

Management Structure

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CORPORATE GOVERNANCE

Shinsei Bank has established a corporate governance framework that befits its status as a “Company with an Audit & Supervisory Board” (*kansayakukai-setchi-gaisha*). The Bank’s corporate governance framework aims to ensure appropriate managerial decision-making and business implementation while also providing a rigorous system of organizational checks and balances. Accordingly, the ultimate authority and responsibility for the execution of the Bank’s business resides with the Board of Directors; while members of the Audit & Supervisory Board, which is independent from the Board of Directors, are tasked with an oversight role that includes auditing the conduct of the Bank’s business as well as the actions of the Board of Directors.

In addition, the Bank is in full agreement with the spirit of the Corporate Governance Code introduced in June 2015, which applies to all companies listed on Japan’s stock exchanges. As such, the Bank will strive to implement the measures necessary to be in compliance with the new code and realize effective corporate governance. The Bank continues to strengthen its corporate governance to achieve sustainable growth and enhance its corporate value over the mid to long term.

Corporate Governance of Shinsei Bank

Shinsei Bank’s Board of Directors—the Bank’s decision-making body for its business management— consists of seven Directors—two full time directors who are directly responsible for the execution of the Bank’s business and five outside Directors who primarily supervise the Bank’s business execution. This combination of internal and external Directors ensures the transparency and objectivity of the Bank’s management and fosters appropriate decision-making regarding the Bank’s operations. In addition, the Bank has adopted the Executive Officer system to facilitate flexible direction of the Bank’s daily business operations. This system consists of two Executive Directors and Executive Officers with extensive experience in each of their respective business areas who are appointed as Group Heads responsible for the conduct of daily business in their respective groups. In addition, the Audit & Supervisory Board, whose members are independent from the Board of Directors, audit the Board of Directors and the Bank’s business execution. This corporate governance structure provides the Bank with a rigorous system of checks and balances that foster the adoption of an optimally balanced management policy that will enhance the Bank’s corporate value.

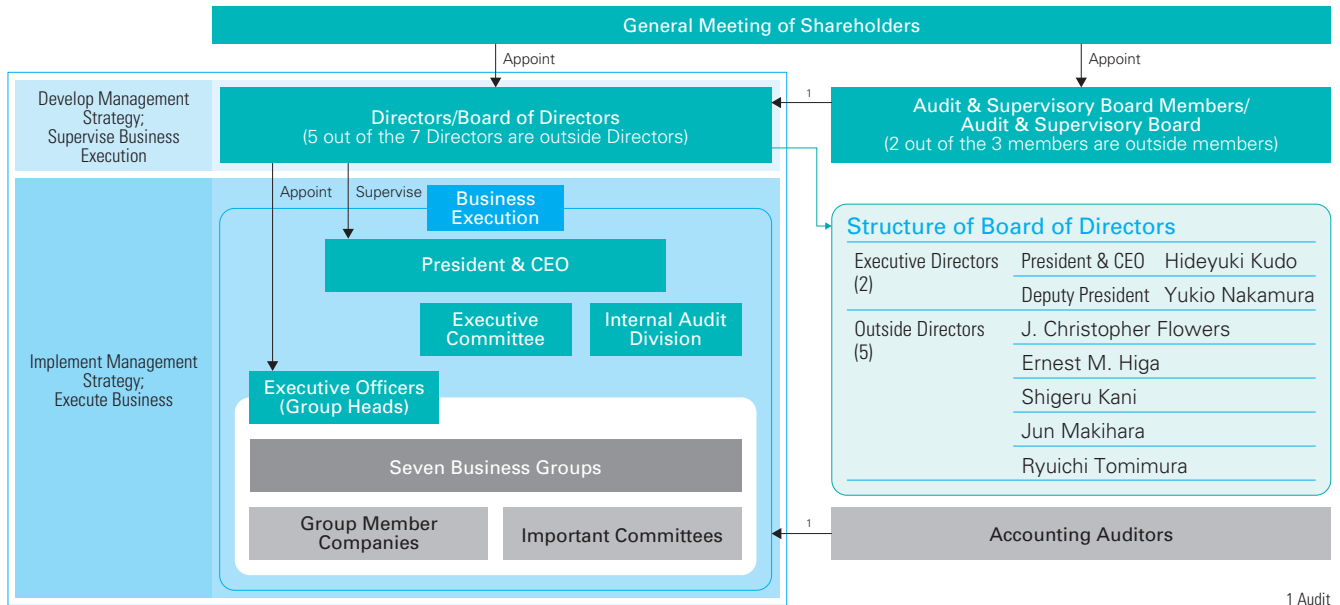
Characteristics of Shinsei Bank’s Corporate Governance/ Ensuring Transparency and Objectivity in Business Management through the Appointment of Outside Directors

Since its launch as Shinsei Bank in 2000, the management of the Bank has consistently emphasized the supervisory functions of outside Directors as the key to securing the transparent and objective management necessary to achieve sustainable growth and enhance the Bank’s corporate value over the mid to long term. In line with its

corporate governance framework as a “Company with an Audit & Supervisory Board” (*kansayakukai-setchigaisha*), the Bank has a Board of Directors structure in which outside Directors outnumber internal Directors, with two internal Directors responsible for daily business execution and five outside Directors. The current outside Directors are a well-balanced group of executives that bring to the Bank their extensive experience and expertise in a range of fields strongly related to the Bank’s business, including domestic and overseas financial business, consumer-related business, risk management and information systems. Leveraging their past experiences and accumulated expertise, the Bank’s outside Directors provide opinions on the Bank’s management and operations from an independent and objective point of view and play an important role as supervisors and advisors to the Executive Directors.

The Board of Directors holds regular meetings six times a year, with additional special meetings convened as necessary. At these meetings, all Board members express their opinions freely and engage in robust discussions. The outside Directors articulate their views on the management of the Bank and offer a broader range of perspectives on topics being discussed as whether optimum strategies are being adopted, whether an appropriate risk-return balance is being maintained, and whether a particular transaction or course of action contributes to the growth of the Bank’s businesses. The Bank’s policies which are determined through such discussions contribute to the maintenance of an appropriate system of business promotion that will lead to sustainable growth and mid to long-term enhancement of the Bank’s corporate value while protecting the interests of shareholders, customers and other stakeholders.

Summary of Corporate Governance (as of June 18, 2015)



At Shinsei Bank, Outside Directors and Auditors are not involved in the daily execution of the Bank's business, and in order to ensure the sharing of their independent viewpoints as well as to share detailed information regarding the execution of the Bank's business with each of the outside officers, the Bank holds regular meetings attended only by the outside officers. Each outside Director and Auditor, by utilizing these opportunities, are better able to serve as supervisors, advisors and auditors to the Executive Directors responsible for the Shinsei Bank Group's daily operations.

In regard to transactions with Directors, major shareholders, and other stakeholders, the Bank conducts checks to avoid conflicts of interest and maintain the fairness of transactions. The Bank has established frameworks for deliberating on relevant transactions at the Board of Directors meetings and conducting necessary follow-ups.

Executive Officer System, Executive Committees and Other Important Committees

Shinsei Bank has adopted the Executive Officer system to ensure the flexible execution of day-to-day business operations.

As of June 18, 2015, the Bank's business activities are being run by 27 Executive Officers, including the two Executive Directors, all appointed by the Board of Directors. Applying the Executive Officer system to the Bank's Group-based structure enables the Executive Officers and Group Heads appointed by the Board of Directors to efficiently operate their respective businesses under the leadership of the Executive Directors, including the President.

Reasons for Nomination of Outside Directors

Name	Reason for Nomination
Outside Director J. Christopher Flowers	Reflect in the Bank's management his experience and expertise in the financial service industry as a whole
Outside Director Ernest M. Higa¹	Reflect in the Bank's management his experience and deep insight of business for consumers
Outside Director Shigeru Kani¹	Reflect in the Bank's management his expertise in the risk management area and his extensive knowledge concerning banking operations
Outside Director Jun Makihara¹	Reflect in the Bank's management his extensive knowledge of finance and his domestic and international experience
Outside Director Ryuichi Tomimura¹	Reflect in the Bank's management his extensive experience and wide range of knowledge including information systems as a management executive and a consultant.

¹ Shinsei Bank has submitted to the Tokyo Stock Exchange an independent director registration form identifying Ernest M. Higa, Shigeru Kani, Jun Makihara and Ryuichi Tomimura as independent directors.

Status of Board of Directors Meetings

Ratio of outside Directors
71%

- Five out of the seven Directors of Shinsei Bank are outside Directors and make up the majority of the Board of Directors.
- The structure where outside Directors make up the majority of the Board members has continued since the start of Shinsei Bank.
- Six officers including outside Audit & Supervisory Board Members are reported as independent officers to the Tokyo Stock Exchange (as of June 2015).

Attendance rate
100%

- The Directors, including outside Directors, attended almost all the Board meetings and had robust discussions concerning the management and business execution of Shinsei Bank.
- The figure in the box to the left shows the attendance rate of the Board of Directors meetings held after the Annual General Meeting in the fiscal year 2014 (nine meetings in total).

Financial Highlights
Message from the Management

Special Features

Review of Operations

Management Structure
Corporate Governance

Data Section

Summary of Executive Committee and Other Important Committees

Name	Main Purpose
Executive Committee	The President's decision-making body for day-to-day business execution
ALM Committee	Negotiate, coordinate and make decisions concerning medium- and long-term Asset and Liability Management
Compliance Committee	Communicate, coordinate and make decisions in regard to compliance
Risk Policy Committee	Discuss the bank-wide risk operation policy and management framework for the Bank's portfolios, and the Bank's approach to major portfolios, sectors, products and so forth
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
IT Committee	Discuss, coordinate and make decisions on matters concerning the Shinsei Bank Group's information technology systems
Business Continuity Management Committee	Discuss, coordinate and make decisions concerning the organization of the business continuity structure throughout the Bank
Basel Committee	Discuss, coordinate and make resolutions on matters concerning regulatory capital, with a focus on Basel regulations
Management Development Committee	Discuss, coordinate and make decisions about the HR system, HR measures and so forth

Additionally, the Bank has established the Executive Committee which is comprised of Executive Directors and Executive Officers who are Group Heads. The Executive Committee is a body that enables the President to make decisions on business execution and it allows the Bank to operate its business efficiently as well as in a timely manner. The Committee holds meetings on a weekly basis to deliberate on matters concerning the Bank's business operations. Through these discussions, the Groups confirm, share, and implement the Bank's management strategy and the direction it pursues.

Furthermore, the Bank has established numerous committees that bring together members from different Groups to facilitate appropriate and flexible cross-functional responses to issues arising from the increasing specialization and sophistication of the Bank's business.

Audit & Supervisory Board Members/ Audit & Supervisory Board

The Audit & Supervisory Board of Shinsei Bank is composed of 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 who is a certified public accountant. By applying the expertise from their fields of specialization and their knowledge of corporate governance and operating within the framework of the Audit & Supervisory Board, which is fully independent from the Board of Directors, these Auditors conduct appropriate audits of the Board of Directors' management of the Bank's business. In addition, the outside Auditors both have experience as directors of other companies which they are able to apply to their duties. Their ability to provide independent and objective opinions thus raises the effectiveness of the Audit & Supervisory Board's auditing activities.

The Audit & Supervisory Board Members attend important Bank meetings in addition to Board of Directors meetings, such as Executive Committee meetings, review important documents, and undertake audits of their own by, for instance, interviewing the Directors, Executive Officers and accounting auditors. In addition, the Audit & Supervisory Board Members work with the Internal Audit Division and other internal control sections and utilize staff of the Office of Audit & Supervisory Board to systematically and efficiently audit the state of business execution in the entire Shinsei Bank Group including subsidiaries.

Reasons for Nomination of Audit & Supervisory Board Members

Name	Reason for Nomination
Full-time Audit & Supervisory Board Member Shinya Nagata	Reflect in the Bank's audit operations his long years of business experience in the areas of finance and accounting at Shinsei Bank
Outside Audit & Supervisory Board Member Michio Shibuya¹	Reflect in the Bank's audit operations his expertise and extensive experience as a certified public accountant, and knowledge regarding corporate governance based on experience as an Audit & Supervisory Board Member at a listed company.
Outside Audit & Supervisory Board Member Kozue Shiga¹	Reflect in the Bank's audit operations her expertise and extensive experience as a lawyer.

¹ Shinsei Bank has submitted to the Tokyo Stock Exchange an independent director registration form identifying Michio Shibuya and Kozue Shiga as independent directors.

Audit & Supervisory Board Members' Activities in FY2014

	Board of Directors meetings	Audit & Supervisory Board meetings
Number of meetings held ²	9 times	12 times
Attendance rate	96%	100%

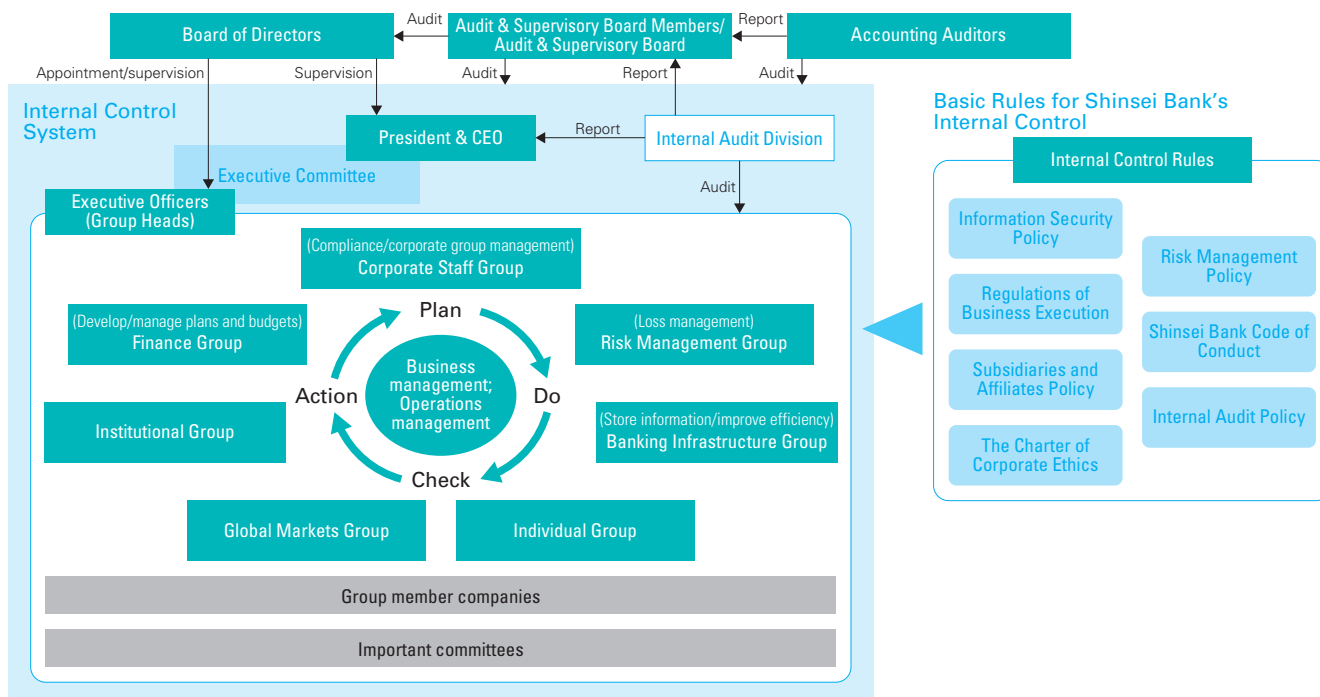
² The total number of meetings held after the Annual General Meeting in fiscal year 2014

Internal Control

In addition to the above framework for monitoring business execution and decision-making by the Board of Directors, a properly functioning corporate governance system must include a framework that facilitates the effective operation of internal audit and compliance functions. Additionally, an internal control system, which is required by the Corporation Act, and internal controls for ensuring the accuracy of financial reports required by the Financial Instruments and Exchange Act, are crucial elements of a corporate governance structure. Although internal control are the responsibility of management, the overall internal control system functions more effectively if each of the Groups that carry out actual operations takes specific measures to enforce internal controls. The Bank's basic policy on the internal control system for appropriate and efficient performance of day-to-day operations is outlined in the "Internal Control Rules" approved by the Board of Directors which also reviews the status of

the internal control system each year. The Internal Control Rules aim to create a framework for safeguarding the effectiveness of audits by the Audit & Supervisory Board Members, and designate the Subsidiaries and Affiliate Policy, Information Security Policy, Risk Management Policy, Regulations of Business Execution, Shinsei Bank Code of Conduct and Internal Audit Policy as the basic guidelines for preserving appropriate, transparent and efficient operations of the entire Shinsei Bank Group including subsidiaries. In addition, the Charter of Corporate Ethics prohibits relationships with antisocial forces, and through the cutting off of such relationships, ensures appropriate business operations by the Bank. It should be noted that in accordance with the May 2015 amendment of the Corporation Act, the Bank is establishing frameworks to facilitate the appropriate functioning of the Group's internal control system and audit function.

Internal Control Framework



Legal and Compliance Activities

The Legal and Compliance Division plays a pivotal role in supporting the Bank's legal and compliance function, a key function of the Bank's corporate governance.

Compliance Framework

Shinsei Bank strongly believes that thorough compliance must be one of management's most important missions, and Shinsei Bank has established a robust compliance framework to ensure sound and proper management that earns the trust of society.

The Bank's Compliance Committee, the Legal and Compliance Division, and Compliance Supervisors (General Managers) and Compliance Managers who are assigned in divisions, branches, and departments constitute the main elements of our compliance organization.

The Compliance Committee, with our GH of Corporate Staff Group as its chair, examines and discusses important compliance matters.

On the other hand, the Legal and Compliance Division plans various measures concerning compliance risk and implements these measures through central management.

Additionally, Compliance Supervisors take leadership in promoting compliance measures in their divisions, branches or departments and are responsible for making compliance-related decisions at their job sites. Compliance Managers act as the point of contact for compliance related matters and periodically report compliance related issues to the Legal and Compliance Division, as well as focus on strengthening compliance at job sites. The Legal and Compliance Division provides support to each division, branch, and department in their compliance decisions. Through the periodical reports by Compliance Managers, the Division conducts Bank-wide monitoring of how various measures are being implemented and also provides centralized compliance guidance. In order to be able to better respond to issues such as financial crimes (e.g. bank transfer scams), anti-money laundering regulations, antisocial forces, and for controlling legal matters, the Financial Crime Information Department and the Legal Department have been established as part of the Legal and Compliance Division.

Compliance Activities

Every year, we create a compliance program which promotes the development of regulations and training programs. We place particular emphasis on the use of training sessions as a tool to ensure the proliferation of compliance awareness and conduct trainings such as the "Shinsei Bank Code of Conduct"—a basic policy for the Bank employees, self training based on compliance risk of each division, branch, and department, and training for respective important compliance matters such as revisions of laws and regulations, on an ongoing basis.

In addition to group training, we are also working to create an environment that maximizes the effectiveness of training by introducing active e-learning courses and regularly transmitting a "Short Lesson for Compliance" by email, which summarizes compliance issues.

Legal Supervision

Banks are required to comply with a wide variety of laws and regulations in their day-to-day business operations. Violations of any of these laws can have severe repercussions not only to our credibility and reputation as a financial institution, but to that of the overall banking system itself. In the case of individual transactions, there exists a risk that we may face unexpected claims for damages if our contracts are unreasonable or we act in poor faith during the process of negotiation leading up to contract execution. Prevention and proper management of these legal risks are a crucial function within the day to day operations of today's banks.

In order to mitigate these risks, Shinsei Bank has established the Legal Department within its Legal and Compliance Division which presides over such legal affairs, including compliance with corporate and transactional laws, legal documentation and litigation supervision and through this specialized support, we aim to prevent and manage any legal risk.

Internal Audit

With the increased diversification and complexity of risks related to banking, the management of risk is becoming increasingly important. It is the role of the internal audit to independently assess the effectiveness of risk management measures and internal controls. This, in turn, helps maintain and enhance our corporate governance.

The Internal Audit Division (IAD) of the Bank reports directly to the CEO as well as to the Audit & Supervisory Board. The IAD supports the CEO in his responsibilities for controlling business execution, and in particular for establishing an effective system of internal controls. The IAD 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 internal policy and procedure requirements of the Bank, and provides solutions to management. The IAD also maintains a close relationship with the Audit & Supervisory Board and provides them with internal audit-related information.

The IAD is independent from all the organizations subject to internal audits, as well as day-to-day operational activities and control processes including regular preventive and detective controls. The IAD utilizes a risk-based audit approach and conducts a comprehensive risk assessment by combining a macro-risk assessment, which assesses risk from the perspective of the Banking Group as a whole, together with a micro-risk assessment, which assesses risk from an individual business level. Businesses or processes that are perceived to have relatively higher risk are prioritized in the allocation of audit resources.

In order to improve the effectiveness and efficiency of internal audit activities, it is important to gather relevant information about the business departments. To do so, the IAD has been enhancing off-site monitoring activities by attending key management meetings, reviewing internal control documents and holding regular meetings with senior management.

Comprised of the Business Audit Team, the IT Audit Team and the Quality Control and Planning Team, the IAD takes the initiative in developing our internal auditors' expertise, and in particular, strongly encourages them to obtain professional certifications such as the Certified Internal Auditor and Certified Information Systems Auditor qualifications.

While the IAD pursues the development and introduction of new audit techniques, it also recognizes the importance of maintaining its fundamental skills necessary to its duties in governance. By receiving regular quality assessments by a third party organization on the IAD's internal audit activities, we are able to objectively identify opportunities for improvement.

The IAD also involves Group subsidiaries' internal audit divisions in these efforts in order to continuously improve its performance.

DIRECTORS AND EXECUTIVES

As of July 1, 2015

BOARD OF DIRECTORS (7)

Hideyuki Kudo	Representative Director, President
Yukio Nakamura	Representative Director, Deputy President
J. Christopher Flowers*	Managing Director and Chief Executive Officer, J.C. Flowers & Co. LLC
Ernest M. Higa*	Chairman President & Chief Executive Officer, Higa Industries Co., Ltd.
Shigeru Kani*	Former Director, Administration Department, The Bank of Japan, Specially Appointed Professor, Yokohama College of Commerce
Jun Makihara*	Director, Monex Group, Inc., Director, Philip Morris International Inc.
Ryuichi Tomimura*	Executive Vice President, Director, SIGMAXYZ Inc.

*Outside Directors

AUDIT & SUPERVISORY BOARD MEMBERS (3)

Shinya Nagata	Audit & Supervisory Board Member
Michio Shibuya*	Certified Public Accountant
Kozue Shiga*	Lawyer

*Outside Audit & Supervisory Board Members

EXECUTIVE OFFICERS (27)

Hideyuki Kudo	Representative Director, President and Chief Executive Officer
Yukio Nakamura	Representative Director, Deputy President, In charge of Corporate Staff Group, Finance Group and Banking Infrastructure Group
Sanjeev Gupta	Senior Managing Executive Officer, Advisor to President and Chief Executive Officer
Michiyuki Okano	Senior Managing Executive Officer, Group Chief Information Officer, Head of Banking Infrastructure Group
Shinichirou Seto	Senior Managing Executive Officer, Head of Institutional Group
Akira Hirasawa	Managing Executive Officer, Head of Corporate Staff Group, General Manager, Corporate Planning Division, General Manager, Office of Financing Facilitation Management
Yasunobu Kawazoe	Managing Executive Officer, Chief Risk Officer, Head of Risk Management Group
Yoshiaki Kozano	Managing Executive Officer, Deputy Head of Institutional Group
Masayuki Nankouin	Managing Executive Officer, Chief Financial Officer, Head of Finance Group, Head of Financial Control and Accounting Sub-Group
Hironobu Satou	Managing Executive Officer, Head of Global Markets Group
Masashi Yamashita	Managing Executive Officer, Head of Individual Group
Shigeto Yanase	Managing Executive Officer, Executive Officer in charge of Institutional Business
Naoto Hanada	Executive Officer, General Manager, Information Systems Development Division II
Shouichi Hirano	Executive Officer, General Manager, Institutional Business Planning Division
Takahisa Komoda	Executive Officer, General Manager, Human Resources Division
Tsukasa Makizumi	Executive Officer, Executive Officer in charge of Institutional Business
Takako Masai	Executive Officer, General Manager, Markets Research Division
Masanori Matsubara	Executive Officer, General Manager, Information Systems Development Division I
Yuji Matsuura	Executive Officer, Head of Markets Sub-Group
Nozomi Moue	Executive Officer, General Manager, Structured Risk Management Division
Nobuyasu Nara	Executive Officer, Executive Officer in charge of Institutional Business, General Manager, Osaka Branch
Eiji Shibazaki	Executive Officer, Executive Officer in charge of Institutional Business, General Manager, Financial Institutions Business Division
Yasufumi Shimada	Executive Officer, General Manager, Market Risk Management Division
Tetsuro Shimizu	Executive Officer, Head of Individual Business Sub-Group
Satoshi Suzuki	Executive Officer, General Manager, Banking Infrastructure Planning Division
Masayoshi Tomita	Executive Officer, Head of Individual Planning Sub-Group
Takashi Yoshikawa	Executive Officer, Head of Overseas Banking Planning Department, Corporate Planning Division

SENIOR ADVISOR (1)

David Morgan	Supervisory Board Member, HSH Nordbank AG, and Managing Director, Europe and Asia-Pacific, J.C. Flowers & Co. UK Ltd
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SPECIAL ADVISOR (1)

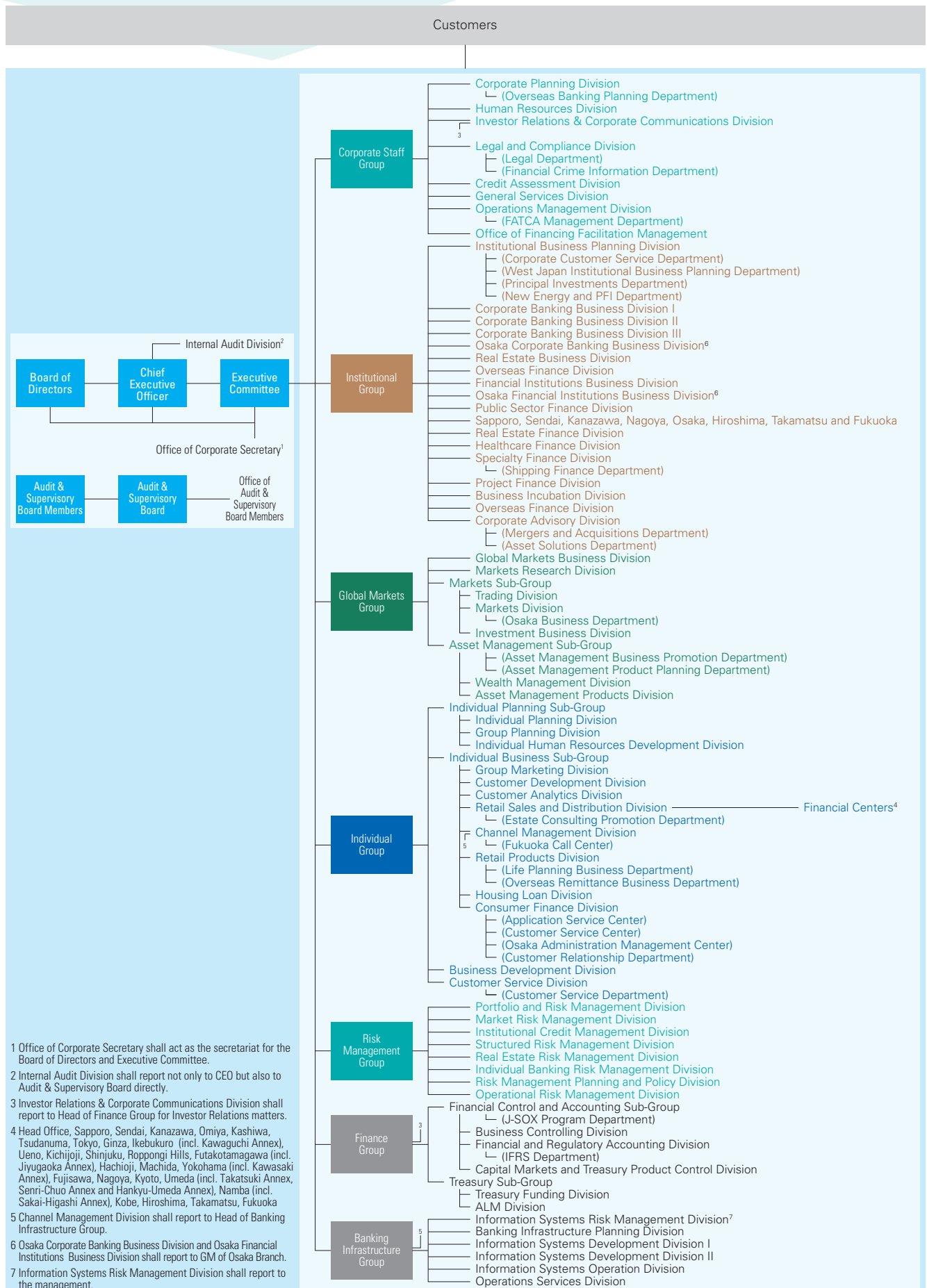
Shigeki Toma

ADVISOR (1)

Yuji Tsushima

ORGANIZATION

As of July 1, 2015



RISK MANAGEMENT

Shinsei Bank has identified risk management as one of its most important management issues and the Bank has already undertaken various measures to strengthen risk management frameworks. These include improvements of our various committees and further empowerment of their functions, and the establishment of a system of checks and balances by the Risk Management Group which is fully independent of other Groups in the Bank. The Risk Management Group sufficiently discusses portfolio-specific risk management policies and policies on transactions with individual companies in order to make decisions in an appropriate and speedy manner. In addition, we are continuing to further strengthen our risk management frameworks in order to improve our risk taking capabilities in line with our business expansion, enhance our risk management methods and frameworks, and further develop our risk culture.

Fiscal Year 2014 Overview

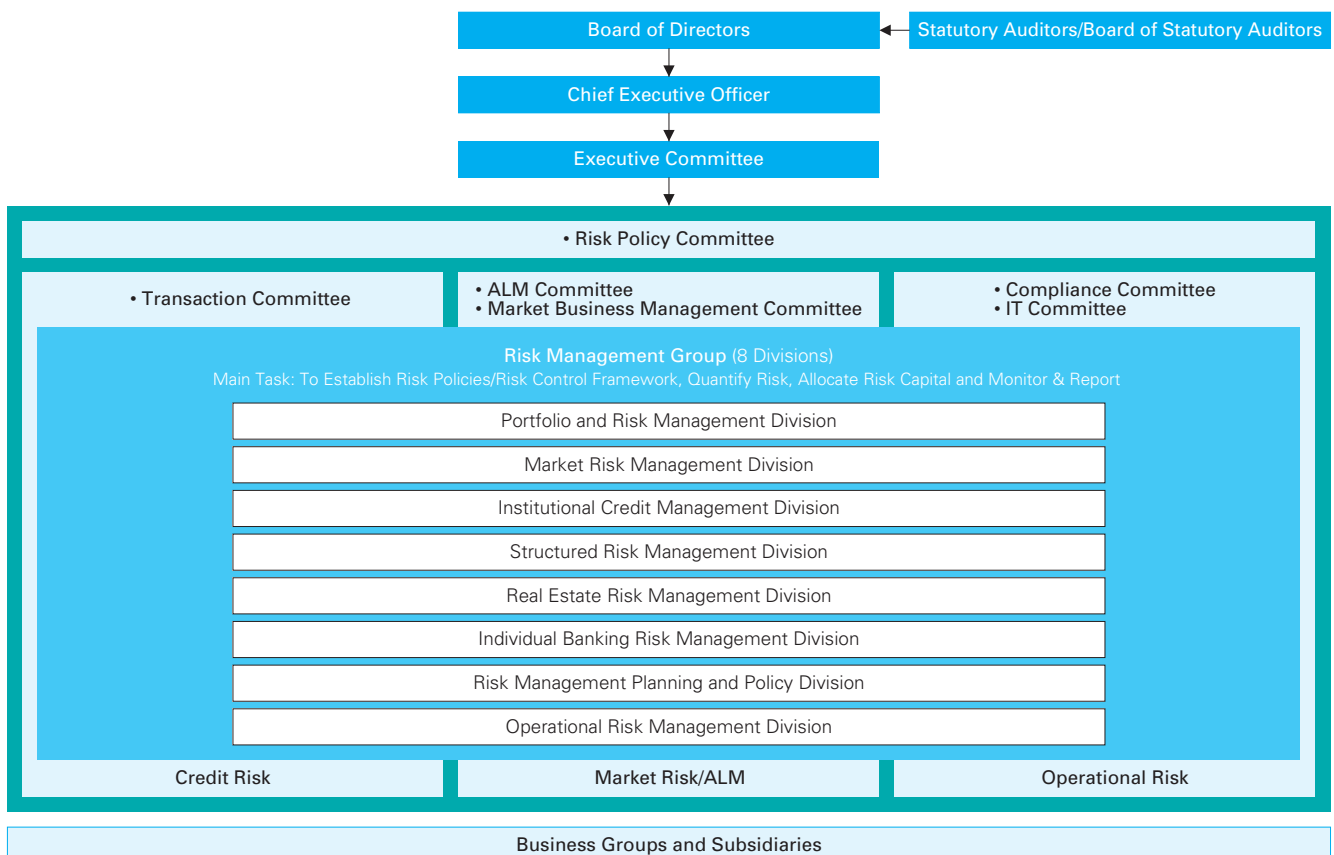
Domestic and Overseas Economic Trends

In fiscal year 2014, the United State Federal Reserve Bank completed its tapering of QE3, and while it has begun considering the timing for a rate hike and an exit from a prolonged period of monetary easing to a more normalized monetary policy, the U.S. stock market has reached record highs reflecting the favorable economic environment. In Europe, the European Central Bank (ECB) launched its version of quantitative easing (QE) and the yields on European Union (EU) nations' government bonds, which already had been in a downward trend, fell to all-time lows, with a few exceptions. However, economic indicators in EU nations, including unemployment rates and

GDP growth rates, have remained in the recovering trends.

Amid this global environment, the Japanese economy saw GDP growth deteriorate sharply in the April–June 2014 period as demand declined following a surge in demand prior to the consumption tax hike in April, and GDP growth unexpectedly remained negative in the July–September period before moving into a weak recovery trend thereafter. Corporate earnings, however, fared better, with export industries enjoying the benefits of the weak yen, and as a result, the Nikkei Average exceeded the 20,000 yen level for the first time in 15 years. Meanwhile, the number of corporate bankruptcies remained on a downward trend and the office leasing market enjoyed falling vacancy rates and rising average rents, adding momentum to the upward trend in prices.

Risk Management System Chart (as of June 17, 2015)



Shinsei Bank's Portfolio

Given the conditions noted above, the Bank's asset portfolio again saw little negative impact from deterioration in the creditworthiness of corporate customers, including large borrowers. We also continued to improve the quality of our real estate loan portfolio, centered on nonrecourse loans, by reducing our exposure to high-risk assets through asset replacement. This effort is the main reason for the continuing decline in the Bank's nonperforming loan (NPL) ratio. The consumer finance business had seen its loan balance contract in recent years owing to factors such as changes in the regulatory environment and external challenges such as a fiercer competitive environment. In fiscal year 2014, however, the loan balance has returned to growth due to the success of the Bank's revised credit strategy and efforts to increase lending to growth areas. Additionally, losses on interest repayment have peaked out and declined to a level easily covered by net income for the period.

Regarding the overall portfolio, capital buffers are expanding and management stability is increasing thanks to risk reductions through the aforementioned credit cost reductions and asset quality improvements, as well as the steady accumulation of capital through an increase in revenues.

Risk Factors and Future Policy

Fiscal year 2015 is the final year of the Second Medium-Term Management Plan, under which the Bank has endeavored to establish a unique business base, increase revenues, and further improve its financial condition since fiscal year 2013. Although the external environment has been improving, we must continue to monitor the potential downside risk to the global economy from factors such as the strategy of the U.S. in their coming exit from monetary easing, the slowdown in the Chinese economy, the lingering European nation government debt crisis including the situation of Greece, and geopolitical risks. The Risk Management Group will continue its efforts to accurately understand both domestic and overseas environments, comprehend the risk profile of the Bank's portfolio from various perspectives using stress tests and other means, and share its view with management. Additionally, we will exercise an appropriate system of checks and balances for the business promotion sections' initiatives in growth areas and the implementation of their business strategies. We will organize and strengthen the risk management framework, adequately monitoring new assets and flexibly reviewing risk strategies as required.

Comprehensive Risk Management

Basic Concept of Risk Management Systems

Financial institutions are exposed to various risks, including credit risk, market risk, interest rate risk, liquidity risk, and operational risk.

To maintain highly profitable and stable operations, a financial institution must make the control of these risks a management priority.

For that purpose, the Bank must be able to ascertain that risks are taken in line with Bank-wide policies as well as individual operational policies, remain within appropriate limits, and are adequately controlled by the units that take on the risks.

Achieving Comprehensive Risk Management

Shinsei Bank has established its "Risk Management Policy" as the fundamental policy to be used to recognize risks and implement controls based upon an understanding of the risks faced by the Bank. Due to a fiercely competitive business environment and evolving regulatory and market environments, Shinsei Bank faces an increasingly complex assortment of risks. The Risk Management Policy therefore sets forth fundamental risk management principles that draw upon the Bank's experiences during the financial crisis and establishes a risk culture within the Bank that facilitates proper judgment on the tolerable amount and nature of risks the Bank can undertake.

Comprehensive risk management requires not only detailed monitoring of each risk involved in individual operations, but also an understanding of bank-wide risks and quantification of these risks to the greatest extent possible based on analysis and insights into the bank's markets and customers. The Bank defines "Risk Capital," which is an integrated control approach, and quantifies each risk category, namely (1) credit risk, (2) market risk, (3) interest rate risk, and (4) operational risk. In this way, our financial strength and risk acquisition activities are controlled in an integrated manner by monitoring the Bank-wide risk volume and the status of the capital attributable to each business line. The Bank's current financial strength enables it to undertake a considerable amount of risk. Nonetheless, we remain conscious of the need to constantly and effectively conduct comprehensive risk management and consistently strive to improve our control methods.

It should be noted that at Shinsei Bank's senior management has delegated certain risk management authority to specific committees including the "Risk Policy Committee," "Transaction Committee," "Asset and Liability Management (ALM) Committee" and "Market Business Management Committee." By constantly improving their systems and functions in response to changes in the operating environment, these committees are able to function effectively as committees responsible for making important risk judgments. The Risk Policy Committee, whose members include the top management of the Bank such as the CEO, CFO, and CRO, by concurrently reviewing the Bank's risk management policy and business strategy, fulfills the Crucial role of setting and adjusting the appropriate and optimal level of risk taking.

Categories of Risk Capital

Risk Capital	Capital amount required as a cushion against unexpected economic losses. Unexpected Loss calculated by subtracting expected loss from estimated maximum loss of which time horizon is one year.
Credit Risk	Unexpected Loss calculated by subtracting expected loss from Credit VaR (Credit Value at Risk). Credit VaR is estimated maximum loss calculated by a simulation based on data including probability of default, exposure at default, and loss given default.
Market Risk	Estimated maximum loss from interest rate, foreign exchange and price change risk based on Market VaR (Market Value at Risk). Market VaR is calculated by a simulation based on data including position, volatility of risk factors, etc.
Interest Rate Risk	Estimated maximum loss from interest rate risk in banking account based on Interest Rate VaR (Interest Rate Value at Risk). Interest Rate VaR is calculated by a variance-covariance method based on data including sensitivity of fair market value when interest rates move 100 basis points.
Operational Risk	Estimated maximum loss based on Operational Risk VaR (Operational Risk Value at Risk). Operational Risk VaR is calculated by a simulation based on frequency and severity distributions which will be derived from internal loss records and scenario loss data.
Total Risk Capital	Amount calculated by subtracting effect of correlation across risk categories from simple sum of Risk Capital for each risk category.

Institutional Business Credit Risk Management

Credit risk is defined as the risk of losses due to deterioration in the financial condition of a creditor resulting in a reduction in or total loss of value of assets (including off-balance assets).

Our model for credit risk management focuses on securing adequate return on risk, avoiding excessive concentration in particular sectors or obligors, and managing risk while maintaining an awareness of maximum losses possible from the credit portfolio.

Shinsei Bank has established a comprehensive "Credit Risk Policy" which defines specific policies regarding customer attributes, products, markets, industries and credit situations in order to determine whether risks should be taken or limited, and clarifies policies for credit provision operations and specific guidelines for credit risk management together with the "Credit Procedure," and each protocol system.

Credit risk management processes are largely divided into credit risk management for individual transactions and portfolio-based credit risk management, as described below.

Credit Risk Management for Individual Transactions

(1) ORGANIZATION & STRUCTURE

In principle, credit assessments are based upon joint consultation by the Sales Promotion Division and the Risk Management Division (RMD) which is independent from the Sales Promotion Division. In order to ensure a transparent and rigorous evaluation process, the RMD has veto rights, which results in the establishment of an effective system of checks and balances on the Sales Promotion Division. The approval of each transaction is strictly managed, with each transaction also discussed by the Transaction Committee, etc. Through these deliberations, the level of approval authority required over the obligor whose group companies should be taken into consideration is identified based mainly on the total exposure to the obligor group and their credit rating and, as a result, strict credit management is enforced.

Additionally, regarding needs caution receivables, those that fall under a certain category determined by factors such as ratings, the Bank's exposure, and reserves, Shinsei Bank defensively manages the account, monitoring the obligor's business performance through the Doubtful Debt Committee, and by determining measures for the treatment of such obligors in the future, Shinsei Bank is making efforts to minimize credit costs and to ensure the quality of assets.

(2) CREDIT RATING SYSTEMS

The following is an outline of the internal obligor rating system that the Bank uses for corporate exposures:

CHARACTERISTICS OF SHINSEI BANK'S OBLIGOR RATING SYSTEMS

- Increasing model accuracy and reflecting appropriate qualitative factors
- Benchmarked against external ratings
- Ensuring consistency of rating systems among industry classifications

Specifically, obligor ratings are determined by applying adjustments for qualitative factors to the model ratings calculated by our estimation models, which are based on the ratings of external rating institutions. Obligor ratings are determined at the "Credit Rating Review Committee" to ensure objectivity and transparency. Moreover, we ensure consistency of obligor ratings with obligor categories based on the regulatory self-assessment requirements.

Obligor ratings are used in the standards of credit approval authority procedures and portfolio controls, and are the foundation for credit risk management.

In addition to obligor ratings, the Bank also applies a facility rating system based on expected losses that incorporates elements such as collateral and/or guarantees, in order to assess obligor ratings and the credit status of individual transactions.

It should be noted that an obligor rating system and facility rating system similar to those adopted by the Bank also are applied in the analysis of large leasing receivables at Showa Leasing.

Portfolio-Based Credit Risk Management

(1) MONITORING ANALYSIS SYSTEM

It is essential that credit risks are diversified in terms of industries as well as ratings. This is done on a portfolio basis, which is an aggregation of transactions, and operations of individual transactions must be conducted based on appropriate risk analyses. At Shinsei Bank, the Portfolio and Risk Management Division takes the central role in monitoring the segment-specific risk diversification status including industry classifications, ratings, products, and regions, and undertakes analyses from the product-specific perspectives based on each risk profile. The Portfolio and Risk Management Division uses this information to improve portfolio management operations and provide reports to senior management and the CRO on a monthly as well as on an ad hoc basis.

(2) QUANTIFYING CREDIT RISK

Quantifying credit risk means measuring and assessing the likelihood of losses that may be incurred from changes in an obligor's creditworthiness. Expected loss amounts derived from the probability of default and collection ratios, an assumption based upon past experiences and future outlook, are generally called "expected losses." Also, losses that may be incurred in worst case scenarios and cannot be estimated based on past experiences are generally called "unexpected losses," and it is generally considered that risk capital can be quantified by measuring "unexpected losses."

Shinsei Bank utilizes a system for accurate measurement of risk capital which performs automatic measurement for credit risk based on data such as creditworthiness and transaction types. Through this, we are working to ensure sound portfolio management and resource allocation through the analysis of risk capital changes and profitability against risks. Also, by reflecting measured expected losses and unexpected losses in loan spreads we are able to ensure appropriate risk-return for each transaction.

(3) CREDIT CONCENTRATION GUIDELINE

The credit concentration guideline is an upper limit guideline that was established as part of the framework to prevent the concentration of credit in specific segments, customers or groups. Our credit concentration management framework consists of industry concentration guidelines and obligor group concentration guidelines, and in the event that credit concentration exceeds the guideline, reviews and countermeasures will be performed. These procedures are designed to prevent Shinsei Bank from being exposed to a crisis in the event our credit portfolio is affected by systemic shock or other extraordinary events. In fiscal year 2014, we strengthened the framework for our obligor group concentration guidelines by adopting more appropriate procedures. As the importance of risk diversification grows in tandem with the globalization of financial markets, we are continuing to work to ensure the establishment of even more effective credit concentration management frameworks.

Market-Related Transaction Credit Risks

Credit risks from market transactions, such as derivative transactions, are managed based on their fair value and estimations of future value fluctuations. Because the amount of risk associated with market transactions varies depending upon fluctuations in market rates, Shinsei Bank undertakes strict management of these transactions based upon future value fluctuation forecasts.

Self-Assessment

As a result of the introduction the “Prompt Corrective Action” system, financial institutions conduct self-assessments of their assets, such as loans, in order to appropriately write offs or sets aside sufficient reserves.

Shinsei Bank has put in place a self-assessment system which establishes the Credit Assessment Division, which is independent from the business promotion and credit analysis sections, as the unit responsible for the final self-assessment of the Bank’s assets.

Specifically, the criteria and procedures for self-assessment adhere to the Financial Services Agency’s “Inspection Manual for Deposit-Taking Institutions” and, in accordance with the outlined procedures, the business promotion section and the credit analysis section carry out primary assessments and secondary assessments respectively, and final assessments are conducted by the Credit Assessment Division.

In the future, we will continue to strengthen and update systems in order to ensure obligor categories and categorizations are reviewed in a timely manner in response to changes in obligor financial fundamentals. Through this, we seek to mitigate the emergence of problem loans and ensure the timely and accurate management of troubled loans.

Measures to Meet Basel Accord Requirements

In order to comply with the credit risk regulations under the Basel Accord, Shinsei Bank has adopted the F-IRB (Foundation Internal Ratings-Based) Approach. This approach ensures strict internal controls for our internal rating systems, the foundation of credit risk management, through the execution of the design and operations of internal rating systems and parameter estimations such as probability of default. The results of the internal rating systems are reflected not only in credit risk management, but also in calculations of capital levels required under the regulations. It should be noted that as of the end of March 2014, Shinsei Bank calculates required capital and capital ratios in accordance with Basel III (enhancement/revision of capital controls, etc.).

Individual Business Product Risk Management

Risk management for the consumer finance business includes all operations from loan application approvals (entry-point credit) to management of risks during the contract period (developing credit) and, if needed, debt collection operations. The Individual Banking Risk Management Division, which is responsible for risk management in the Individual Business, holds a monthly risk performance review with the Bank’s other risk-related divisions as well as risk officers from Shinsei Bank’s subsidiaries in order to share information and promote a shared awareness of risks. The division also advises other risk management units of the Bank and its subsidiaries on risk management policies and strategies. Risk-related divisions at Group subsidiaries carry out appropriate risk control through a process that incorporates the use of credit-related databases of customer attributes stemming from the nature of their businesses, credit information, and transaction history with a scoring model that generates initial credit scores, developing credit scores, and collection strategy scores, etc., based upon statistical methodologies. Additionally, in order to maintain the accuracy of this scoring model in line with the level achieved when it was first developed, model performance is constantly monitored and the model is subject to fine tuning on a regular basis. Credit costs are crucial to the management of profitability in the consumer finance business. We therefore monitor for predictive signals through various leading indicators at the portfolio level to enable us to quickly grasp any deterioration in the portfolio’s overall asset quality and take timely action to improve its profitability.

Market Risk Management

Market risk is the risk of incurring losses due to changes in the value of the balance sheet through fluctuations of interest rates, FX rates, and stock prices, etc.

Market Risk Management Policy

Risks of the trading business are managed through, in accordance with the “Trading Business Risk Management Policy and Procedure,” the determination of overall market risk and loss limits by the Executive Committee, and monitoring of the status of compliance with the limits on a daily basis by the Market Risk Management Division. In addition, the Market Business Management Committee reviews the trends of individual businesses, profits and

losses, and the risks of overall business including the risks of products handled on a monthly basis.

Market risk, centered on interest rate risk related to assets and liabilities in the banking book, are managed in accordance with the "Asset Liability Management Policy for Banking Book," and the ALM Committee determines total market risk and loss limits. The Market Risk Management Division then monitors compliance with these limits on a daily basis and reviews the status of profits and losses and the risk management measures on a monthly basis.

Trading Book

The market risk in the trading book is measured through techniques such as VaR. VaR is the maximum loss amount possible due to future price fluctuations, which is estimated statistically at a specific confidence level, assuming a specific position is held for a specific time horizon. In addition, we implement multi-faceted risk management using interest rate sensitivities.

The Bank's VaR model uses a 99% confidence level, a

10 day holding period and an observation period of 250 days (See the following table).

The validity of the VaR model is verified through back testing, which examines how frequently actual daily loss exceeds daily VaR for a one-day holding period. The back testing results for fiscal year 2014 reveals that there were no days in which actual losses exceeded VaR on a consolidated basis. Additionally, we conduct stress tests on a weekly basis and report the findings to senior management at the Market Business Management Committee meetings, etc.

Interest Rate Risk in Banking Book

The market risk in the banking book is managed through interest rate sensitivities, etc. To measure interest rate risk, grid point sensitivity (GPS) for each period reflecting a 1% interest rate shock is calculated and used for internal management purposes (GPS is the fluctuation in the current value of assets, liabilities, and off-balance-sheet transactions caused by interest rate fluctuations during

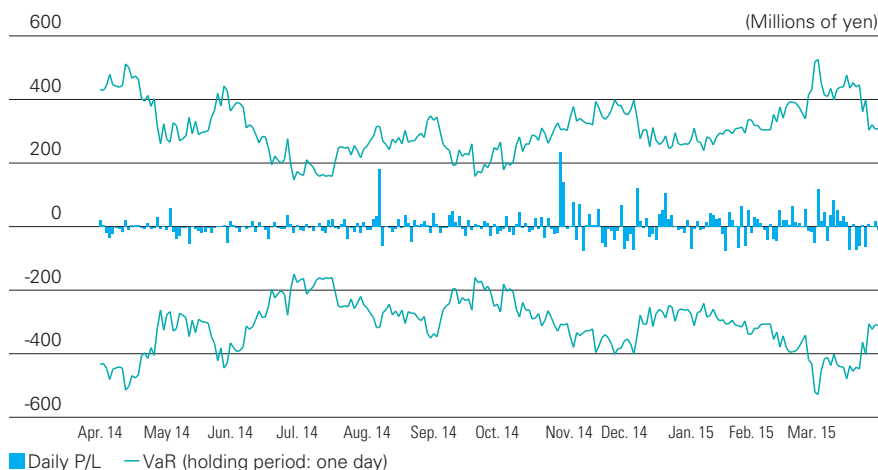
VaR Data for Fiscal Year End, Maximum, Minimum and Average During the Fiscal Year 2013 and 2014

	Millions of yen			
	FY2013		FY2014	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
FY End VaR	1,209	1,189	976	594
FY VaR				
Maximum	3,265	3,243	1,662	1,534
Average	1,735	1,701	977	789
Minimum	752	713	468	397

Stressed VaR Data for Fiscal Year End, Maximum, Minimum and Average During the Fiscal Year 2014

	Millions of yen	
	FY2014	
	Consolidated	Non-consolidated
FY End VaR	2,595	1,627
FY VaR		
Maximum	4,939	4,170
Average	3,065	2,537
Minimum	1,673	1,492

VaR and Daily Profit and Loss (Back-Testing) (FY2014, Consolidated basis)



Back-Testing on the VaR Model Applied to the Trading ACCOUNT

Back-testing involves comparing the fixed position virtual losses to estimated VaR to confirm the reliability of the VaR method.

ASSUMPTIONS OF SHINSEI's VaR MODEL

Method: Historical simulation method

Confidence level: 99%

Holding period: 10 days

Observation days: 250 days

Coverage: Trading account

each period (grid)). As the amount of interest rate risk is significantly impacted by the recognition of maturities and prepayments, we are endeavoring to appropriately capture interest rate risk by adopting the following models.

a. Housing loans

We calculate the interest rate risk of fixed-rate retail housing loans by statistically analyzing historical prepayment data and estimating future cash flow based on a proportional hazard model using periods lapsed from the loan origination.

b. Core deposits

Core deposits are defined as retail ordinary yen deposits and 2-week yen denominated time deposits which are left with financial institutions for a long term without withdrawal. We model depositors' behaviors by statistically analyzing deposit balance data and estimating maturities by customer segments.

It should be noted that model parameters are regularly reviewed.

Regarding the outlier criteria calculation, a 2% interest rate shock range is utilized and the criteria is calculated through a method which is consistent with internal controls. Additionally, as of March 31, 2015, the actual outlier rate (whether or not the decrease in economic value of the banking book, in the event of an interest rate shock with a range of 2%, would be greater than 20% of core capital) is below the outlier criterion, indicating that interest rate risk is at a controllable level.

Change in Economic Value for Applied Interest Rate Shock of 2% in the Banking Book at the End of March 2015

	Billions of yen	
	Consolidated	Nonconsolidated
JPY	¥ (106)	¥ (65)
USD	(1)	(1)
Other	(1)	(1)
Total	¥ (109)	¥ (68)
Outlier Ratio	12.9%	7.8%

Liquidity Risk Management

"Cash liquidity risk" (cash flow risk) is the risk of facing difficulty in securing necessary funds or a risk of incurring losses due to a need to raise funds at an interest rate that is significantly higher than the norm due to a mismatch between the durations of investment and funding or an unexpected outflow of funds.

Pursuant to the "Cash Liquidity Risk Management Policy," cash liquidity risk is managed and administered by the Cash Flow Management Unit (Treasury Funding Division) and the Cash Liquidity Risk Management Unit (Market Risk Management Division).

Also, the "risk management indexes" for securing sufficient cash liquidity, the "funding gap limit" and the "minimum liquidity reserves" are determined by the ALM Committee, and compliance with these is monitored on a daily basis and reported to management by the Market Risk Management Division.

In order to ensure the ability to implement appropriate measures such as additional fundraising or asset disposals in the event the funding environment sharply deteriorates, we conduct liquidity stress tests require the maintenance of a minimum liquidity duration of one month in stressed scenarios. If this requirement is not satisfied, we analyze all factors and, whenever necessary, examine measures necessary to secure the required liquidity, such as changing the funding gap limit or the minimum liquidity reserves, and in such cases the ALM Committee prepares a liquidity improvement policy. Liquidity stress tests are conducted on a monthly basis and reported to the ALM Committee by the Market Risk Management Division. Additionally, the suitability of stress scenarios is regularly reviewed at the ALM Committee.

The levels of cash liquidity risk consist of "Normal," "Need for Concern," "Crisis," and "Risk Administration Mode." The ALM Committee determines the current mode by comprehensively evaluating information and reports from the Cash Flow Management Unit and the Risk Management Unit as well as the status of the risk management indexes. Each mode-specific framework is set forth in the "Cash Liquidity Contingency Plan," and regular training is conducted in preparation of unexpected situations.

Operational Risk Management

1. Operational Risk Management Frameworks

Operational risk refers to the risk of loss resulting from “inadequate or failed internal processes, personnel, systems, or external events.” Operational risk requires organization-wide management, because it is inherent in all business activity and is thus extensive.

To ensure the comprehensive management of operational risks, the Bank has established an operational risk management policy that clarifies the definitions of risk and sets forth our basic policy and system for risk management and frameworks for identifying, evaluating, monitoring, reporting and controlling/mitigating risk.

The Operational Risk Management Division, which is responsible for Group-wide operational risk management, evaluates, analyzes and reports on overall operational risks. Additionally, specialized management divisions that are independent from business divisions have been designated to monitor respective areas of risk, such as operational and administrative risk and systems risk. The Operational Risk Management Division and these specialized management divisions hold periodic meetings to share information on risk management issues and measures as well as to discuss how to manage the common elements across the risk areas including those of subsidiaries, thereby ensuring the effective management of operational risk.

Regarding quantification of operational risk, it should be noted that we have adopted the standardized approach for regulatory capital under the Basel Accord. Meanwhile on the internal management level, we gauge potential internal risk scenarios by considering factors such as previous losses due to internal factors and the perception of risks by each business line. The findings that come out of these practices have been used as part of the overall risk capital system.

2. Management of Administrative Risk and Systems Risk

Administrative and systems risk refers to the risk of “incurring losses owing to the failure of executives’ or employees’ to accurately perform clerical work, their committing errors or misconduct.” Shinsei Bank has expanded its retail banking and consumer finance businesses and developed our institutional banking business. We therefore understand that appropriate administrative and systems

risk management is crucial to our ability to offer reliable services to our customers.

Shinsei Bank, in accordance with the various frameworks of its “Operations Guidelines,” in fiscal year 2014 implemented measures to strengthen its organizational structure with the goal of enhancing its administrative management system in order to support the sustained and stable supply of services to customers, and these efforts have included the holding of training seminars, the optimization of administrative flows and the provision of operational guidance. Specifically, efforts have included the establishment of a system of autonomous checks at the business line level and the creation of a database documenting past errors, the analysis of which the Bank expects to reveal the reasons for the occurrence of errors which will contribute to the avoidance of recurrences in the future. Additionally, the Bank has been successful in minimizing the recurrence of errors by simplifying and automating many administrative tasks and procedures.

The Bank has identified the following three factors as central pillars of its information systems strategy: security/reliability, flexibility and scalability. In particular, in fiscal year 2014, we started a regular scheduled review of system risks to maintain and increase the stability and reliability of our information systems. By implementing a continuous PDCA process, we are endeavoring to raise the quality of our systems development while preventing systems failures and ensuring rapid recoveries when problems do occur. In addition, we have enhanced the capabilities of our emergency backup center and made steady progress in constructing our next-generation core banking system.

Going forward, in order to ensure our ability to safely carry out transactions on behalf of our customers, we will continue our efforts to develop and maintain a robust system infrastructure that is safe, reliable, and secure, whilst ensuring the system has the flexibility required to provide customers with the new products and services that meet their constantly changing needs in a timely and efficient manner.

Furthermore, in regard to information security measures, a topic which is recently receiving a particularly high level of attention, Shinsei Bank will continue to implement cutting edge security measures in order to prevent security breaches of our information systems.

HUMAN RESOURCES AND CORPORATE SOCIAL RESPONSIBILITY (CSR)

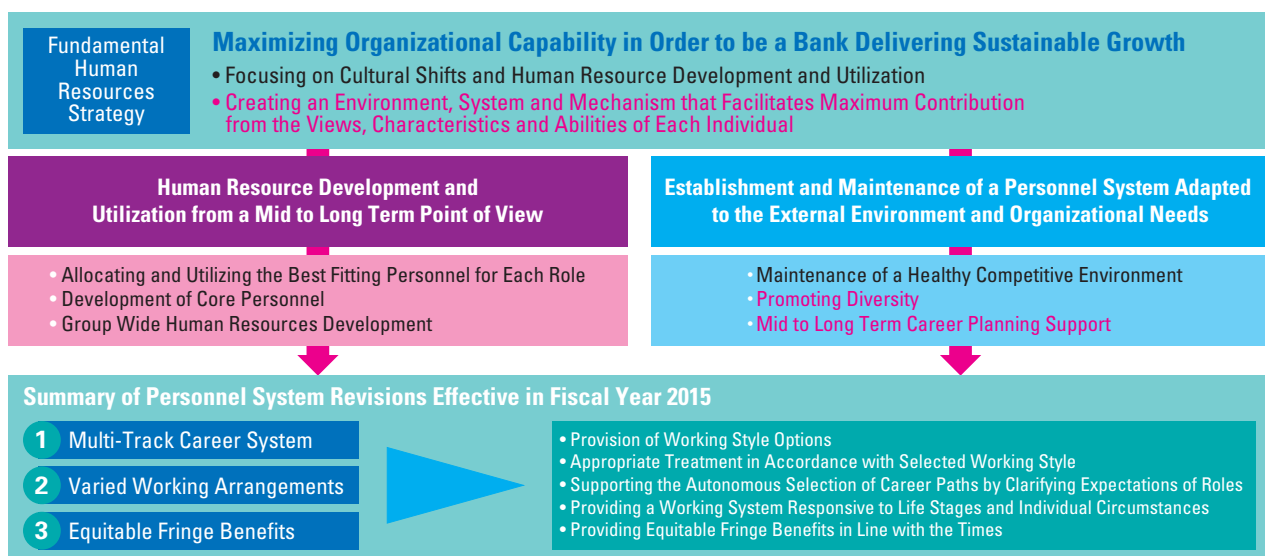
“People” as an Engine for Growth

The basic strategy of our Second Medium-Term Management Plan starting in fiscal year 2013 is to achieve a new retail finance model for individual customers and support the growth of companies, industries, and regions for our corporate customers through business participation. In today's world where economies and societies are rapidly changing, it is essential that we continue to differentiate ourselves even further from our competition in order to remain as an institution which is appreciated by our customers, society, and the market. To accomplish this, it is imperative that we be able to attract and develop talented individuals who are able to put themselves in the position of our customers and consistently deliver services of unsurpassed quality and high value-added solutions. The Bank believes that “people” within the organization will be the driving force for delivering new financial services, pursuing a new Bank image, and responding to the widely varied requirements of our customers in a timely manner. Accomplishing these goals will help the Bank win customers' trust as a cohesive unit that is able to respond to their multifaceted needs, which in turn will lead to the growth of the Bank.

A Personnel System in Line with our Management Principles

The management philosophy of Shinsei Bank is “to become a banking group that is sought out by our 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 the challenges presented by change,” and “to become a trusted banking group that has highly transparent management, and values all stakeholders.” In order to achieve our management principles and strategy, Shinsei Bank has made various revisions to its personnel system, including the establishment of a highly transparent and objective system for evaluations, promotions, and remuneration and based on a “Pay for Performance” philosophy and the creation of a work environment, systems, and processes that enable each employee to fully demonstrate his or her unique qualities, skills, and personal ambitions and therefore maximize their contribution to the organization. In April 2015, we made some further improvements to our personnel system. The primary purpose of the latest changes is the strengthening of support for medium- and long-term career planning that takes into account the diversity of employees' lifestyles and ambitions. Specifically,

Positioning of Shinsei Bank's Human Resources Strategy and Personnel System Revision



through the introduction of a multi-track career system consisting of three courses, the Bank has succeeded in clearly defining roles which will enable employees to set their own career paths and highly transparent evaluation/compensation structure that corresponds to role expectations and career formation. The latest revision also includes a new working arrangement system that enables the Bank to respond flexibly to employees' life stages and their need for diverse work arrangements. In addition, we have introduced a more equitable package of fringe benefits that better meets the needs of today's workers. By establishing a highly transparent personnel system incorporating these revisions, we aim to heighten employee motivation and loyalty. We are confident that the revisions to our personnel system will encourage employees to demonstrate the best of their abilities, thus maximizing the organization's performance and increasing overall corporate value.

Further Strengthening our Organization and Human Resources

By employing a business group-based organization that reflects the differences in customer profiles and characteristics of individual businesses, Shinsei Bank aims to develop professionals who have a deep understanding of their respective business fields. We also believe that it is important to develop and leverage human resources company-wide, as well as facilitate a positive corporate culture, in order to encourage cross-divisional collaboration between our highly specialized staff who can deliver differentiated financial solutions and the highest value to our customers. Shinsei Bank provides various types of training programs tailored to the development of skills or the career paths of our employees, including courses designed to provide a wide range of general financial knowledge or to hone specialized knowledge and skills necessary in each field, as well as schemes that allow employees to study at graduate schools both in Japan and overseas. We also send our employees overseas for short-term training programs and encourage them to obtain qualifications. Also, in order to strengthen management capability to maximize the strength of our organization, we have implemented 360 degree feedback for employees above the rank of general manager in order to promote awareness and behavioral changes as well as expanding various skill development trainings for management level employees. Additionally, as part of our multi-faceted human resources development measures, we provide our employees with opportunities to engage in cross-organizational business on

a project basis, and transfer our human resources strategically across business groups and Group companies. At the same time, we encourage our people to utilize an internal job posting program to take charge of their own career development by taking on new challenges in different fields and utilizing the "self-declaration" system that allows employees to express their satisfaction level of and suitability to their respective current positions.

Leveraging Diversity

One of Shinsei Bank's greatest strengths is the diversity of our people in terms of age, gender, nationality and background. It is the creativity generated by this diverse set of people that has enabled us to launch groundbreaking services and business models, and we believe that this diversity is the source of our competitiveness.

Based on this idea, we routinely hire a number of new graduates to expand the ranks of employees from whom we expect our future leaders to emerge, while also making mid-career hires in line with business needs, and as a result we are able to continue to preserve the strengths of our diverse corporate culture. Also, since its inception, Shinsei Bank has actively promoted the advancement of talented female employees by introducing a variety of support initiatives including child-care leave, a reduction of working hours, and the "Shinsei Women's Network," an initiative that encourages interaction between female colleagues in the workplace. As of April 1, 2015, the proportion of female managers at Shinsei Bank remains among the highest in our industry, with women representing approximately 29% of all titled managers. We aim to raise this ratio to 35% by 2020.

In our aging society with smaller numbers of children and increasingly diversified lifestyles, we believe that respecting the differences and uniqueness of our employees and developing human resource development measures tailored to each individual's growth stage will help our employees make the best use of their abilities. We therefore are assertively promoting diversity throughout the Shinsei Bank Group by holding various seminars and training programs, such as a leader development seminar for female employees, a career planning seminar for older employees, and a training program to stimulate the creation of new businesses and exchange of personnel with the Shinsei Bank Group.

Shinsei Bank is committed to respecting the diversity of our people and will strive to reach new levels of organizational dynamism as we seek to provide completely new solutions to meet our customers' complex and ever-changing needs.

Contributing to Society

Our Approach

As part of our commitment to acting as a responsible corporate citizen and contributing to societal development, the Shinsei Bank Group actively promotes Corporate Philanthropic Initiatives. The Shinsei Bank Group promotes employee-driven activities aspiring to create a sustainable society together with our employees.

Our Focus

The Shinsei Bank Group aims to create a sustainable society by prioritizing our activities centered on the three themes of “nurturing the next generation,” “the environment,” and “disaster relief activities” after the Great East Japan Earthquake in 2011. The Shinsei Bank Group also continues to participate in charity runs and supports other activities that are strongly supported by our employees.

Nurturing the Next Generation

Support children, youth and physically and intellectually challenged people who create our future

Environment

Protect our earth and the environment we live in

Disaster Relief

Support the areas affected by the Great East Japan Earthquake

Contributing to Society: Nurturing the Next Generation

Financial Literacy Program “MoneyConnection®”

MoneyConnection® is Japan’s first financial literacy program aimed at preventing youth from becoming people who are unemployed, and not in education or vocational training by providing them with an opportunity to think about money, work and their own future. This is a workshop-based program that is targeted primarily at high school students. Shinsei Financial Co., Ltd. (“Shinsei Financial”), a consolidated subsidiary of Shinsei Bank, developed the program in 2006 in cooperation with Sodateage.net, a certified non-profit organization with a strong track record in employment support for young

people. From fiscal year 2012, Shinsei Bank has been running this program together with Sodateage.net as part of its corporate philanthropic initiatives focusing on the theme of “nurturing the next generation.” As of March 31, 2015, the program has been taught to 82,465 students from 602 schools throughout Japan.

As a corporate sponsor, Shinsei Bank is supporting the program financially as well as promoting employee involvement by providing volunteer opportunities for Group employees to participate as facilitators where possible. MoneyConnection® received an Excellence Award in the “First Career Education Awards” program organized by the Japanese Ministry of Economy, Trade and Industry in 2010. MoneyConnection® also won a Special Award in 2015 in the “Eleventh Japan Partnership Awards” program organized by the Japan Partnership Award Secretariat in recognition of its outstanding partnership between an NPO and a private sector company.

Shinsei Bank is collaborating with regional financial institutions to expand the geographic reach of MoneyConnection®. In October 2012, Shinsei Bank and Sodateage.net have signed a memorandum of agreement with The Fukui Bank, Ltd. in October 2012, The Kiyo Bank, Ltd. in May 2013, and The Bank of Iwate, Ltd. in December 2013. Shinsei Bank will continue to promote and strengthen the MoneyConnection® program in regional areas by looking for opportunities for collaboration with regional financial institutions.



Learning materials for MoneyConnection®

Contributing to Society: Disaster Relief

Home Mortgage Campaign to Support Reconstruction Efforts Following the Great East Japan Earthquake

Shinsei Bank launched a home mortgage campaign aimed at supporting reconstruction after the Great East Japan Earthquake from October 1, 2014 to March 31, 2015 and donated a total of 5.46 million JPY to the Great East Japan Earthquake Recovery Initiatives Foundation in May, 2015. This campaign offered a 30,000 yen discount on the processing fee of Shinsei Bank's "PowerSmart Home Mortgage Anshin Pack W" ("Anshin Pack W") and made a donation of the same amount to the Great East Japan Earthquake Recovery Initiatives Foundation. The full amount of the funds raised were donated to "Manaberu Kikin," a scholarship program established and operated by the Foundation for High School Students of the Tohoku Region. This campaign was designed to support the rebuilding of the region by reminding Anshin Pack W customers of the support required for the affected areas, and providing donations to "Manaberu Kikin," which aims to enable the next generation of adults—a goal that strongly resonates with the product attributes of Anshin Pack W which is designed to provide support for families with children.

Volunteer Activities in Disaster Affected Areas

Employee volunteers from Shinsei Bank and Group subsidiaries took part in volunteer activities in the Tohoku Region of Japan to help support the areas affected by the Great East Japan Earthquake. From July 2011, Shinsei Bank has conducted a total of eleven volunteer activities in the disaster affected areas, and a total of 315 Shinsei Bank Group employees participated in these activities. Of these, seven activities were conducted in the Minamisanrikucho region of Miyagi Prefecture and were activities that supported the immediate needs of the disaster affected areas, such as drain clearing and debris removal, aquaculture support work,



Music and comedy live showcase hosted by Shinsei Bank and Asahi Mutual Life Insurance Company held in Minamisanrikucho in October 2014



Christmas concert hosted by Shinsei Bank held in Higashimatsushima in December 2014

holding of mini concerts at temporary housing facilities, and summer festival support activities. In fiscal year 2014, Shinsei Bank held two disaster relief volunteer activities in Minamisanrikucho and Higashimatsushima of Miyagi Prefecture and organized events aiming to relieve emotional stress for the people living in the area. Shinsei Bank will continue to support disaster relief efforts following the Great East Japan Earthquake as one of its key corporate philanthropic initiatives and will continue to proactively engage in activities that respond to the needs of the affected areas.

Great East Japan Earthquake related Lecture

Since fiscal year 2012, Shinsei Bank had been organizing disaster relief activities in collaboration with Asahi Mutual Life Insurance Company ("Asahi Life Insurance") including volunteer activities in Minamisanrikucho, Miyagi Prefecture. From fiscal year 2013, Shinsei Bank and Asahi Life Insurance co-hosted disaster-related lectures in Tokyo once a year as a reminder of the Great East Japan Earthquake. In fiscal year 2014, the Secretary-General of Minamisanrikucho Council of Social Welfare and a local storyteller gave a lecture entitled "Minamisanrikucho Today—Four Years since the Disaster" at an event held in Shinsei Bank's Head Office building. The lecturers spoke about the post-disaster situation of the town and their current condition and problems as well as personal



"Minamisanrikucho Today—Four Years since the Disaster" Lecture held at the Shinsei Bank Head Office building

experiences from the disaster. 117 people including employees and families from both Shinsei Bank and Asahi Life Insurance and CSR representatives from other companies participated in the event.

Fair to Support Disaster Affected Areas and Mentally and Physically Challenged People in Tohoku

Since March 2013, Shinsei Bank held seven "Tohoku Support Fair" in its Head Office building and the Meguro Production Center to support the income and employment of mentally and physically challenged individuals working at vocational facilities that were affected by the Great East Japan Earthquake. At the Fair, products made in the vocational facilities were sold to employees working at Shinsei Bank and Group subsidiaries. A total of 4,500 items including food and other goods (with sales totaling 1.23 million JPY) were sold at the Fair. From March 2015, Shinsei Bank is working together with Miyagi Selp Conference, a non-profit organization that manages products made in vocational facilities for mentally and physically challenged people living in Miyagi Prefecture, and held the "Miyagi Selp Tohoku Support Fair" lining up with various new products.

Contributing to Society: Environment

Arakawa Clean-Aid and Fujisawa Beach Cleaning Project

With support from the NPO Arakawa Clean Aid Forum, Shinsei Bank organizes an Arakawa riverbank clean-up activity once a year in the spring and also participates in SEGO Initiative's "Fujisawa Beach Cleaning Project" twice a year in the spring and the fall. These events are a great opportunity to learn about the environment. Shinsei Bank employees and their families participate in these activities as volunteers and new recruits also proactively participate in the spring clean-up.



Group photo with "Arakawa Clean-Aid" participants

Our Commitment to Environmental Sustainability

Measures to Conserve Electricity and Reduce Our Impact on the Environment

Shinsei Bank continues to make every effort to conserve electricity in our head office through initiatives such as turning off lights in communal spaces and using motion sensors to control lighting in conference and reception rooms throughout the year. In the summer season when demand for electricity increases, Shinsei Bank implements additional measures to minimize the use of electricity, such as reducing ceiling lighting in communal spaces in its head office by approximately 75%, implementing a "cool biz" uniform policy, optimization of air conditioning temperatures and operating hours, automatic illumination control which reacts to the levels of natural light and automatic control of the quantity of fresh air introduction depending upon indoor CO₂ concentration. Additionally, Shinsei Bank is actively pursuing the further reduction of the environmental impact of its offices by relocating the Shinsei Bank headquarters in January 2011¹, the Meguro Production Center in February 2012 and the Osaka Branch in October 2013 to advanced energy-efficient buildings, and transitioning from PCs to VDI (virtual desktop interface)² from 2014 in all branches.

1 The Nihonbashi Muromachi Nomura Building where the head office is located is certified as a "top-level installation" by the "TOKYO Green Building Program" of the Tokyo Metropolitan Environmental Security Ordinance.

2 The migration of desktop computers to VDI, describes the shift to the storing of the standard desktop interface commonly used by businesses and storing them virtually on a server. The power consumption by this infrastructure is low, and this migration is thought to result in a reduction in power usage in comparison to a traditional desktop computer system.

Environmental Impact Data

	Unit	FY2011	FY2012	FY2013	FY2014
CO ₂ Emissions	t	6,687	3,106	3,748	3,395
Electricity Usage	kWh	17,475,604	6,159,462	6,658,612	6,029,536
Gas Usage	m ³	60,476	112,000	114,000	90,000
Clean Water Usage	t	32,764	1,290	1,481	1,638

Notes: (1) CO₂ emissions data have been calculated according to "Guidelines for Calculating Specified Greenhouse Gas Emission Volume under the Total Emission Reduction Obligations and the Emission Trading Framework"

(2) Data are for all Shinsei Bank headquarter (do not include affiliated companies) and Meguro Production Center.

(3) After the relocation of the Shinsei Bank headquarters and the Meguro Production Center, Shinsei Bank became a building tenant, therefore, clean water usage data does not include clean water usage for shared space.

Amount of Waste Generated / Recycling Rate

	Unit	FY2011	FY2012	FY2013	FY2014
Waste Generated	t	273	184	238	220
Amount Recycled	t	181	111	148	131
Amount of Waste Disposal	t	92	73	90	88
Recycling Rate	%	66.4%	60.4%	62.1%	59.9%

Notes: (1) Waste generation data have been calculated according to data provided by building maintenance companies.

(2) Data are for all Shinsei Bank headquarter (do not include affiliated companies) and Meguro Production Center.