

Shinsei IR Day (held Feb. 20, 2017) QA Summary

3rd MTMP Overview

Q: How does the bank determine which profits are “recurring” (as shown on slide 2 of the 3rd MTMP overview presentation)?

A: Generally speaking, profits other than “markets related” profit and “one-time gains” such as reserve reversals are classified as “recurring.”

Q: To what % of overall profit does the Bank intend to grow its recurring profit?

A: The Bank does not have a specific target figure. We are focusing on the level to which total profit can be increased.

Q: Has the Bank established a target (amount) for recurring profit?

A: A number of changes have occurred following the creation of the 3rd MTMP including changes in the business environment and the Bank is not able to provide specific figures at this point in time.

Q: What is the likelihood the Bank will incur losses in the future as a result of the revision of businesses within the business improvement project similar to losses incurred by other companies in similar endeavors?

A: The Bank is not aware of any such looming potential losses. While certain expenses such as the amortization of our systems, etc. will be recorded, we do not anticipate the recording of large losses.

Q: In explaining its 3rd MTMP, the Bank stressed that the Plan was created with a focus on the achievability of profit targets. Is the likelihood the Bank will achieve its bottom line targets of JPY 61.0 billion and JPY 64.0 billion for FY 2017 and FY2018, respectively, increasing?

A: There have been a number of changes in the operating environment following the announcement of the 3rd MTMP and the Bank intends to revisit its business plan. The Bank is unable to provide any related figures at this point in time. Additionally, while changes have occurred in the business environment, the Bank will not change its fundamental strategy. As for specific business initiatives, the executives responsible for each business will provide explanations during today’s event.

Q: How have the outside directors contributed to the creation of the 3rd MTMP?

A: The Bank has held numerous discussions involving the outside directors. We have received a significant amount of input from our outside directors, many of whom are knowledgeable of capital markets, in regard to stakeholder communications.

Q: Is the bank not considering changing its corporate structure to that of a holding company?

A: There are both merits and demerits to a holding company structure. A merit is the ease of understanding our business from an external viewpoint. A demerit is the cost and manpower required to shift our corporate structure to that of a holding company. It is important to note that the purpose of the Productivity Enhancement Project to consolidate and commence a unified management of back office functions is to find potential human resources internally. The project is not being conducted for organizational structure purposes. Therefore we have concluded that the establishment of a holding company structure, which requires a significant allocation of resources to accomplish, is not a viable option at the current point in time and we are continuing to evaluate our options

Q: Does the Bank seek to apply the JPY 5.0 billion expense reduction it expects to realize through the Productivity Enhancement Project and apply the resources in the growth area businesses of Consumer Finance and Structured Finance in order to grow revenues?

A: Correct. Especially Consumer Finance Business has a high correlation between growth and the investment of resources. We are trying to find potential resources available internally.

Q: Is the Bank committed to achieving its expense to revenue ratio target of below 60% even if, theoretically speaking, the two growth area businesses fail to deliver the revenue growth required to achieve the target?

A: The expense and revenue must be discussed separately. Regarding expenses, the Bank will naturally reduce unnecessary expenses. As the scope of the Productivity Enhancement Project is not limited to the areas currently under consideration and there are lower priority areas as well as areas in which we have yet to find the opportunity to enhance productivity. The Bank will continue to seek additional opportunities beyond the areas currently under working.

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