



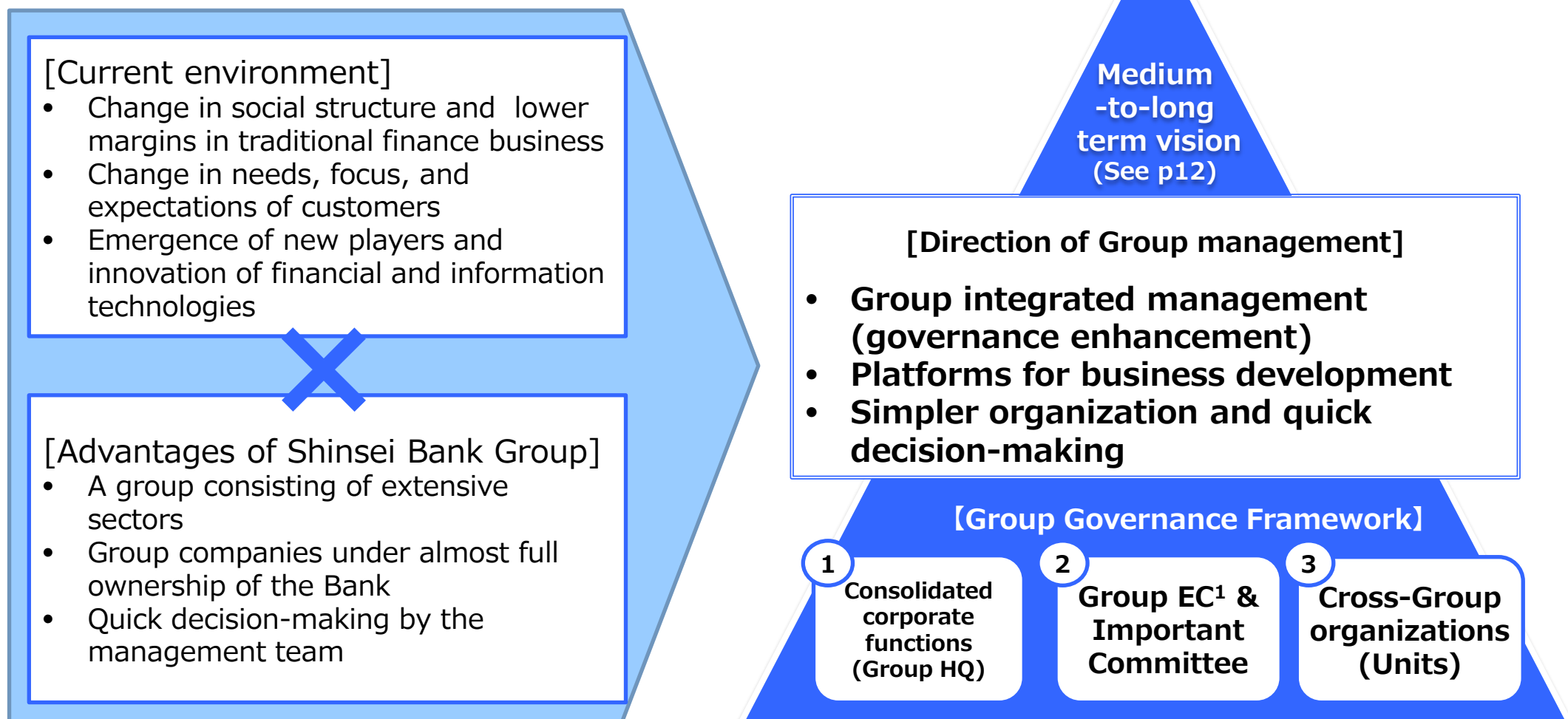
Group Management and Productivity Enhancement by Shinsei Bank Group

February, 2018

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Group Headquarters
Shinsei Bank, Limited**

Direction of Group Management

- Establish unique and effective group governance framework with strong sense of integrated management within Shinsei Bank Group, considering the current environment and advantages of the Group



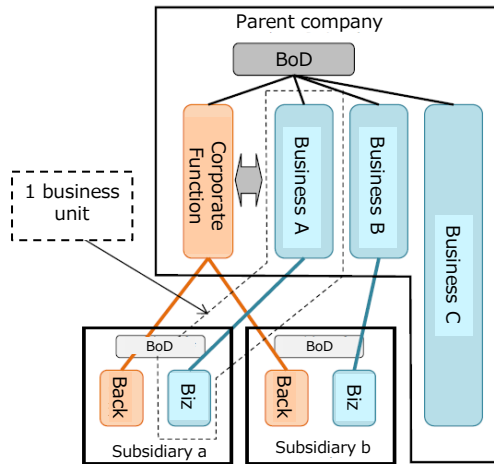
Group Governance Framework

I) Integration of Group Support Functions (Group Headquarters)

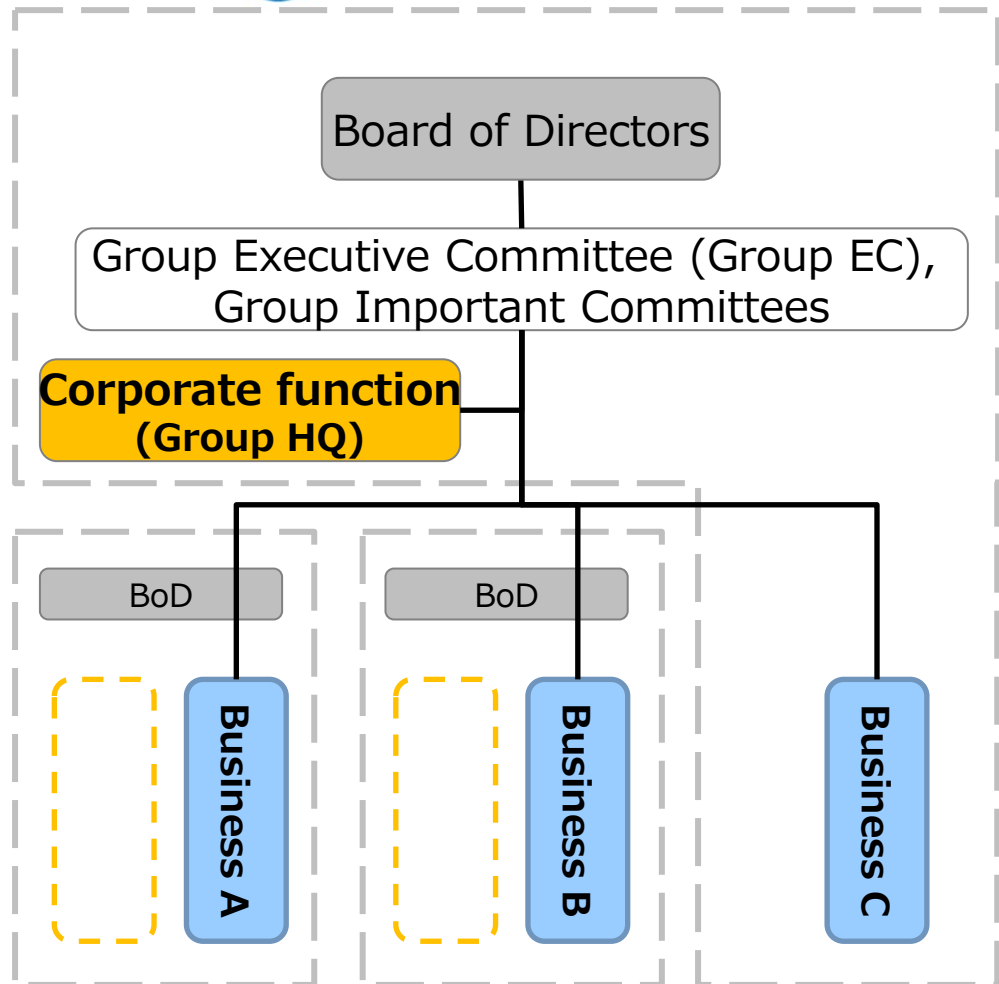
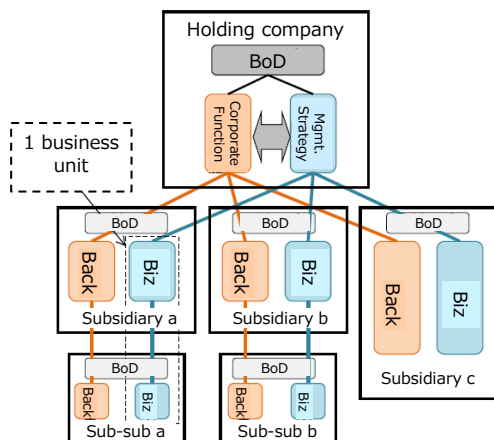
- This governance framework is completely different from that of all-too-common business holding company or pure holding company. Group support functions (Corporate Function) are integrated into the Group Headquarters as a virtual company, and all businesses including the Bank will be reorganized into equal business units.



Company Group under business holding company



Company Group under pure holding company

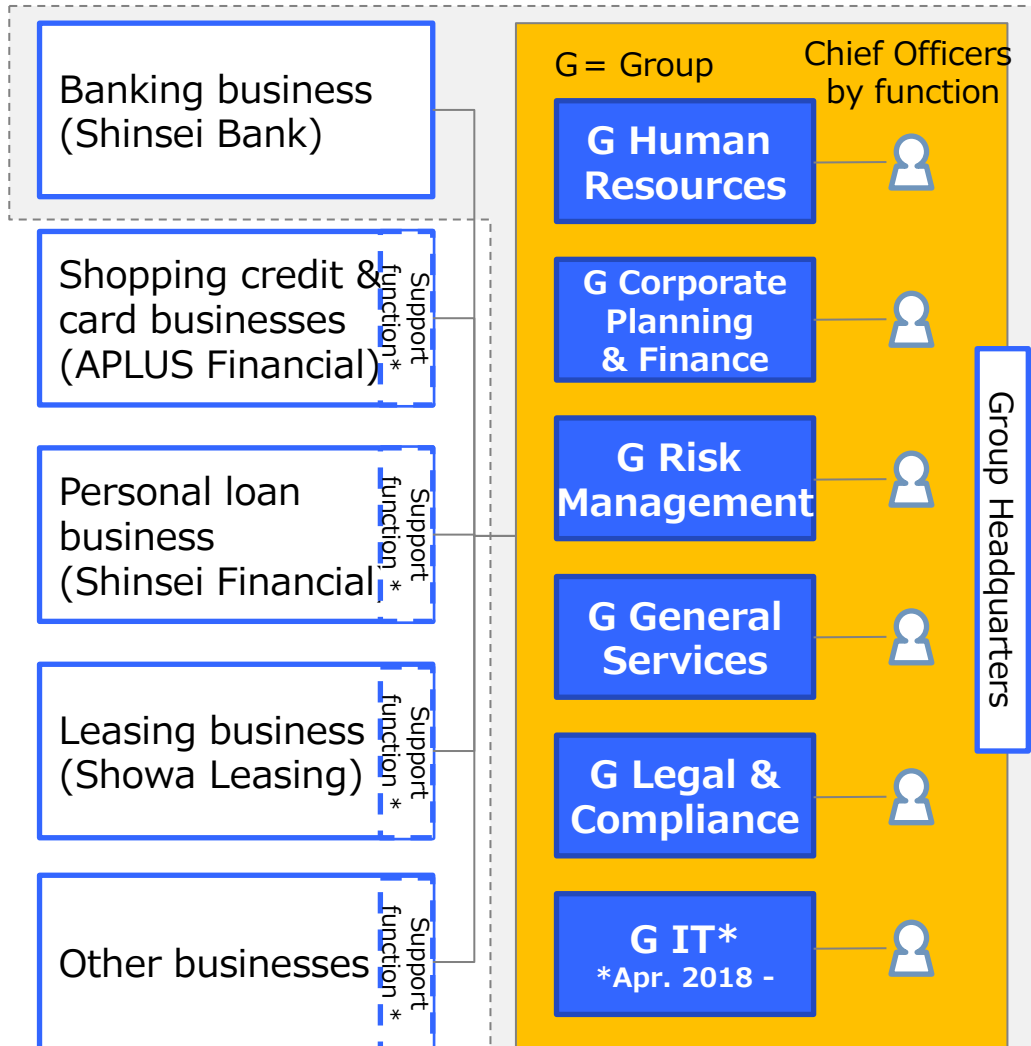


Source: P14, 2nd meeting (January 16, 2018) secretariat presentation material by CGS (Corporate Governance System) Research Group, METI

Group Governance Framework

I) Integration of Group Support Functions (Group Headquarters)

- The integrated group support functions (authority, operations, and human resources) are managed across the Group mainly by Chief Officers, to realize efficient and enhanced functions.



* Each company will only maintain the functions necessary for internal control and meeting regulatory requirements.

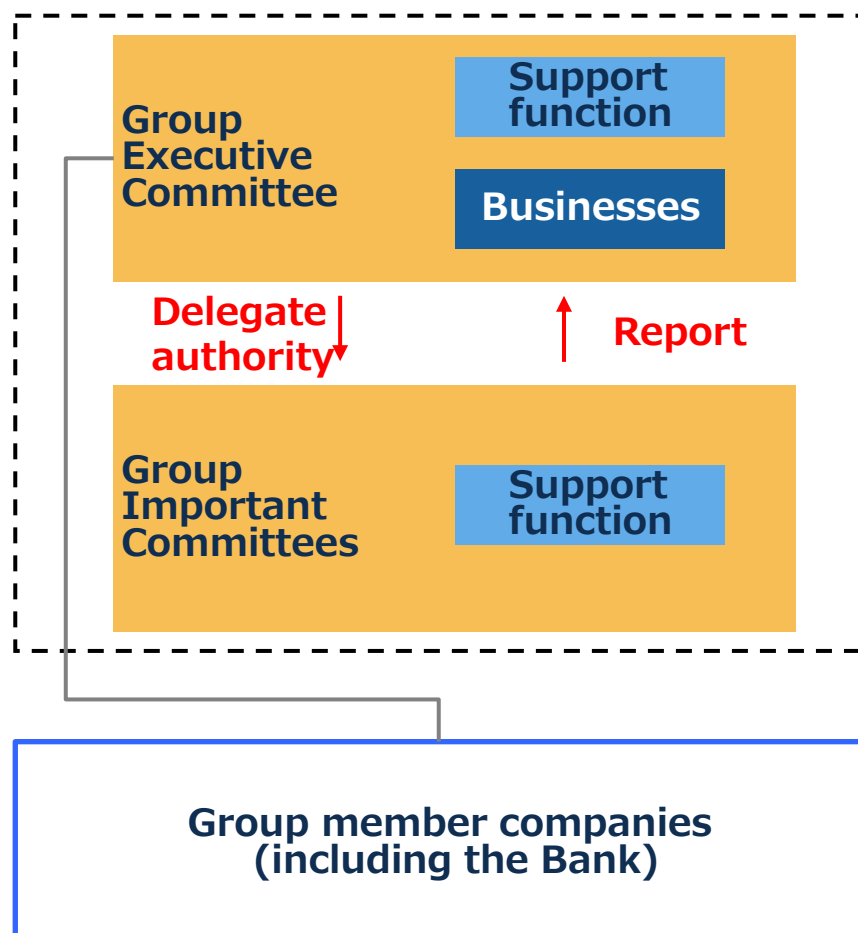
Objectives of Group Headquarters

- Convert functions into business units
 - Convert each business into equal business units through the integration of group support functions into Group Headquarters as a virtual company
- Consolidate overlapping functions
 - Remove overlapping functions and reduce workload
- Expand room for better efficiency
 - Realize room for much better efficiency by sharing best practices and jointly implementing new methods
- Enhance functions across the Group
 - Further enhance Group functions using extra management resources realized through better efficiency
- Decision-making level
 - Enable quick and consistent decision-making without establishing a holding company and by simplifying reporting lines

Group Governance Framework

II) Group Executive Committee, Group Important Committees

- Important matters under Group strategy are resolved at Group Executive Committee and Group Important Committees attended by CEOs of Group companies as members of Group management team.



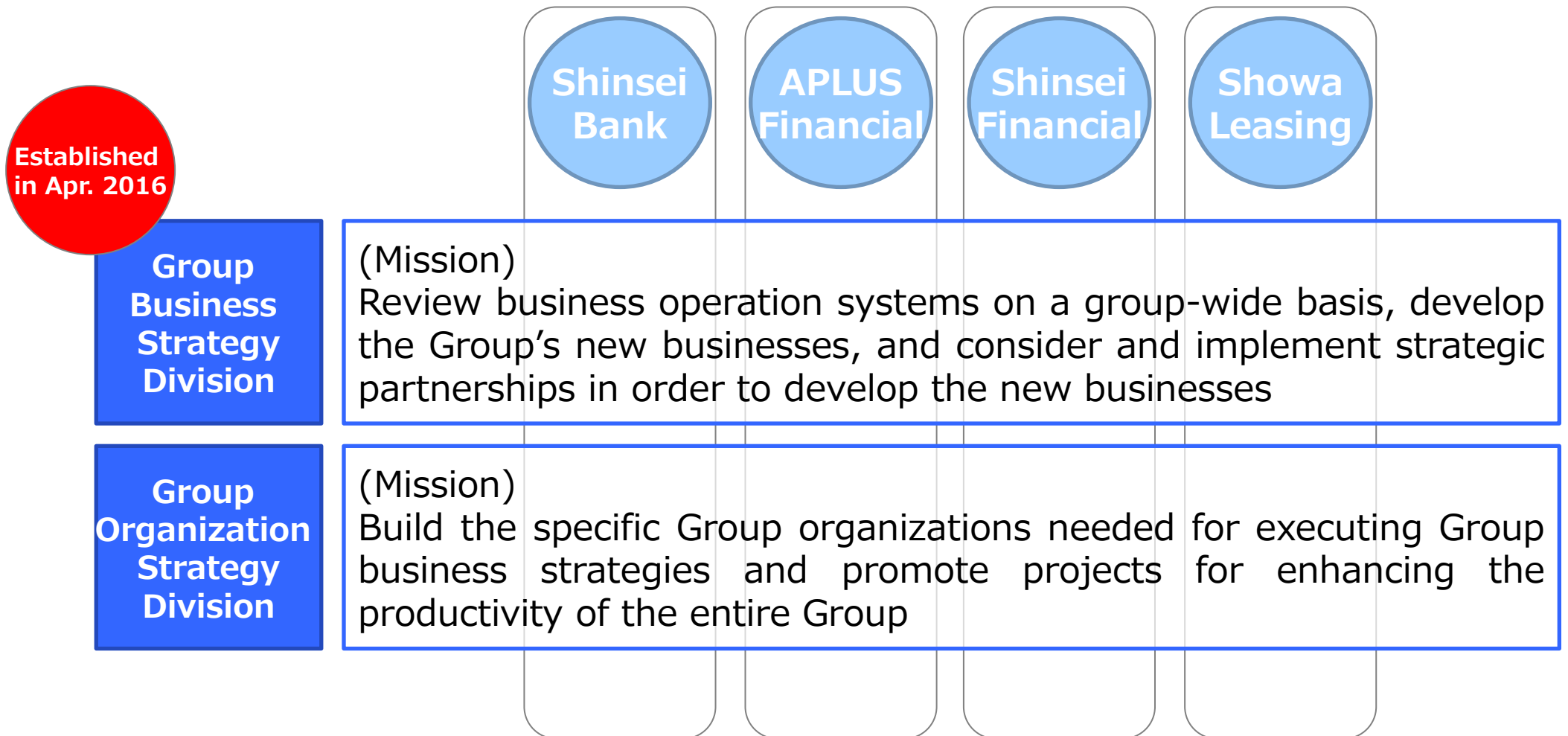
Committee	Major purpose, etc.	Presidents of Group member companies*
Group Executive Committee	President's resolution body for daily business execution related to consolidated management	◎
Group Management & Development Committee	Discusses, coordinates, and decides on the Group's HR system and initiatives	◎
Group Compliance Committee	Shares, coordinates, and decides on the Group's compliance system and matters	◎
Group Risk Policy Committee	Discusses the Group's portfolio risk management policy, management framework, and policy for key portfolios, etc.	○
Group ALM Committee	Discusses, decides policy for, and resolves medium-to-long term matters relating to ALM operation.	○

*◎: Attend regularly; ○: Attend depending on the agenda

Group Governance Framework

III) Cross-Group Organization: Unit

- In order to respond to diversified and borderless customer needs, establish dedicated organization that creates synergies in business and management and fundamentally reforms Group businesses



Group Governance Framework

III) Cross-Group Organization: Unit

- Establish “Cross-company Business Unit” consisting of cross-company members working across multiple companies in order to facilitate businesses to fully demonstrate Group functions based on customer needs and to promote initiatives between Group member companies

Established
in
Apr. 2017



Cross-company Business Unit



Institutional
Business

Structured
Products

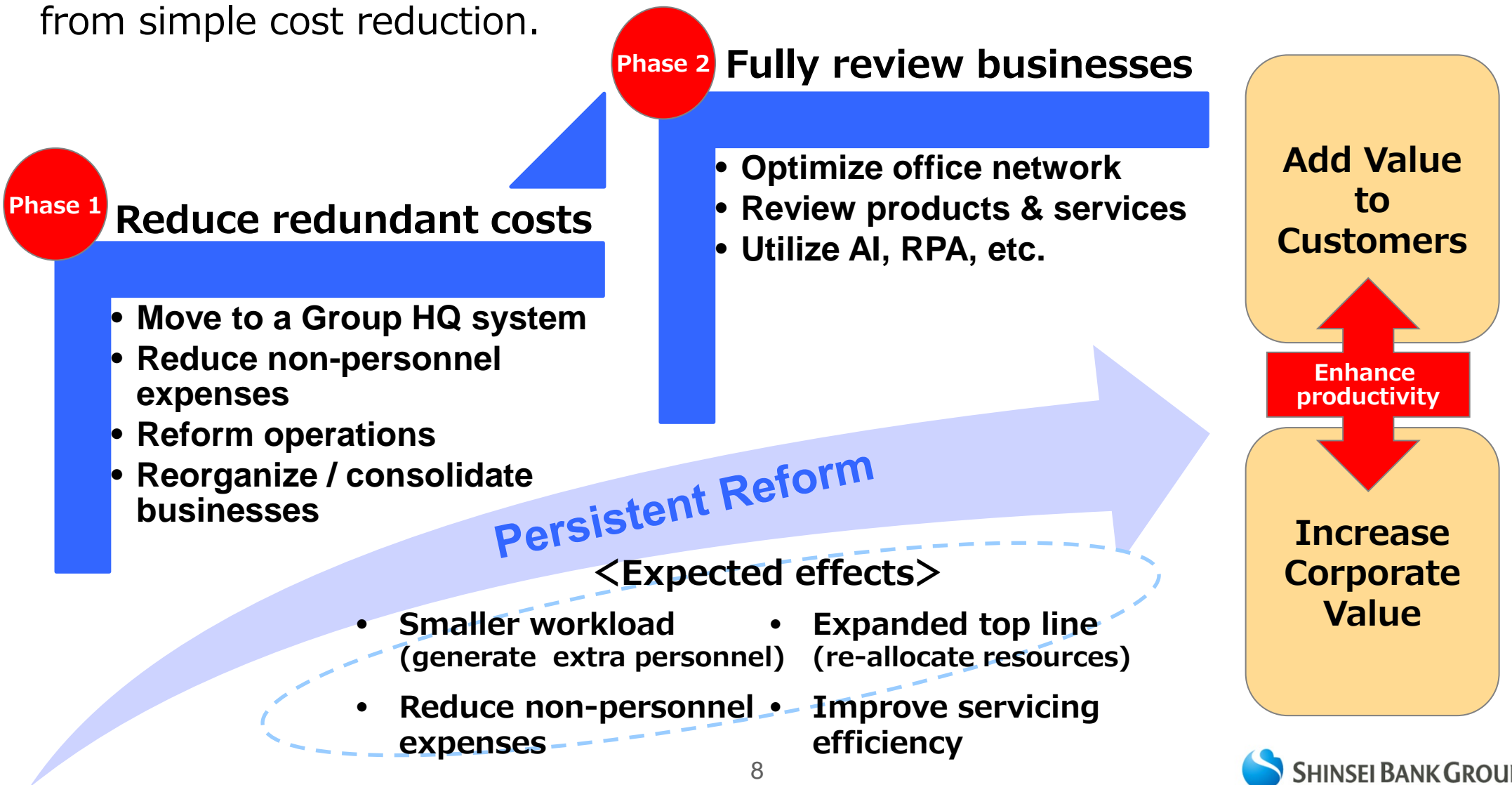
Individual
Business

Financial
Institution
Business

Analytics

Initiatives for Enhancing Productivity

- Enhance productivity in a sustainable manner through initiatives including excluding redundancies, applying best practices, and optimizing resource allocation under consolidated Group management. This is a different approach from simple cost reduction.



Reference

[Reference] Specific Initiatives for Enhancing Productivity (1)

Retail & Institutional businesses

Optimize branch network

- June 2018

Group member companies

Improve call center efficiency

in progress

- Planning to close Shinsei Bank's retail and institutional branches in Takamatsu and Kanazawa by June 30, 2018. Three retail branches (Kawaguchi, Sakaihigashi, and Takatsuki) will be closed by February 28, 2018 (The number of Bank branches as of February 28, 2018: 32)
- The Lake business will close 30 unprofitable branches by February 28, 2018
- Implement initiatives eyeing stronger customer needs for non-face-to-face channels and improving services by strengthening the coordination between face-to-face and non-face-to-face channels
- Focus management resources including human resources on fields that have higher added value for our customers

- Promoting a project aimed at improving call center operations and enhancing customer satisfaction of Group member companies
- Improving operational efficiency eyeing the usage of RPA and AI, as well as reviewing customer support processes (printing materials, FAQ, talk scripts, etc.) and reducing the number of inbound calls by using the Internet and applications
- Bank call center reduced its service hours for deposits, etc. from February 2018 by enhancing functions relating to transactions and administrative applications via the internet including smart phone
- APLUS' customer support reduced the number of inbound calls by about 25% YoY by sharing best practices of other Group member companies

[Reference] Specific Initiatives for Enhancing Productivity (2)

Institutional
Consumer
Finance

Reorganize businesses by consolidating subsidiaries

Oct. 2017

- Reorganized businesses that are expected to create synergies by being consolidated in the Group
- Servicer business consolidated ALPHA SERVICER and Shinsei Servicing & Consulting
- Mortgage loan business consolidated Shinsei Property Finance and Shinsei Investment & Finance
- Aiming to create new businesses beyond the existing framework by fundamentally reviewing our businesses from the customer's perspective
- Established wholly-owned subsidiaries for the two businesses to create a simple governance system

Retail

Improve housing loan process efficiency

- Mar. 2017

- Drastically improved housing loan credit screening process by implementing a new workflow
 - Shorter credit screening time
 - Better workflow by reviewing operations
 - Online group credit life insurance
 - Outsourced simple operations related to credit screening
- => 30% cost saving
- Outsourced loan remittance processing
- Started to implement RPA in credit protection and management after disbursing a housing loan

[Reference]

Summary of the Shinsei Bank Group/Medium-to-long term vision

Shinsei Bank Group

	Shinsei Bank	APLUS Financial	Shinsei Financial	Showa Leasing	Shinsei Securities	Shinsei Trust & Banking
Sector	Bank	Shopping Credit Card	Personal loan	Leasing	Securities	Trust
Ownership ratio	-	95 %	100 %	100 %	100 %	100 %

Other subsidiaries: Mortgage loans, servicing, asset management, etc., which are wholly-owned by Shinsei Bank

Medium-to-long term vision (Announced in Jan. 2016)

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 confidence, sense of fulfillment, and the pride created through the achievement of the above

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