

FY2017 Shinsei IR Day (February 28, 2018)
Condensed Transcript of Q&A Session

Group Management and Productivity Enhancement by Shinsei Bank Group

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Q: While you appear to be making progress with Group-wide cost-cutting initiatives, APLUS FINANCIAL and Showa Leasing do not yet seem to be generating top-line synergies relative to their peers. What is the situation with these two companies?

A: We are building a platform that will enable us to operate Group-wide businesses across multiple Group companies. For example, we aim to comprehensively coordinate Showa Leasing's operations with Shinsei Bank's Institutional Business. We aim to coordinate APLUS FINANCIAL's operations with the Bank's Individual Business, capitalizing on the latter's settlement functions in particular. We are focusing not on individual Group companies' earnings but on building a framework that will enable our Group as a whole to create value.

Q: With the Retail Banking segment still operating in the red, I think it needs not only cost-cutting but more drastic business model reforms also. Do you have any plans for more drastic improvements?

A: How we utilize our resources on a Group-wide basis is important. We are formulating measures with respect to improving our business models also.

We revised our managerial accounting by taking a more granular approach to allocating funding-related expenses with respect to several Retail Banking businesses, including home mortgage lending and asset management product sales, but the asset management product sales business nonetheless remained in the red. We have a two-stage plan for Retail Banking. The first stage is to improve the segment's P&L to the breakeven level mainly by reducing overhead expenses. In the second stage, we will undertake a project to reform our Retail Banking business model itself with the aim of continuously growing assets under management.

Q: Based on your presentation, your cost-cutting initiatives and business reforms seem similar to many other companies'. How do the Shinsei Bank Group's initiatives differ from other companies? Why would a potential customer who has never done business with you so far choose Shinsei Bank?

A: In this session (Group Management and Productivity Enhancement by Shinsei Bank Group), I explained our plans to build a platform to create added value in our businesses. My colleagues' upcoming presentations should answer your question about business differentiation. The value our businesses have hitherto been providing is becoming obsolete. What we have previously regarded as our strengths may no longer be strengths going forward. We are therefore building a new platform to create new value.

Q: You said that one of the Shinsei Bank Group's distinguishing characteristics is that all of your Group companies are wholly owned subsidiaries or nearly so, but APLUS FINANCIAL is a listed company with minority shareholders. Its status as a listed company could conceivably influence your Group's governance. What is your view on this issue?

A: We have designed our governance model to prevent interference in any listed company's important management processes while maximizing the effectiveness of group governance.

Q: You are consolidating Group support functions in your Group Headquarters, but what are your plans with respect to exchanges of rank-and-file personnel between Group companies and cross-selling by sales personnel?

A: Support staff work on the same floor as other Group Headquarters personnel, including even corporate officers. Because business organizational units do not function well if just mechanically combined with each other, we have established cross-company units comprising personnel from multiple Group companies to realize organically integrated management and are starting new business projects. We are also doing inter-company personnel exchanges through temporary reassignment of personnel in connection with projects initiated by the cross-company units.