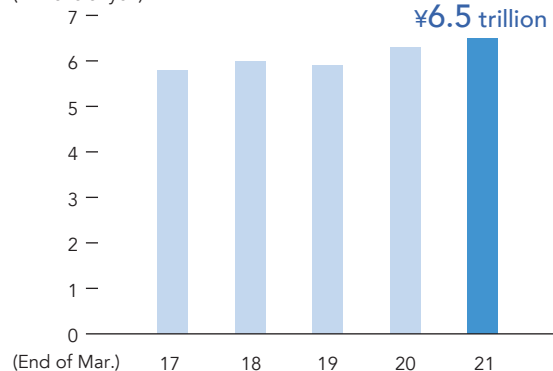
(Trillions of yen)



The balance of operating assets increased, mainly in core business areas such as institutional investors business and small-scale finance.

Deposits

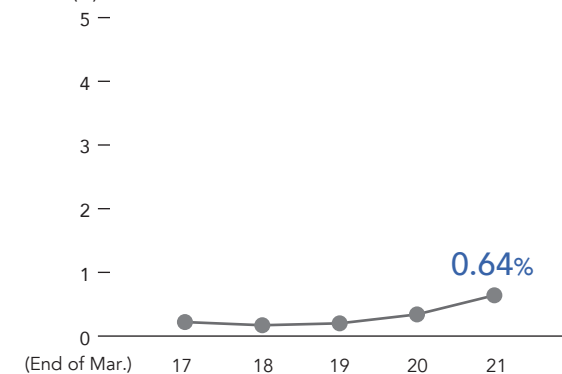
(Trillions of yen)



Stable deposits are mainly from individual customers, and the Bank maintains adequate deposit balances in both yen and foreign currencies.

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

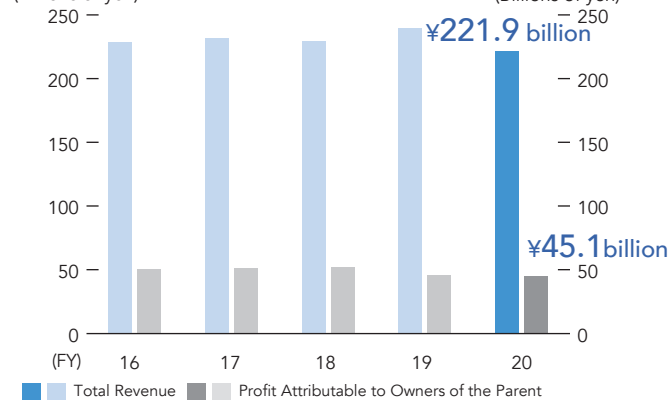
(%)



Under the Financial Revitalization Law, the ratio of nonperforming loans (NPL), which indicates the quality of assets, remained at a low level.

Total Revenue / Profit Attributable to Owners of the Parent

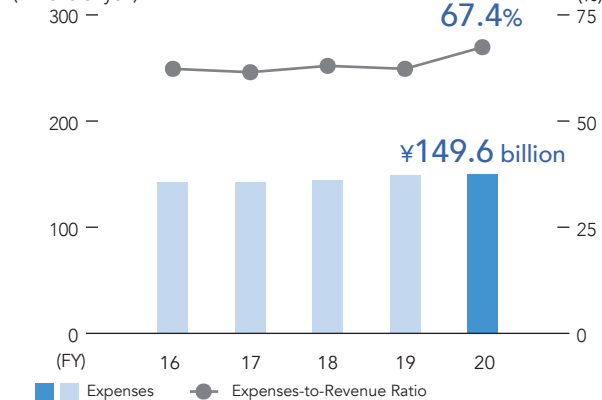
(Billions of yen)



We are committed to increasing stable revenue based on actual customer demand and improving the quality of revenue under the continuous monetary easing by BOJ's negative interest rate policy and an uncertain economic environment.

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

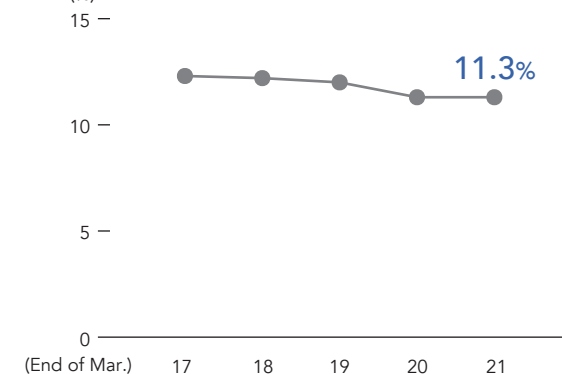
(Billions of yen)



While systems costs increased due to the new core banking system, the Shinsei Bank Group is working to reduce the expenses-to-revenue ratio through the unified promotion of productivity reforms.

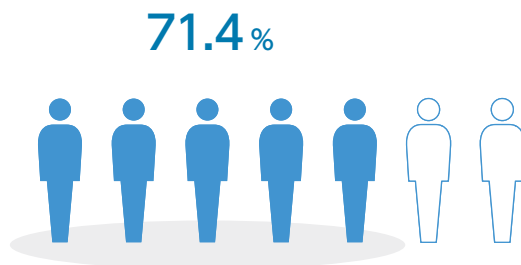
Common Equity Tier 1 Ratio (International Standard)

(%)



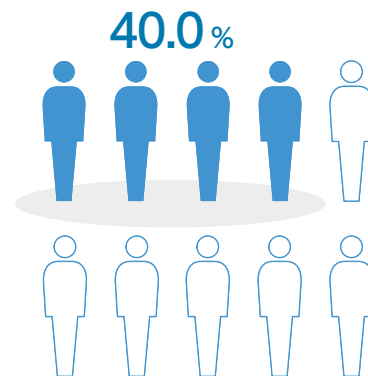
Despite an increase in risk assets due to an increase in the balance of operating assets in the focus areas, the capital ratio remains at a sufficient level due to the steady accumulation of profits.

Ratio of Outside Directors on the Board of Directors



Outside directors with diverse skills and expertise comprise the majority of the directors. The Bank has maintained this structure since it commenced operations.

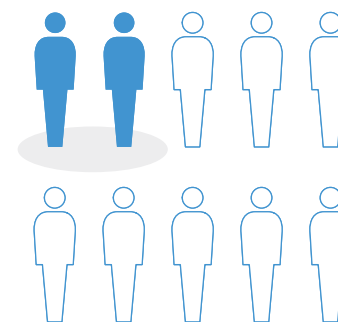
Ratio of Female Board Members



Four out of ten directors are female directors.

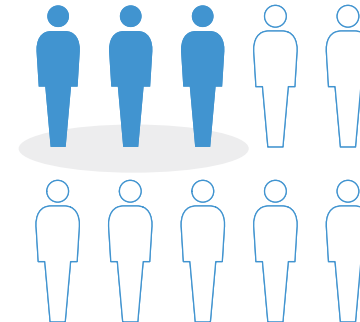
Ratio of Female Managers

Section Leader-Level or Higher 19.6%

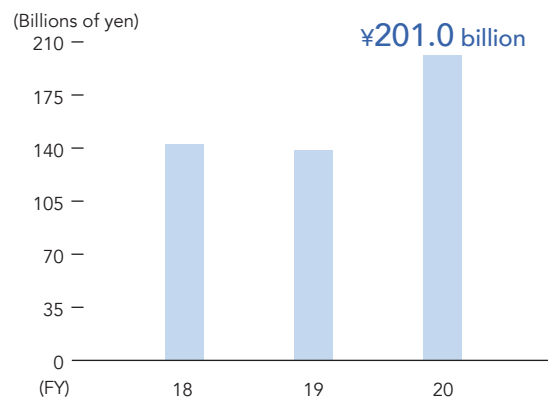


Recognizing that promoting the active participation of women is one of the most important issues in promoting diversity, we are developing an environment and implementing initiatives such as increasing the number of flexible workstyles and options for diverse careers so that women can continue to play an active role by leveraging the strengths and characteristics of each and every woman in every level and job category.

Section Manager-Level or Higher 32.7%

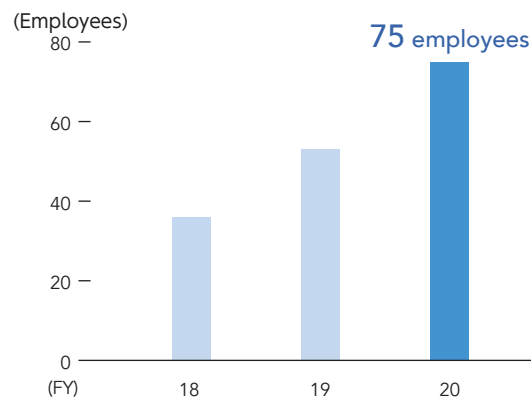


Arrangement of Renewable Energy Project Finance



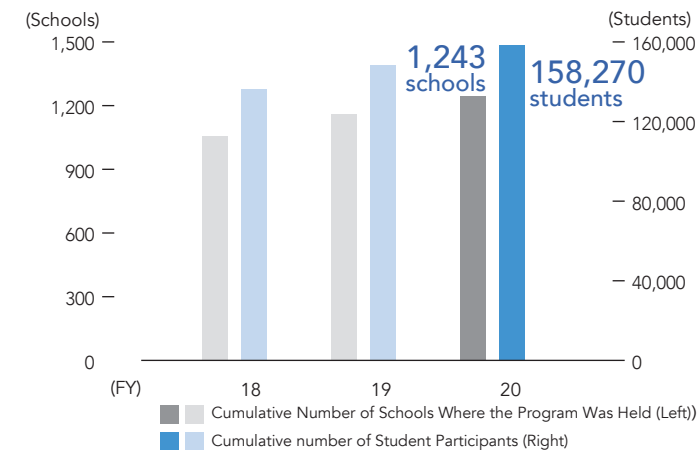
Since 2012, we have been expanding the base of domestic project finance investors and promoting syndication with regional financial institutions through project finance for renewable energy.

Number of Employees Registered for Side or Concurrent Work (Employees)



To ensure more diversity in careers, we started allowing employees to concurrently engage in personal business (outsourcing, business start-up, company executive, etc.) or work concurrently for another company in advance of other domestic financial institutions.

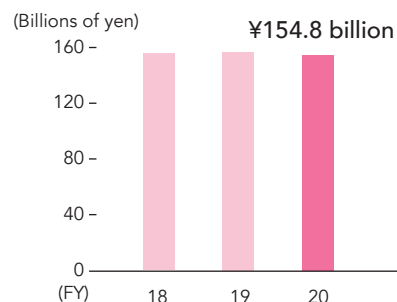
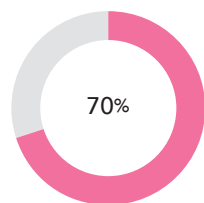
"MoneyConnection®" Financial Literacy Program



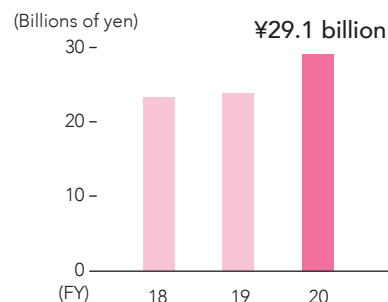
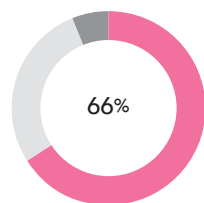
The Shinsei Bank Group considers the unemployment risk of younger people as a social issue and needs to be solved. We actively work on promoting and expanding MoneyConnection®, a financial literacy program mainly targeted at high school students, aiming to help them gain accurate knowledge and an understanding of the concept of money.

Individual Business

Total Revenue



Ordinary Business Profit after Net Credit Costs



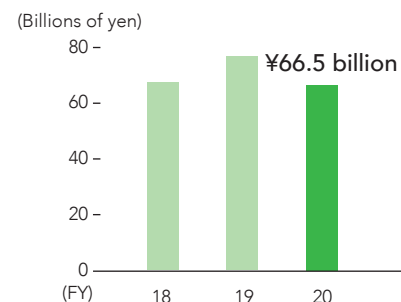
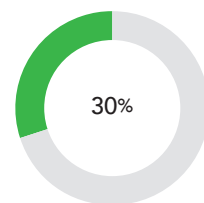
Note: The percentage figures do not add up to 100% due to the contribution of Corporate / Other.

Major Businesses

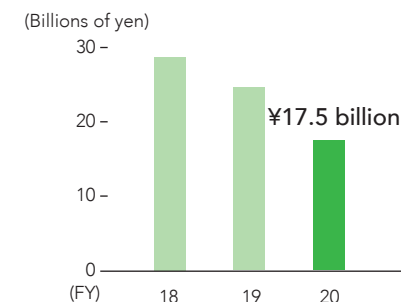
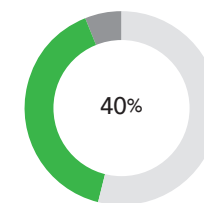
● Retail Banking	Yen / foreign currency deposits, structured deposits, investment trusts, securities brokerage services (through a partner institution), life and nonlife insurance (through partner institutions), housing loans, provision of financial transactions and services for individuals
● Shinsei Financial	Unsecured loans and credit guarantees (Shinsei Financial, Shinsei Bank Card Loan L (former Shinsei Bank Lake), NOLOAN, Lake ALSA)
● APLUS FINANCIAL	Shopping credit, credit cards, loans and payment services
● Other Individual Business	Other subsidiaries

Institutional Business

Total Revenue



Ordinary Business Profit after Net Credit Costs



Major Businesses

● Corporate Business	Provision of financial products, services and advisory services for corporations, public-sector entities and financial institutions, healthcare finance, trust banking
● Structured Finance	Real estate-related nonrecourse finance and corporate finance, project finance, specialty finance including M&A-related finance
● Principal Transactions	Private equity, credit trading, business succession finance and asset-backed investment, etc.
● Showa Leasing	Financial products and services focused around lease finance
● Markets Business	Foreign exchange, derivatives, equity-related and other capital markets business
● Other Global Markets Businesses	Securities, asset management and wealth management



What are the Intangible Sources of Competitiveness (Value of Intangible Assets) of the Shinsei Bank Group?
~The Future of Sustainability Management

Hideyuki Kudo
President and
Chief Executive Officer

In fiscal 2020, the external environment changed dramatically due to the Novel Coronavirus infections, and, as a result, business activities of the Shinsei Bank Group were significantly affected. The financial impact is described in detail in the Financial Summary section. However, if I briefly comment on the financial results, consolidated profit attributable to owners of the parent was 45.1 billion yen, a decrease of 0.4 billion yen from the previous fiscal year. This fiscal year's results include a 9.7 billion yen gain on the sale of shares in an equity-method affiliate. Excluding this gain, it can be said that the results were essentially not superior to those of our competitors. We fully recognize our weak financial results.

On the other hand, I believe that it was a year in which the Shinsei Bank Group was able to steadily strengthen "the value of the Shinsei Bank Group's intangible assets" by steadily implementing initiatives that contribute to "the realization of a sustainable society" and improve profitability over the medium to long term. These efforts are not a response to the Novel Coronavirus, but as part of our Medium-Term Strategies. However, we were able to further accelerate our efforts "during the Novel Coronavirus."

There is a growing demand for corporate management to contribute to "the realization of a sustainable society from a medium- to long-term perspective," which is a shared philosophy in terms of ESG, SDGs, and sustainability, and to improve sustainable profitability through such contributions. In light of this, this Integrated Report has been prepared focusing on the theme of "Sources of the Shinsei Bank Group's Competitiveness (Value of Intangible Assets)" as the basis for realizing this.

The points are:

- 1) Establishment of a management vector for the Shinsei Bank Group to provide unique value to society and the economy
- 2) Strengthen organizational capabilities and capacity to drive management towards that vector

The Shinsei Bank Group defines 1) as "sustainability management," and 2) as a group implementing a variety of measures to strengthen the value of intangible assets. We hope that my message will help our stakeholders better understand these initiatives.



Good business opportunities in the future will only be in the context of sustainability

First, regarding the sustainability management that the Shinsei Bank Group aims for.

The Shinsei Bank Group has been conducting business activities with an awareness of environmental issues and social issues, with the goal of contributing to the realization of a sustainable society as a corporate social responsibility. Today, we believe that good business opportunities in the future will only be within the context of sustainability. Recognition throughout the world that the current economic and social approaches cannot be continued is spreading, and it is becoming the theme of all businesses to think about how to deal with these challenges and how to contribute to a sustainable society. In this context, we believe that the social role and significance of our niche, the uniqueness of the Shinsei Bank Group, should play a critical role by focusing on needs that are not met by existing products and services as new business opportunities ahead of anyone and bringing them to the world.

This does not mean sacrificing profitability or business growth for ESG, SDGs or sustainability. It should be a major premise for a private company to make profits, and I believe awareness is now stronger than ever that profits remain sustainable. One example is our early commitment to domestic renewable energy project finance and our track record of leading domestic arrangements and financing offerings.

In addition, this does not mean simply withdrawing from existing businesses that are not in the context of sustainability. I believe that the role of the Shinsei Bank Group is to provide financial support for transitioning to businesses that are in the context of sustainability. Of course, we will eventually withdraw from businesses that cannot achieve these transitions.

The manner in which the Shinsei Bank Group has been engaging in business operations in line with the context of sustainability has already been embedded in the policies of the Medium-Term Strategies. Under our Medium-Term Strategies, we aim to cultivate

customer segments that are not met by existing financial services or that do not enjoy the services themselves. To achieve this, one of our basic strategies is to pursue growth through value co-creation in collaboration with companies outside the Group.

The pandemic of the Novel Coronavirus infection that occurred last year caused a drastic change in the environment. As a result, while there are businesses where obsolescence has accelerated, at the same time, there are businesses where potential social needs have rapidly materialized. In addition, the crisis of the Novel Coronavirus infection deeply impressed the consciousness of sustainability in people's brains. Until now, we have undertaken a number of initiatives to co-create value. However, the business environment has changed dramatically, and many business opportunities that cannot be captured by traditional frameworks have emerged, and the current situation, which is still in a crisis, is a good opportunity to accelerate our strategic initiatives for value co-creation.

Only when diversity and inclusion is incorporated into the DNA of the organization, we will realize the sustainability management

Next, I will discuss the enhancement of organizational capabilities and capacity for the promotion of management toward the above-mentioned vectors.

In order to quickly capture new business opportunities, it is important for an organization to have diverse perspectives and to create ideas that come from diverse perspectives. To this end, it is important to promote diversity, that is, an organizational structure and culture that leverages diverse human resources. Diverse human resources are not only meant to promote the active participation of women, nor are they meant only to utilize human resources of specific minorities. The organization is to work as a team. People with innovative ideas and people with conservative ideas are okay, and there are people who have been engaged in traditional business for a long time, and there are people who want to create new ones. It is important that various values come from different backgrounds, such as gender, generation, nationality, and they are nurtured. It is

important that these diverse human resources coexist in the organization and are a part of the sound organization that brings together diverse perspectives.

The *inclusion* that employees of the Shinsei Bank Group aim for is to accept owners of values and ideas that differ from themselves and participate in the development of new initiatives that emerge from proactive dialogues. I believe that this kind of diversity and inclusion is not just a topic for external appeal, but only when it is incorporated into the DNA of the organization, and will realize the sustainability management that the Shinsei Bank Group is aiming for.

In order to promote this, we have promoted the "Redesigning Workstyle" to create a system that raises the flexibility of working styles and provides opportunities for diverse talents to play an active role. This includes promoting the empowerment of women, multiple employment workstyle, side businesses, and the introduction of a re-employment system for former employees called Alumni as well as the expansion of working from home. The Shinsei Bank Group, which had been developing a remote work system prior to the spread of Novel Coronavirus infections, was able to respond immediately to "during the Novel Coronavirus." However,

when I actually tried it out, I also came to understand the problems peculiar to housing conditions in Japan. Today, we have drastically improved our satellite offices, and in addition to reviewing the roles of our main offices, we are searching for a comfortable work space optimized for each employee. I believe that we can accelerate these workstyle reform trials with a sense of crisis due to the coronavirus crisis, and are able to cope with changes in the environment more quickly than in the world. These series of initiatives are nothing more than the other basic strategy of the Medium-Term Strategies, "Enhance/Leverage Our Capabilities."



The Shinsei Bank Group aims to become a corporate group that realizes Sustainability Transformation ahead of anyone else

Finally, the Shinsei Bank Group established the Group Sustainability Committee in January 2021. The intent is to strengthen and upgrade sustainability management on a Group basis. As I have explained, the promotion of initiatives under the Medium-Term Strategies leads to the context in which sustainability management is directly promoted, but I believe that the era in which "sustainability initiatives = management strategy itself" will soon come. The Shinsei Bank Group aims to become a corporate group that realizes Sustainability Transformation (SX) ahead of anyone else. To this end, in fiscal 2021, the final year of the Medium-Term Strategies, we hope to have a year in which the Group's employees, sometimes with partners outside the Group, will recognize diverse values and perspectives on diverse human resources, create new ideas by building constructive relationships with each other, and further accelerate the efforts of sustainability management to embody the concept of "Redesigning Finance" in all

forms of the Medium-Term Strategies.

In modern times, which are called VUCA, an acronym derived from volatility, uncertainty, complexity, and ambiguity, it is impossible to predict the future a decade from now, as it is becoming more difficult to see the immediate future. Sustainability management is an initiative to implement the constant efforts necessary to ensure that the Shinsei Bank Group remains a sustainable and competitive company 30 years or 50 years from now. With the aim of realizing a sustainable society through sustainability management, we will work together with our employees to create and provide new products and services that serve the underserved needs of potential customers. At times, we will work together with our customers as business partners to develop new markets, and we will continue to engage in constructive dialogue with investors that will contribute to enhancing the medium- to long-term competitiveness of the Shinsei Bank Group.

I have explained the Shinsei Bank Group's invisible sources of competitiveness (the value of intangible assets). I believe that the challenge for the future will be to make the value of the Shinsei Bank Group's

intangible assets more concrete and visible. We will further enhance information disclosure by visualizing the value of intangible assets, including KPIs, as information that shows the progress of sustainability management to stakeholders in an easy-to-understand manner. By enhancing sustainability management, the Shinsei Bank Group aims to meet the expectations of stakeholders by fulfilling our social roles and improving our financial results over the medium-to long-term horizon. Our stakeholders, together with the Shinsei Bank Group, will also strive to realize a sustainable society. We ask for your continued support and cooperation in these endeavors.

July 2021

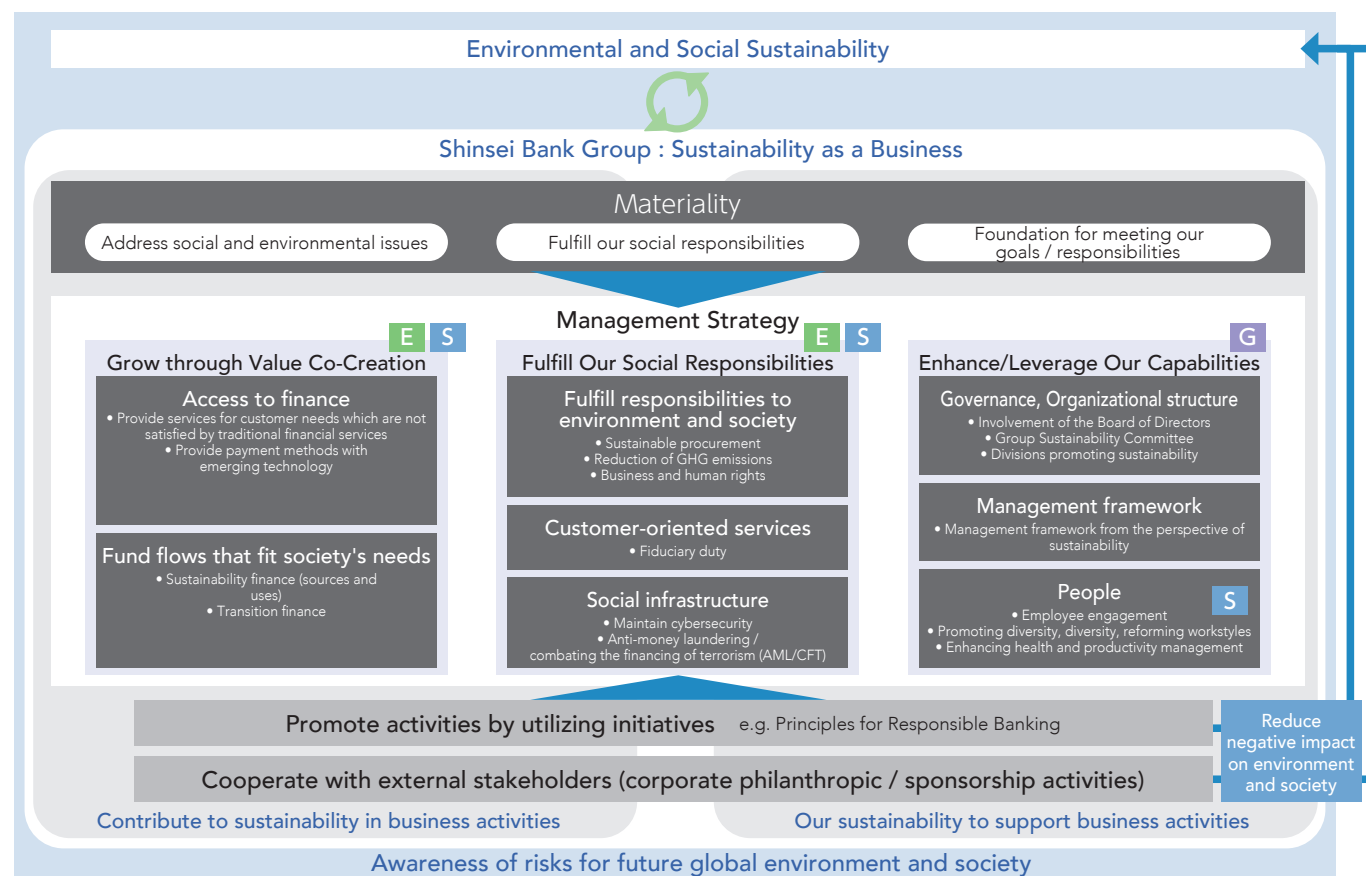


Hideyuki Kudo
President and Chief Executive Officer

Sustainability Management

The Shinsei Bank Group redefines the Group's sustainability management as the way that the Group should manage itself. The Shinsei Bank Group will

contribute to the sustainability of society and aims to achieve sustainable growth through value-added initiatives. We separated the investment and lending policy from the Group Sustainability Policy and established the Responsible Investment and Lending Policy, effective July 1, 2021.



Group Sustainability Management Policy

The Shinsei Bank Group has clarified its basic approach and direction for addressing environmental and social issues, presented the policy to all stakeholders, and aims to improve management through dialogue with stakeholders.

Responsible Investment and Lending Policy

■ Objectives

The Shinsei Bank Group recognizes that it is the social responsibility of financial institutions to support the sustainable development of the environment and society and to help resolve environmental and social issues through its core businesses, investment and lending, and has established the Responsible Investment and Lending Policy in order to realize responsible investment and lending for the environment and society.

■ Corporate Governance Framework

The Group Sustainability Committee regularly reports and discusses the status of business execution based on the Responsible Investment and Lending Policy and the status of risk management in applicable business areas.

After summarizing the content based on discussions at the Group Sustainability Committee, we regularly report to the Group Executive Committee, revise the policies and review the selection of businesses to be applied as needed, and continuously work to upgrade the Responsible Investment and Lending Policy.

Applicable Businesses

i. Businesses Prohibited Regardless of Sector

Businesses that fall under any of the following categories are considered to have significant environmental and social risks or negative impacts. We do not enter into any new investment and lending transactions under any of the following categories.

- All transactions with companies and businesses involving anti-social forces
- Businesses in violation of laws and regulations or aimed at illegal acts or evasion or circumvention of laws
- Projects contrary to public order or morality
- Projects that negatively impact on Ramsar-designated wetlands
- Projects that negatively impact on UNESCO-designated World Heritage sites (excluding projects that have received prior consent from the related local government and UNESCO)
- Businesses violating the Convention on International Trade in Endangered Species of Wild Fauna and Flora (Washington Convention) (taking into consideration any country's specific reservation(s) to the convention)
- Business with evidence of involvement in human rights abuses such as trafficking in persons, child labor, or forced labor
- Companies that develop and manufacture cluster munitions, anti-personnel landmines and other inhumane weapons, chemical weapons, and biological weapons, and businesses that develop and manufacture nuclear weapons

ii. Businesses that Require Additional Due Diligence Regardless of Sector

With regard to businesses that fall under the following items, we recognize that they involve risks or negative impacts on the environment and society. When considering investment and lending of such businesses, we assess the status of our customers' environmental and social

initiatives to manage such risks, and carefully make business decisions.

- Projects that have a negative impact on indigenous people's local communities
- Projects involving land expropriation leading to involuntary resettlement

iii. Businesses Prohibited in Specific Sectors

Recognizing that investment and lending in the following sector involves significant risks or negative impacts on the environment and society in the viewpoint of frameworks such as the Sustainable Development Goals (SDGs) and the Paris Agreement, we do not enter into new investment and lending transactions.

- Coal-fired thermal power plants

We do not enter into new investment and lending transactions for the construction of new coal-fired thermal power plants both internationally and domestically since there are concerns about environmental negative impacts due to larger amounts of greenhouse gas emissions compared to other power generation methods.

iv. Businesses that Require Additional Due Diligence in Specific Sectors

Recognizing that investment and lending in the following sectors involves risks or negative impacts on the environment and society in the viewpoint of frameworks such as the Sustainable Development Goals (SDGs) and the Paris Agreement, when we consider implementing financing in such projects, we assess the status of our customer's environmental and social initiatives to manage such risks and make careful business decisions.

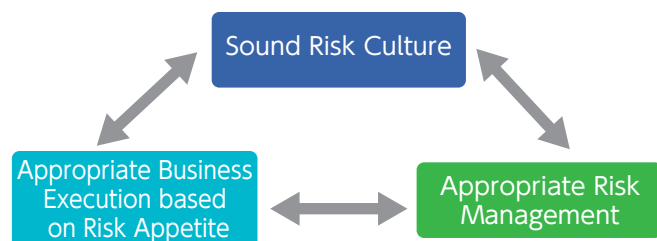
- Forestry and lumber
- Palm oil
- Coal mining
- Large-scale hydropower plants

Risk Governance

Basic Concept

Risk governance is a self-discipline for sustainable control of risks by properly defining and making it function as a way of supervision and execution by the Board of Directors and management, and it is an important area in the corporate governance of financial institutions.

■ Conceptual Diagram of Risk Governance



The Shinsei Bank Group has established a Group Risk Governance Policy, which outlines the concept of governance based on a sound risk culture, appropriate business execution based on risk appetite, and appropriate risk management. In general, for financial institutions to earn stable profits, they need to take risks while clarifying their risk appetite, as well as appropriate risk management framework to support this. These

are the aggregation of the judgments and actions of individual employees and are strongly affected not only by rules and regulations, but also by the values and cultures of the organization. We believe that risk governance initiatives require a bird's-eye view of all elements.

We have worked to foster a sound risk culture and upgrade our risk management to create a system appropriate to the risks we face. In recent years, we have focused on building systems for appropriate business execution based on risk appetite, and have developed an integrated business management framework based on risk appetite and its consistency with financial plans.

The Shinsei Bank Group considers ROE (return on equity) and other factors to be key financial indicators for management strategy. We believe that risk governance

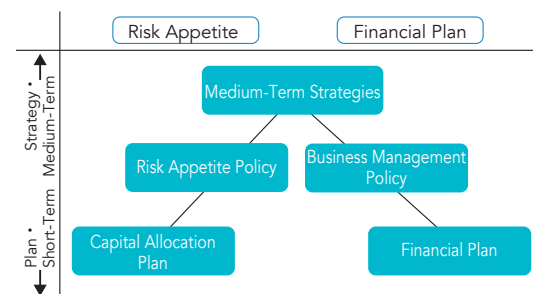
is an important premise as appropriate risk-taking generates returns as expected and, in turn, aims to improve financial indicators.

Appropriate Business Execution Based On Risk Appetite

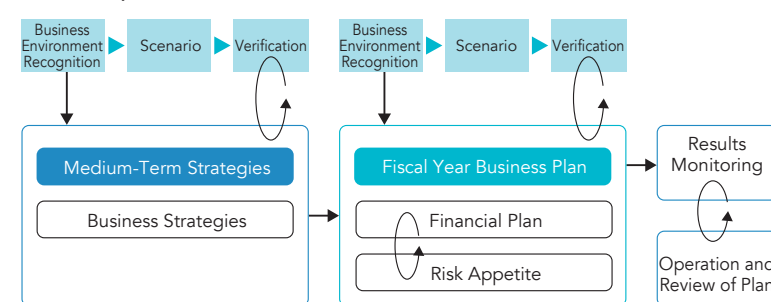
Risk appetite is commonly referred to as the risk appetite framework. However, the Shinsei Bank Group focuses on the consistency of risk appetite and financial planning as a key premise. By operating the existing functions related to both in an integrated manner, we have established a system that aligns the intentions of the Board of Directors with the execution of management on risk appetite.

Risk appetite and the financial plan are detailed and embodied based on business-line-specific strategies

■ Conceptual Diagram of the Relationship between Risk Appetite and Financial Plan



■ Conceptual Diagram of Integrated Management



and tactics based on the Medium-Term Strategies. The Shinsei Bank Group has formulated a Risk Appetite Policy, which documents risk appetite with appropriate detail. The policy is approved by the Board of Directors to clarify the Group's risk appetite behind financial planning and foster a shared understanding. In addition, we have formulated a capital allocation plan that assigns capital to be used by each business line to quantify risk appetite on a uniform scale.

To ensure consistency between risk appetite and financial plans, the basic operation is to verify financial

plans through multiple methods, such as scenario analysis, and monitor them during the period from the viewpoint of risks related to the fundamentals of management, such as capital, liquidity, and earnings fluctuations. Whenever it is found that excessive risk-taking has occurred, or when there is doubt about the feasibility of the plan, we have established a system to review it as necessary. The Shinsei Bank Group has established the Group Risk Policy Committee as a consultative body for the management team's risk appetite. At the same time, the Committee emphasizes

close communication among sections involved in promoting and controlling risk-taking, and is one of the key concepts in an integrated management framework.

Risk-taking activities through business execution are pursued in accordance with the financial plan, but at the same time, we must follow our risk appetite. We believe that achieving our financial objectives is justified as a result of risk-taking activities in line with our risk appetite. For this reason, we disclose an outline of our risk appetite policy in order for our stakeholders to understand it.

Risk Culture

A sound corporate culture is one of the fundamental components of appropriate corporate governance. We have established the Charter of the Shinsei Bank Group Corporate Behavior and the Shinsei Bank Group Code of Conduct. At the Shinsei Bank Group, we act in accordance with the Charter of Corporate Behavior and Code of Conduct, and our risk culture is based on the values that serve as the principles of action when confronting risks. In general, scandals and loss incidents have various direct causes. In light of the underlying causes of these incidents, it is extremely important to foster a sound risk culture. Hence, in order to foster this risk culture, we should demonstrate that it is imperative

FY2021 Shinsei Bank Group Risk Appetite Policy

- The Shinsei Bank Group will utilize its capital through careful and active risk-taking approach, while accelerating flexible review of its initiatives, reallocation of management resources, and focus on productivity enhancement through development of new business opportunities centered on small-scale finance and the business with institutional investors, which have been identified as our focus businesses in the Medium-Term Strategies.
- We will actively take risks based on the strategic significance of the businesses and our capability by sufficiently examining the risks embedded in our new business models, such as the value co-creation business and the ecosystem initiatives, in advance. We will also actively seek non-organic risk-taking opportunities and actively support new businesses with an awareness of capturing the potential business opportunities in advance under the new normal environment.
- While strengthening our earnings base as a financial group mainly operating at domestic offices, we will actively pursue overseas businesses such as structured finance and small-scale finance in Asia Pacific countries while paying attention to country risk and foreign currency liquidity risk.
- Credit Risk: In the individual businesses, we will accumulate assets while maintaining soundness of the assets and continue to explore potential business opportunities. In the institutional businesses, on the premise of maintaining the principle of credit concentration risk, we will take the stance of focusing more on maintaining and improving profitability than expanding asset size. Under the "New Normal" environment, we will actively pursue new business opportunities while paying attention to changes in customers' risk profile as well as risk and return.
- Market Risk: For trading business, we will prioritize customer transactions. For banking business (ALM), bearing in mind the possibility of interest rate hikes, we will seek higher interest income and greater economic values by controlling interest rate risks.
- Other major risks: For liquidity risk, we will continue to optimize the funding of the entire Group and enhance funding bases. For operational risk, we will find and mitigate material risks such as the risks in the value co-creation businesses and risks against cyber security while accepting a certain degree of the operational risk.
- We have a high awareness of social norms and sincerely respond to requests based on social justice such as promotion of sustainability management to solve social issues and climate change related issues, ensuring customer-oriented operation in the individual businesses, as well as ensuring the effectiveness of anti-money laundering, countering the financing of terrorism and fulfilling social responsibilities as a financial institution under the Novel Coronavirus pandemic. In addition, the amount of investment and loans for coal-fired power plants will be reduced in the carbon related assets.
- We aim for 2% or higher EPS growth rate annually by utilizing capital as stated above. We will accept a decrease in the total capital ratio as long as the Common Equity Tier-I ratio is maintained at 10% or higher and we will make an effort to bring the ROE close to 8% in our medium-term targets.

to adhere to the basic stance of the Board of Directors and the executive management, and managers should play a role in instilling this within the organization.

Risk Management

The Shinsei Bank Group has established an internal control system that consists of three lines: an autonomous control function (first-line function) in the business execution line on the job site, a control function (second-line function) that is independent of the business execution line on the job site, and an internal audit function (third-line function) that is independent of both of these functions. Of these, the second-line control function verifies the status of risk-taking, determines the will and ability to “take on challenges” that can be deliberated without hesitation in case there are disagreements among functions while respecting everyone’s actions. In particular, the Chief Officer of Group Risk is in principle a jury to the Board of Directors, ensuring opportunities to challenge management policies.

The basic policy for risk management is based on the Group Risk Management Policy, which is based on a management framework for each type of risk and an appropriate allocation of resources to business lines.

With regard to capital allocation, which is the primary target area for resource allocation, we have developed an integrated risk management system centered on the risk capital system to comprehensively grasp the risks held by the Group as a whole and compare and contrast them with our management strength.

For more information on risk management, please refer to the Risk Management on page 9 of our Integrated Report 2021 Appendix.

Along with changes in the business environment, risks that are not easily captured by conventional frameworks have increased in recent years. We have established

a system in which important risks are defined through discussions with executive management. While this process emphasizes consideration of nonfinancial risks, which are difficult to quantify, triggering events, transmission channels, and financial impact are specified as much as possible in determining the impact of the important risks. Currently, in addition to the economic downturn, we are aware of Cybersecurity risks, human resource risks, climate change risks, and other important risks. We will continue to strengthen our predictive management and responsiveness to these risks.

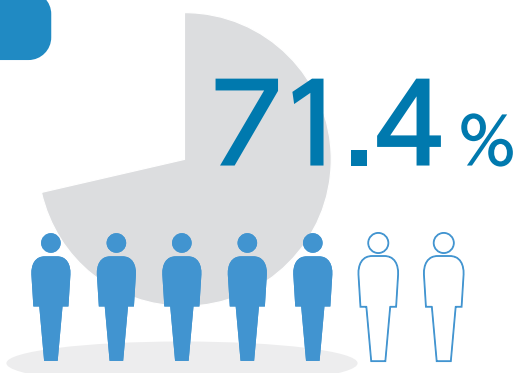
■ Important Risks of Shinsei Bank Group

Risk Scenario		Risk Scenario Details / Impact
1.	Prolonged and worsened economic downturn	Prolonged outbreaks of the Novel Coronavirus infections, large-scale natural disasters and new infectious diseases, and rising market interest rates and sharp declines in stock prices due to changes in monetary policy. Decline in profitability and increased net credit costs due to the prolonged and worsening of the economic downturn due to these factors.
2.	Serious misconduct and malfeasance	The occurrence of money laundering and terrorist financing incidents, and significant compliance fraud or malfeasance incidents by internal employees or subcontractors. The occurrence of direct losses associated with these and damage to reputation.
3.	Cybersecurity risks	Increase in fraudulent transactions, such as halting the functioning of information systems and confidential leaks due to an increase in cyber attacks, and unauthorized remittances from bank accounts and wallets due to hacking and phishing. A damage to reputation and the business base, as a result.
4.	Instability in the foreign currency funding environment	Amid the possibility that excess investment in foreign currency funds will increase due to an increase in investment and lending in overseas markets. If financial market turmoil were to occur during such a period, funding costs will rise and foreign currency funding will become unstable.
5.	Competitive risk in the DX era	Asset balance and interest margins narrow due to entry of other industries into individual businesses and SME lending markets. Impact of accelerated collaboration between start-up companies such as fintech and major financial institutions, and diminishing the effectiveness of Shinsei Bank Group's value co-creation strategy.
6.	Human resource risks	Difficulty in securing and developing quality human resources due to intensified competition from other financial institutions and other industries. The resulting decrease in Shinsei Bank Group's competitiveness and adverse impact on the results of operations and financial condition.
7.	Risks related to climate change	Adverse impacts on the Shinsei Bank Group through tighter climate change regulations and impacts on business partners as a result of the transition to a low-carbon society. Reputational damage resulting from inadequate climate change risk initiatives and information disclosure.

Four Features of Shinsei Bank's Corporate Governance

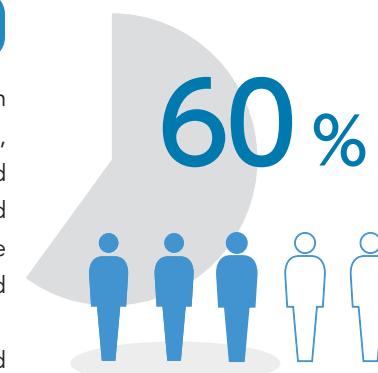
Ratio of Outside Directors on the Board of Directors

- Five of the seven directors at Shinsei Bank are outside directors and comprise a majority of the Board of Directors.
- The Bank has maintained a Board structure where outside directors comprise a majority since Shinsei Bank started.
- The Bank has submitted the names of seven individuals, including outside Audit & Supervisory Board members as independent officers to the Tokyo Stock Exchange.



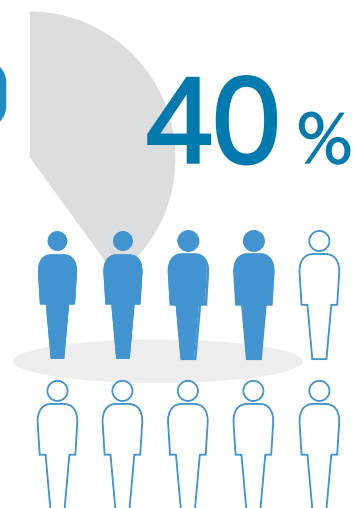
Ratio of Outside Directors with Corporate Executive Experience

- Outside directors are well-balanced members with extensive experience and high levels of expertise, such as management, financial, business-related useful fields including consumer, real estate, and elderly-related business, as well as comprehensive knowledge and experience in consulting, IT and academia.
- Three of the five outside directors on our Board are or have worked as corporate executives.



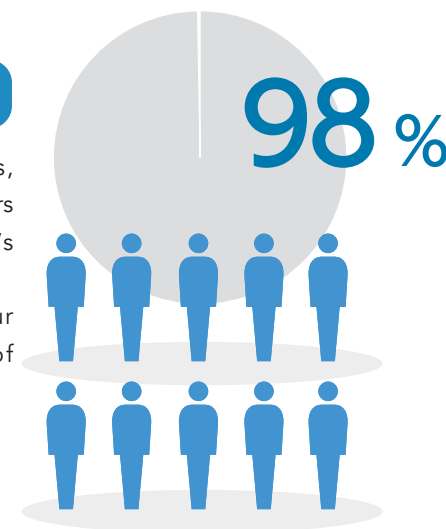
Ratio of Female Board Members

- 40% of the total number (10) of directors and Audit & Supervisory Board members of the Bank are women.
- Diversity & inclusion is one of our most important management strategies, and we are working to promote the empowerment of women in the workplace.



Attendance Rate for the Board of Directors

- Our directors, including outside directors, attended every meeting of the Board of Directors and engaged in active debate about the Bank's management and operational execution.
- This attendance rate is the average for our directors for six meetings of the Board of Directors in fiscal 2020.



Pave the Way to Achieve What the
Shinsei Bank Group Wishes to Be

Board of Directors, Audit & Supervisory Board Members

Board of Directors with a Full Diversity of knowledge and Experience

The Board of Directors of Shinsei Bank is composed of five outside directors and two executive directors with extensive experience and highly specialized knowledge and is well-balanced. In addition, it is composed with diversity including gender, generation, and internationality.



■ Diversified Experiences and Skills Required for Outside Directors

		Ernest M. Higa	Jun Makihara	Rie Murayama	Hiroko Sasaki	Ryuichi Tomimura
Management Experience	Corporate Management	●				●
	Outside Director	●	●	●		●
	Venture Company				●	
Financial Experience	Debt Finance		●	●		
	Equity Investment		●	●		●
	Risk Management			●		
Other Necessary Experience	Consumer Business	●				
	Real Estate Business			●		
	Healthcare, Elderly-related Business				●	
Comprehensive Knowledge on Management, Finance, and IT / Digital	IT / Digital					●
	Consulting, Academia and Related Administration Bureau				●	●

■ Audit & Supervisory Board Members' Skill Matrix

	Shinya Nagata	Ikuko Akamatsu	Shiho Konno
Finance	●		
Financial Accounting	●	●	
Legal Affairs			●

Board of Directors, Audit & Supervisory Board Members

Please refer to the URL below for biography of each director.

Director

Outside Directors



Hideyuki Kudo
President and
Chief Executive Officer
Chairman of the Board

Reappointed

[Reasons for Nomination]

Mr. Hideyuki Kudo has extensive experience and insight, focusing on corporate and risk management operations. Since his appointment as the President, he has been contributing to improved corporate value by establishing and implementing the core strategies of “enhance/leverage our capabilities” and “grow through value co-creation” outlined in the Medium-Term Strategies that started in fiscal 2019.

2021 Chief Officer, Group Corporate Planning and Finance (Current)
2015 Representative Director, President and Chief Executive Officer (Current)
2010 Managing Executive Officer

Ownership: Common shares 32,313
Attendance rate: 100%

Akira Hirasawa
Director

Newly Appointed

[Reasons for Nomination]

Mr. Hirasawa has been focusing on enhancing the governance of Shinsei Bank Group through extensive experience and achievements centered on the management sections of risk management, comprehensive planning, and legal and compliance. In recent years, he has been appointed as an officer in charge of organizational strategy, human resources, general affairs, and other matters as he is contributing to the enhancement of corporate value through the planning and promotion of productivity reforms and workstyle reforms.

2021 Director (Current)
2020 Senior Managing Executive Officer, Overseeing Group Organizational Strategy, Group Human Resources, Group General Services and Group IT, Chief Officer, Group Legal and Compliance (Current)
2018 Senior Managing Executive Officer, Head of Operations Management (Current)
2015 Managing Executive Officer

Ownership: Common shares 11,689
Attendance rate: —

Ernest M. Higa
Outside Director
Nomination and
Compensation
Committee Member

Reappointed

Outside
Independent

[Reasons for Nomination]

Mr. Ernest M. Higa was asked to stand as an outside director in order to reflect in the Bank's management, his experience and deep insight in consumer businesses.

2013 Director, Shinsei Bank,
Limited (Current)

[Status of Concurrent Position]

- Chairman, President & Chief Executive Officer, Higa Industries Co., Ltd.
- Chairman & Representative Director, Wendy's Japan K. K.
- Director, Delsol Corporation
- Board of Overseers, Columbia Business School
- Board of Trustees, Showa Women's University
- Board Member, The Tokyo New Business Conference

Ownership: Common shares 7,335
Attendance rate: 100%

Jun Makihara
Outside Director
Chairperson,
Nomination and
Compensation Committee

Reappointed

Outside
Independent

[Reasons for Nomination]

Mr. Jun Makihara was asked to stand as an outside director in order to reflect in the Bank's management, his extensive knowledge of finance, and his domestic and international experience.

2011 Director, Shinsei Bank,
Limited (Current)

[Status of Concurrent Position]

- Director, Monex Group, Inc.
- Director, Philip Morris International Inc.

Ownership: Common shares 22,111
Attendance rate: 83%

Rie Murayama
Outside Director
Nomination and
Compensation
Committee Member

Reappointed

Outside
Independent

[Reasons for Nomination]

Ms. Rie Murayama was asked to stand as an outside director in order to reflect in the Bank's management, her wide range of expertise based on her experience as outside director at other companies, as well as her knowledge based on her extensive experience at an investment bank, particularly related to business and risk analysis in real estate, mortgage, construction and related sectors.

2019 Director, Shinsei Bank,
Limited (Current)

[Status of Concurrent Position]

- Director, MAEDA CORPORATION

Ownership: Common shares 2,111
Attendance rate: 100%

(Ownership of common shares: As of May 30, 2021)

Board of Directors, Audit & Supervisory Board Members

Please refer to the URL below for biography of each director.

Outside Directors

Audit & Supervisory Board Member

Outside Audit & Supervisory Board Member



Hiroko Sasaki
Outside Director
Nomination and
Compensation
Committee Member

Newly Appointed

Outside
Independent

[Reasons for Nomination]

Ms. Hiroko Sasaki was appointed because of her knowledge and experience in a financial institution, in a consulting company and matters concerning the elderly, as well as her knowledge and management experience at a venture company.

2021 Director, Shinsei Bank,
Limited (Current)

[Status of Concurrent Position]

- President and CEO, Lyxis Co., Ltd.
- President & CEO, ChangeWAVE Inc.
- Director, UT Group Co., Ltd.

Ownership: Common shares 0
Attendance rate: —



Ryuichi Tomimura
Outside Director
Nomination and
Compensation
Committee Member

Reappointed

Outside
Independent

[Reasons for Nomination]

Mr. Ryuichi Tomimura was asked to stand as an Outside Director in order to reflect in the Bank's management, his extensive experience and wide range of knowledge, including information systems, as a management executive and a consultant.

2015 Director, Shinsei Bank,
Limited (Current)

[Status of Concurrent Position]

- Executive Vice President, Representative Director, SIGMAXYZ Inc.
- Director, VECTOR INC.

Ownership: Common shares 2,111
Attendance rate: 100%



Shinya Nagata
Audit & Supervisory
Board Member

Reappointed

[Reasons for Nomination]

Mr. Shinya Nagata was asked to stand as an Audit & Supervisory Board Member based on the judgment that he is suitable as a corporate auditor who can play a central role in all areas of corporate audit. Through his long work experience at Shinsei Bank, Shinya Nagata has gained a deep understanding of the Group's businesses, and with his extensive knowledge and experience in finance and accounting, he is able to make useful remarks and suggestions at the Board of Directors meetings and the Audit & Supervisory Board meetings.

2012 Audit & Supervisory Board Member
(Current)
2010 Executive Officer

Ownership: Common shares 3,050
Attendance rate: 100%



Ikuko Akamatsu
Outside Audit &
Supervisory Board
Member

Reappointed

Outside
Independent

[Reasons for Nomination]

Ms. Ikuko Akamatsu was asked to stand as an Outside Audit & Supervisory Board Member in order to reflect in the Bank's audit operations, her expertise in compliance and governance, etc. and to take on the promotion of diversity, as well as for her professional knowledge and experience as a certified public accountant and a certified fraud examiner as well as extensive experience as a consultant based on the aforementioned expertise.

2019 Audit & Supervisory Board Member,
Shinsei Bank, Limited (Current)

[Status of Concurrent Position]

- Director, TOP'S Inc.
- Board of Directors, The Japanese Institute of Certified Public Accountants
- Director, CAWACHI LTD.
- Audit & Supervisory Board Member, Toyo Seikan Group Holdings, Ltd.

Ownership: Common shares 0
Attendance rate: 100%



Shiho Konno
Outside Audit &
Supervisory Board
Member

Reappointed

Outside
Independent

[Reasons for Nomination]

Ms. Shiho Konno was asked to stand as an Outside Audit & Supervisory Board Member in order to reflect in the Bank's audit operations, her expertise and extensive experience as a lawyer, and based on her experience as an outside director at listed companies as well as her expertise in corporate governance and to take on the promotion of diversity.

2018 Audit & Supervisory Board Member,
Shinsei Bank, Limited (Current)

[Status of Concurrent Position]

- Member, Committee on Realization of a Gender-Equal Society of Japan Federation of Bar Associations
- Established Shiho Konno Habataki Law Office
- Director, Monex Group, Inc.
- Director, LIXIL Corporation

Ownership: Common shares 0
Attendance rate: 100%

(Ownership of common shares: As of May 30, 2021)

Message from Newly Appointed Directors



Akira Hirasawa
Director

I am Akira Hirasawa, and I was appointed as a Director with the approval at the Annual General Meeting of Shareholders held on June 23, 2021. I would like to take this opportunity to say a few words.

Over the past few years, I have worked to improve the working environment and systems of our employees as our main fields.

In the previous fiscal year, we were deeply affected by the worldwide Novel Coronavirus pandemic. However, despite these adversities, creating an environment in which every employee could work happily with satisfaction and feel healthy mind and body has been an important issue for management. We worked to create an environment where employees can work safely and with peace of mind, to realize flexible and diverse working styles, to maintain and promote health in accordance with the characteristics of each employee, and to consider social change as an opportunity for new growth.

As social and environmental issues grow, it is essential for institutions to resolve these issues, and we are shifting to a focus on sustainability. As a result, we will strive to improve our corporate value by encouraging the creation of a new normal environment while giving strong attention to the significance of our existence as a financial institution in society.

We look forward to working with you all.



Hiroko Sasaki
Outside Director, Nomination and
Compensation Committee Member

I am Hiroko Sasaki and I was recently appointed as an Outside Director.

In the era of the financial crisis, I was in charge of the disposal of nonperforming loans at the Bank of Japan and the restoration of the management soundness of financial institutions. For approximately 10 years, I worked as a management strategy consultant helping with formulating strategies for various industries, including the banking group sector.

Subsequently, I have been active for more than 10 years as a "transformation agent" under the theme of corporate reform and diversity promotion, and managing startups for the last five years with the aim of solving the challenges facing the world's leading super-aging society.

As the world enters an era of uncertainty in earnest, the financial industry will be asked more about sustainable management and the power of diversity than ever before, and also about whether or not we can create really visible changes in the world. I would like to make my utmost efforts as a member of the Board of Directors so that Shinsei Bank can develop as a leading financial group that transforms diversity into power and help resolve social issues, taking advantage of long-standing experience in reforms and resolving social issues at the forefront. I look forward to working with you all.

Initiatives for Employees

At the Shinsei Bank Group, we are constantly reviewing our human resource systems and measures, recognizing that the most important task for organizational growth is for all employees to demonstrate their abilities and to be motivated in their work. In order to provide optimal value to our customers, we are working to develop and fully utilize human resources, while fostering an organizational culture as a whole Group.

Our Medium-Term Strategies "Redesigning Finance," one of our basic strategies is to pursue the strengthening and leveraging of organizational capabilities that are the source of corporate growth.

Shinsei Bank Group's Human Resources Strategy

At the Shinsei Bank Group, we believe that human resources with diverse characteristics and values can continue to create new value as an organizational unit by recognizing and accepting each other's existence and leveraging everyone's respective strengths.



Hideyuki Kudo
President and Chief
Executive Officer

In fiscal 2021, we will promote structuring systems and a corporate culture that will enable us to acquire and retain diverse human resources that realize continuous value creation under the new normal. In terms of recruitment, we respect the idea of referral recruitment through introductions from Shinsei Bank Group employees and the career development of each individual, and we accept them in the form of re-employment, where they retire from the Group and take a job at another company, and also provide a place for alumni, a network of retirees, to interact. In addition, we will allow side work/concurrent work, and freelance work outside the Group for personnel working at other companies. Within the Group, we will make maximum use of human resources by fostering a flexible personnel system that enables diverse human resources to thrive, and a corporate culture that accepts and utilizes diversity. Through these measures, we will acquire and utilize the human resources necessary for continuous value creation in various forms from within and outside the Group.

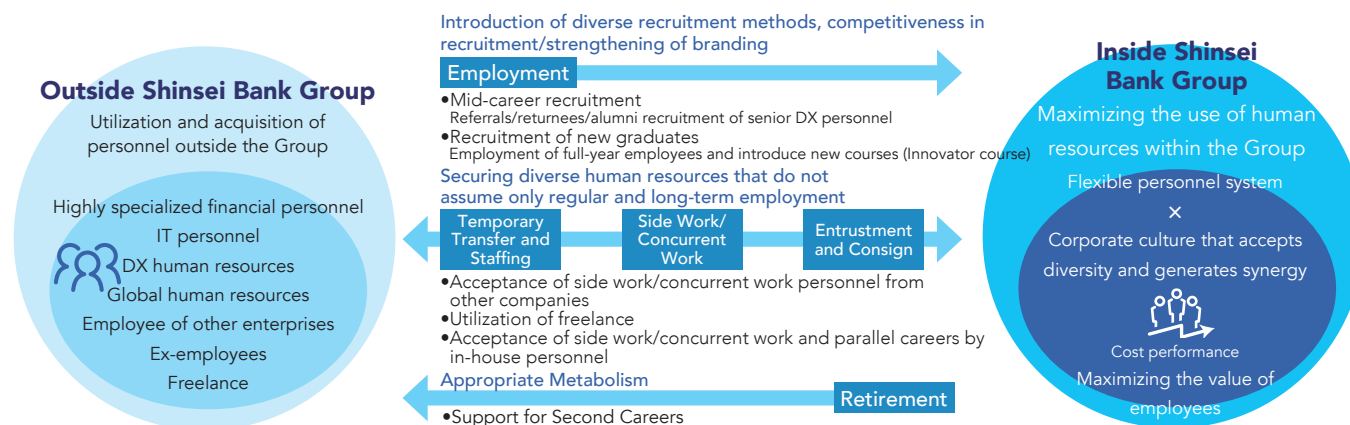
In April 2021, five Shinsei Bank Group companies*

formulated an action plan based on Act on Advancement of Measures to Support Raising Next-Generation Children, for two years starting in 2021. The Group set two common targets to create an environment and foster an organizational culture in which all employees working at the Group can demonstrate their abilities and play an active role while striving to harmonize their work and lifestyles.

Target 1: To ensure that employees raising children, regardless of gender, continue to grow while working and raising children, make employees aware of various human resource systems, support information exchanges between the peer groups, provide information on career development before and after childcare, provide training, etc.

Target 2: To foster a corporate culture in which all employees can work and live in harmony with each other, raise awareness of workplace priorities and to improve the stereotyped consciousness of gender roles.

*Shinsei Bank, Ltd., Showa Leasing Co., Ltd., Shinsei Investment & Finance Co., Ltd., APLUS FINANCIAL Co., Ltd., Shinsei Financial Co., Ltd.



Initiatives for Employees

History of Shinsei Bank Group's Diversity and Inclusion (D&I)

To realize sustainable value creation, the Shinsei Bank Group promotes diversity by strengthening and utilizing capabilities as a pillar of the management strategy.

In February 2018, we established the Diversity Promotion Department to address issues such as promoting women's active participation, realizing diverse workstyles, promoting and utilizing diverse careers, and promoting the active participation of diverse human resources. We introduced a remote work as an example for promoting diverse workstyles in April 2018. In fiscal 2020, we greatly expanded the number of locations where employees could choose to work outside of their home, such as by utilizing satellite offices and introducing "workactions" (work + vacation).

In fiscal 2020, 99.8% of our employees used teleworking system at least once last fiscal year. In addition, we are creating an environment in which employees can work in their own way with satisfaction and fulfillment by enhancing their workstyles in order for them to continually enhance their performance, by introducing various options such as self-directed flextime, life support leave, and the complete abolition of dress codes. To enhance diverse careers, we started allowing employees to engage in both side work and concurrent work as the first among the domestic financial institutions so that employees are able to link learning outside the company or in a place away from business for individual growth and innovation of the organization.

Shinsei Bank Group's Mindset on Working Styles

The Shinsei Bank Group aims to create a workplace where employees can work freely without being constrained by their life stages, life events, and other factors, and without being tied to the time of day or place of work. In addition to daily workstyles such as working hours and place of work, we have been offering variety of working styles for career growth plans, including side work and concurrent work, re-employment, and in-house recruitment. We believe that respecting each other and demonstrating respective strengths by members with diverse backgrounds and values is the source of our continued organizational strength in an uncertain environment.

■ Work Style Support

Remote Work System



Allows employees to work outside the office, such as at the employees' home or family's home, for an unlimited number of days.

No Dress Code



Dress code guidelines have been abolished.

Flextime



Allows employees to start or finish work up to two hours earlier or later than normal.

■ Career Support

Side Work/ Concurrent Work



Allows employees to concurrently engage in personal business (outsourcing, business start-up, company executive, etc.) or work concurrently for another company.

Life Support Leave



Leave system that supports a variety of working styles and career development in accordance with each person's life stage.

Active Participation of Women



Providing career support to women who aim to become managers and establishing initiatives to change our organizational culture.

Active Participation of Senior Personnel



Provide training programs to enable senior employees to independently design their careers.

Initiatives for Employees

Employment Initiatives for Persons with Disabilities

There are 84 people with disabilities working in various Shinsei Group workplaces (as of April 1, 2021), based on the idea that personnel with diverse values should be able to harness their individuality and work together in the same workplace, rather than separating people with disabilities from those without disabilities. In October 2020, we joined Accessibility Consortium of Enterprises (ACE), which was established with the aim of setting up a new model for the employment of people with disabilities. In March 2021, the Group endorsed The Valuable 500, an international initiative to promote the active participation of people with disabilities.

Efforts for Employee Health

The Shinsei Bank Group is working to maintain and improve the health of employees and create a safe and comfortable working environment by linking the activities of the Health Committee and industrial health, in accordance with laws related to occupational health and safety. The health management promotion section of the Group Human Resources Division is working to promote employees' health management. Each Group company's health management committee, the Health Management Promotion Committee, and the Health Insurance Association are actively involved in and collaborate with the Health Development Center, industrial physicians, and public health nurses to create a

viable system. In January 2021, the Group formulated the Shinsei Bank Group Health and Management Declaration to create a workplace where employees can work happily and with satisfaction both mentally and physically, and are able to demonstrate their abilities. The Declaration stipulates priority measures, including the use of paid leave and consecutive leave, and further promotes healthcare management. In March 2021, we were certified as one of "the outstanding organizations in Health & Productivity Management 2021" by the Ministry of Economy and Nippon Kenko Kaigi, as a company that implements health-conscious management for its employees.

Support for Male Childcare

As an initiative to support childcare, we have been incorporating support for balancing work and childcare

for male employees as performance evaluation items for evaluators. In addition, we introduced the *Hagukumi* Leave program, which provides employees with 20 days of special leave from the time of their spouse's pregnancy until their child reaches the age of two, and made it mandatory for them to take 15 days of paid leave. In fiscal 2020, the number of employees who took *Hagukumi* Leave was 136.

Establishment of Diversity Promotion Targets

Since fiscal 2020, we have set diversity promotion targets as a part of performance evaluations for managers with subordinates to promote diversity in the Group more rapidly and steadily. In fiscal 2020, we introduced our own goals on the Group's intranet to learn from the efforts of other departments.

Workstyle Reform-Related Programs

System	Details
Self-Directed Flextime	Allows employees to start or finish work up to two hours earlier or later than normal starting or ending times in increments of 30 minutes
Work from Home	Allows employees working for an unlimited number of days from their home or a relative's home (within two degrees of kinship)
Side Work / Concurrent Work	Allows employees to concurrently engage in personal business (outsourcing, business start-up, company executive, etc.) or work concurrently for another company
Commuting by Bicycle	Allows employees to commute by bicycle
Half-Day Paid Time Off	Allows employees to take time off in half-day increments during designated hours in the morning or afternoon
Hourly Paid Time Off	Allows employees to take time off up to five days per year and up to four hours per day in one-hour increments (in combination with half-day paid time off)
Special Leave to Male Employees for Childbirth	Allows for 20 days leave after spouse's pregnancy up to the child reaches two years old (allows employees to take leave on a split basis or in half-day units)
Life Support Leave	Allows employees to take a leave of absence for reasons including childcare, family care, study abroad, fertility treatment, spouse work transfer, etc., not covered by existing frameworks
Maternity Leave	Female employees can take leave six weeks prior to childbirth and eight weeks following childbirth
Childcare Leave	Allows employees to take leave for childcare up to the child reaches two years old
Family Care Leave	In principle, employees can take up to a total of one year (365 days) off to care for each family member who requires care

(Note) Only employees satisfying certain conditions are eligible for the programs above.

Active Participation of Women

Shinsei Bank President and Chief Executive Officer Hideyuki Kudo supports the "Declaration on Action by a Group of Male Leaders Who Will Create a Society in which Women Shine" advocated by the Cabinet Office. In addition, we are actively promoting women's career through the signing of the Women's Empowerment Principles, participation in the 30% Club Japan, and support for the Keidanren's "Challenge Initiatives for 30% of Executives to be Women by 2030." The Group Women's Activity Promotion Committee, established in February 2018, is composed mainly of the top management of business divisions and directors of Group companies, and is strongly driving the promotion of the active participation of women in the Group. In addition, five Shinsei Bank Group companies formulated "The Action Plan for Promoting Active Participation of Women," for three years starting in fiscal 2020. The Group set the following common targets to promote highly effective initiatives

■ Action Plan Based on the Act on Promotion of Women's Participation and Advancement in the Workplace

(From April 2020 to March 31, 2023)

Target 1	Achieve a ratio of 18% or more for women in managerial positions* at five group companies (also set target separately for each company)
Target 2	Achieve 100% for the childcare-related leave rate for both males and females

* Senior managerial positions or higher

■ Target Ratio of Women in Management Positions (Senior Manager or Above) (as of March 1, 2021)

	Shinsei Bank	Showa Leasing	Shinsei Investment & Finance	APLUS FINANCIAL	Shinsei Financial	Total
Target	20%	8%	15%	18%	17%	18% or more
Result	19.6%	7.7%	17.3%	15.6%	15.1%	16.5%

for promoting the active participation of women in the workplace with a sense of speed across the Group.

Holding Shinsei Girls Day

In October 2020, we invited Ms. Kathy Matsui (former Vice Chairman of Goldman Sachs Japan Co., Ltd.) to give a lecture to our employees and we held Shinsei Girls Day in an online format. Ms. Matsui advised Group employees on Womanomics and the points for raising female employees based on her own experience at the lecture entitled "The Importance of Womanomics." At Shinsei Girls Day, held after the lecture, young female employees became facilitators at an event that invited junior high school, high school, and university students from Shinsei Bank Group's business partners. They answered questions from participants and held a quiz competition related to the Group to create opportunities for the participants to feel familiar with the Group and working women.



Shinsei Girls Day



Ms. Kathy Matsui

Joined Ikuboss Company Alliance

In March 2021, the Shinsei Bank Group joined the Ikuboss Company Alliance, chaired by Fathering Japan, a specified nonprofit corporation. This program aims to foster senior managers who can enjoy their own work and personal life while considering the work-life balance of subordinates and staff who work together in the workplace and supporting the careers and lives of subordinates, while achieving the results of the organization.



(left) Mr. Tetsuya Ando, Representative Director/Founder, Fathering Japan
(right) Hideyuki Kudo, President and CEO, Shinsei Bank, Limited

Roundtable Discussion among Outside Directors and Outside Audit & Supervisory Board Members

As part of diversity management, Shinsei Bank has been actively promoting women. In particular, at the executive (director and audit & supervisory board member) level, we have strategically increased the percentage of women, currently 40%. According to the Gender Equality Bureau Cabinet Office documents,* eleven of all listed companies have more than a quarter female executives, and only Shinsei Bank is included from the financial industry. We asked four female outside executives about what impact these changes have on our management and what is the next challenge to be addressed.

(Held in March 2021) *As of the end of July 2020

Should not lump it together with "the opinion of the woman"

---Ms. Konno was appointed in 2018, Ms. Murayama, Ms. Akamatsu in 2019, and Ms. Kawamoto in 2020 as either outside directors or outside audit & supervisory board members. Four of the ten members of the Board of Directors are women. What changes have you felt over the past three years?

Konno: In 2018, when I was appointed, I was the only female board member, and the atmosphere was such that "the other board members considered my opinion as



Rie Murayama
Outside Director
Nomination and Compensation
Committee Member



Yuko Kawamoto*
Outside Director
Nomination and Compensation
Committee Member
*Resigned as an outside director
on June 22, 2021



Ikuko Akamatsu
Outside Audit &
Supervisory Board
Member



Shiho Konno
Outside Audit &
Supervisory Board
Member

strange." The Shinsei Bank Group Diversity Symposium was held in the fall of that year. At that time I took the opportunity to give a lecture, and I thought the recognition to work on diversity as a corporate strategy had begun to penetrate from that time. To further this trend, two new female board members joined in the following year, and another female board member joined in the second year. Therefore, the number of female board members increased to four, accounting for nearly half of the board members. As a result of this, women's opinions are not perceived in minority. As the backgrounds of the four women are different, I feel that earlier my opinion was deemed "a strange one" when I was the only board member. Now, it is regarded as a "different opinion" and recognized by the management.

Diversity in the Board of Directors is an important aspect

of corporate governance, as it enhances monitoring functions. More than two outside directors are required in the Corporate Governance Code. The revised Code requires gender and international diversity to improve the monitoring function. In this sense, the monitoring function of Shinsei Bank's Board of Directors should have been enhanced.

Akamatsu: On the day of my appointment as an Audit & Supervisory Board Member, I was introduced to several female executive officers. I remember feeling happy that this was an organization where women could play an active role. If the board members were to be male only, my remarks could be regarded as a "woman's opinion," but I feel very grateful as Shinsei Bank can value my opinions as my individual opinions.

Kawamoto: Certainly, there is a disadvantage if you are a

single female person on the board: your opinion is often treated as if it is representative of all women, and your opinion is difficult to be rebutted by others. If there is more than one woman on the board, then there could be an objection among women that says, "it may be different," and a wider range of opinions could be drawn and discussions could be deepened.

Murayama: I have also experienced outside directors in several companies, but I was usually the only woman. It was common for a single female to end up with "thank you for your great comments." However, multiple women tend to lead to actions. For example, we recently held Shinsei Girls' Day to attract hundreds of people. I believe that this initiative was achieved because the board members had a considerable number of women and were able to assert the necessity of executing this event. I think that the increase in the number of female executives has resulted in an action-oriented situation, which has had some impact on the Shinsei Bank Group.

Responsibility of the Company to nurture female managers

---On the other hand, the percentage of women in managerial positions (at section leader-level or higher) in the Shinsei Bank Group was 13.9% (as of March 2020), which was below the target of 18%. How do you see the current situation?

Kawamoto: A common issue for Japanese companies, but even if the ratio of female outside directors increases, we have not brought up an internal layer of female employees

who would be executive officers. As a company, it is especially important to bring up women in the company. I hope the Bank to continue to "expect and train."

Konno: I feel it has been a big failure for Japanese companies to not nurture female leaders for many years including Shinsei Bank which has been actively promoting women. Almost all my friends who joined the banking industry as the first generation of employees under the Equal Employment Opportunity Act have resigned. If Japanese companies including Shinsei Bank had been able to nurture them well, they would not have difficulty in having professional female executive candidates now. I think it will take some time to nurture them from now on, but I think it is necessary to make steady efforts.

Murayama: Looking back on my experience, in my earlier days, mentors and role models were very encouraging and powerful drivers. I worked at a foreign-affiliated company, so even if there was no female leader inside Japan, every time a female leader from New York traveled on business to Tokyo, she tried to gather women employees in managerial positions and speak individually. When women were to think if they should quit their job, it has been very important for them to have someone who could give advice to them. Unfortunately, the Shinsei Bank Group doesn't have many such role models. I hope we can be a substitute for that.

Konno: We have held discussion meetings with female executive candidates at Shinsei Bank to hear their voices, give feedback to the President Kudo, mentor them, and encourage them. It was often held about three times a month.

How to have more male supervisors support female employees

Kawamoto: I believe it will become important for Japanese companies to carefully address the following issue as they have an extremely strong bias for the division of roles and responsibilities by gender.

Akamatsu: I was qualified as an accountant because I wanted to continue working for the rest of my life without being bound by gender inequality. When I was a newcomer, audit corporations had traditional Japanese organizational cultures, and women were treated in both a positive and a negative way, so I could never say that they were equal opportunities. Our generation has a strong sense of mission to look at such unconscious biases and to change the world for the sake of the next generation, even if only by a little.

Murayama: Even in foreign-affiliated companies, a large number of women left their jobs. I think we were able to survive because we had someone to support us. As a benefit, we strongly feel our mission to connect to the next generation.

Kawamoto: Since there are only a few female managers, I think that many male senior managers had promoted women who are currently active as outside directors. It is also important to look into ways to have more male senior managers who can promote women and other minorities fairly.



Importance of reflection in performance evaluations to change people's behavior

Kawamoto: Performance evaluations are still the most important way of promoting diversity. There is an analysis that women are evaluated based on their performance and men based on their potential. This implies that women are not fairly evaluated as well as younger people or men may not be properly evaluated.

Akamatsu: One workplace where I worked, or a so-called boys' club, was a workplace that loved traditional Japanese ways of working, so I felt that I could finally get on the same level as men by achieving higher results than men in the workplace while caring for children and doing housework. I had to achieve up to 1.5 times more than others, even though it was unnecessary to do so (lol). I achieved twice the results, I would have been envied. I encouraged myself, by saying that I performed many roles as a working person as well as a mother.

Murayama: It is important to reflect on the promotion of diversity in the performance evaluation system. In my previous job, the behavior of the most powerful stubborn people changed once the performance evaluation system incorporated a factor that focused on promoting diversity and inclusion. When I was obsessed with making changes in attitude, I still remember being told by a female senior at the U.S. headquarters, "If I do the right thing, I don't mind whatever the reason is."

Open discussion promotes diversity

---What are the future challenges for Shinsei Bank's diversity and inclusion?

Kawamoto: Japan ranked 120th in the Gender Gap Index according to the gender equality level released the other day. I think we have to take this seriously because there are 119 countries that are more gender-equal than Japan. At the same time, I believe that women and men will have fairness concepts for all kinds of diversity. For example, diversity tends to focus on empowering women in Japan, but men are also diverse. Both the background and the problems of life they have are different. Life events do not only happen to women, but also the same life events happen to men. Nevertheless, I think everyone must realize that it is very strange for men to have to work as if there were no life events at all. It has not been welcomed in Japanese society that men cannot fulfill family responsibilities due to peer pressure as they are men. This has been Japanese company culture. We should resolve this problem as well.

Murayama: Diversity includes not only gender, but also ethnicity, faith, handicaps, and LGBT lifestyles.

Konno: I believe that the first step is to tackle gender issues, looking ahead to the future. I think it will be difficult to solve the problems of other minorities without overcoming the problems of women, who are originally supposed to account for half of all human beings, but who are now minorities.

Murayama: What must not be forgotten is that diversity is needed to win business. I've been involved in corporate reconstruction before, but organizations with high homogeneity often have very few or no people who say "Isn't that weird?" even if they're obviously wrong. Without diversity, there is a danger of crushing the company.

Kawamoto: However, no matter how diversity is being promoted, there will be no free discussion or diverse

opinions without an open atmosphere. I think we can say many things freely because we have top-level leaders like President Kudo.

Akamatsu: The essence of diversity is personality. Originally, personality should be respected, but if working styles and personnel evaluations are uniform, you will not be able to make the most of your personality. Organizations become stronger when they recognize and accept each other's differences. If the top management does not understand the facts, nothing will change no matter how many diverse human resources they have. In that sense, I think the Bank has strong awareness for diversity as it has Mr. Kudo as the top manager.

Konno: The management of a diverse organization is certainly time-consuming. On the other hand, there are some successful cases like the Shinsei Bank's board of directors, which consist of members with a diverse experience and is compatible with conducting meetings efficiently by devising a preliminary question system where these questions are handled in advance and explanations of agenda items. I hope that the Shinsei Bank will continue to pursue not only gender issues but also a variety of diversities.



Statements from Top Management on Promotion of Diversity



Mr. Hideyuki Kudo, President and CEO, actively participates in symposiums on the promotion of women's participation in the workplace. In this section, I would like to introduce Hideyuki Kudo's comments at these meetings.

Organizational Design

Diversity is important at every level, including executive officers, general managers, and deputy managers.

Group session by male leaders to create "A Society in which Women Shine" (November 2020)

Evaluation is more important for higher positions, but the senior managers have no diversity. So, they can only evaluate people like themselves. It is necessary to change this.

Group session by male leaders to create "A Society in which Women Shine" (November 2020)

Mindset

It is necessary to identify factors that impede women's empowerment and ultimately change the mindset of people in the corporate culture and organization, especially male executives.

Japan Investment Conference 2020 held by CFA Society Japan (December 2020)

By excluding women from minorities, women can contribute to value creation as women as well as without being conscious of their gender.

"Do 30%* change a company" held by Japan Federation of Bar Associations (October 2020)

Gender

We focus on supporting male employees in balancing work and childcare, and aim to eliminate gender role awareness, such as "childcare is women-oriented."

Japan Investment Conference 2020 held by CFA Society Japan (December 2020)

When promoting the empowerment of women, we do not expect them to be aware as women. I want them not to be conscious of being women. It is important that women are seen as a full part of humanity, and that women take advantage of their individual characteristics.

Small group meeting on Integrated Report (September 2020)

Employee Engagement

Training for Managers

The Shinsei Bank Group has developed a variety of training programs that enable every employee to develop an autonomous career. In addition, as we further promote the diversity and flexible working styles that the

Bank aims for, we respect more diverse values than ever before, and we are fostering an organizational culture and human resource development aimed at improving the Group-wide competitiveness. In particular, in light of the Group's employee engagement survey, we are expanding training for managers to develop their team-operating capabilities. In recent years, we have been keenly aware of the need for the new normal, and are

actively utilizing online training in all areas.

Shinsei Group Award 2019

The Shinsei Group Award was established in fiscal 2019 as a Group-wide award system. As a "new rewarding method," we are awarding employees' contributions to the Group as a whole, and are aiming to have them feel appreciated for their daily activities.

■ Training Program for Managers

Program	Description
Training for human rights and harassment (for all employees)	In order to proactively protect and promote human rights through responsible corporate activities, employees are to deeply understand the Group's concept of respect for human rights through e-learning.
Training for improving team management skills	Learn the necessary knowledge and skills to improve the team management skills that should be acquired as division managers, such as improving communication skills with subordinates, team management, and coaching subordinates.
Training for 360-degree feedback	To improve the management skills of managers and supervisors, encourage participants to become aware of the gap between self-assessment and assessment by others, leading to behavioral change.
Training for promoted managers and supervisors	To understand the roles required of managers and supervisors and to acquire knowledge related to labor management, evaluation, harassment, etc. necessary to fulfill their roles.
Selective leadership training	Providing employees who aim to become managers with the opportunity to provide them with the necessary knowledge, which leads to self-development.
Training for evaluators	Gain knowledge and skills to provide fair and convincing evaluations that lead to changed behavior of each subordinate and promote capacity building.
Career design training	Utilize employees' own experience and knowledge for autonomous second career development by "stock taking" with a view to diversifying the areas of activity in the latter half of their career.
Mental health training (self-care and staff-care)	E-learning session to teach employees how to cope with stress and to help them keep their minds healthy, as well as to teach about staff care, where supervisors are quick to discover how their subordinates are different in the workplace, providing consultation services, and improving the workplace environment.

Comments of the prize winners

Showa Leasing: Contributing to Respond in Acquiring Lease Investment Assets and Installment Receivables of Casio Leasing

Ms. Yoshimi Naito (Joint General Manager, Support Business Division II)



I had never seen this much of confusion when I took this job where phones kept ringing as well as e-mails and fax kept on piling up. Working during Golden Week holidays, working on weekends during the half-year settlement in September, working until late on the last day of the year... Our team was regarded as "let sleeping dogs lie". The hustle and bustle of that time has calmed down incredibly.

Now we have become stronger than anyone and are a team to be envied. This is because every team member recognized his or her role, cared for team members even if they were suffering, and overcame major difficulties. Every member has become strong-minded. We are continuing to grow.

Silver award! It's the best thing that ever happened to me. In addition to award-winning members, I am truly grateful to everyone who cooperated in this initiative.

APLUS: Introduction of TUNAG, an internal SNS

Mr. Hirokazu Fukuchi (Credit Card Department)



We were aware of the issue of the lack of cooperation across divisions in the company. We thought that interactive communications and the relationships between people with diverse backgrounds are essential to create new things. We have introduced an internal SNS called TUNAG for creating interactive communications and relationships. Approximately 900 employees participated in fiscal 2019, and all employees participated in fiscal 2020. By registering their profile photos, it is now easier to recognize employees' faces and names. The jobs and members of divisions that usually do not interact with each other are now understood in the division introduction section. Employees' communication has emerged through information exchange through TUNAG.

Note: TUNAG is derived from Japanese word *tsunagu*, which means *connect* or *link*.

Ensuring Cybersecurity

Fundamental financial functions such as deposits, loans, and settlements are a part of vital social infrastructures, and the stability of these is one of the Shinsei Bank Group's social responsibilities. However, in recent years, against the backdrop of the advancement of information and networking in society, cyberattacks, which threaten the stability of the financial system, have become more serious and sophisticated. We recognize cybersecurity risks, such as the shutdown of information systems, leaks of confidential information, and illegal trade such as illegal disbursements, as important risks, and we see

cybersecurity as a social responsibility and have defined it as one of our MATERIALITY.

Cybersecurity Management System

The Shinsei Bank Group has established a control system based on the Group Cybersecurity Guidelines. We are working to strengthen the management of cyber security across the group by sharing new attack techniques and vulnerability information, inspecting the status of countermeasures for information systems, periodic education for employees, and monitoring illegal transfers. In addition to implementing measures to defend and detect cyberattacks on information systems, we are also enhancing the security awareness and responsiveness of our employees by implementing regular cyberattacks drills in cooperation with external specialized organizations.

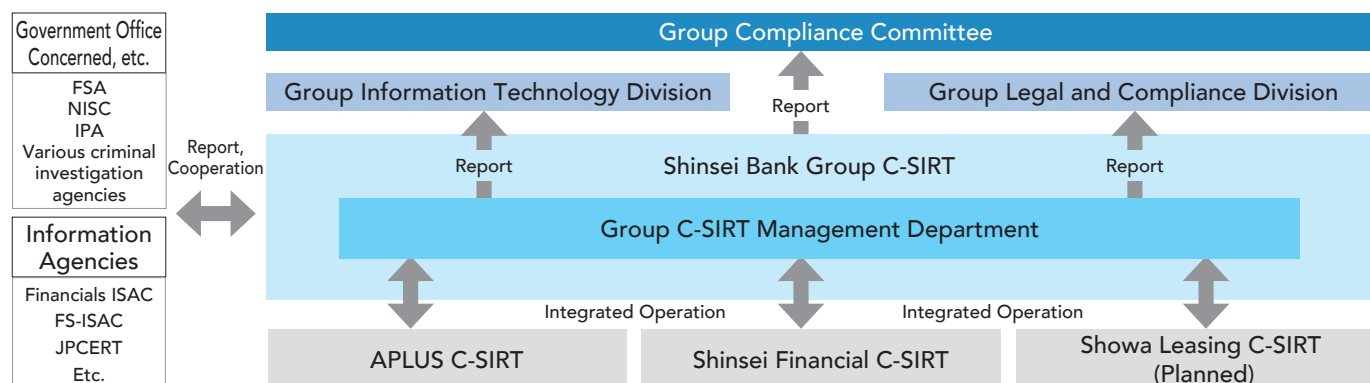
State of Incident Response

We have established the Shinsei Bank Group C-SIRT (Computer Security Incident Response Team) at the beginning of fiscal 2021, an organization dedicated to cybersecurity, and the Group C-SIRT Management Office, which serves as the secretariat for this organization, within the Group's headquarters in order to strengthen our organizational response capabilities. The Shinsei Bank Group C-SIRT is composed of members from the Group C-SIRT Management Office and related departments. Through integrated management with C-SIRT of Group companies, it will be responsible for responding to cyber incidents and financial crimes on a Group basis.

Cybersecurity Management Declaration

Cybersecurity Management of the Shinsei Bank Group declares a commitment to ensuring cybersecurity to all stakeholders, including customers and partner companies. This declaration states our determination to promote the strengthening of cybersecurity through management leadership, such as security measures in various business activities, strengthening of organizational response capabilities, and cooperation with external specialized organizations.

We will continue to contribute to strengthening the cybersecurity of society as a whole by allocating adequate budget, personnel, etc. and strengthening countermeasures.



Glossary & URL

NISC	: National center of Incident readiness and Strategy for Cybersecurity	FS-ISAC	: The Financial Services Information Sharing and Analysis Center (Information sharing through Financials ISAC)
IPA	: Information-technology Promotion Agency, Japan	JPCERT	: Japan Computer Emergency Response Team Coordination Center
Financials ISAC	: Financials ISAC Japan		

Initiatives for Customers

Customer-Oriented Business Conduct

As a guideline for conducting business operations with top priority on customers' "best interests," the Bank established the "Policy on Customer-Oriented Business Conduct" (hereinafter referred to as the "Policy") and an "Action Plan" to put this Policy into practice. The Policy was revised as of June 30, 2020 with the aim of making it easier for customers to understand and establishing it as part of our corporate culture in the field of sales.

Each Shinsei Bank Group company and all executives and employees of the Group have reaffirmed the importance of "Pursuing customer-oriented business conduct and contributing to our customers' asset formation," and by firmly committing to customer-oriented business operations, we will contribute to the sustainable growth and development of society and the economy.

For additional details, please refer to Shinsei Bank's website.

The Shinsei Bank Group Companies that have Established and Announced the Policy



The Policy and Actions

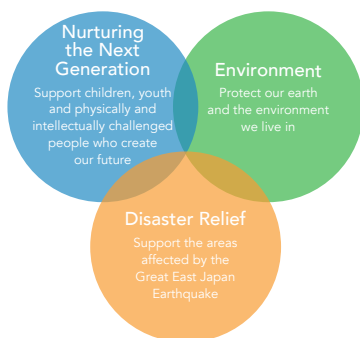
Policy	Actions
Consulting Shinsei Bank places the utmost importance on fiduciary relationships and make proposals in line with customers needs. • We provide our customers a series of services, from proposals to after-sales follow-up. • We assign staff who can make optimal proposals at all times in line with the various life stages of our customers. • We strive to optimize our organizational structure in line with changes in customer needs.	• As part of the development of an after-sales follow-up system tailored to life plan events, we registered the customer's objectives of asset management and the desired achievement time with the customer management system and started to be used in asset management consultations. In addition, we utilized market automation to provide personalized information. • Held workshops and role-playing with the aim of improving the quality of responses of staff to respond to customers. Through these activities, good communication with customers and customer-oriented response.
Products and services Shinsei Bank offers a wide variety of financial products and services to meet the various needs of its customers. • We strive to prepare a product lineup that looks ahead to the 100-year life of customers, including objectives and problems at their life stages, and preparations for the future. • We provide optimal lineup that meet customers' needs by selecting from a wide range of products and services outside the Shinsei Bank Group. • We provide easy-to-understand information in a way that is easier to understand so that customers can choose the most suitable products and services.	• We added 19 products to our lineup in fiscal 2020. • In response to the increasing asset management consulting needs over the telephone, we have compiled information and tools required by customers for telephone consultations on the Telephone Consultation Page. • Prior to new product introductions, we held committee meetings to confirm and check for any conflicts of interest in financial products and services. • All financial products and services that had been introduced were reviewed semi-annually to confirm not only conflicts of interest, but also the status of changes in market values, the occurrence of complaints, and the implementation status of post-sales follow-up.
Evaluation and education Shinsei Bank reflects customers' voices in the evaluations of its branches and staff in order to make its customer-first philosophy into reality, and utilize them in the creation of a system for further skill improvement. • We utilize the valuable opinions of our customers in the evaluation and training of our staff. • At the same time, we incorporate multi-faceted evaluation methods from superiors, colleagues, and subordinates.	• From December 2020 to January 2021, we conducted customer surveys by e-mail and mail, quantified the content of the responses as customer satisfaction evaluations, and reflected customer opinions in the evaluations of our staff. • Since fiscal 2020, we have conducted a multi-faceted evaluation in which consulting staff receive evaluations from their superiors, colleagues, and subordinates semiannually.
DX and channels We provide a variety of services and environments to enable customers to consult in accordance with their lifestyles. • We provide optimal communication methods for our customers in response to technological developments and changes in society. • We provide an environment in which branches, contact centers, and the Internet cooperate to share important information received from customers, and customers can consult with any contact point smoothly.	• We have begun accepting asset management consultations via video chat as an expansion of our communication methods. • As an expansion of our communication locations, we began accepting asset management consultations at satellite lounges. • In response to the growing demand for remote operation consultations, we strengthened our telephone and video chat management systems. • We are now able to implement functions that allow our communication apps to share customer profile and operational purposes, and provide consulting that is in line with our customers' asset management objectives and needs.

Social Initiatives

Concept of Social Contribution Activities

The Shinsei Bank Group considers social contribution activities to be "activities that have a positive impact on the creation of a sustainable society in which employees of the Group can participate with sympathy," and will actively engage in these activities.

As a corporate group that provides financial services to society, we are aware that the sound development of society is the foundation of the Group's existence. We are fulfilling our role as a good corporate citizen that contributes to the development of society through sustainable growth and development. We are also aiming for "value co-creation" through active collaboration with our partners.



TOPICS

Value co-creation with Ashinaga Foundation

In May 2020, the Shinsei Bank Group donated 10 million yen to the Ashinaga Foundation ("Ashinaga") to support students to go to school and their livelihood as part of the Group's approach to deal with Novel Coronavirus infection.

In a dialogue with Ashinaga Foundation, we were told that they would like to provide scholarships to students who intend to continue to repay their scholarships over a long period of time with the opportunity to think about "money" at an early stage, and introduced the financial literacy program, MoneyConnection® that Shinsei Bank Group is developing with the authorized specified nonprofit organization, Sodateage.net. Subsequently, in October 2020, we held a trial for prospective scholars, and in February 2021, we held an experience session for staff who are in charge of supporting scholars. As a result, the experience session for staff became a hands-on event to understand the background, history, and management policy of development in addition to the content of MoneyConnection®. The Shinsei Bank served as an intermediary for people with the desire to support young people.



In March 2021, the staff members of Ashinaga gave a lecture via an online seminar for employees of the Shinsei Bank Group. While the seminar became an opportunity for employees to learn a real social issue that emerged as a result of the Novel Coronavirus disaster, Ashinaga staff members were impressed by the feedback received from our employees.

Since fiscal 2021, MoneyConnection® has been introduced as a scholarship support program for Ashinaga, and online sessions are scheduled to allow many scholars to participate.

Going forward, we will continue to support socially meaningful activities while continuing to engage in such exchanges and promote the creation of better relationships so that we can contribute to the creation of new value through collaboration.

Initiatives for Shareholders and Investors

Basic IR/SR Activities Policy for Fiscal 2020

- Enhancing engagement with passive investors (proxy managers, ESG managers)
- Targeting active investors and selection of new investor candidates
- Promoting “ESG as a Business” from an IR/SR perspective among executives and employees
- Review of IR/SR operations in response to the new normal

Results of IR/SR Activities (Fiscal 2020)

Financial results briefings and telephone conferences	8 times
IR Day	Once
Investors participation in live-streamed IR Day	Approx. 190
Small group meeting on integrated report	Once
Engagement interviews with ESG representatives, proxy voting officers, advisory companies, etc.	15 times
Lectures by market participants and experts for Board of Directors	Once
IR/SR activity reporting at Board of Directors' meetings, Group Executive Committee meetings and General Managers meetings, and issuance of IR/SR report for employees	6 times

Top Management's Commitment to IR/SR

(Number of IR/SR meetings in fiscal 2020)

CEO	Executive Officers	IR/SR officers	Total
46	63	79	188
24%	34%	42%	100%

Fiscal 2020 Achievements and Challenges

The number of meetings with shareholders and investors in fiscal 2020 was 188, decreasing from 224 in fiscal 2019. However, the number of meetings in fiscal 2020, excluding 70 IR meetings held in fiscal 2019 following the sale of shares by a major shareholder, increased compared with fiscal 2019.

Due to the impact of the Novel Coronavirus infections, communication with shareholders and investors has primarily been through online channels. We also held IR meetings with overseas investors during early-morning and late-night hours. As a result of the virtual

IR meetings, we were able to interact with overseas investors in regions where it was difficult to visit from the viewpoint of efficiency at the conventional business trip-based IR meetings. On the other hand, it has been difficult to overcome time differences, and this poses challenges for setting interviews with investors in North America and Europe.

Domestically, in meetings with institutional investors, we increased the number of SR-related meetings between responsible investment managers and the Bank's management, and increased opportunities to meet with bond investors in conjunction with the issuance of sustainability bonds. Regarding IR/SR activities for

individual shareholders and investors, the number of participants at the 20th Annual General Meeting of Shareholders held on June 17, 2020 increased year on year for the first time in four years, thanks to live distribution via the Internet.

For Shinsei IR Day, we distributed presentation videos in advance on the Internet and focused on Q&A sessions on IR Day. In the unsecured loan business for individual customers and institutional businesses, we provided an explanation on "invisible value" as a theme. We also introduced UDC Finance Limited, New Zealand's largest nonbank institution that has recently become a member of the Shinsei Bank Group.

Initiatives for Climate Change Issues through Our Core Businesses

Shinsei Bank has endorsed the recommendations of TCFD (Task Force on Climate-related Financial Disclosures). In line with this TCFD framework, we introduce the Shinsei Bank Group's efforts to address global environmental issues through our core businesses.

Governance

The Shinsei Bank Group has positioned the Group Sustainability Policy as the starting point for formulating management strategies, and by contributing to the creation of a sustainable society, we aim to fulfill our corporate social responsibilities and acquire sustainable growth opportunities.

Responding to global environmental issues, including climate change, is indispensable for a sustainable society. We will strive to create social value and increase the corporate value of the Shinsei Bank Group over the

medium to long term through a variety of initiatives, including investment in and financing for clients' climate change-related projects.

Framework for Promoting Sustainability Management

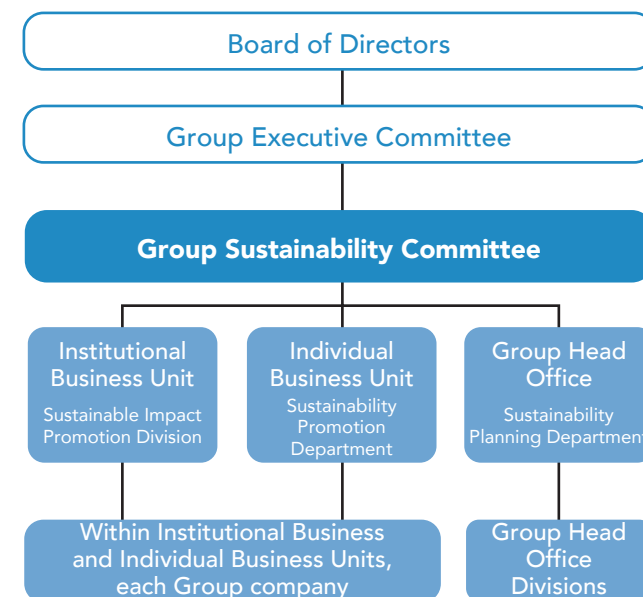
In January 2021, we established the Group Sustainability Committee, chaired by the Chief Sustainability Officer (CSO). The Group Sustainability Committee has been positioned as one of the Group's important committees, and we are strengthening our promotion system under the strong commitment of management. Members of this committee include executive officers, who discuss sustainability management based on medium- to long-term strategies and report on the progress of initiatives. In addition, important matters related to sustainability management are discussed and reported to the Group Executive Committee, and periodic reports are also made to the Board of Directors.

Under the Group Sustainability Committee, we have appointed a sustainability promotion officer who is responsible for promoting the matters that are discussed, reported on, and resolved by the Group Sustainability Committee in Institutional Business and Individual Business, and promote "Sustainability as a business." In addition, the Sustainability Planning Department of

the Group Corporate Planning Division, which plans and oversees Group-wide initiatives, promotes sustainability management as a Group.

In our integrated risk management framework, the Shinsei Bank Group recognizes physical and transitional risks related to climate change as critical risks (top risks). At the same time, we include the promotion of sustainability management aimed at helping to resolve climate change issues in our risk appetite policy. The Board of Directors has also adopted the Group's critical risk (top risk) and Risk Appetite Policy.

Organization



Strategy

Opportunities

Promotion of Businesses that Contribute to the Improvement of Environmental and Social Issues

The Shinsei Bank Group considers climate change and other global environmental issues to be extremely important issues in order to realize a sustainable society. In addition to having business risk in the Group's sustainability management, they also represent a major business opportunity. Through project financing for the renewable energy business and investment and lending in environmental real estate and facilities for reducing environmental impact in ship financing, we have been actively engaged in projects and businesses that contribute to improving and resolving environmental and social issues.

To further deepen these efforts, in fiscal 2019 we established Sustainable Impact Development Division within Institutional Business Unit. In collaboration with each division, we are planning and promoting sustainable finance and developing and supplying investment products for institutional investors. In January 2021, we established the Group Sustainability Committee to establish and upgrade a comprehensive promotion system for sustainability management of the Group as a whole. Going forward, we will capture business opportunities while further collaborating across the Group.

Shinsei Green Finance Framework

Under the current situation where domestic and overseas trends are accelerating toward the transition to a post-carbon society, we formulated the Shinsei Green Finance Framework in May 2020. This framework is consistent with relevant domestic and overseas principles, such as the Green Loan Principles, and aims to further expand our investment and lending to projects that contribute to mitigating and adapting to climate change and proactively seizing business opportunities. The Sustainable Impact Assessment Department, which is an internal office of the Sustainable Impact Development Division, verifies the positive and negative impacts of the loan-targeted projects and evaluates their conformity to the framework. In fiscal 2020, eight projects (totaling 62.7 billion yen) were financed, including solar power plants, woody biomass power plants using unused materials from regional communities, and green buildings, as Shinsei Green Loan that conform to the framework. In structuring and implementing these investments and lending, we aim to create a larger flow of funds by cooperating with customers of regional financial institutions.

SHINSEI SUSTAINABLE
IMPACT ASSESSMENT



Awarding certificate of Shinsei Green Loan:
Takara Asset Management Co., Ltd.

Initiatives in Fiscal 2020

Since 2012, Shinsei Bank has been promoting syndicated loans for renewable energy businesses such as solar, wind, and biomass, and has been supporting the spread of renewable energy in cooperation with regional financial institutions. In fiscal 2020, we continued to actively engage in project financing for wind power generation and financing for infrastructure investment companies, and several of these were formed as "Shinsei Green Loan." We aim to create a larger flow of funds by diversifying our distribution methods through the syndication of the "Shinsei Green Loan" and the use of project bonds. In addition, together with Daiwa Energy & Infrastructure Co., Ltd., we began providing mezzanine financing for renewable energy power generation businesses.

In real estate finance, we made several nonrecourse loans for environmentally certified real estate, and also executed financing for large-scale high-specification logistics centers that also take into account the reduction of environmental impact as a new asset type.

In ship finance, we are expanding loan balances to vessels with scrubbers and LNG fuel carriers.

Risk

Perceived Risk

Climate change is expected to affect the Shinsei Bank Group's portfolios mainly through the following two routes.

Physical Risks : Direct impact such as property destruction, etc. caused by weather events including floods and storms, indirect impact such as global supply chain interruption and resource depletion, etc.

Transition Risks : Risks arising from the revaluation of financial assets with large GHG emissions as a result of the transition to a carbon-free economy.

Carbon-related asset exposures (carbon-related assets (energy and utilities, excluding solar and wind power project finance)) accounted for 4.2% of our total exposure in March 2020 and 3.7% in March 2021.



Liquefied gas carrier equipped with a dual-fuel engine that can also use gas fuel to reduce environmental impact (France LNG Shipping S.A.S)

Scenario Analysis

We have positioned climate change as one of our key management issues, and have organized the scenario's assumptions, opportunities and risks in terms of economic fluctuations and two dimensional views, which we monitor on a daily basis.

In identifying sectors that have a significant impact on the Shinsei Bank Group for climate change-related risks, we conduct risk assessments on a sector-by-sector basis and examine the importance of investment and lending from the perspective of the Group's portfolio. We focus on real estate (including for individuals) in industries where there is high physical risk, while electricity, gas, heat supplies, water supply, water transport, and petroleum refining in the industries where there is high transition risk. We intend to disclose the results of quantifying physical risks and quantifying transition risks for each of these industries. Recently, we examined the quantification of physical risks mainly in real estate. When we performed a preliminary calculation, specifically the impact of physical risks on domestic real estate nonrecourse loans, housing loans and domestic project financing, we estimate that net credit costs will be in the range of 1.5 billion yen to 3.0 billion yen over the 30-year cumulative period from 2021 to 2050. At the present time, we will continue to monitor the situation, although we do not believe it is necessary to take any immediate action.

In the future, we will consider expanding the scope of quantification of physical risks. We will also quantify the risks in sectors with higher risks of transition, and actively work on projects and investment and lending for businesses that will contribute to improving and resolving issues related to the transition to a carbon-free society.

(Time axis) Short term: ▲ Medium term: ● Long term: ■

Strengthening of regulations and technological innovation for achieving 2°C or lower	2°C	Scenario	<ul style="list-style-type: none"> Transition risk rises due to tightening of regulations and technological innovations The Paris Agreement transitions from the target stage to the implementation stage. In addition to the introduction of strict carbon taxes, aggressive policy guidance has led to rapid progress in a decarbonized society. Damages caused by floods and typhoons are reduced compared with 4°C. 	2°C	Scenario	<ul style="list-style-type: none"> With the strengthening of regulations and technological innovation aimed at achieving 2°C or less, the economic downturn occurred mainly due to the defaults of companies that are unable to keep pace with changes in social structure, and the increase in structural unemployment due to employment mismatches. As a result, it becomes difficult to achieve 2°C.
		Risk	<ul style="list-style-type: none"> Increased default risk in high GHG-emitting sectors (including grounded assets such as coal-fired thermal power plants). ▲ 		Risk	<ul style="list-style-type: none"> Risk under base scenario. ▲● The incurrence of credit costs associated with an increase in the risk of corporate and individual defaults. ▲●
		Opportunities	<ul style="list-style-type: none"> Expansion of need for transition support finance. ▲ Increasing demand for investment and lending for decarbonization. ▲ 		Opportunities	<ul style="list-style-type: none"> Further expansion of demand for investment and lending for financing to support transition and decarbonization. ▲●
	4°C	Scenario	<ul style="list-style-type: none"> Many countries have exited the Paris Agreement. Carbon tax remains at the current level, and low-carbon policy remains at a low level. Inland water flooding due to unexpected heavy rainfall and storm water disaster caused by severe typhoons landing increased. Frequent disasters increase physical risk. 	4°C	Scenario	<ul style="list-style-type: none"> Due to repeated fiscal measures against frequent windstorms and floods, etc., the budget deficit expands, the sovereign rating is downgraded and long-term interest rates rise, and an economic downturn, such as a decline in real estate prices, occurs.
		Risk	<ul style="list-style-type: none"> Defaults in investment and lending customers due to the manifestation of wind and water disasters. ▲ Higher default risk in Individual Business operations due to debtors' damage and declining income. ▲ 		Risk	<ul style="list-style-type: none"> Risk under severe stress scenario 1. ●■ Credit costs incurs due to a decline in real estate values. ●■ Unrealized losses on securities, mainly bonds. ●■
		Opportunities	<ul style="list-style-type: none"> Since many larger companies in the loan portfolio are relatively strong, demand for funds for repairs and strengthen of disaster preparedness facilities increases. ● Increasing needs for hedging against climate change risks and insurance products. ● 		Opportunities	<ul style="list-style-type: none"> In addition to climate change risks, a growing need for hedging against real estate, etc. ●■

Economic downturn

Summary of scenario analysis results

Scenario	IPCC Fifth Assessment Report RCP2. 6 (2°C scenario)/8.5 (4°C scenario)
Period covered	From 2021 to 2050
Risk event	Loss of collateral value due to flooding and the occurrence of defaults
Target businesses	Domestic real estate nonrecourse loans, domestic project finance and housing loans
Financial impact	Cumulative credit cost impact of around 1.5 billion yen to 3.0 billion yen

Glossary & URL

IPCC
Intergovernmental Panel on Climate Change. It was established by the World Meteorological Organization (WMO) and the United Nations Environment Programme (UNEP) in 1988 to evaluate climate change and future risks scientifically, technically, and socioeconomically.

RCP: Representative Concentration Pathway
Four independent scenarios, based on the radiative forcing of greenhouse gases, adopted by IPCC. The scenarios are RCP8.5 (2.6-4.8°C for warming up to the end of this century), RCP6.0 (1.4-3.1°C), RCP4.5 (1.1-2.6°C), and RCP2.6 (0.3-1.7°C), and is composed of a future predictive data set that provides inputs to climate-predictive models, pattern-scaling, and atmospheric circulation models.

2°C scenario and 4°C scenario
Climate-related scenarios presented by the IPCC and other bodies. The scenarios in which the global mean temperature around the year 2100 increased by 2°C and 4°C compared with before the industrial revolution are called 2°C scenario and 4°C scenario, respectively. The Paris Agreement sets out common goals such as "striving to keep the global average temperature rise well below 2°C compared with before the industrial revolution and to keep it at 1.5°C."

Risk Management

Policies for Responsible Investment and Lending

The Shinsei Bank Group considers transactions with companies that do not pay due attention to environmental and social issues to be management risks and has prohibited or restricted transactions in connection with investments and lending for certain specific businesses based on the recognition that there are serious risks to the environment and society. In July 2021, we revised the framework to promote responsible investment and lending by adding prohibitions and noteworthy points across sectors. From the standpoint of climate change countermeasures, based on preventive approaches, we will not conduct new investments and lending both domestically and overseas for new coal-fired thermal power plants, thereby reducing the amount of investment and lending for these power plants.

Initiatives for the Equator Principles

In April 2020, Shinsei Bank became the seventh Japanese financial institution to adopt the Equator Principles. The Equator Principles are a framework adopted by private financial institutions to assess whether projects will be implemented with due consideration for the environment and society when financing projects involve large-scale development. In November 2019, the fourth edition of the Equator Principles was adopted to strengthen the perspectives of human rights, climate change, and the rights of indigenous people. By reviewing the environmental and social impacts of projects and making comprehensive decisions based on the Equator Principles, we have been

Indicators and Targets

GHG Emissions and Electricity consumption

Emissions data (Fiscal Year)	2019	2020
CO ₂ Emissions (t) ^{1,2}	15,330	14,168
Electricity consumption (1000kWh) ¹	32,153	29,619

1. Electricity consumption and CO₂ emissions from electricity.
Scope of Reporting: Shinsei bank, Shinsei Financial, APLUS FINANCIAL, APLUS, Showa Leasing, Shinsei Trust & Banking, Shinsei Securities, Shinsei Investment Management, Shinsei Corporate Investment and Shinsei Business Services.
2. Electricity is calculated according to the most recent adjusted emissions factors by electricity producers for fiscal 2019 based on the Act on the Promotion of Global Warming Countermeasures.

Glossary & URL

Scope 1 : Direct emissions of greenhouse gas by businesses themselves, such as fuel-burning and industrial processing
Scope 2 : Indirect emissions of greenhouse gas from the use of electricity, heat, and steam supplied by others
Scope 3 : Indirect emissions of other greenhouse gas (e.g., emissions from other businesses in the value chain)

fulfilling our corporate social responsibility and enhancing our environmental and social risk management.

Adoption of the Poseidon Principle

In March 2021, Shinsei Bank signed the Poseidon Principles, an initiative for financial institutions to address climate change risks in the shipping industry, as the fourth financial institution in Asia. Financial institutions participating in the Poseidon Principles will compile the annual greenhouse gas emissions of the vessels subject to financing, calculate and disclose their contribution to the greenhouse gas emission reduction targets for each ship and the entire ship financing portfolio. (Shinsei Bank will announce them from fiscal 2022.) In the future, Shinsei Bank, as a financial institution actively engaged in ship financing, will support the transition of the shipping industry to sustainability from a financial perspective while also utilizing the Poseidon Principles, and manage the climate change risks associated with this business.

Identifying and Managing Climate Change-Related Risks

The Shinsei Bank Group's integrated risk management framework defines significant risks as it relates to the impact of tighter regulations on climate change and the transition to a carbon-free society, as well as the impact of large-scale natural disasters associated with climate change. In addition to the transition to a carbon-free society, we are upgrading our structure for monitoring in anticipation of increased net credit costs triggered by large-scale natural disasters.

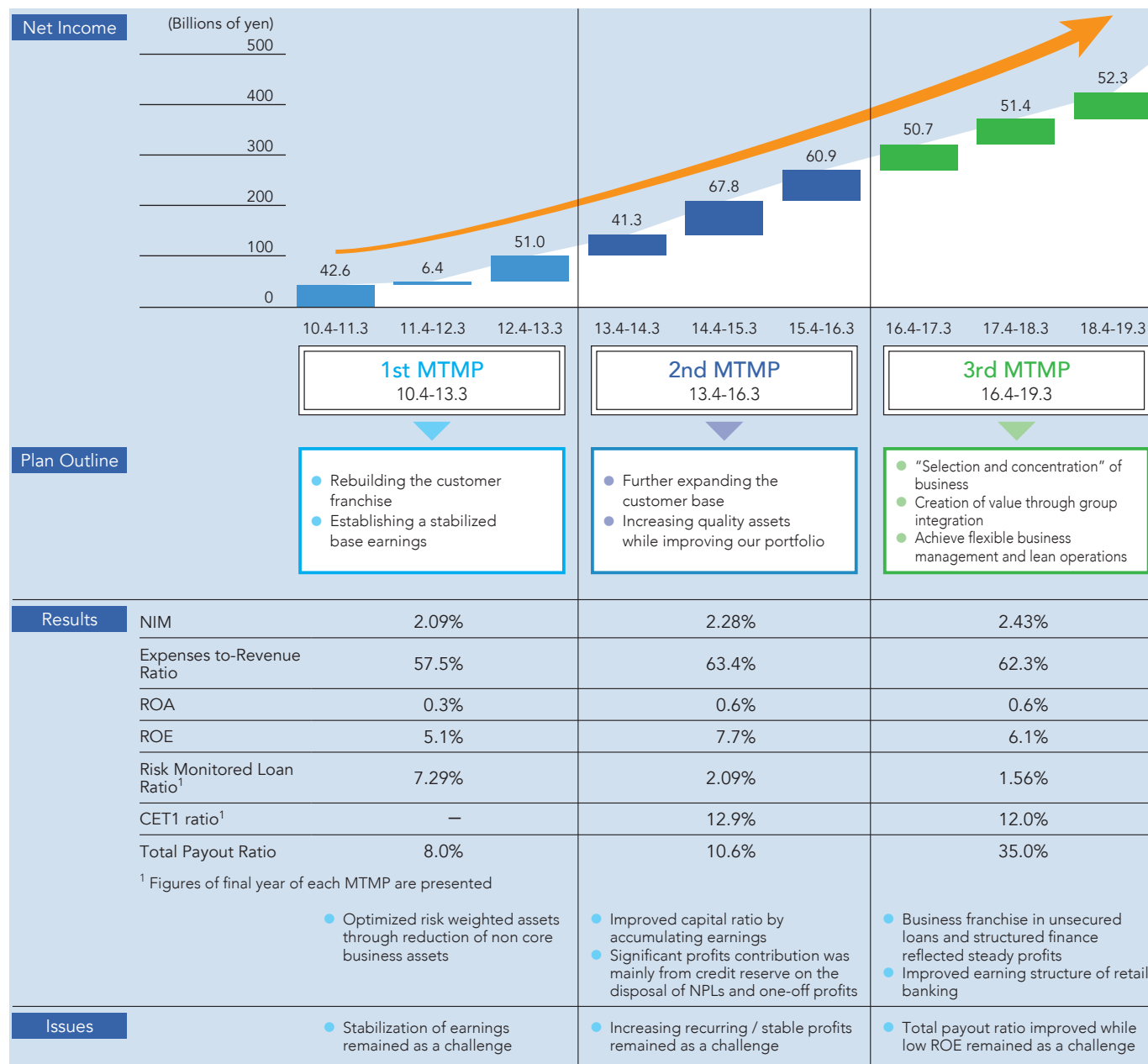
GHG Emissions

We have established a measurement system to expand the scope of GHG emission disclosures to Shinsei Bank, APLUS, Showa Leasing and Shinsei Financial for electricity, which is the largest contributor to Scope 1 and Scope 2. Going forward, we plan to set targets for reducing GHG emissions after further expanding the scope of Scope 1 and Scope 2 measurement and disclosure. We are also undertaking initiatives to measure and disclose Scope 3, including emissions of GHGs from investment and lending destinations.

Medium-Term Management Strategies

Review of the Past Medium-Term Management Plan

During the nine years of the first through third Medium-Term Management Plans, the Shinsei Bank Group has been shifting to a business model in which profits exceed ¥420 billion while reducing profit volatility and recording stable profits. By formulating and implementing new strategies based on the issues identified, we aim to increase corporate value by providing products and services that make the most of the Shinsei Bank Group's strengths and uniqueness.



Materiality

Materiality has three components: address social and environmental issues; fulfill our social responsibilities; and foundation for meeting our goals/responsibilities that supports these two initiatives.

The three pillars of our role in helping to resolve social and environmental issues are access to finance, fund flows that fit society's needs, and solutions through integration with external services. The fulfillment of our social responsibilities is based on the provision of social infrastructure services, such as deposits, loans, and settlements, and the provision of customer-oriented services as the foundation of our financial business.

For the foundation for continuing to fulfill our roles and responsibilities, there are four elements: expertise, execution, governance, and capabilities. This cycle will further strengthen our input capabilities.

Specific Process of Materiality

Understanding materiality	SDG Compass (corporate behavior guidelines for SDGs), Guidance for Collaborative Value Creation (METI), SASB (Sustainability Accounting Standards Board), GRI (Global Reporting Initiative) and other guidelines are referenced to gain an understanding of what materiality is and how to specify materiality.
Extracting elements of materiality from strategy	On the basis of a number of business clusters, hold workshops with employees who will be the next generation involved with business strategy formulation for the Bank's Medium-Term Strategies. In each cluster, first of all start from the visualization of the value chain, and together with the impact on society at each point in the value chain, discuss to flesh out the important functions of the Shinsei Bank Group. Then, from within the aggregated points that emerged from each respective cluster, extract and organize the original structure of materiality.
Discussion and specification at the management level	Materiality is included as one of the agenda items undertaken when discussing the Medium-Term Strategies with management. Indeed, our core competence that has the largest impact on raising corporate value, as well as being important to society during the course of our business activities, is specified as materiality that is unique to the Shinsei Bank Group. Medium-Term Strategies materials cover materiality, as well as the SDGs that are bound together with materiality.
Dialogue with stakeholders	In the course of engagement (constructive dialogue) with investors, shareholders and other stakeholders, discussions on materiality, interwoven through the Medium-Term Strategies, work to instill and refine materiality.

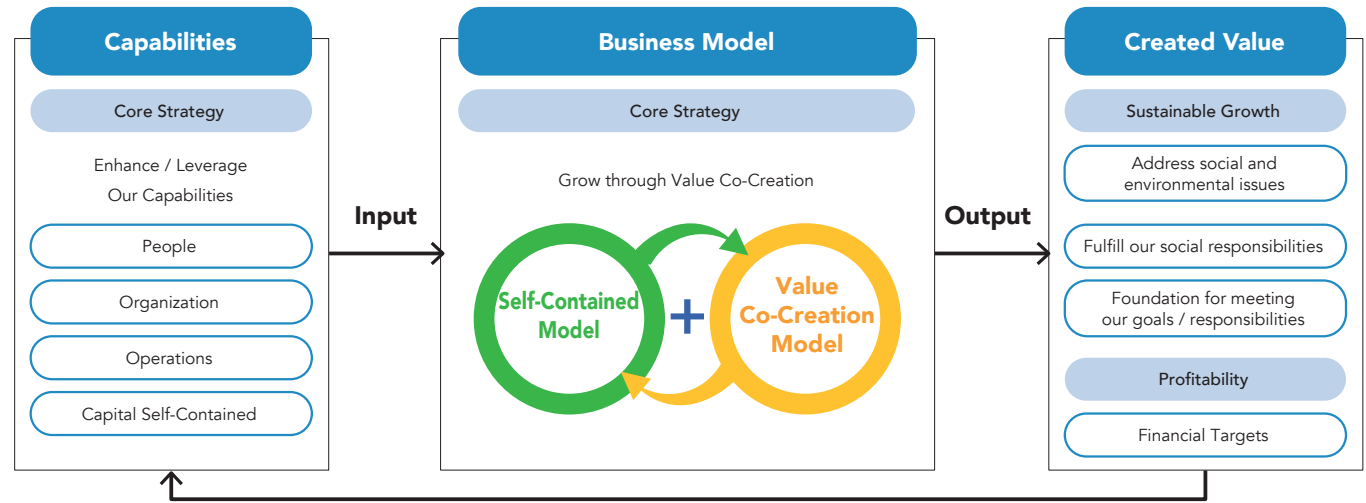
Specified Materiality



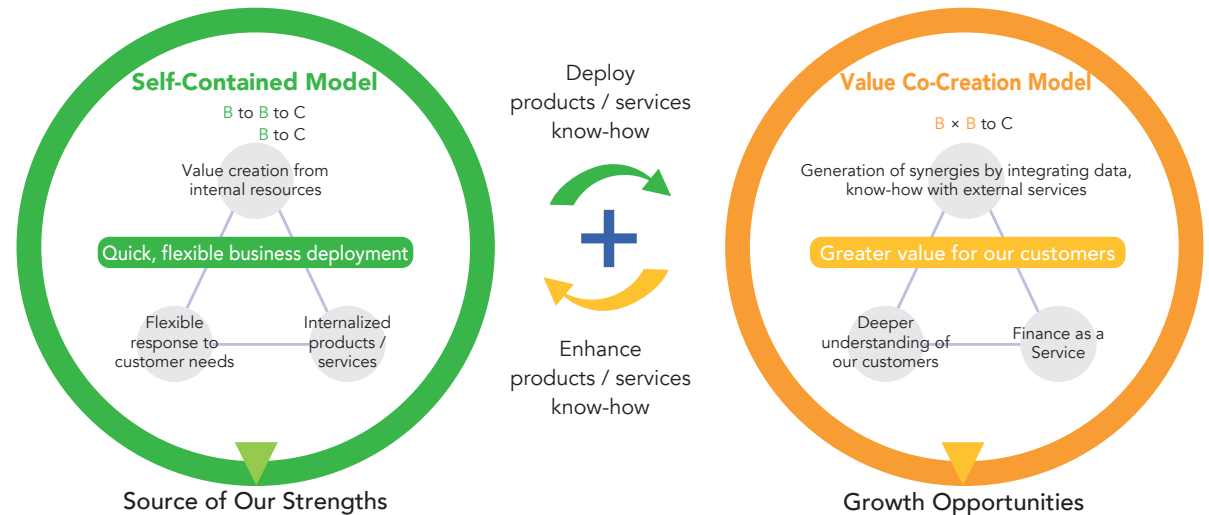
Medium-Term Strategies and Business Model

Based on the identified materiality, the Medium-Term Strategies, which began in fiscal 2019, outlines processes for value creation through two basic strategies and business models. The Shinsei Bank Group's strengths are resolved into factors to the level of competence to provide individual functions and competencies to the others in an abstract and generalized manner. By doing so, our services will be more attractive to our "value co-creation model" customers. In addition, we are designing a feedback loop that further refines our self-contained business model by feeding back the results.

Overview of Medium-Term Strategies



Business Model: Self-Contained Model and Value Co-Creation Model

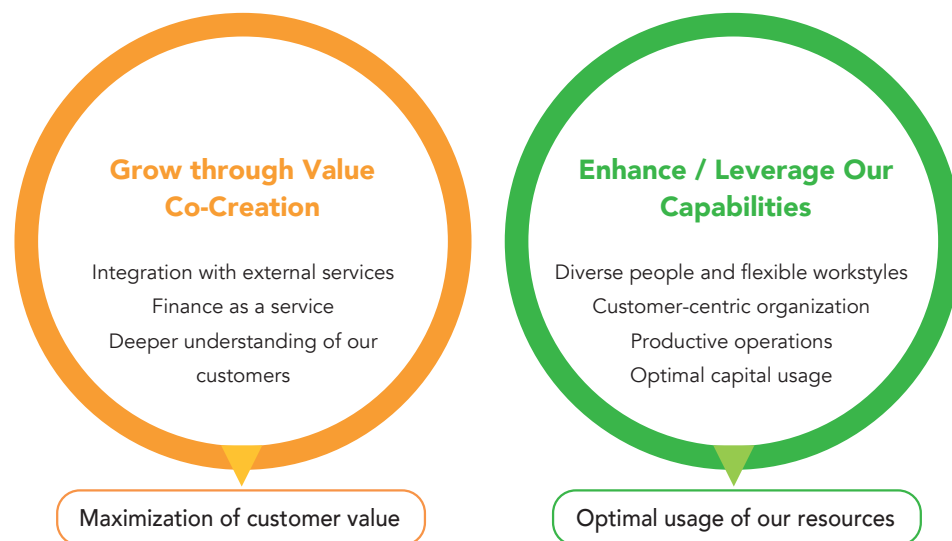


Medium-Term Management Strategies

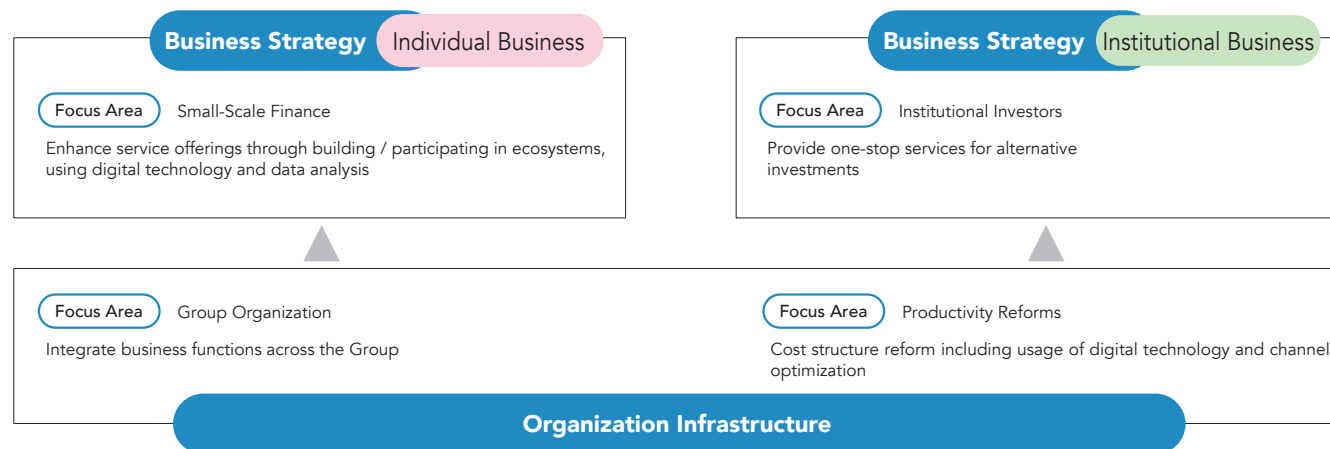
Core Strategies and Business Strategies

In an era of transformation where the future is not an extension of the present, we are required to seek growth that cannot be achieved by past achievements or technologies alone. The Shinsei Bank Group's basic strategies are "grow through value co-creation," which combines our Group's strengths with those of others, and "enhance/leverage our capabilities," as input capital. We aim to meet customers' needs who are not satisfied with conventional financial services through individual strategies for Individual Business and Institutional Business.

Core Strategies



Business Strategies

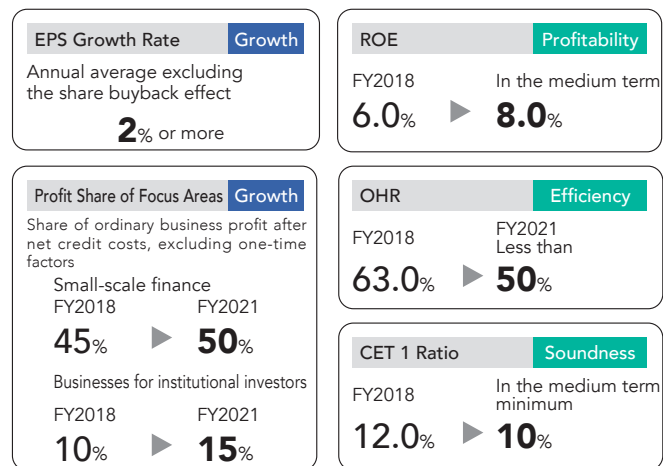


Medium-Term Management Strategies

Nonfinancial KPIs and Financial KPIs

We are proactively working to manage our progress on the nonfinancial and financial KPIs that we have set in order to achieve our sustainable growth story and to help resolve social and environmental issues through our business activities.

Economic Value That the Shinsei Bank Group Wants to Create: Financial KPIs



Shareholder Returns

Shinsei Bank aims to maintain or improve the total shareholder return ratio, depending on financial conditions and market environment, considering total shareholder return policy as outlined in the Revitalization Plan.*

* As stated in the Revitalization Plan submitted to the Financial Services Agency on March 25, 2020, we will continue to aim to maintain and improve our shareholder returns, taking into consideration the level of the general total shareholder return ratio of Japanese domestic banks.

Value That Shinsei Bank Group Strives for Society: Nonfinancial KPIs

Materiality	Main business	Nonfinancial KPIs	Progress
Address social and environmental issues	Increase financing access points, both directly and indirectly, for more people	<ol style="list-style-type: none"> Deployment of Shinsei Bank Group's service platforms and ecosystems Development of services jointly with partners Participation of partner companies in service platforms and ecosystems 	<ol style="list-style-type: none"> Platform offerings by the Shinsei Bank Group: <ul style="list-style-type: none"> Started offering Choy-San, a BANKIT® app to 3PLATZ Expanding functions of BANKIT® apps Service development through joint venture with partner companies <ul style="list-style-type: none"> Started offering Sindy Credit Card and Sindy Personal Loan (Purpose-specific Loans) in Credd Finance for foreign ecosystems Expansion of use of cloud factoring service in joint venture, anew, with OLTA for SMEs and micro-businesses Started offering Business Credit (per-item sales credit and installment payment) and Business Credit Card as well as USEN-NEXT Leasing Products through USEN-NEXT Financial, a joint venture with USEN-NEXT HOLDINGS Started offering Shinsei Bank Smart Card Loan Plus for Nissen customers at Nissen Credit Service, a joint venture with Nissen Holdings Participation of partner companies in platforms and ecosystems: <ul style="list-style-type: none"> Formed alliance to provide financial services in collaboration with NTT DOCOMO Formed alliance to provide financial services in collaboration with FamilyMart
	Expand financing to help resolve climate change and social issues	In the institutional investor business: <ol style="list-style-type: none"> Amount of new origination Amount of new distribution 	<ul style="list-style-type: none"> Establishment of the Group Sustainability Committee Established sustainability departments in the Group Headquarters, Institutional Business Unit, and Individual Business Unit Amount of new origination: 205.8 billion yen (fiscal 2020) Amount of new distribution: 97.6 billion yen (fiscal 2020) Independent / Co-Arrangement Results of Domestic Project Finance for Renewable Energy: 201 billion yen (Fiscal 2020)
Fulfill our social responsibilities	Provide reliable financial services in a stable manner	Initiatives to ensure implementation of cyber security Efforts to prevent unauthorized access	<ol style="list-style-type: none"> Formulation of Cybersecurity Management of the Shinsei Bank Group Establishment of Shinsei Bank Group C-SIRT and Group C-SIRT Management Office Implementation of cyberattack countermeasures for on information systems Cooperation with external specialist organizations Regular training and education <div style="text-align: right;">(see p. 40)</div>
Foundation for meeting our goals/responsibilities	Establishing strong governance, environment for employees to respect each other's strengths, and work together to create new value	<ol style="list-style-type: none"> Evolution of Board Governance Initiatives to address organizational issues based on the Group's employee engagement survey Promoting Diversity 	<ol style="list-style-type: none"> Number of outside directors: five out of seven directors <ul style="list-style-type: none"> Directors' skill diversity: Skill matrix (see p. 27), Ratio of female board members: 40% Compensation and Nomination Committee consisted of outside directors and audit & supervisory board members: Six meetings (see p. 67) Implementation of effective measures <ul style="list-style-type: none"> Implementation of measures based on employee surveys and results of Novel Coronavirus infections (see p. 63) Establishment and operation of incentives other than monetary remuneration (Shinsei Group Award) (see p. 39) Assign higher weight on the evaluation of team management abilities of managers, such as career support for subordinates, and strengthening skill development opportunities Revitalization of group organization through new business start-up projects, etc. Further promotion of diversity <ul style="list-style-type: none"> Increase the ratio of women in managerial positions on a Group basis (fiscal 2020: 16.5%, fiscal 2022: target of 18% or more) Establish systems to promote the acceptance of diverse working styles and forms of employment that are not based solely on long-term employment (see p. 31) Participation in the diversity promotion initiatives (The Valuable 500, the Ikuboss Alliance, and the Keidanren 30% Challenge)

Financial Review

Business Results for Fiscal 2020

Profit to owners of the parent in fiscal 2020 was 45.1 billion yen, a decrease of 400 million yen from 45.5 billion yen in fiscal 2019. In fiscal 2020, a gain of 9.7 billion yen (net of tax) on the transfer of shares of equity-method affiliate Jih Sun Financial Holding Co., Ltd. was recorded. Excluding this gain, operating income decreased by more than 20% year on year.

In fiscal 2020, total revenue was 221.9 billion yen, declined by 18.0 billion yen compared with 239.9 billion yen in fiscal 2019, due in part to stagnant economic activity caused by the spread of the Novel Coronavirus infectious and decrease of net interest income and noninterest income.

Personnel expenses increased compared with fiscal 2019 due in part to the consolidation of SHINKO LEASE Corporation and Financial Japan Corporation, which were acquired in fiscal 2019, and UDC Finance Limited, which was acquired in fiscal 2020. However, nonpersonnel expenses declined compared with fiscal 2019 due to the promotion of workstyle innovations and restrictive expense management. As a result, expenses in fiscal 2020 were unchanged from 149.5 billion yen in fiscal 2019 to 149.6 billion yen.

Net credit costs were 28.3 billion yen (expense), decreased by 10.7 billion yen from 39.1 billion yen in fiscal 2019. This was mainly due to the limited impact of the worsening business conditions caused by the spread of Novel Coronavirus infections, higher-than-expected improvements in the quality of receivables and progress in collections from individual customers, and a decline in the balance of unsecured card loans.

Earnings Forecasts for Fiscal 2021

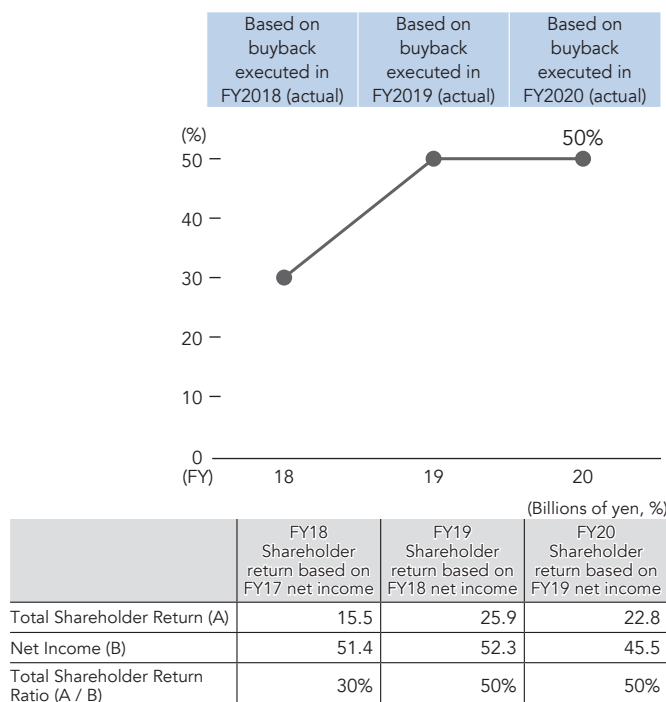
Economic conditions in fiscal 2021 are expected to continue to show a gradual recovery in economic activity throughout the fiscal year, although there are uncertainties, such as the status of infections and the effect of vaccines. As economic activity recovers, net interest income is expected to recover moderately in line with the growth in outstanding lending, and noninterest income is expected to expand. As a result, total revenue (planned) reflects increase from 221.9 billion yen in fiscal 2020 to 244.0 billion yen in fiscal 2021. In addition to the full-year impact of the consolidation of UDC Finance Limited which we acquired in fiscal 2020, we plan to make upfront investments for medium- to long-term growth. Expenses are expected to rise from 149.6 billion yen in fiscal 2020 to 156.5 billion yen in fiscal 2021. We forecast net credit costs (expenses) of 35.0 billion yen in fiscal 2021, compared with 28.3 billion yen in fiscal 2020, mainly on the assumption that expenses will rise in line with growth in the outstanding balance of the unsecured card loan business for individual customers. As a result of the above, the forecast for profit attributable to owners of the parent for fiscal 2021 is 40.0 billion yen. We are forecasting a decrease from 45.1 billion yen in fiscal 2020, but when compared with 35.4 billion yen in fiscal 2020, which excludes the 9.7 billion yen gain on the sale of shares of Jih Sun Financial Holding Co., Ltd., we are forecasting an increase of approximately 13%.

Capital Policy

In fiscal 2020, we acquired UDC Finance Limited and made it a 100% consolidated subsidiary. This is New Zealand's largest nonbank, with relatively high GDP growth rates in developed countries. It has business growth opportunities and operates a low-risk, middle-return asset-backed finance business with high asset quality. UDC Finance Limited is expected to make a stable contribution to earnings as one of the Medium-Term Strategies' focus areas, small-scale financing businesses, and its acquisition is positioned as part of effective capital utilization.

For the total shareholders' return, we have announced that we will increase the year-end dividend by 20% from 10 yen per share to 12 yen per share and set a maximum share repurchase limit of 20.0 billion yen. The total return ratio is expected to be up to 50% of fiscal 2020 earnings. In order to repay public funds, we will continue to retain internal reserves and strive to enhance our market reputation by implementing appropriate shareholder returns.

■ Total Shareholder Return

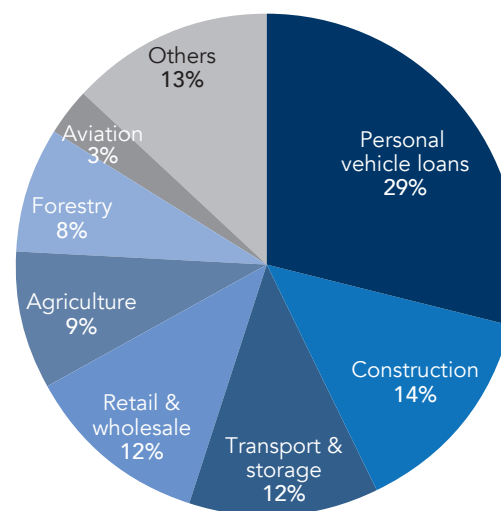


Strength of UDC Finance Limited

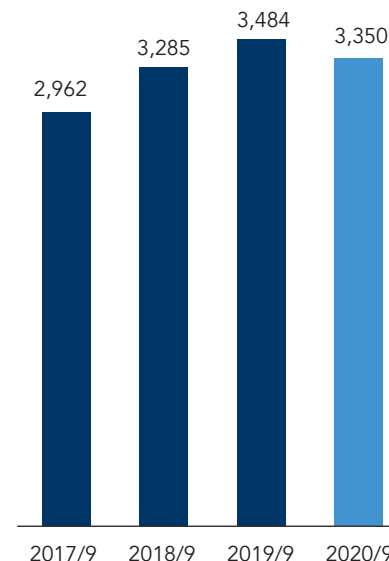
UDC Finance Limited is the largest nonbank in New Zealand, with a business history of over 80 years and high recognition. It has a strong sales base and sales structure for individual and institutional customers. Its strengths include auto loans for individual customers, asset-backed finance for institutional customers, and inventory finance for auto dealers. The largest customer portfolio is personal vehicle loans, followed by construction, transport and storage, therefore the customer portfolio is significantly diversified.

■ UDC Finance Customer Portfolio by Industry

(as of the end of September 2019)



■ Loan Assets (Millions of NZD)





Tetsuro Shimizu
Chief Officer, Head of Individual Business Unit

Individual Business

Our Individual Business segment provides retail banking businesses, including deposits, investment trusts and housing loans; unsecured loans; and credit card, shopping credit and payment services for individual customers.

It is our mission to help resolve social issues as we have been supporting individual customers' asset-building, financing and settlement needs by using digital and IT tools as well as responding to environmental changes such as the ongoing declining birthrate and aging population and changes in lifestyles due to the expansion of the Novel Coronavirus infections to bring business opportunities going forward.

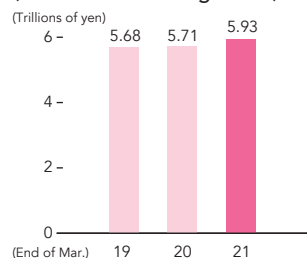
In the asset management business of Retail Banking, we meet customers' asset management needs with optimal communications and products through optimal channels. We are also working to improve customer convenience and reduce costs by strengthening collaboration with Group companies that have insurance agency functions, forming alliances with outside companies that have securities brokerages, and optimizing store management and administrative operations. In the Housing Loan business, we are steadily expanding sales channels through bank agencies with Japan Post Bank Co., Ltd. and APLUS, introducing an electronic contract system and streamlining screening and contracting operations, and developing new products and services to meet customer needs.

In the Unsecured Loans area, we respond expeditiously to the funding needs of our customers. By adding AI and digital technologies to the credit decision and collection functions that we have cultivated to date, we are working to meet the financing needs of new customer segments by partnering with companies that have a customer base.

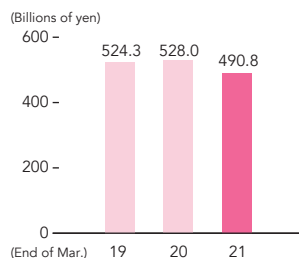
In the field of credit cards and payments, we are providing a variety of payment methods to more customers and working to enhance security measures. We provide financing to SMEs and individual business owners in collaboration with partner companies, and BANKIT®, a NeoBank platform with financial functions such as settlements, foreign exchange and credit, to partner companies and their customers through smartphone apps and API collaborations.

Operating Assets

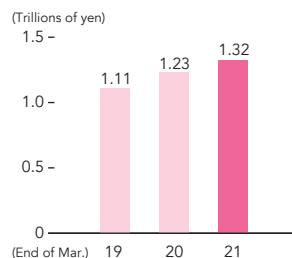
Retail Banking (Asset Under Management)



Unsecured Loans

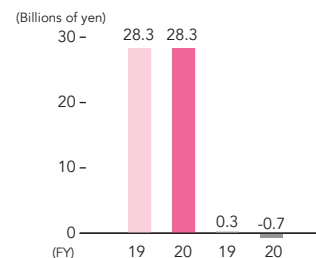


APLUS FINANCIAL

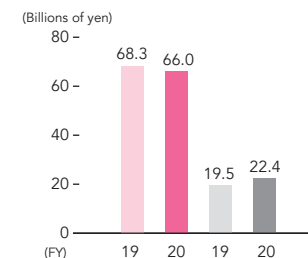


Key Financial Data

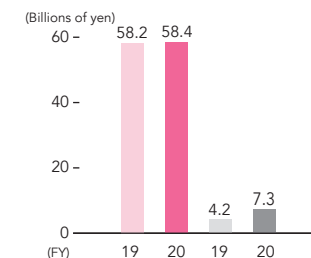
Retail Banking



Unsecured Loans



APLUS FINANCIAL



■ Total Revenue ■ OBP after Net Credit Costs

Glossary & URL

Shopping Credit: A service that allows customers to pay for goods or services in installments without using a credit card.

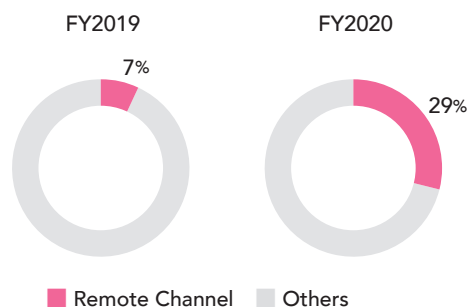
Unsecured Loan: A type of loan / product offered by financial institutions such as banks and consumer finance companies that enables a consumer to borrow without any collaterals.

Retail Banking

Shinsei Bank has established a system that allows customers to consult on asset management products and conduct transactions without being limited by time or place. This includes the full-scale operation of remote consulting, the introduction of a communication app, and the establishment of a remote consultation desk on a website.

The Bank provides a diverse range of options, including consultations and transactions through remote channels using traditional telephone and video calls, and pursues optimal communication with customers. As a result, for asset management product sales in fiscal 2020, the share of transactions and sales in remote channels increased significantly compared with the previous fiscal year.

■ Asset Management Business:
Transaction Volume Share by Channel

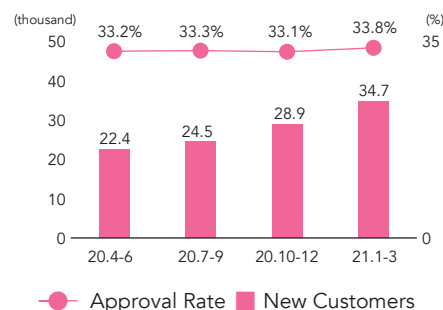


Unsecured Loans

In the unsecured loan business, we focus on increasing the balance of operating assets by building a system to quickly respond to customers' funding needs and pursue sophistication of our credit and collection systems that integrates digital and analog capabilities. As a part of our Medium-Term Strategies, we continue to refine the strengths of our businesses and expand our customer base through strategic alliances with partners to achieve sustainable growth.

In Lake ALSA, the approval rate has started to improve as we have upgraded our business systems, improved the work efficiency of our operations centers, and eliminated bottlenecks by optimizing the allocation of personnel.

■ Lake ALSA : Approval Rate Trend

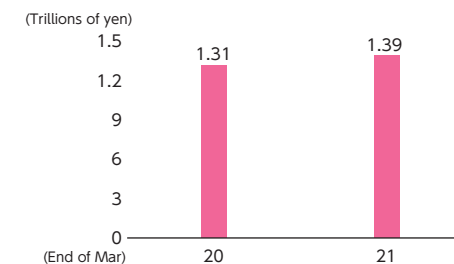


APLUS FINANCIAL

Shopping credits performed well, mainly in the promotional industries of auto leasing and vendor leasing, and we are also taking measures to acquire credit cards that leverage the business base of shopping credits. We integrated the housing-related businesses within the Group and began handling Shinsei Bank housing loans under consignment of banking agency services. In addition, through collaboration with external partners, we are developing credit cards and purpose-specific loans for residents from overseas.

We have strengthened the Group governance system as APLUS has now become a wholly owned subsidiary of Shinsei Bank, and further accelerated the integration of business across the Group.

■ Shopping Credit: Operating Assets Balance





Topics of Shinsei IR Day

Unsecured Loan Business

Three Strong Points to Develop Value Co-Creation

1. Marketing

The Shinsei Bank Group's national brand, Lake, with more than 50 years of history, has a high efficiency of acquisition cost per customer and has strengths in sales. We will continue to position the Lake brand as our largest asset-growth driver and actively invest resources in marketing such as digital advertising.

2. Risk Management

Our greatest strength lies in risk management that we developed in-house with risk management frameworks, including risk measurement, evaluation, and control. As a result, we are able to build a tailor-made scoring model. This allows us to maintain a flexible risk management system.

3. Operations

Value co-creation model requires setting up business management systems in compliance with the Money Lending Business Law and the Banking Law. One of our strengths is our ability to develop systems that enable us to internalize core business systems, facilitating a specialized organization that is responsible for designing and building lean business processes, and giving us the ability to fully utilize the credit servicing functions of one of our Group companies, Alpha Servicer.

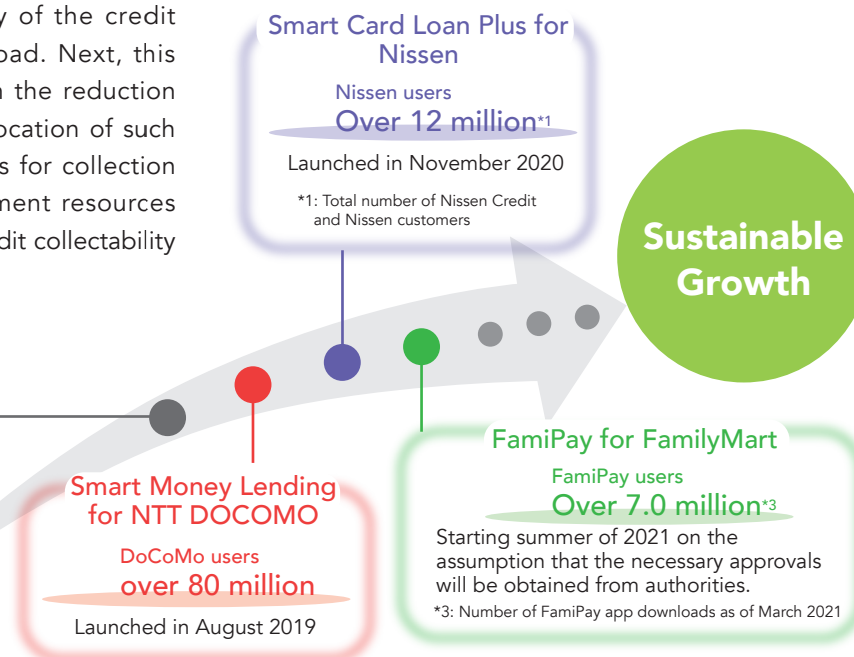
Improving Productivity

To significantly improve productivity, we are currently working to re-engineer our business processes starting with adoption of OODA Loop, in addition to restructuring our business systems in a cloud environment.

Raising the Level of the Credit Collection Capabilities.

To optimize our credit collection capabilities, we have been gradually using digital technologies, such as OCR/AI/RPA, for labor-intensive operations. These technologies improve the productivity of the credit collections and reduce the total workload. Next, this helps us generate surplus time through the reduction of total workloads and prioritize the allocation of such surplus time to highly skilled employees for collection activities. This reallocation of management resources allows us to refine our assessments of credit collectability and to maximize collections.

Credit Guarantee with Regional Banks
No. of Customers
Approx. 74 thousand*²
Credit guarantee business through alliances with regional banks (14 banks, 1 non-bank institution)
^{*2}: As of October 2020 (including part of credit guarantee business for Shinsei Bank Smart Card Loan Plus)



Value Co-Creation Model Aiming at Realizing Sustainable Growth

We have been focusing on developing value co-creation projects by steadily expanding our alliance partners, such as NTT DOCOMO and Nissen. We are planning to establish a new business alliance with FamiPay, a platform of the FamilyMart, and preparing to launch financial services for more than seven million FamiPay members (as of January 31, 2021), while working together with Famima Digital One (a 100% subsidiary of FamilyMart), which provides FamiPay app services.

Institutional Business



Shoichi Hirano

Senior Managing Executive Officer,
Head of Institutional Business Unit

The Institutional Business is composed of the corporate business, which provides solutions to our corporate and financial institution customers; structured finance, which provides services such as real estate finance and project finance; services that provide private equity investments and business succession finance; the leasing business; and the markets business which provides market solutions for foreign exchange and interest rate derivatives, among others.

With social issues becoming more critical, such as the spread of the Novel Coronavirus infections, environmental and energy issues, and the succession issue of SMEs and other businesses associated with the aging of current managers, our responsibilities as a financial institution, which

is a social infrastructure, and our role in contributing to customers and society, are becoming increasingly important.

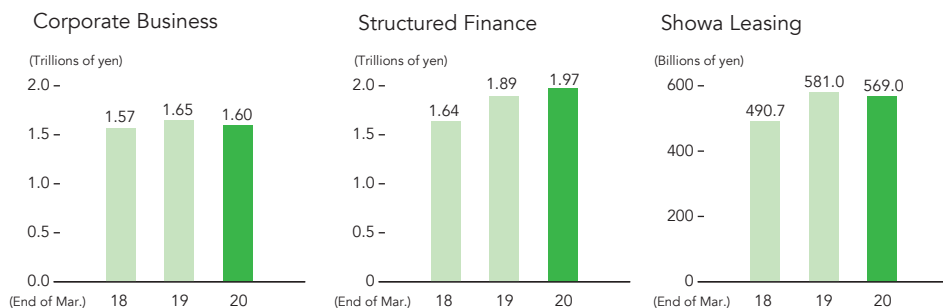
For the business for institutional customers, we have been pursuing partner-type businesses that help customers meet their needs and create new businesses, not only by capturing medium- to long-term environmental changes, but also through collaboration with companies outside the Group as well as the financial functions within the Group, and provide solutions that are not limited to the financial domain.

In addition, we have positioned institutional businesses, which have further evolved in the structured finance field where we have strengths, as focus areas in the Medium-Term Strategies and are aggressively investing management resources. In addition to engaging in a wide range of initiatives centered on sustainability-related project finance, we are not only providing senior loans on a stand-alone

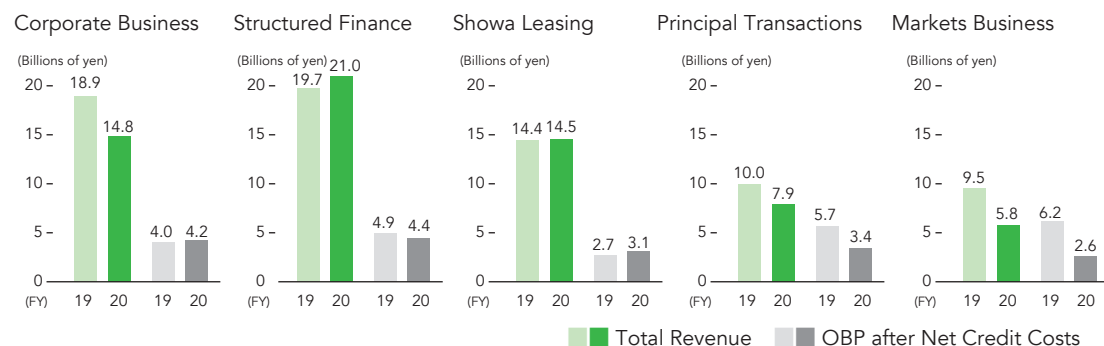
basis, we are also arranging syndications with regional financial institutions, utilizing the relationships that we have cultivated with domestic and overseas institutional investors, along with knowledge and analytical capabilities. In addition, based on the high level of investor interest in the environment and social issues, we are promoting businesses targeting a wide range of institutional investors, including investment managers who provide funds as well as asset owners who provide funds to investment managers.

In February 2020, we established the Sustainable Impact Development Division to conduct the Bank's own sustainability/ESG assessments for investment and lending projects and provide investors with assessments of those projects. The full-scale operation of this department has contributed to the steady performance of ESG-related loans and the accumulation of many pipelines.

Operating Assets



Key Financial Data



■ Total Revenue ■ OBP after Net Credit Costs

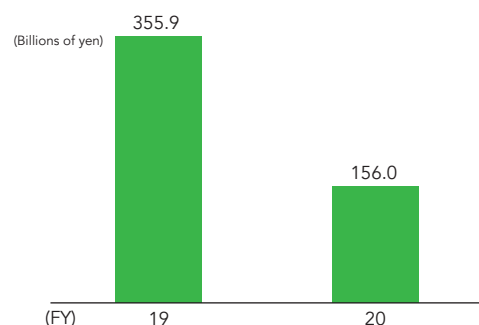
Real Estate Finance

In Real Estate Finance, we carry out selective initiatives limited to projects that can ensure appropriate risk management and returns while responding to changes in the external environment, and we monitor them carefully.

In fiscal 2020, trading volume declined significantly in the first half of the fiscal year due to the impact of the spread of the Novel Coronavirus infections, but recovered in the second half, mainly in logistics and housing areas.

In the future, we will actively promote financing for environmentally friendly real estate in response to changes in social needs and lifestyles.

■ Real Estate Nonrecourse Finance New Disbursements

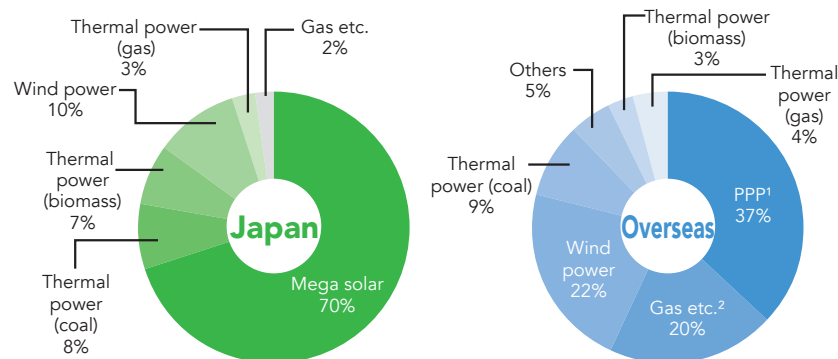


Project Finance

In the domestic mega-solar business, new development projects have come to a halt, and the focus is now shifting to refinancing and secondary-centric markets; large-scale projects such as onshore wind power and biomass are gradually increasing. We are also considering offshore wind power projects. Overseas, particularly in Europe, financing opportunities are expanding, particularly for large offshore wind power projects. We will also strengthen our efforts in social infrastructure and digital infrastructure projects, such as laying fiber cables and telecommunications tower construction.

We will promote sustainability management and will not make any new investment or lending related to project financing for coal-fired thermal power plants both domestically and overseas.

■ Portfolio (as of March 31, 2021)



1 Public Private Partnership

2 Finance to LNG related facilities and receiving terminal etc.

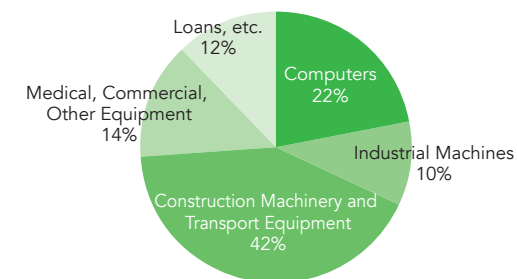
Showa Leasing

Amid sluggish corporate capital investment due to the Novel Coronavirus pandemic, we are working to strengthen competitiveness by concentrating management resources in areas where we can leverage our strengths, such as cultivating new partners through Group collaboration and conducting hybrid auctions using the Internet through our subsidiary, TOZAI BOEKI.

The balance of operating assets consists of a balanced portfolio centered on construction machinery, leveraging our strengths, as well as the strength of our subsidiary, SHINKO LEASE, which we acquired in 2019.

From January 2021, we began offering leasing services to institutional customers that do business with USEN-NEXT GROUP.

■ Breakdown of Operating Assets Balance (as of March 31, 2021)





Topics of Shinsei IR Day

Institutional Investors Business

Developing Structured Finance Business

Project Finance: Project finance business has been providing financing for solar power plants, biomass power plants and offshore transmission cables. We are developing new asset classes and finance scheme such as wind power plants, infrastructure funds, and geothermal power generation projects.

Real Estate Finance: We are increasing financing for high-specification logistics facilities, data centers, student dormitories and green properties as new asset types.

Ship Finance: We will support the transition of the shipping industry for its sustainable future. In March 2021, we adopted the Poseidon Principles, a voluntary framework of private financial institutions that provides financial support for the objectives set by the shipping industry to reduce greenhouse gas emissions from ocean transportation.

Healthcare Finance: In 2004, Shinsei Bank became a pioneer in granting nonrecourse loans to nursing care facilities. In fiscal 2020, we originated the first nonrecourse loan in this sector to an integrated facility for medical and long-term care.

Joint Investment Business with Institutional Investors

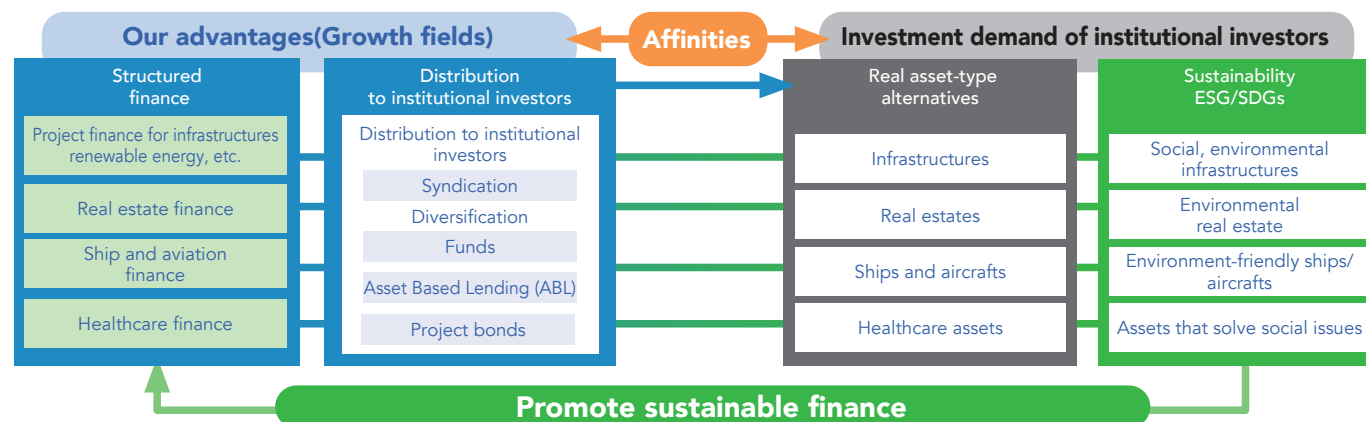
The Institutional Investors Business diversifies distribution methods, such as the syndication of sustainable finance and project bonds. Adding project bonds allows us to approach investors who prefer not only loans but also marketable securities. Distribution has steadily expanded, and the number of client companies is also increasing.

Sustainability Focus

We established the Sustainable Impact Development Division in February 2020, and we are promoting Groupwide efforts for sustainable finance in Institutional Business. We are making steady progress in implementing the Equator Principles, including their adoption and implementation of them, the establishment of a finance framework, and the launch of sustainable finance products.

In addition to a framework that emphasizes consistency with various principles, etc., we also have a framework that supports sustainability initiatives based on standards prepared by Shinsei Bank, centered on "agreements and dialogue" with borrowers.

- I Develop structured finance
Deepen structured finance, one of our strengths
- II Promote the joint investment business with institutional investors
Capture institutional investors' demand for investment to seek new growth
- III Sustainability focus
Promote sustainable finance



Special Feature:

Management under Novel Coronavirus Infections

The Shinsei Bank Group has been working to prevent the spread of the Novel Coronavirus infections while giving top priority to ensuring the health and safety of our customers and employees. At the same time, we have been continuously providing services to our customers and actively reforming the working styles of our employees.

Due to the new normal caused by the Novel Coronavirus crisis, the Shinsei Bank Group's workstyle reforms have evolved into "Redesigning Workstyles," and these efforts have accelerated even further.

This special feature introduces a series of initiatives.

Customers

Individual Businesses

- Requesting customers to wear masks
- Measures to prevent infections at branches
- Prior appointment systems to avoid crowding at branches
- Introducing "Remote Consultation Desk"

Institutional Businesses

- Responding to urgent demand for funds
- Use of video conferencing and teleconferencing
- Improve operational efficiency by promoting paperless operations, etc.

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Employees

- Work from home ratio: Approx. 85%
- Measures to prevent infections at offices
- Infection prevention manual and work guidelines
- Introducing a mental health consultation "desk"

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Contributions to Society

- Supporting medical, educational, and artistic activities
(Total donation: JPY30 million)
- ✓ Medical support: Japan Red Cross
- ✓ Supporting students' tuitions and living expenses:
Ashinaga Scholarship Association
- ✓ Support for freelance artistic activities: [Arts United Fund]

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Redesigning Workstyles

Redesigning Workstyles of Shinsei Bank Group

The Shinsei Bank Group has been ahead of other financial institutions in promoting initiatives aimed at "diverse working styles" prior to the pandemic of Novel Coronavirus infections. One example is the lifting of restrictions on side work/concurrent work and the elimination of dress codes. At the same time, we are steadily developing systems to enable employees to work from anywhere. In fiscal 2019, we had already begun expanding our remote work system, including distributing laptop PCs. In fiscal 2020, we were seriously affected by the spread of the Novel Coronavirus, but we were able to deal with it relatively easily, thanks to our previous efforts.

Launch of "Redesigning Workstyles"

To fulfill our social responsibilities as a financial institution, the Shinsei Bank Group sees the rapid emergence of a new normal following the spread of the Novel Coronavirus as an opportunity for change aimed at achieving sustainable growth. We are redefining and further accelerating the various initiatives we have been pursuing for "Redesigning Workstyles" aimed at diverse working styles.

Through this process, we will continue to provide new value to customers and society by enhancing the engagement of people working in the Shinsei Bank Group and creating innovation from a diversity perspective, while also leading to the sustainable growth of the Group.

Initiatives for "Redesigning Workstyles"

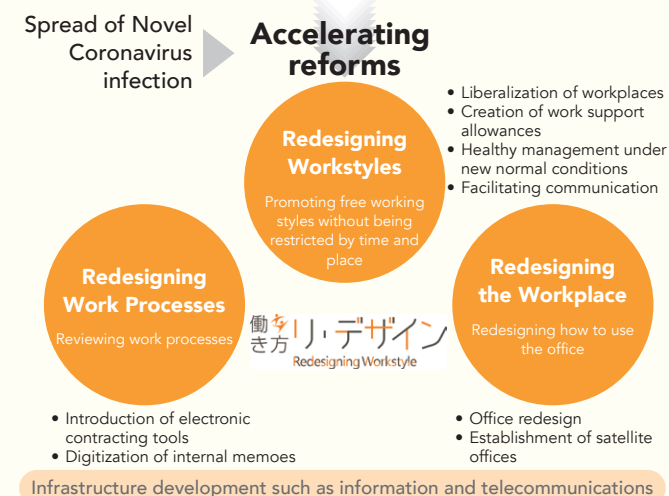
"Redesigning Workstyles" is a transformation effort that

consists of three elements: *workstyles*, *workplaces*, and *work processes*, as well as infrastructure improvements, such as the information and communications that support these elements. We aim to promote a diverse range of workstyles that are not limited to hours or places, and to enable Shinsei Bank Group employees to select the workstyle that suits them the best. This will lead not only to more efficient operations, but also to improved productivity in a broader sense by boosting the satisfaction of those working in the Group.

Picture of Redesigning Workstyles

Seizing the rapidly advancing new normalization as an opportunity for change toward sustainable growth, redefine the existing workstyle reforms

Workstyle reforms until now



Action Chronology of Workstyle Reform and Redesigning Workstyles

	First quarter	Second quarter	Third quarter	Fourth quarter	Fiscal 2021 ~
Redesigning Workstyles Selected themes related to the improvement of the working environment to be addressed in the future based on the hearing on improvement needs. Subcommittees were established for each theme, and specific measures were implemented as needed.	Sharing and checking consistency of business environment : Confirmation and decision of With Corona Basic Policy	Employees survey	● External release of Redesigning Workstyle	Penetration of Redesigning Workstyles	
	Improvement needs hearing	Establishment of subcommittees by theme : Selection of projects for business operations	Execution phase	Deepening of efforts	

Management under Novel Coronavirus Infections

Style

Workstyles:

For the workstyles of the Shinsei Bank Group employees, we are enhancing variations in workstyles, such as remote work and staggered working hours, in anticipation of a new normal environment. In addition, we are reviewing our personnel system, such as reorganizing allowances that support flexible workstyles, and working conditions that prioritize the health and safety of employees. Through these efforts, we expect to increase the motivation of our employees to work, realize a diversified human resource portfolio, and create systems and a corporate culture in which the human resources who will be responsible for sustainably creating high value in the future can maximize their abilities. Furthermore, while simultaneously accepting remote work and side work/concurrent work from other companies, we will work to secure more qualified human resources that contribute to the Group by solving geographical constraints and corporate frameworks.

Place

Workplaces:

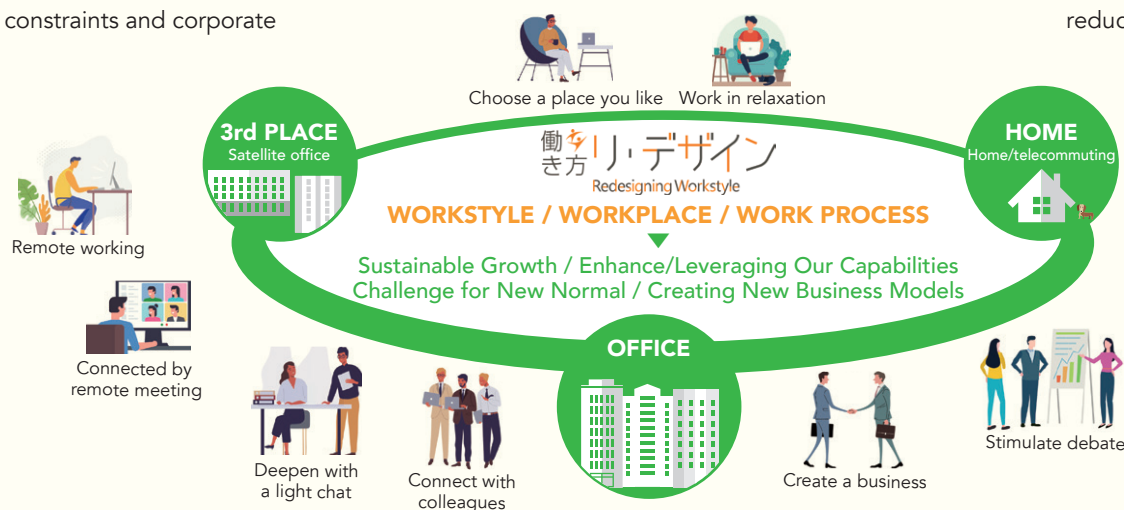
By utilizing various workplaces, such as offices, houses, and satellite offices, we aim to achieve sustainable growth by establishing the Shinsei Bank Group as a community and forming a culture as a group while optimizing the way each employee works in accordance with his/her situation. For employees who don't have a suitable working environment at home, we have developed various types of satellite offices and redesigned offices suitable for the new normal. In particular, offices are not just working spaces, but are positioned as places for "emergence" where new ideas are generated. We have been promoting ABW (activity-based working) in our offices, which has greatly expanded space for communication among employees.

Process

Work Processes:

In order to work productively without being restricted by the place of work, it is necessary to reduce the number of operations that assume the use of paper. Within the Group, we are expanding the digitization of documents for internal approval form and business collaboration, including the introduction of a workflow system through the Group-wide paperless initiatives that we have been promoting. We have also introduced a Group-wide standard e-signature tool for the exchange of external transaction documents. With the cooperation of our counterparties, we aim to improve the efficiency of our contract procedures by eliminating the use of conventional documents and seals. In addition to thoroughly implement these paperless procedures, we will work to further improve operations by utilizing new digital tools that are advancing daily and monthly, and promote the reduction and streamlining of the Group's overall workload.

Coexistence of
"remote" and "real"



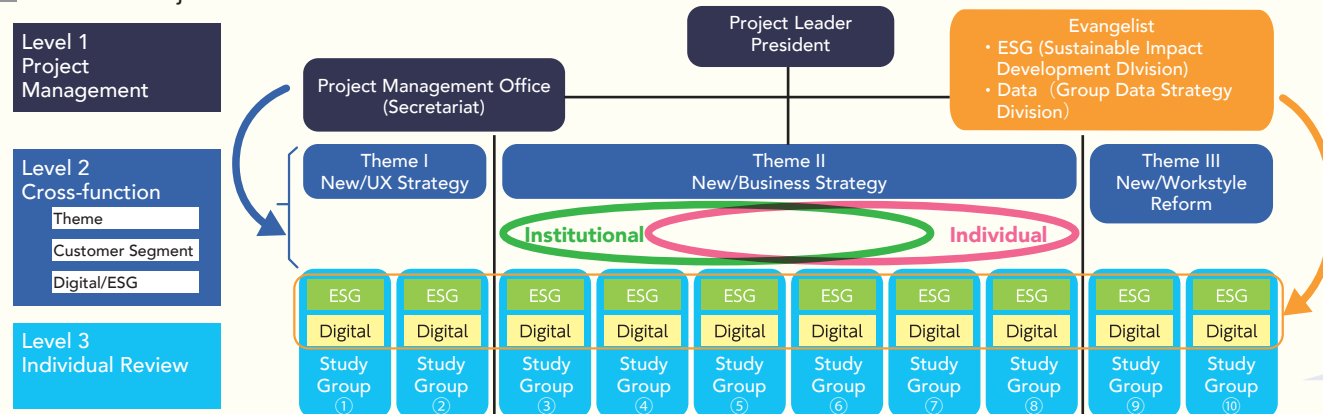
Operation of individual
and organization

Responding to Changes in the Business Field

Purpose and Positioning of Project

We have been constantly reviewing our businesses. However, the business environment has changed dramatically in a very short period of time due to the Novel Coronavirus disaster. In addition to the necessity of responding to urgent issues to ensure the safety of employees and customers, we also took the opportunity to review our overall strategy horizontally and launched a project to respond swiftly and appropriately to changes in the global business environment. These changes include physical contact in society and related changes in values, and the segmentation of supply chains. We intend to seize future opportunities.

Outline of Project



Project Overview

The basic concept of the project is the following three points.

1. Thinking not premised on current business

We have adopted a backcasting system that uses backward calculations of what we should be in the future, and we act accordingly. It is under the direct control of the President and not under each management team that is responsible for the current business.

2. Ideas utilizing diverse human resources

A diverse study team, including gender diversity, was formed from a wide range of age groups, including young/mid-career employees, across Group companies.

3. Axis that aligns the whole

Evangelists, specialists in both ESG and digital technology, were appointed as members of each study group in order to cross-link both fields.

Project Progress Process

Each study group compiled a wide range of ideas based on active and enthusiastic discussions, while gathering and analyzing information from outside, based on the knowledge of members with diverse specialized areas. In this process, each group held two-way discussions with the President on a case-by-case basis and took steps to improve the scope of discussions. In the interim report to the Board of Directors, we finalized our ideas by receiving a lot of advice and encouragement from the Board of Directors members. Only after these processes, were we able to develop ideas for senior management in each business and prioritized them as management decisions that take resources into account.

Although some measures have already been implemented, such as organizational changes that can be implemented immediately, other business strategies have also reached the stage of examining their realization in each business, and will be reflected in business improvements and transformations in a variety of ways in the future.

Study Themes:

Ten themes were set as subjects to be considered, and a Group was established for each theme to proceed with the study.

Breakdown

- Two UI/UX strategies based on point of contact with customers, such as in-home sales, manned stores, mass advertising, apps, and the Internet
- Six business strategies based on consideration of sales areas and target customers
- Two workstyle reform strategies focusing on examining employee workstyles and workplaces

Corporate Governance

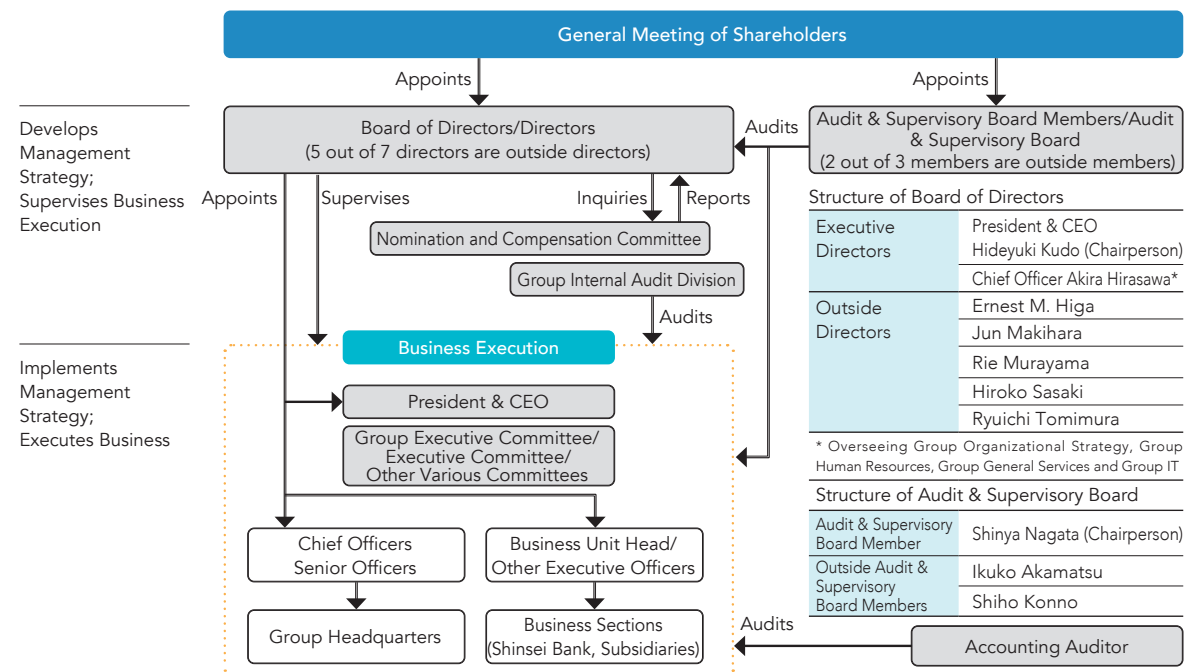
Corporate Governance of Shinsei Bank

Shinsei Bank recognizes the enhancement of Shinsei Bank Group's corporate governance as one of the most important management issues for realizing our management philosophy, and has established a corporate governance system as a company with an Audit & Supervisory Board. Through this system, 1) the Board of Directors, the highest decision-making body for management, decides on the basic policies of the company, including the medium-term management plan and the annual plan, to demonstrate a major direction for the Bank and to create an environment that supports appropriate risk-taking by senior management and 2) the Audit & Supervisory Board Members and the Audit & Supervisory Board, which are independent from business execution and the Board of Directors, are responsible for auditing the Board of Directors. In this way, the Bank intends to realize effective management decision-making and business execution, as well as establish a corporate governance system that has efficient organizational checks and balances.

Shinsei Bank's Board of Directors consists of seven directors: two full-time directors who are directly responsible for the execution of the Bank's businesses and five outside directors who primarily supervise the Bank's business execution.

The current outside directors are a balanced group of executives who bring to the Bank their extensive experience and expertise in a range of fields, including domestic

■ Corporate Governance Structure Chart (as of June 23, 2021)



and overseas financial businesses, consumer-related businesses, real estate and elder care, venture management, management consulting, and the fields of information systems and risk management. Backed by this experience and expertise, the outside directors express their opinions independently and objectively, while fulfilling their roles providing advice and oversight for executives performing their duties. Regarding transactions with parties such as directors, the Bank conducts checks to avoid conflicts of interest and to maintain the fairness of transactions, and, when necessary, uses an established framework for deliberating on these transactions in Board of Directors'

meetings and then conducts any necessary follow-ups. In addition, from the perspective of governance in the ESG management philosophy, the Bank has concluded that in order to improve the Bank's accountability for stakeholders, including shareholders, it is necessary to further enhance objectivity and transparency of the Board of Directors' functions related to the appointment of candidates for directors and decisions on directors' remuneration. In March 2019, the Bank established a voluntary Nomination and Compensation Committee to further increase the objectivity and transparency of the functions of the Board of Directors.

Policy for Operation of the Board of Directors

The Bank holds strategy sessions to intensively discuss selected agenda items in addition to the six periodic Board of Directors' meetings. In fiscal 2020, the Bank held strategy sessions that mainly discussed on human resources, productivity improvement and business. In the sessions, directors and audit & supervisory board members posed numerous questions, comments and suggestions from a broader perspective in relation to the explanations by executive directors.

Moreover, to ensure the sharing of their independent viewpoints as well as to share detailed information regarding business execution with each of the outside directors, the Bank holds regular meetings attended only by the outside directors themselves.

The majority of the Bank's Board of Directors are presently composed of outside directors (five of the seven directors are outside directors), ensuring objective and transparent discussions for appointment of

candidates for directors and decisions on the directors' remuneration system and their specific remuneration levels.

The Nomination and Compensation Committee comprises only outside directors. The committee consults with the Board of Directors, and deliberates on the content of General Meeting of Shareholders proposals regarding the appointment and dismissal of directors, on matters concerning the appointment and dismissal of representative directors, succession planning and on matters concerning the compensation of directors, and reports its findings back to the Board of Directors.

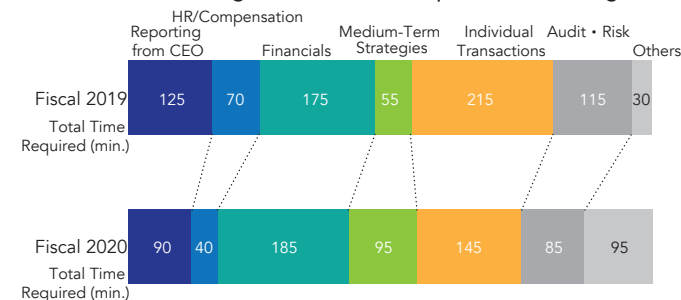
In order to fulfill its accountability towards stakeholders, Shinsei Bank will make efforts to continually strengthen its corporate governance framework.

Annual Schedule for the Board Meetings

May	Regularly scheduled Board meeting (on financial results, AGM* related materials, audit reports, etc.) Nomination and Compensation Committee
June	Regularly scheduled Board Meeting (held after AGM ends, appointment of President, etc.) Nomination and Compensation Committee
September	Regularly scheduled Board meeting Nomination and Compensation Committee
November	Strategy Session Regularly scheduled Board meeting (on interim financial results, etc.) Nomination and Compensation Committee
January	Regularly scheduled Board meeting Nomination and Compensation Committee
March	Regularly scheduled Board meeting (on fiscal year budget and plan, etc.) Nomination and Compensation Committee

*Annual General Meeting of Shareholders

Classification of Agenda and Time Required for Each Agenda



At the strategy session in fiscal 2020, the Bank discussed human resources, productivity improvements, and business strategies (totaling 315 minutes).

Board of Directors Evaluation Effectiveness

The Bank periodically conducts an evaluation/analysis of the effectiveness of the Board of Directors as a whole in order to improve the Board's functionality.

An overview of the fiscal 2020 self-evaluation is as follows.

(1) Objective

To improve the function of the Board of Directors by having the Board perform a self-evaluation of whether it is fulfilling the roles and duties required of it and then implement the PDCA cycle.

(2) Subjects of analysis/evaluation

The Board's activities, as well as operation and support systems for efficiently and effectively carrying out such activities.

(3) Evaluators

Evaluation by all members attending Board meetings (Directors, Audit & Supervisory Board members and others – totaling 10 people). Certain questions are only asked to Audit & Supervisory Board members as in the past.

(4) Analysis/evaluation items

The content of discussions at Board meetings, the operation of the Board by the executives, the composition and diversity of members of the Board, the provision of information to the Board by the executives, the content of discussions at strategy sessions, the management of strategy sessions by executives, communication, the Nomination and Compensation Committee, the necessity of third-party evaluations of the Board's effectiveness, evaluations by Audit & Supervisory Board members, etc.

(5) Means of analysis/evaluation

Questionnaire survey (questions in which responses are selected including free-response questions) prepared by the secretariat for the Board of Directors based on instructions from the Chairman of the Board.

Analysis/evaluation items	Summary of Questionnaire Survey Results
Contents of Board meeting discussions	To a certain extent, survey respondents feel that discussions for the medium- to long-term business vision, as well as discussions for a business model aimed at increasing corporate value and achieving sustainable growth have been constructive and are contributing to an increase in corporate value and sustainable growth same as last fiscal year.
Contents of strategy sessions discussions and effectiveness of the sessions	In the fiscal year under review, discussions focused on the three themes: human resources, productivity improvement, and business. These themes were evaluated to some extent as appropriate with an emphasis on management issues and business models for sustainable growth. The most recent strategy session has been assessed as helpful in considering Shinsei Bank Group's medium-to long-term business strategy. It was confirmed that the management will continue to set appropriate themes and that the strategy sessions are to provide useful discussion opportunities.
Board composition/diversity	Regarding diversity, including gender and internationality, it was assessed as "appropriate" and "generally appropriate." On the other hand, from the perspective of diversity in a broad sense, including skills and experience, it was confirmed that further examination is necessary.
Management of Board and strategy sessions by executives	We continued to make efforts on improving the efficiency of our operations by selecting proposals requiring no additional explanation and accepting preliminary questions on materials. This fiscal year's feedback results depicted that the meetings arrangements were highly evaluated, including the coverage of important topics and the allocation of sufficient time for important deliberations.
Provision of information to the Board by executives	In last fiscal year's questionnaire, it was confirmed that there was room for improvement in the composition of materials, volume, and explanations of proposals from the executive side. As a result of our efforts with particular attention to this point, it was confirmed that improvements were seen in all of these areas this fiscal year. In addition, as a result of our efforts to provide information to the Board of Directors, through strategy sessions, and other opportunities, it was evaluated that the necessary information was being provided. In addition, in this fiscal year we invited outside lecturers to give lectures twice. Including these opportunities, we will continue to strive to provide highly satisfactory and useful information to the Board of Directors.
Communication	It was confirmed that the environment for information sharing among outside directors is favorable. The effectiveness of executive sessions composed entirely of outside directors and outside audit & supervisory board members was also confirmed. On the other hand, we confirmed that the feedback of information on major stakeholders (shareholders, employees, etc.) to the Board of Directors was generally appropriate, but that we will strive to enhance the content even further.
Nomination and Compensation Committee	In fiscal 2020, five meetings were held by the end of January. It was confirmed that the composition and frequency of meetings of the committee members were generally appropriate, and that matters related to appointment and remuneration were also useful forums for discussion in general. The Board also held interviews with executive members in addition to the nomination and compensation committee, and it was highly appreciated as having become a good opportunity to learn about the Bank's human resources. We would like to continue to implement this program in the future.
Third-party evaluation of effectiveness	Regarding the effectiveness evaluation by a third-party, the majority responded that "it is better to consider it in the medium-to long-term" or "it is not necessary to consider it" and we were able to confirm again that the current effectiveness evaluation is functioning. Although the necessity for implementation is not so high, it is a matter to be considered on an ongoing basis.
Questions for Audit & Supervisory Board members	It was confirmed that, as a whole, Audit & Supervisory Board members feel that directors are properly executing the duties expected of them.

(6) Results feedback

The selected results and responses to free-response questions are reported to the Board.

The following is an overview of the key results of the survey.

The results of the survey were, although there was no significant difference from the results of the previous year, it was highly evaluated as a whole. We also confirmed that satisfaction levels were increased on the items that were evaluated as requiring

consideration and improvement the last time. It was appreciated that the efficient management of meetings is also leading to the securing of time for important discussions. In addition, we receive proposals and opinions regarding meetings and operation. We will review and respond to these proposals while confirming the intentions of the Board of Directors, and further improve the effectiveness and functions of the Board of Directors.

Directors and Executive Officers Compensation Scheme

The Bank's Board of Directors, which is comprised of a majority of outside directors, determines the introduction and level of executive remuneration within the total amount of executive remuneration approved at the General Meeting of Shareholders. In addition, the Nomination and Compensation Committee, which consists of all outside directors, has been voluntarily established as an advisory body to the Board of Directors. The committee deliberates matters related to the compensation of directors based on consultations with the Board of Directors and reports to the Board of Directors.

Policy on Determining Compensation

- Appropriate incentives are provided in order to advance the Group's business and realize the medium- to long-term Group management principles.
- Reflecting on the roles and responsibilities of each director and executive officer, directors and executive officers share the same view on shareholder value by holding the Company's shares over the long term.
- The scheme will curb excessive risk-taking and contribute to ongoing sound management as a financial institution.
- The plan incorporates a compensation system that provides incentive to further increase corporate value considering its share price.

Compensation System for Full-Time Directors

• Basic remuneration

Fixed Compensation based on position (Annual fixed amount)

• Medium- to long-term incentive remuneration

As medium- to long-term incentive compensation, the Bank has introduced stock options compensation and restricted stock compensation for full-time directors in order to further promote the sharing of value with shareholders and to increase the motivation to contribute to the improvement of corporate value and share price over the medium- to long-term in the execution of business. The amount of stock-based compensation to be paid is determined based

on certain formulas based on the share price and net assets of the Bank and banking businesses in accordance with the internal regulations determined by the Board of Directors. However, as the benchmarks are determined in the marketplace, these are not set as targets. The basic remuneration is 60% of the total remuneration, the restricted stock remuneration is 15-20% of the total remuneration, and the stock-options based remuneration is 20-25% of the total remuneration. There is no short-term incentive remuneration that depends on the performance of each fiscal year.

Compensation System for Outside Directors

As for the remuneration for outside directors, we introduced restricted stock remuneration in fiscal 2020, in addition to

■ Total Compensation etc. by Category, Total Amounts by Type of Compensation etc., and the Number of Eligible Persons (from April 1, 2020 to March 31, 2021)

Compensation for executive officers as well as chief officers and senior officers in the Group Headquarters is comprised of a fixed compensation component as basic compensation, a bonus component based on the single year's performance as short-term incentive compensation, and restricted stock compensation as medium- to long-term incentive compensation.

Categories	Total compensation etc. (millions of yen)	Total amounts by type of compensation etc. (millions of yen)					Number of eligible persons
		Fixed compensation	Equity remuneration type stock options	Restricted stock compensation	Retirement benefits	Nonmoney reward included in total	
Directors (excluding outside directors)	112	67	25	19	—	45	2
Audit & Supervisory Board member (excluding outside Audit & Supervisory Board members)	20	20	—	—	—	—	1
Outside directors and outside Audit & Supervisory Board members	82	67	—	14	—	14	7
Total	214	154	25	34	—	60	10

Notes: 1. Amounts have been rounded down to the nearest unit.

2. Within the categories above, there are two directors who serve concurrently as executive officers.

3. Non-monetary reward includes equity remuneration type of stock options and restricted stock compensation.

fixed remuneration as base remuneration. The purpose of this system is to continuously improve corporate value and further promote the sharing of value with shareholders. The basic remuneration should be 80% of the total remuneration and the restricted stock remuneration should be 20% of the total remuneration.

● Process for Determining Compensation Amount

Compensation amounts for directors and executive officers reflect on the content of the Bank's current Plan for Restoring Sound Management and are determined by the Board of Directors taking into consideration the recommendations of the Nomination and Compensation Committee who deliberate on compensation amounts within the scope of compensation amounts determined at each general meeting of shareholders. In addition, the Board of Directors has an internal control system that is audited by the Audit & Supervisory Board meeting.

At the Nomination and Compensation Committee, which was established on March 20, 2019, is composed of all outside directors, the agenda is resolved by a majority of the members present. Audit & Supervisory Board members also attend the Nomination and Compensation Committee. The Nomination and Compensation Committee was held six times within the fiscal year.

● Total Maximum Amount of Compensation for Directors

(1) Total maximum amount of compensation for directors (including outside directors): Up to ¥180 million per year (of

this amount, ¥60 million for outside directors)

(2) Maximum amount of allotment of restricted stock for full-time directors: Up to ¥20 million per year, within the total maximum amount in (1) above
Maximum amount of restricted shares for outside directors (introduced in fiscal 2020): ¥15 million per year out of the total maximum amount in (1) above

The transfer restriction period is determined in advance by the Board of Directors for a period between three and five years after the allotment date of the allocated shares to full-time and outside directors.

(3) Maximum amount of allotment of equity remuneration type stock options for full-time directors: Up to ¥50 million per year, separate from the total maximum amount in (1) above

Audit & Supervisory Board Members / Audit & Supervisory Board

Shinsei Bank's Audit & Supervisory Board has one full-time member who has extensive business experience at the Bank and is knowledgeable in finance and accounting and two outside members, one of whom is an attorney and the other is a certified public accountant. By applying the expertise from their respective fields of specialization and their knowledge of corporate governance, the Audit & Supervisory Board, which is fully independent from the Board of Directors, audits of the performance of the

business execution of directors.

In addition, both outside Audit & Supervisory Board members are experienced as external directors of other companies, and, by drawing upon their experience, they are able to provide views with greater objectivity from a position of greater independence, resulting in enhanced effectiveness of the Audit & Supervisory Board's auditing activities. Audit & Supervisory Board members, not only personally conduct audit activities such as attending key meetings, such as Executive Committee meetings, and Board of Directors' meetings, they also review key documents and conduct interviews with directors, executive officers and accounting auditors. Through cooperation with internal control sections such as the Group Internal Audit Division and utilizing staff of the Office of Audit & Supervisory Board Members they systematically and efficiently audit the state of the business execution of the entire Shinsei Bank Group, including the Bank and all its subsidiaries.

■ Activities of Audit & Supervisory Board Members in Fiscal 2020

	Board of Directors meetings	Audit & Supervisory Board meetings
Number of meetings held	6 times	12 times
Attendance rate	100%	100%

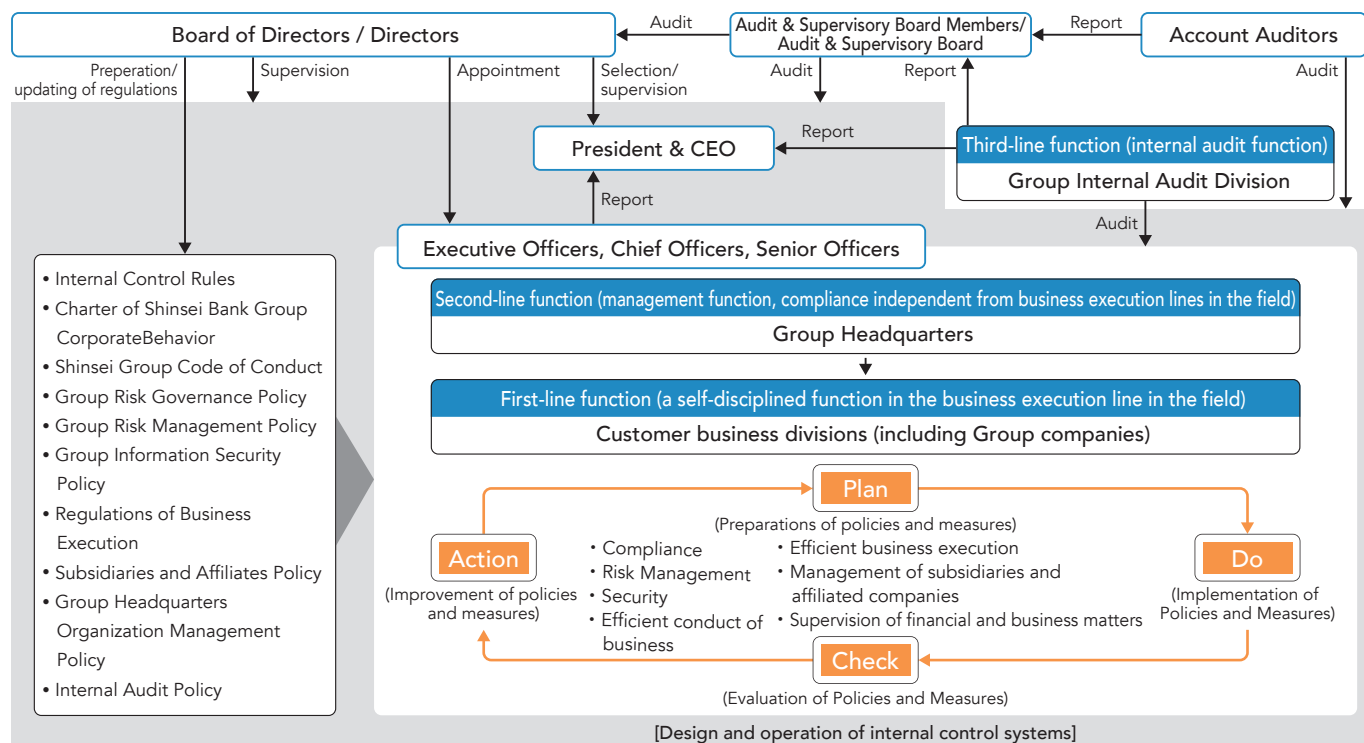
Internal Control

For corporate governance to function effectively, in addition to creating business execution oversight and decision-making frameworks around the Board of Directors, it is also necessary to put into place the framework for effective operations, such as internal audits and compliance. Additionally, the creation of internal control systems as required by the Corporation Act or internal controls that ensure the accuracy of financial reports as required by the Financial Instruments and Exchange Act is also a crucial element in a properly functioning corporate governance structure.

While management is responsible for ensuring the implementation of such internal controls, the proper function of overall internal controls can be ensured by installing detailed internal control frameworks within the divisions executing business operations.

Shinsei Bank's basic policy governing internal control systems has been put in place in order to ensure the propriety and efficiency of day-to-day operations and is defined in the Internal Control Rules determined by the Board of Directors, and, furthermore, the adequacy of internal control systems is reviewed annually by the Board of Directors. The Internal Control Rules clearly state that (1) the internal control system has a self-disciplined function in the

Internal Control Framework



business execution line in the field (first-line) a management function, such as compliance independent from business execution lines (second-line) and an internal audit function independent from these functions (third-line) (2) the Board of Directors shall receive timely and appropriate reports from the second-line and third-line functions in order to grasp and deal with serious risks and problems appropriately and

shall periodically review the key policies and controls.

Under this regulation, the Shinsei Bank Group Code of Conduct, Group Risk Governance Policy, Risk Management Policy, Group Information Security Policy, Regulations of Business Execution, Subsidiaries and Affiliates Policy, Group Headquarters Organization Management Policy and Internal Audit Policy are established as the underlying

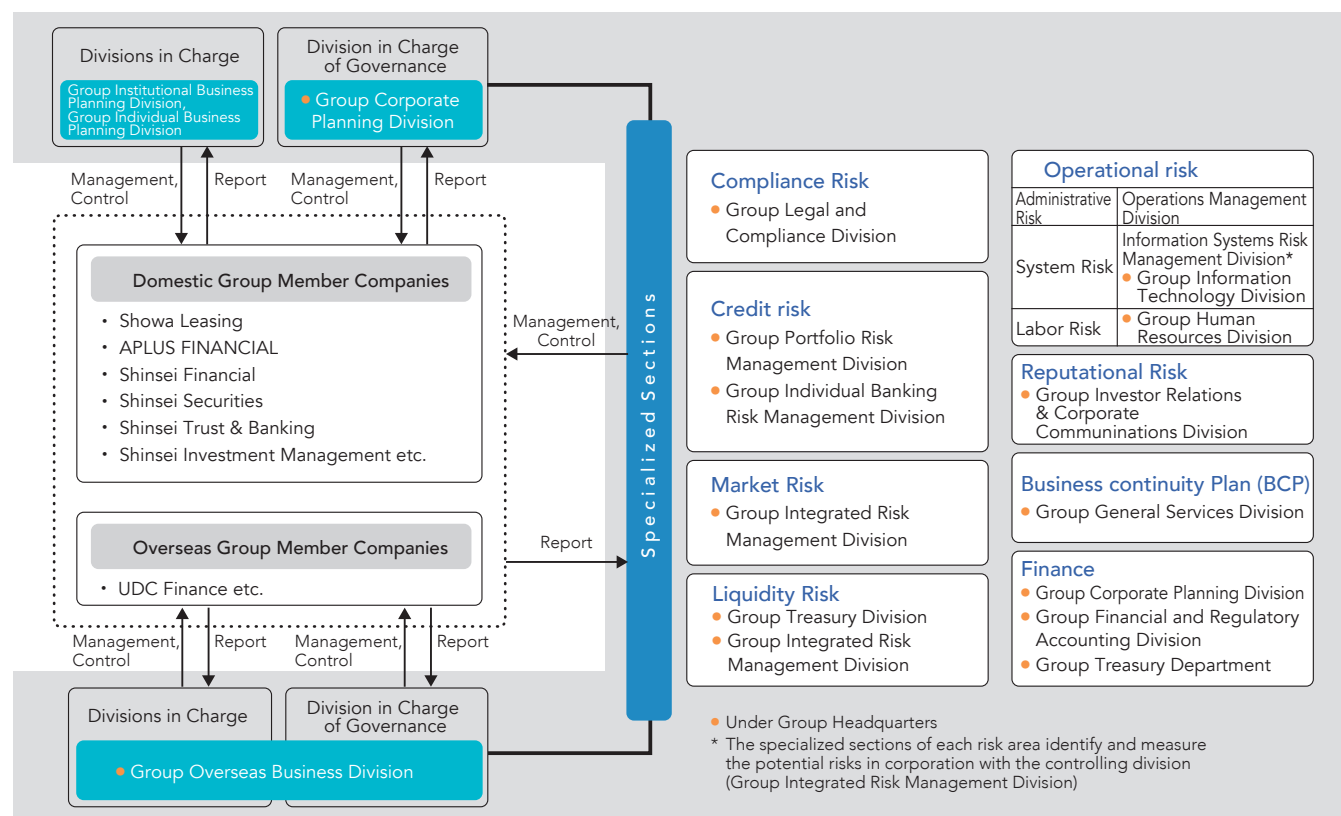
rules. In addition, by improving the system for ensuring the effectiveness of the audits by Audit & Supervisory Board members, we are striving to ensure the propriety, transparency and efficiency of operations throughout the entire Group, including subsidiaries. Furthermore, we are striving to create systems to block relationships with antisocial forces and ensure the propriety of operations, including establishing the Charter of the Shinsei Bank Group Corporate Behavior to prevent relationships with antisocial forces.

With regard to internal control over Group companies, from April 2017, the indirect functions of major Group companies have been consolidated at the Group Headquarters in Shinsei Bank and managed centrally based on Banking Law, Companies Act and other related laws to the fullest extent. Under this system, matters related to business activities and internal management of subsidiaries and affiliates are regularly reported to the Group Executive Committee, and important matters related to the management of subsidiaries and affiliates are discussed at and reported to the Group Executive Committee and other important committees organized by the Group Headquarters. In April 2021, we revised the policies for subsidiaries and affiliates in order to ensure that management is also required for joint ventures and

overseas Group companies, which are increasing under the "growth through value co-creation," which is one of the basic strategies of Medium-Term Strategies, and clarified the roles and responsibilities of related departments, including business divisions and Group Headquarters, while

categorizing Group companies. Through the development of this system, we will further enhance the management system of the entire Group, including subsidiaries and affiliates.

Overview of Group Executive Committee, Executive Committee and Other Important Committees (as of June 23, 2021)



Executive Officers and Chief Officers/Senior Officers

In order to ensure agile day-to-day business operations, business operations are split into basic units called “divisions,” and under the direction of the President and Chief Executive Officer, executive officers, chief officers, and senior officers appointed by the Board of Directors are responsible for each division as executive officers in charge.

With regard to business functions, business unit heads and executive officers in charge of each division are appointed from among executive officers, and each divisions’ executive officers in charge and their supervising executive officers in charge work to promote business with customers based on overall Group business strategies and management resource allocations devised by business unit heads.

We have consolidated indirect functions such as human resources and finance that had been located in each Group company within the Bank’s Group Headquarters as much as possible under the Banking Act, the Companies Act, and other laws and ordinances, and are working to increase the level of sophistication and productivity of operations on a consolidated basis under the responsibility of chief officers and senior officers who assist them.

In addition, as bodies that support the President and Chief Executive Officer in making decisions regarding the execution of business, the Bank has established a Group

Executive Committee and an Executive Committee, both comprising Executive Directors, business unit heads, supervising executive officers in charge, chief officers, and others. In addition, by establishing various committees that handle technical matters as a complement to the Group Executive Committee and the Executive Committee, the

Bank has put in place a framework for making decisions after adequate deliberation and verification based on the nature of the matter at hand.

Based on this framework, the Bank is strongly promoting group integration in keeping with the Medium- to Long-Term Vision.

■ Group Executive Committee, Executive Committee and Other Important Committees

Name	Main Purpose
Group Executive Committee	The President’s decision-making body for day-to-day business execution at the Group level
Executive Committee	The President’s decision-making body for day-to-day business execution for Shinsei Bank, Limited
Group ALM Committee	Negotiate, formulate policies and make decisions concerning medium- and long-term Asset and Liability Management
Group Compliance Committee	Communicate, coordinate and make decisions on the Group’s compliance posture and on matters relating to compliance
Group Risk Policy Committee	Discuss the risk operation policy and management framework for the Group’s portfolios, and the Group’s approach to major portfolios, sectors, products and so forth
Group IT Committee	Discuss, coordinate and resolve the Group’s IT strategies and governance issues
Group Business Continuity Management Committee	Discuss, coordinate and make decisions across divisions to advance reforms to the Group’s business continuity structure
Group Basel Committee	Discuss, coordinate and make resolutions on matters concerning regulatory capital, with a focus on Basel regulations
Group Management Development Committee	Discuss, coordinate and make decisions about the Group’s HR system and related measures, etc.
Group New Business/Product Committee	Conduct due diligence on each new business and service proposal across the Group and make decisions, and conduct due diligence on strategic investment proposals
Doubtful Debt Committee	Promptly inform top management about significant bad debt exposure, and make decisions on write-offs and other matters concerning sale of debts, debt forgiveness and so forth
SME Loan Committee	Through discussions on the business policy and challenges for the entire institutional banking business, take initiative in bank-wide efforts to achieve SME loan goals set in the Revitalization Plan

Internal Audit

The Group Internal Audit Division (GIAD) of the Bank makes regular direct reports regarding the results of audits and the status of GIAD activities to the President and the Audit & Supervisory Board. The GIAD supports the President in his responsibility for controlling business execution, in particular for establishing an effective system of internal controls, and also supports the Audit & Supervisory Board in their responsibilities for audit and supervisory activities, in particular for monitoring the system governing internal controls and its operation. The GIAD provides independent and objective assessments of the effectiveness of risk management, control and governance processes, the reliability of information and information technology systems, and compliance with statutory, legal and regulatory requirements, as well as provides solutions to management.

The GIAD is independent of all organizations subject to internal audits, as well as being independent of day to day operational activities and control processes, including regular preventive and detective controls. The GIAD utilizes a risk-based audit approach and creates a comprehensive risk assessment by combining a macro risk assessment,

assessing risk from the perspective of the Banking Group as a whole, together with a micro risk assessment, assessing risk from an individual business level. Audit resources are prioritized to businesses or processes perceived to have relatively higher risk.

The GIAD has enhanced its off-site monitoring activities by attending key management meetings, reviewing internal control documents and holding regular meetings with senior management.

The GIAD also takes initiatives in developing internal auditors' expertise, in particular, by strongly encouraging staff to obtain professional certifications such as the Certified

Internal Auditor and Certified Information Systems Auditor qualifications. While the GIAD pursues the development and introduction of new audit techniques, it also recognizes the importance of maintaining fundamental skills necessary to perform its audit-related duties.

The GIAD has integrated internal audit functions within the Bank and major subsidiaries, and conducts internal audit activities in an integrated manner across the Bank group. By receiving regular quality assessments carried out by a third-party organization of the Group internal audit activities, we are able to identify opportunities for improvement from an objective viewpoint.

Legal and Compliance Activities

Compliance Framework and Activities

The Group Compliance Committee established in the Group Headquarters, Group Legal and Compliance Division and compliance supervisors (general managers) and compliance managers assigned to divisions, branches and departments in key Group companies, including Shinsei Bank, constitute the main elements of the Shinsei Bank Group's compliance framework. The Group Compliance Committee, chaired by the Chief Officer of the Group Legal and Compliance Division, reports on and discusses the basic policy for the compliance framework spanning the entire Group as well as compliance-related issues.

There are compliance officers within the Group Legal and Compliance Division, and in addition to providing support and guidance for compliance promotion activities performed by compliance supervisors and compliance managers, these compliance officers prepare an annual Group compliance program, set rules, provide training, and so on.

Anti-Corruption and Anti-Bribery Measures

Shinsei Bank endorses the United Nations Global Compact (UNGC) and continues its efforts to prevent corruption, as one of its principles. The Shinsei Bank Group Code of Conduct also specifies "anti-corruption and anti-bribery." Every year, officers and employees of Shinsei Bank pledge to comply with the Shinsei Bank Group Code of Conduct, including anti-corruption and anti-bribery.

Whistleblower System

Shinsei Bank has established a compliance hotline system. Under this system, executives and employees of the Bank can report on violations of laws or ordinances, or matters in which there are suspicions of such violations.

If a report is made, the matter is reported to senior management, a team is organized to investigate the issue, and necessary corrective and recovery measures are implemented. The Bank prohibits whistleblowers from being subject to unfavorable treatment due to the fact that they made a report, and the Group Legal and Compliance Division later follows up to make sure that the whistleblower has not been treated unfavorably. Other Group companies have also established similar internal whistle-blowing systems.

■ Compliance Hotline

- Three Investigation Teams
 1. Group Legal and Compliance Division
 2. Full-Time Audit & Supervisory Board Member
 3. Outside Law Firm
- Information on the internal whistleblower system is provided through internal rules and the Company's intranet

Measures against Money Laundering and Provision of the Financing of Terrorism

The Shinsei Bank Group has “Policy on Anti-Money Laundering and Countering the Financing of Terrorism” and has positioned combating money laundering and the provision of funds to terrorist organizations as one of the most critical issues, and works to establish a Group-wide framework for doing so under the leadership of management. Using a risk-based approach outlined in Mutual Evaluations of Japan by the Financial Action Task Force (FATF), the Group is reducing risk by implementing individual measures to combat the Shinsei Bank Group’s particular risks that have been identified and evaluated and working on more effective measures. It is our top priority to eliminate risks of money laundering and the financing of terrorism by assessing the effectiveness of countermeasures and providing continuous effort on reviewing the measures.

Legal Supervision

Violations of any laws and ordinances that the Bank and each Group company are required to abide by carries the risk of severe repercussions not only to our credibility and reputation as a financial institution, but to the credibility and functionality of the overall banking system itself. In the case of individual transactions, there exists a risk that we

may become embroiled in a dispute and face unexpected claims for damages. Prevention and proper management of these legal risks are a crucial function within the day-to-day operations of today’s banking groups. Shinsei Bank has established the Legal Department within its Group Legal and Compliance Division that presides over such legal affairs, including compliance with corporate and transactional laws, legal documentation and litigation supervision, and, through this specialized support, we work with legal officers in all Group companies and, on a Group basis, aim to prevent and manage any legal risk and support our compliance posture from a legal standpoint.

Business Continuity Plan (BCP)

We have formulated Business Continuity Management Policy and Business Continuity Plan to ensure the continuity of important operations and the smooth fulfillment of our responsibilities to customers and society in the event of an earthquake, typhoon, or other disaster, damage from terrorism or crime, or an outbreak of an infectious disease. We are taking actions on the Novel Coronavirus infection based on the Policy and the Plan. The Business Continuity Plan and its operating procedures are regularly reviewed, and employees undergo regular education and training.

■ The Shinsei Bank Group Policy on Anti-Money Laundering and Countering the Financing of Terrorism (AML / CFT)

1. Risk assessment	Specify and assess the risk of money laundering and financing of terrorism at each company based on the concept of the risk-based approach, while paying attention to laws, ordinances, and other rules in Japan and documents issued by the Financial Action Task Force (FATF), the Basel Committee on Banking Supervision, and other international organizations. Take risk mitigation measures that are appropriate for the risk being addressed. Regularly examine the effectiveness of risk identification and assessment practices and risk mitigation measures and review them as needed.
2. Customer identification and due diligence	Conduct customer identification before entering into transactions pursuant to relevant laws and ordinances, practice proper customer due diligence, and endeavor to eliminate inappropriate transaction relationships with customers including those with anti-social forces.
3. Transaction monitoring, customer screening, and reporting of suspicious transactions	Give the authorities a suspicious transaction report immediately if a transaction is judged to fall under suspicious transactions based on an abnormality found in the customer identification process conducted before entering into a transaction or during transaction monitoring or customer screening or based on a report made by business promotion divisions / branches.
4. Targeted financial sanctions and asset-freezing measures	Eliminate transaction relationships with the parties that are subject to targeted financial sanctions and appropriately take asset-freezing and other measures pursuant to domestic and overseas regulations and so forth.
5. Management of customers with correspondent contract	Appropriately collect information on customers who have entered into a correspondent contract with the Bank and assess their AML / CFT frameworks. Shinsei Bank and its customers who have entered into a correspondent contract with the Bank are prohibited from having transactions with shell banks and from having transactions using through accounts with a strong level of anonymity.
6. Training for officers and employees	Endeavor to provide guidance and training to officers and employees to deepen their knowledge and understanding of AML / CFT measures and to equip them with expertise and to ensure their suitability according to their roles.
7. Continuous improvement	Regularly check the effectiveness of AML / CFT frameworks and endeavor to keep improving them based on the results of such checks.

	(Nonconsolidated)	FY2018	FY2019	FY2020
Corporate Governance	Number of Directors	7	7	7
	Ratio of Female Directors	14.2%	28.6%	28.6%
	Number of Outside Directors	5	5	5
	Number of Board of Directors Meetings Held	6	8	6
	Attendance Rate for the Board of Directors Meetings	100%	100%	98%
(Note) Governance related data as of June 30, 2021.				
Employees	Number of Employees	2,150	2,137	2,186
	Male	1,218	1,203	1,237
	Ratio	57%	56%	57%
	Female	932	934	949
	Ratio	43%	44%	43%
	Competitive Ratio in Recruitment (Applicant basis)	27.0	30.4	40.5
	Male	25.8	27.8	29.3
	Female	28.3	33.8	65.1
	Average Age	41.7	42.1	42.4
	Male	41.1	41.5	41.7
	Female	42.5	42.9	43.3
	Average Years of Service	12 years 11 months	13 years 4 months	13 years 6 months
	Male	11 years 7 months	12 years 2 months	12 years 4 months
	Female	14 years 7 months	14 years 11 months	15 years 1 months
	Average Monthly Salary	¥477 thousand	¥476 thousand	¥491 thousand
	Number of Business-Limited Employees	146	147	138
	Number of Part-time Employees	215	204	205
	Number of Temporary Employees	6	6	6
	Number of Overseas Locals Recruited	0	0	0
	Number of New University Graduates Hired	55	47	51
	Male	28	27	35
	Ratio	51%	57%	69%
	Female	27	20	16
	Ratio	49%	43%	31%
	Number of Mid-career Personnel Recruited	38	58	64
	Male	19	32	36
	Female	19	26	28
	Ratio of Female Executive Officers	8%	15%	16%
	Number of Managers	631	663	715
	Number of Female Managers			
	Section Leader Level or Higher	96	118	140
	Ratio	15.2%	17.8%	19.6%
	Section Manager Level or Higher	412	440	462
	Ratio	31.6%	32.7%	32.7%
	Number of Employed Persons with Disabilities	32	33	33
	Employment Rate of Persons with Disabilities	2.1%	2.1%	2.0%
	Turnover Ratio (Voluntary)	4.7%	4.1%	2.4%
	Average Overtime Hours per Month	18.7	18.3	18.4
	Average Paid Leave Acquisition Rate	63.7%	65.0%	56.5%
	Ratio of Employees Taking Consecutive Leave (One Week Leave)	99.3%	99.6%	98.7%
	Number of Employees Taking Childcare Leave	35	31	33
	Male	6	5	7
	Female	29	26	26

	(Nonconsolidated)	FY2018	FY2019	FY2020
Employees	Number of Employees Taking Life Support Leave	7	6	6
	Number of Employees Taking Family Care Leave	1	0	0
	Number of Employees Registered for Concurrent Work or Side Work	36	53	75
	Ratio of Employees Working Remotely	10.7%	78.0%	99.8%
	Number of Employees Using Continued Employment System	10	16	18
	Number of Employees Using Come Back System*	86	82	83
	Male	45	42	40
	Female	41	40	43
	Number of Employment Occupation or Status Change	230	43	44
	Male	50	14	17
	Female	180	29	27
* The ratio of Shinsei Bank employees who worked remotely at least once during each fiscal year				
** The number of Shinsei Bank employees who have retired and are re-employed and working at the Bank (excluding retired employees)				
Environment	Independent / Co-Arrangement Results of Domestic Project Finance for Renewable Energy (Billions of yen)	142.5	138.5	201.0
	Environment Impact Data			
	Gas Usage (m ³) ¹	114,000	65,000	0
	Amount of Heavy Oil (t) ¹	96	94	88
	Amount of Water Cooling (GJ) ¹	96	517	885
	Electricity Usage (000kWh) ²	—	32,153	29,619
	Clean Water Usage (t) ¹	10,619	11,723	9,925
	Environment Impact Data			
	CO ₂ Emissions (t) ³	—	15,760	14,457
	Scope1 (Direct Emissions) (t) ⁴	516	400	238
Contribution to Society (Consolidated)	Gas	256	146	0
	Heavy Oil	260	254	238
	Scope2 (Indirect Emissions) (t) ⁴	—	15,360	14,219
	Cold Water	6	30	51
	Electricity	—	15,330	14,168
	Amount of Waste Generated / Recycling Rate ⁵			
	Waste Generated (t)	236	224	103
	Amount Recycled (t)	142	146	66
	Amount of Waste Disposal (t)	94	78	37
	Recycling Rate	60%	65%	64%
Compliance	Financial Literacy Program (MoneyConnection®)			
	Number of Schools Where the Program Was Held (Total)	1,058	1,158	1,243
	Number of Students Participants (Total)	136,232	148,577	158,270
	Social Contribution Activities			
	Number of Volunteer Activities	33	26	8
	Number of Employees Participants	602	721	549
	Number of Whistleblower Reports	1	1	1
	Sustainability	▶ https://www.shinseibank.com/corporate/en/policy/esg/		
	ESG Information Index	▶ https://www.shinseibank.com/corporate/en/policy/esg/esg_index.html		

(Note) 1. Total of a) Shinsei Bank head office, Tokyo Dia Building including affiliated companies, and b) Shinsei Bank domestic business bases.
2. Total of domestic business bases of Shinsei Bank, Shinsei Business Services, Shinsei Trust & Banking, Showa Leasing, Shinsei Corporate Investment, Shinsei Securities, Shinsei Investment Management, Shinsei Financial, APLUS FINANCIAL and APLUS.
3. Total of CO₂ emissions from items in Environment Impact Data; Gas, Heavy Oil, Water Cooling and Electricity, excluding Clean Water.
4. CO₂ emissions of City gas, Heavy Oil and Cold Water are calculated according to factors based on the Act on Promotion of Global Warming Countermeasures. Electricity is calculated according to the most recent adjusted emission factors by electricity producers for FY 2019 based on the Act on the Promotion of Global Warming Countermeasures.
5. Total of Shinsei Bank head office; Other Shinsei Bank locations and offices of affiliated companies.

Shinsei Bank, Limited and Consolidated Subsidiaries
For the fiscal years ended March 31, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020 and 2021

	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
For the fiscal year (billions of yen) ¹											
Total revenue	262.6	202.9	199.0	203.0	235.3	216.6	228.5	232.0	229.6	239.9	221.9
General and administrative expenses	145.3	130.3	130.9	135.0	144.2	141.3	144.2	142.9	145.7	150.0	149.1
Net credit costs	68.3	12.2	5.5	0.2	11.8	3.7	31.8	37.2	29.3	39.1	28.3
Income before income taxes	57.7	15.3	53.8	46.0	72.7	62.8	51.7	55.4	54.5	49.2	55.3
Profit attributable to owners of the parent	42.6	6.4	51.0	41.3	67.8	60.9	50.7	51.4	52.3	45.5	45.1
Balances at fiscal year-end (billions of yen)											
Securities	3,286.3	1,873.4	1,842.3	1,557.0	1,477.3	1,227.8	1,014.6	1,123.5	1,130.2	957.0	929.7
Loans and bills discounted	4,291.4	4,136.8	4,292.4	4,319.8	4,461.2	4,562.9	4,833.4	4,895.9	4,986.8	5,110.4	5,233.6
Lease receivables and leased investment assets	206.2	197.4	203.5	227.7	227.0	211.4	191.4	171.4	176.5	193.4	192.1
Total assets	10,231.5	8,609.6	9,029.3	9,321.1	8,889.8	8,928.7	9,258.3	9,456.6	9,571.1	10,226.5	10,740.1
Deposits and negotiable certificates of deposit	5,610.6	5,362.4	5,457.5	5,850.4	5,452.7	5,800.9	5,862.9	6,067.0	5,922.1	6,305.1	6,571.3
Total liabilities	9,620.3	7,982.0	8,345.6	8,598.5	8,136.0	8,135.6	8,437.5	8,600.6	8,674.5	9,316.0	9,809.4
Total equity	611.1	627.6	683.6	722.5	753.7	793.1	820.7	856.0	896.6	910.4	930.7
Per share data (yen) ²											
Common equity	205.83	212.67	233.65	247.82	275.45	294.41	3,163.89	3,376.39	3,636.92	3,913.40	4,283.92
Basic profit	21.36	2.42	19.24	15.59	25.57	22.96	194.65	199.01	211.24	190.59	202.16
Dividends	1.00	1.00	1.00	1.00	1.00	1.00	1.00	10.00	10.00	10.00	12.00
Ratios (%)											
Return on assets ³	0.4	0.1	0.6	0.5	0.7	0.7	0.6	0.5	0.5	0.5	0.4
Return on equity ⁴	8.5	1.2	8.6	6.5	9.8	8.1	6.3	6.1	6.0	5.1	4.9
Expenses-to-revenue ratio	55.3	64.2	65.8	66.5	61.3	65.3	63.1	61.6	63.5	62.5	67.2
Total capital adequacy ratio (Basel II, Domestic Standard)	9.76	10.27	12.24	—	—	—	—	—	—	—	—
Capital ratio (Basel III, Domestic Standard)	—	—	—	13.58	14.86	14.20	13.06	12.83	11.85	11.21	11.39
Ratio of nonperforming claims classified under the Financial Revitalization Law to total claims	6.78	6.66	5.32	3.81	1.42	0.79	0.22	0.17	0.20	0.34	0.64

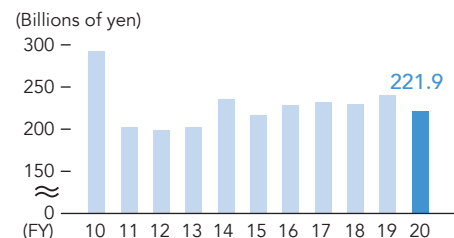
1. Since all yen figures have been truncated rather than rounded, the totals do not necessarily equal the sum of the individual amounts.

2. Shinsei Bank consolidated its shares with a rate of ten shares of common stock into one share on October 1, 2017. Common equity per share and basic profit per share are calculated as if the consolidation of shares had occurred at the beginning of FY2016.

3. Return on assets is calculated by dividing profit (loss) attributable to owners of the parent by the average of total assets at the beginning and end of the period presented.

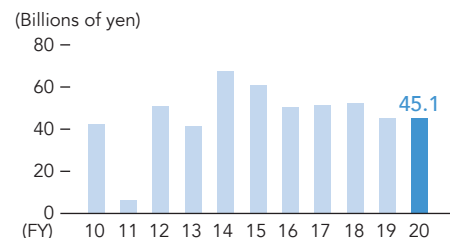
4. Return on equity (fully diluted) is calculated by dividing profit (loss) attributable to owners of the parent by the average amount of (total equity - share warrants - noncontrolling interests) at the beginning and end of the period presented.

■ Total Revenue



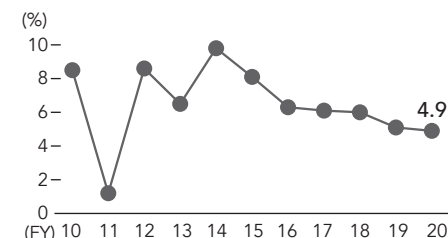
Earnings rose prior to fiscal 2010 due to factors including gains from repurchasing preferred securities and items such as gains on the sale of assets on which loss disposals had been recorded in the past. Total revenue has steadily grown since these one-off gains stopped occurring in fiscal 2011.

■ Profit Attributable to Owners of the Parent



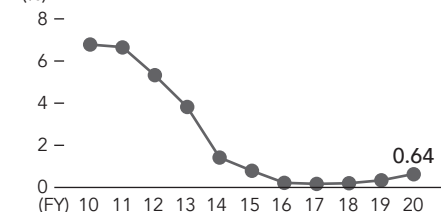
The Shinsei Bank Group recorded losses in fiscal 2008 and 2009 on the effects of the global financial crisis sparked by the collapse of Lehman Brothers but the Group has continued to record profits every year since fiscal 2010. The Group is working to improve the quality of earnings by adding more heft to core profits and limiting profits from nonrecurring and high-volatility sources.

■ Return on Equity (ROE)



Return on equity (ROE) is an important management indicator for measuring profitability. We set one of the financial goals in Medium-Term Strategies to achieve a ROE 8% over the medium term.

■ Nonperforming Loan Ratio under the Financial Revitalization Law (Nonconsolidated)



As we have sharply reduced claims classified as nonperforming loans stemming from the global financial crisis sparked by the collapse of Lehman Brothers, the nonperforming loan ratio under the Financial Revitalization Law remains at a low level, and our asset quality has improved.

Fiscal 2020 Results of Operations (Highlights) (from April 1, 2020 to March 31, 2021)

Total revenue was 221.9 billion yen, a decrease of 18.0 billion yen from the previous fiscal year.

- **Net interest income** was 122.0 billion yen, decreased by 11.4 billion yen from 133.5 billion yen in the previous fiscal year. This was due to a decrease in interest income affected by declines in the foreign currency interest rate as well as a decrease in interest income from the unsecured loan business for individual customers.

- **Noninterest income** was 99.8 billion yen, decreased by 6.5 billion yen from 106.4 billion yen in the previous fiscal year. This was due to a loss from share of a limited partnership, an absence of gains on sales of stocks recorded in the previous fiscal year, a decrease in derivatives-related income in Institutional Business, and due to a decrease in fees and commissions from sales of asset management products in Retail Banking, despite an increase in income in APLUS FINANCIAL and revenue contribution from a newly consolidated subsidiary.

General and administrative expenses were 149.6 billion yen in the current fiscal year, the same level as the previous fiscal year. This was due to restrained expenses, such as those related to systems.

(FY)	Financial Summary 2020	2019	Billions of yen Change(Amount)
Consolidated (Management Accounting Basis)			
Net interest income	122	133.5	-11.4
Noninterest income	99.8	106.4	-6.5
Net fees and commissions	30.1	32.4	-2.2
Net trading income	3.8	15.8	-11.9
Net other business income	65.8	58.2	7.6
Income on lease transactions and installment receivables	43.1	40.8	2.2
Total revenue	221.9	239.9	-18
General and administrative expenses	-149.6	-149.5	0
Ordinary business profit (OBP)	72.2	90.4	-18.1
Net credit costs	-28.3	-39.1	10.7
OBP after net credit costs	43.8	51.2	-7.3
Amortization of goodwill and other intangible assets	-2.7	-2.4	-0.2
Other gains	14.1	0.3	13.7
Income before income taxes	55.3	49.2	6.1
Current income tax	-7.1	-4.1	-3
Deferred income tax	-3.9	0.0	-3.9
Profit attributable to noncontrolling interests	0.8	0.4	0.4
Profit attributable to owners of the parent	45.1	45.5	-0.4

Net credit costs were 28.3 billion yen (expense), a decrease of 10.7 billion yen from the previous fiscal year. In Institutional Business, the impact from the Novel Coronavirus was limited. In Individual Business, the balance of operating assets decreased, and the quality of receivables improved in the unsecured loan business for individual customers.

Profit attributable to owners of the parent was 45.1 billion yen, decreased by 0.4 billion yen from the previous fiscal year. In addition to the above factors, extraordinary gains were recorded from the sale of shares of Jih Sun Financial Holding Co, Ltd., an equity method affiliated company.

Financial ratios

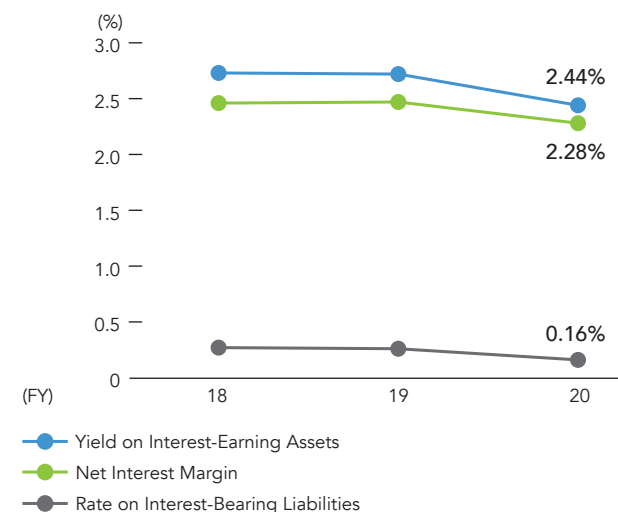
Net interest margin was 2.28%, decreased from 2.47% in the previous fiscal year. This was due to a decrease in interest income from unsecured loan business for individual customers and due to a decline in the yields of interest-earning assets despite a decline in yield of interest-bearing liabilities, affected by the decline of the foreign currency interest rate.

The ratio of common equity Tier1 under the Basel III international standards (excluding grandfathering basis) was 11.3%, the same level as the end of March 2020. Capital ratios continue to be maintained at sufficient levels.

Shareholder Returns

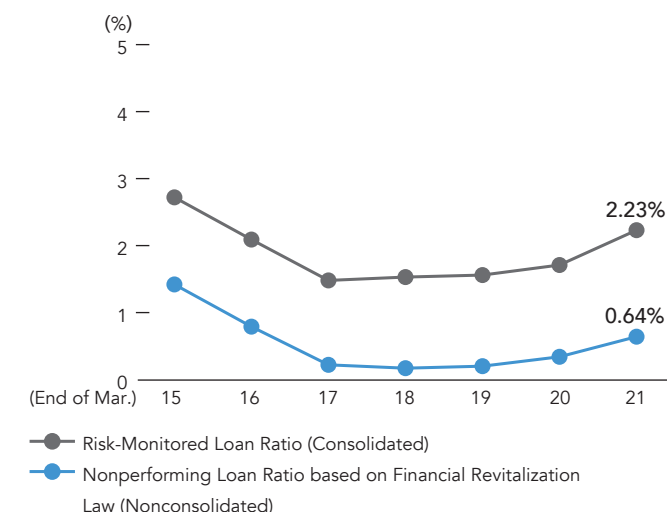
During fiscal 2020, approximately 20.5 billion yen in acquisition of treasury shares was completed, aiming to improve per share value, considering the current share price, the financial/capital condition and the market environment. To meet expectations for higher dividends, we dividends them by 20% year-on-year to 12 yen per share in fiscal 2020.

Net Interest Margin

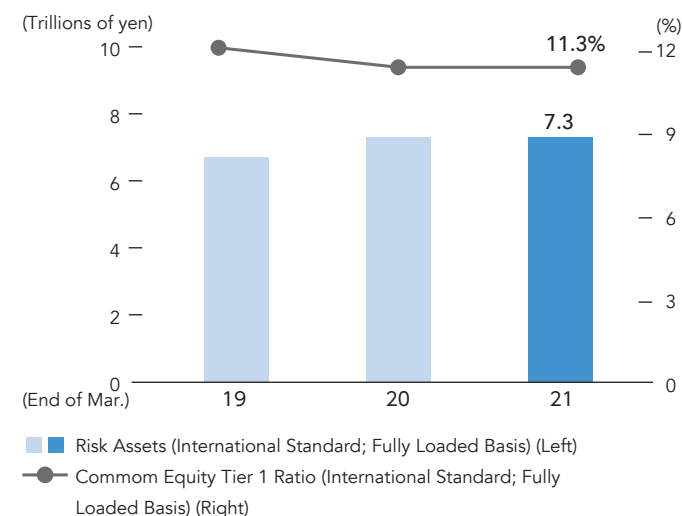


Risk-Monitored Loan Ratio

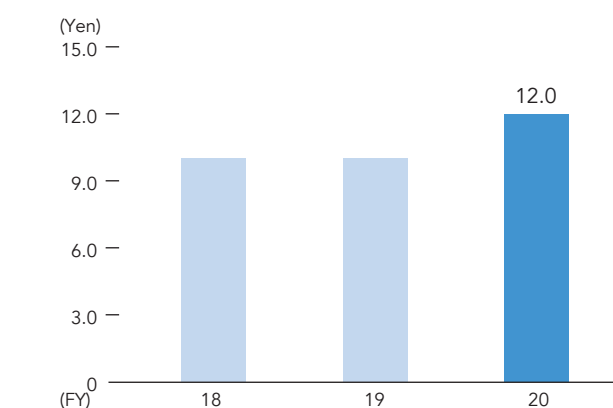
NPL Ratio based on Financial Revitalization Law



Common Equity Tier 1 Ratio



Dividends



Stock Information

■ Shares Outstanding and Capital

(As of March 31, 2021)
(thousands of shares, millions of yen)

Date	Share outstanding		Capital		Capital surplus		Notes
	Change	Balance	Change	Balance	Change	Balance	
July 29, 2003	(1,358,537)	2,033,065 ¹	—	451,296	—	18,558	2-for-1 reverse share split for common shares. Post reverse split common shares outstanding 1,358,537 ² shares
July 31, 2006	(99,966)	1,933,098 ¹	—	451,296	—	18,558	Use of call feature for Series 3 Class-B preferred shares. Issuance of 200,033 ² common shares. Retirement of Series 3 Class-B preferred shares. 300,000 ² shares
November 16, 2006	(85,000)	1,848,098 ¹	—	451,296	—	18,558	Cancellation of treasury shares (common) 85,000 ² shares
August 1, 2007	(100,000)	1,748,098 ¹	—	451,296	—	18,558	Mandatory acquisition of Series 3 Class-B preferred shares. Issuance of 200,000 ² common shares. Retirement of Series 3 Class-B preferred shares. 300,000 ² shares
February 4, 2008	117,647	1,865,746 ¹	25,000	476,296	25,000	43,558	Third-party allocation of shares (common shares) Subscription price ¥425, par value ¥212.5
March 31, 2008	194,600	2,060,346	—	476,296	—	43,558	Use of call feature for Series 2 Class-A preferred share. Issuance of 269,128 ² common shares. Retirement of Series 2 Class-A preferred shares. 74,528 ² shares
March 15, 2011	690,000	2,750,346	35,907	512,204	35,907	79,465	New shares issued through International Offering (common shares) Subscription price ¥108, par value ¥52.04
October 1, 2017	(2,475,312)	275,034	—	512,204	—	79,465	10-for-1 reverse share split for common shares. Post reverse split common shares outstanding 275,034 ² shares
May 18, 2018	(16,000)	259,034	—	512,204	—	79,465	Cancellation of Treasury Shares (common) 16,000 ² shares

1 Figures include number of preferred shares outstanding

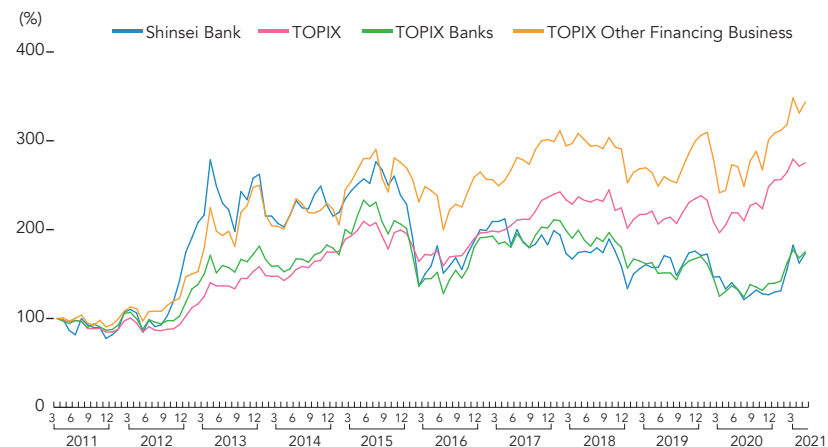
2 Thousand shares

Ratings Information

(as of June 30, 2021)

	Long-Term (Outlook)	Short-Term
R&I	A- (Stable)	a-1
JCR	A- (Stable)	J-1
S&P	BBB (Positive)	A-2
Moody's	Baa1 (Stable)	Prime-2

Shinsei Bank Share Price: Relative Performance (Stock Market Indexes from March 2011)



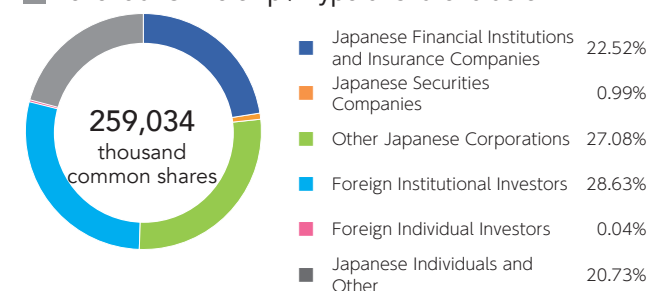
■ Largest Shareholders

Common Stock

Rank	Shareholders	Thousands of Common Shares	Shareholding Ratio
1	SHINSEI BANK, LIMITED	43,743	16.88%
2	SBI Holdings, Inc.	42,737	16.49%
3	Deposit Insurance Corporation of Japan	26,912	10.38%
4	The Resolution and Collection Corporation	20,000	7.72%
5	The Master Trust Bank of Japan Ltd. (Trust Account)	14,511	5.60%
6	SSBTC Client Omnibus Account	7,606	2.93%
7	Custody Bank of Japan, Ltd. (Trust Account)	7,262	2.80%
8	BNYM AS AGT/CLTS Non Treaty JASDEC	3,011	1.16%
9	State Street Bank And Trust Company 505103	2,819	1.08%
10	MSCO Customer Securities	2,543	0.98%
11	State Street Bankwest Client - Treaty 505234	2,479	0.95%
Total (includes treasury shares)		259,034	100.00%

Note: As of March 31, 2021 in total, the Deposit Insurance Corporation of Japan and the Resolution and Collection Corporation hold 46,912,888 common shares or 21.79% of Shinsei Bank's outstanding common shares, excluding treasury shares.

■ Beneficial Ownership / Type of Shareholders



Notes:

- 1 "Japanese Financial Institutions and Insurance Companies" includes the Resolution and Collection Corporation.
- 2 "Other Japanese Corporations" includes the Deposit Insurance Corporation.
- 3 "Japanese Individuals and Other" includes treasury shares.

For further information, please contact:
Group Investor Relations & Corporate Communications Division

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