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(Code: 8303, TSE First Section)

## Shinsei Bank Discloses "Revised Revitalization Plan"

Tokyo (Wednesday, March 25, 2020) --- Shinsei Bank, Limited announced that it has submitted the revised Revitalization Plan to the Financial Services Agency (hereinafter, "the FSA").

Two years have passed since the formulation of the current Revitalization Plan (covering FY2017 to FY2019). The Revitalization Plan has been revised in accordance with the "Basic Concept of Revising the Revitalization Plan" (dated September 30, 1999).

The revised Revitalization Plan is available for your reference on Shinsei Bank and the FSA websites.

Shinsei Bank had announced its Medium-Term Strategies for the period from FY2019 to FY2021 on May 15, 2019.

The Medium-Term Strategies have been formulated based on the achievements of past initiatives, including the Third Medium-Term Management Plan, and it depicts a universal growth story that focuses on the qualitative aspects of our strategies.

The theme of the Medium-Term Strategies is "Redesigning Finance." We aim to achieve "discontinuous" growth through constant reviewing (redesigning) of financial services by the Shinsei Bank Group rather than pursuing growth extending the current business situations linearly. Based on this theme, we have adopted the basic strategies of "Growth through Value Co-Creation" and "Enhance / Leverage Our Capabilities," and we will do our utmost to realize our strategies through various measures.

In the revised Revitalization Plan, we will aim for further development as the Financial Group based on the Medium-Term Strategies.

We recognize our role and expectations as a financial institution with public funds, will aim to fulfill our social responsibilities, and work as one team to achieve the goals of the revised Revitalization Plan.

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

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# Outline of “Revitalization Plan”

March 2020

Shinsei Bank, Limited

## 1. Methods for Management Rationalization

### (1) Business model and management strategies

Shinsei Bank announced its “Medium- to Long-Term Vision” in accordance with its management principles in January 2016. Subsequently, in the Third Medium-Term Management Plan (hereinafter, the “3rd MTMP”), which covered the period from FY2016 to FY2018, we focused on “‘Selection and Concentration’ of businesses and creation of value through Group integration” and “synergy creation by integrating the business management functions” as our overall strategy, including the establishment of the Group Headquarters, which substantially integrated the operating functions of our bank and group companies.

In May 2019, we announced the new Medium-Term Strategies covering the period from FY2019 to FY2021. Under the theme of "Redesigning Finance", we will do our utmost to realize the two basic strategies of "Grow through Value Co-Creation" and "Enhance / Leverage our Capabilities" while working closely with our Group companies.

#### 【Medium- to Long-Term Vision】

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

#### 【Outline of Medium-Term Strategies】

##### <1> Two Basic Strategies

- Grow through Value Co-Creation  
Generate synergies by enhancing products and services through sharing and fusing data and know-how with other business partners.
- Enhance / Leverage our Capabilities  
Capabilities mean organizational capabilities which allow corporation to grow their businesses. Its main elements are people, organizations, operations and capital, and they create strengths as a source of differentiation by strengthening and leveraging these capabilities.

##### <2> Focus Areas

- ① Small-Scale Finance (Individual Business)  
Develop and participate in ecosystems and upgrade services using digital technology and data to provide credit and payment products and services to individuals and small-scale businesses that have latent needs that conventional financial businesses do not meet.
- ② Institutional Investors (Institutional Business)  
Develop from traditional structured finance to provide one-stop services related to alternative investments to asset owners such as investment managers and financial institutions and pension funds that provide funds as sponsors.
- ③ Group Organization  
In the 3rd MTMP, we established the virtual “Group Headquarters” to consolidate the corporate functions within the Group. Under the Medium-Term Strategies, we will integrate the business strategies and planning functions of individual and institutional businesses in our business functions.
- ④ Productivity Reforms  
Promote further structure reforms by increasing the efficiency of store channels and office spaces and improving efficiency through digital technologies and workstyle reforms.

## &lt;3&gt; Initiatives for Sustainable Growth

## ① Address social and environmental issues

Access to finance / Fund flows that fit society's needs / Solution through integration with external services

## ② Fulfill our social responsibilities

Social infrastructure services / Customer-oriented services

## ③ Foundation for meeting our goals / responsibilities

Expertise, execution / Governance / People / Organization / Operations / Capital

## &lt;4&gt; Financial Targets (Consolidated)

	FY2021	
EPS Growth Rate	Annual average 2% or more	
Profit Share of Focus Areas	Small-scale finance	50%
	Institutional investors	15%
ROE	In the medium term 8.0%	
OHR	Less than 60%	
CET 1 Ratio	In the medium-term minimum 10%	
Shareholders Return	Shinsei Bank aims to maintain or improve the total payout ratio, depending on financial conditions and market environment, in accordance with the total payout ratio as set in the Revitalization plan.	

## (2) Plan for management rationalization

Going forward, Shinsei Bank will continue to allocate its management resources to focused (growth) areas and to investments in necessary IT system developments. At the same time, we will make efforts to achieve management rationalization for recurring expenses through optimization of business operations and will utilize limited management resources effectively to control the expense to revenue ratio.

Unit: JPY billion, %	FY2007 Results	FY2018 Results	FY2019 Plan	FY2020 Plan	FY2021 Plan	FY2022 Plan
Personnel + non personnel expenses (excluding tax)	80.5	65.7	71.6	70.2	70.2	70.2
OHR	55.75	65.69	68.75	66.09	66.09	66.09

## ① Personnel expense

Unit: JPY billion, %	FY2007 Results	FY2018 Results	FY2019 Plan	FY2020 Plan	FY2021 Plan	FY2022 Plan
Personnel Expenses	33.1	26.8	28.2	28.2	28.2	28.2
Employees	2,394	2,150	2,190	2,185	2,180	2,180

Personnel expenses for FY2018 were 26.8 billion yen (down 19% or 6.3 billion yen from FY2007). Furthermore, we will endeavor to curb personnel expenses by strictly controlling pay raises and bonus payments, and through refined and more efficient operations to be achieved from combining the Group's back-office functions.

## ② Non-personnel expenses (excluding tax)

Unit: JPY billion	FY2007 Results	FY2018 Results	FY2019 Plan	FY2020 Plan	FY2021 Plan	FY2022 Plan
Total of non-personnel expenses	47.4	38.9	43.4	42.0	42.0	42.0
Excluding technology and data processing	31.5	23.5	26.0	24.5	24.2	23.9

Non-personnel expenses for 2018 were 38.9 billion yen (down 18% or 8.5 billion yen from FY2007). Expenses in FY2019 will increase due to temporary expenses associated with the reorganization of the office environment but are expected to decrease in the following fiscal year due to factors such as rent reduction. We will engage in cost reduction measures through the promotion of the productivity reform project as well as prioritizing and allocating more management resources to higher-priority businesses.

### ③ Subsidiaries and affiliates

We have a group of companies that meets the diverse financial needs of our customers, and we have promoted “Group integration” to integrate functions of each company based on the customer's viewpoints and to develop / provide services beyond traditional ideas/mindset.

Going forward, we will continue to work to expand businesses by combining the products and services of Group companies and the Bank and leveraging the functions and expertise of subsidiaries. At the same time, we will work to facilitate communication and strengthen the governance structure of the Group as a whole.

### ④ Refining management infrastructure

Shinsei Bank is implementing “Selection and Concentration” and seeking further optimization of business operations to build a sustainable business model. At the same time, we are working on refining the management infrastructure, namely, i) management accounting and IT system investments for optimally allocating and utilizing limited management sources and ii) firmly establishing an optimum organizational framework and personnel system. We, in particular, consider the stable operation of IT systems as a mission to be achieved by a financial institution which forms a part of the social infrastructure. We are continuously focusing on this stable operation as an important management issue.

## 2. Figure 1 Digest Version

(Unit: JPY Billion)

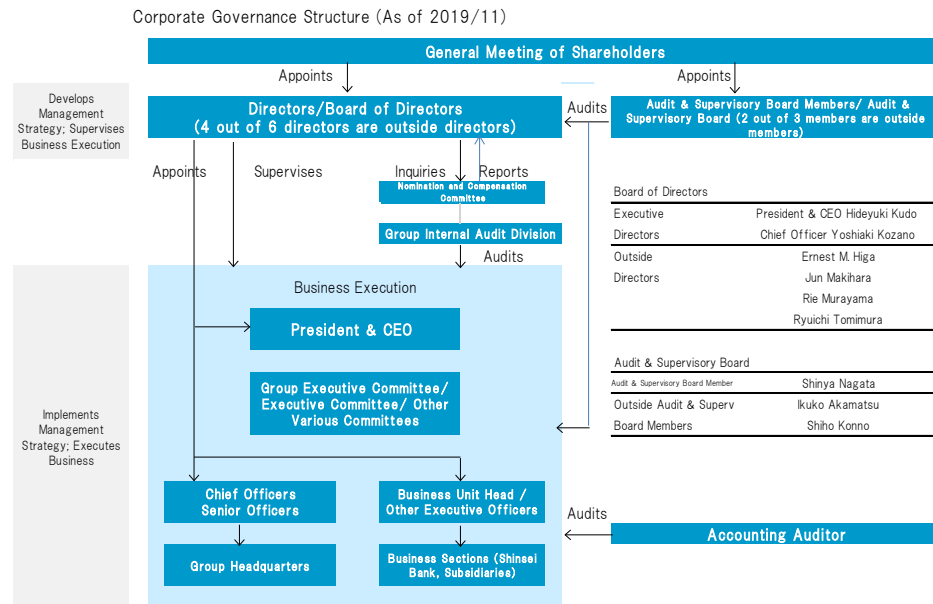
	FY2018 Results	FY2019 Plan	FY2020 Plan	FY2021 Plan	FY2022 Plan
Revenue	108.8	112.0	115.0	115.0	115.0
Expenses	71.5	77.0	76.0	76.0	76.0
OBP (note 1)	37.3	35.0	39.0	39.0	39.0
Net credit cost (note 2)	▲0.7	4.1	2.8	1.6	1.3
Gains (losses) on the sales of equities	0.6	2.6	0.0	0.0	0.0
Net operating income	38.6	33.5	35.6	36.2	37.4
Net income	35.4	33.0	34.0	35.0	36.0
OHR	65.69	68.75	66.09	66.09	66.09

(Note 1) OBP is the ordinary business profit before deduction of general loan loss reserve

(Note 2) Net credit cost is the amount of provision to general reserve for loan loss and disposal of non-performing loan

### 3. Measures for Establishing Responsible Management System

#### (1) Governance structure



We have established a corporate governance framework as a “Company with an Audit & Supervisory Board (*kansayakukai-setchi-gaisha*).” Through this structure, the Board of Directors, which is the highest decision-making body of the Company, decides on the important business execution of the Company, including the Medium-Term Strategies and the annual plan. In this way, the Company aims to show the major direction for the Group, and to create an environment that supports appropriate risk taking by the top management. In addition, the Audit & Supervisory Board Members and Audit & Supervisory Board that are independent of the Board of Directors are responsible for auditing the Board of Directors. This model aims to ensure appropriate managerial decision-making and business implementation to establish a corporate governance

framework with sufficient organizational checking functions.

In addition to this, we are strengthening our corporate governance by appropriately observing the “Corporate Governance Code”, agreeing to the basic concept of the Code that enhancement of the company’s sustainable growth and medium-/long-term corporate value through the achievement of the effective corporate governance will eventually contribute to our stakeholders and to the development of the entire economy.

#### (2) Management principles based on social and public roles of financial institutions

We aim to keep growing together with our customers while upholding the following three management principles in the “Shinsei Bank Group Charter of Corporate Behavior”:

- 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

As a Japanese bank and a public funds injected bank, we will endeavor to deliver excellent products and services to our customers and fulfill our social responsibilities. We will put forth our best effort to promptly set out a specific course for repaying public funds through the accumulation of retained earnings and improvement to corporate value.

### (3) Others

- ① We view strict compliance with laws, ordinances, and other rules as one of the most important managerial tasks. Through the organization of a compliance framework, we are endeavoring to operate our businesses in a sound and appropriate manner to meet the confidence placed in us by society.
- ② The Group Internal Audit Division helps the President fulfill the responsibility of business management, in particular, the responsibility of establishing an effective internal control system. The Division makes an independent and objective assessment of the effectiveness of risk management and governance frameworks, reliability of information and IT systems, and compliance with laws, ordinances and other rules, and proposes solutions for the business management of the Bank.
- ③ We are disclosing various kinds of management information to i) improve the transparency of our management to help our customers, shareholders, and investors to accurately understand our managerial situation and policy and ii) gain broad and appropriate assessments from the market and society. We are also diligent in disclosing information voluntarily, speedily, continuously, and fairly, based not only on laws and regulations but also on requests made by stakeholders including our customers.

### 4. Measures Taken to Prevent the Outflow of Earnings by Dividends or Others

#### (1) Basic concept

We will continue operating our businesses bearing in mind the importance of retaining profits internally from the viewpoint of stabilizing business management and enhancing our reinvestment ability to expand our business foundation. We will steadily accumulate profits and maintain a solid financial basis to enhance our creditworthiness. In addition, we will strive to make it easier for the Japanese government to recover its invested public funds by increasing share value as well as corporate value through further expansion of our customer base and increase of high-quality assets to maintain and improve profit-generating abilities.

All public funds invested in the Bank have already been converted from preferred shares to common shares. We therefore consider it important to improve the stock market's evaluation of the Bank and hence the Bank's share price, in addition to accumulating the source of repayment. We will strive to increase the stock market's evaluation of the Bank by establishing a sustainable business model that ensures stable earnings, by enhancing internally retained profits based on the objective of the Act concerning Emergency Measures for Early Strengthening of Financial Functions, and by providing appropriate shareholders return based on a responsible capital policy expected of a public-listed company.

(2) Approach to dividends and remuneration and bonuses of officers

① Dividends

With respect to our policy of shareholders return including dividends going forward, we have been managing our dividend policy by taking into consideration our business performance such as earnings trends, future business performance outlook, its stability and its balance with quantum of retained earnings. Specifically, we will continue to aim to maintain and improve our shareholders return, taking into consideration the level of the general total shareholders return ratio of Japanese domestic banks as long as we steadily accumulate repayment sources based on the objective of the Act concerning Emergency Measures for Early Strengthening of Financial Functions. As for the distribution between dividends and share buyback, we will make adequate and timely decision based on our business situation and market trends at each point in time and in accordance with the stance described above under (1) Basic concept. We have therefore decided not to specify the amount of the dividend payout plan for the term ending March 2020 and beyond.

② Remuneration and bonuses of officers

We determine remuneration and bonuses of officers in accordance with our business results and the contribution made by each officer. Remuneration of Directors and Audit & Supervisory Board Members will be provided following rigorous discussions and scrupulous decision-making process at the Board of Directors and the Audit & Supervisory Board.

With respect to the retirement allowances for officers, we have abolished the retirement allowance system for officers and introduced a compensation system in the form of stock option for full-time Directors, as per resolution of the General Shareholders' Meeting in June 2015. In addition, in FY2018 we introduced a restricted stock compensation system for full-time directors. We will share the risks and advantages of share price fluctuations with shareholders and will

motivate full-time Directors to contribute to an increase of our corporate value and share price.

5. Measures Taken to Execute Smooth Lending and Other Credit Offering

(1) Basic approach

We have worked on the provision of smooth financing as one of the important social missions of financial institutions. Following the enactment of the SME Financing Facilitation Act in December 2009 (revised in March 2012), we have organized and established an appropriate management framework for facilitating financing. We will endeavor to provide finance smoothly as a bank on a stand-alone basis as well as the entire Shinsei Bank Group through, for instance, the modification of lending terms and conditions, and will cater to our customers' needs in order to fulfill the objective of the said Act even after its expiry.

We will continue to build deeper relationships with our corporate customers through precise suggestions.

(2) Specific measures for SME loans

Shinsei Bank positions loans for medium-/small-sized enterprises (SME) as an important task in corporate business, and fosters it based on the spirit of the SME Finance Facilitation Act.

Furthermore, in order to accelerate the area of corporate business transactions, namely, original SME loans, we have drawn up plans focusing on this area, and are continuously making efforts to ensure a net increase. We will continue customer-oriented marketing and strengthen the business promotion framework to propose unique products and services that leverage the know-how of the Bank's Group.



## 6. Measures Taken to Secure Profit Sources, which can be applied to Cancellation, Refund, Redemption or Repayment of the Shares and the Borrowed Money

Based on the objective of the Act concerning Emergency Measures for Early Strengthening of Financial Functions, we will strengthen our capital, ensure stability of business operations, and improve profitability given the injection of public funds, thereby securing adequate profits. Furthermore, we endeavor to make it easier for the Japanese government to recover its invested public funds by improving our corporate value and market evaluation.

All public funds injected in the Bank have already been converted from preferred shares to common shares. We therefore consider it important to improve the stock market's evaluation of the Bank and hence the Bank's share price, in addition to accumulating the source of repayment.

The share price reflects investors' evaluation based on factors including the market environment at that time and cannot be directly controlled by the Bank. We will therefore increase per share values, more specifically the net asset or profit per share, based on the objective of the Act concerning Emergency Measures for Early Strengthening of Financial Functions, and on a responsible capital policy expected of a public-listed company. It is also from this perspective that we wish to steadily improve per share values by implementing an adequate capital policy including shareholders return in addition to establishing a sustainable business model through sound implementation of the Medium-Term Strategies and the Revitalization Plan.

We had 292.6 billion yen in retained earnings in FY2018.

We will endeavor to stabilize our profit-generating abilities over the medium- to long-term and aim to steadily accumulate retained earnings.

### Change in retained earnings (Unit: JPY Billion)

FY2018 Actuals	FY2019 Plan	FY2020 Plan	FY2021 Plan	FY2022 Plan
292.6	322.6	356.6	391.6	427.5

(Note) Summary of Class B Preferred Shares, purchased by the government in March 2000, is as follows:

- Number of Shares Issued      600 Million Shares
- Total Amount of Issuance      ¥240 Billion
- Mandatory Conversion Date    August 1, 2007

(\*1) Of the above-mentioned preferred shares, 300 million shares were converted to common shares (200,033 thousand shares) on July 31, 2006 and sold at 150.6 billion yen on August 17, 2006. Shinsei Bank purchased the corresponding treasury shares as of the same date (some of the shares were purchased by buyers other than Shinsei Bank).

(\*2) The remaining 300 million preferred shares were converted to 200 million common shares, or 2/3 common share per preferred share which translates into the effective conversion rate of 600 yen, on August 1, 2007, the mandatory conversion date.

Subsequently, on October 1, 2017, we conducted a one-for-ten reverse stock split of common shares.

## 7. Measures Taken to Secure Soundness of Financial Conditions and Soundness and Adequateness of Management

We position risk management as one of the most important managerial tasks in order to appropriately manage various types of risks and stably increase earnings. Based on this view, we have established the “Risk Management Policy” which describes our basic understanding of various types of risks that financial institutions assume and our basic risk management policy in order to comprehend and proactively manage not only credit risk and market risk but also the sum of risks assumed by the entire Shinsei Bank. Furthermore, with respect to the risk capital system which is an integrated risk management method, we measure the risk volume of each risk category, namely (1) credit risk, (2) market risk, (3) interest rate risk, and (4) operational risk, and monitor the risk volume of the entire Bank and the amount of capital used by each Group with the aim of comprehensively managing our business fundamentals and risk-taking status.

End