

Shinsei IR Day

Group Management and Productivity Enhancement by Shinsei Bank Group

Akira Hirasawa, Chief Officer of Group Organizational Strategy

Slide 1: Group Management and Productivity Enhancement by Shinsei Bank Group (cover page)

The Shinsei Bank Group's Group management framework functions to enable both coordinated control over the whole Group and fast decision-making through a streamlined, simple platform with the aim of continuous enhancement of corporate value.

By fully exploiting these functions as a single organic entity, our Group aims to be a financial innovator that provides innovative financial services in accord with our Medium- to Long-Term Vision. We aim to run customer-centric businesses and realize lean operations by promoting productivity enhancement based on this management platform. Through my presentation today, I want to give investors a deeper collective understanding of our plans in this regard.

Slide 2: Direction of Group Management

The Shinsei Bank Group's advantages include that our Group companies have a wide range of business offerings and, on the whole, are almost entirely owned by Shinsei Bank. These advantages enable quick decision-making by our management team.

In light of these advantages, we have built a unique and effective governance framework with a strong focus on integrated Group management. The rest of my presentation will focus largely on three specific initiatives: (1) consolidation of Group support functions, (2) our decision-making framework and (3) cross-Group organizational units.

Slide 3: Group Governance Framework (I) Integration of Group Support Functions

I will start by explaining our Group Headquarters concept.

The left side of the slide shows two group organizational structures typical of large Japanese companies. Our virtual Group Headquarters, established in April 2017 within Shinsei Bank, differs from both of these typical structures. By virtue of this framework, we have a unique approach to governance.

We have consolidated the support functions of all Group companies, including Shinsei Bank, into our Group Headquarters and organized our businesses as distinct business units on equal footing with each other.

The distinctions between our framework and the typical group organizational structures on the left are obvious at first glance. One drawback of the typical organizational structures is multiple reporting lines per business unit, which tend to lead to complicated decision-making structures. In our Group,

by contrast, we have realized a simple, easily understandable structure by consolidating corporate functions with the aim of eliminating this drawback as much as possible.

Slide 4: Group Governance Framework (I) Integration of Group Support Functions

Next, I will explain the specific functions within our Group Headquarters.

The HR, corporate planning & finance, risk management and other corporate functions that were previously decentralized across every Group company, including Shinsei Bank, have been consolidated into our Group Headquarters, which is treated as a single organizational unit. Each individual function is headed by a chief officer.

For example, I am the Chief Officer of Group Human Resources. The HR functions of not only Shinsei Bank but also APLUS FINANCIAL, Shinsei Financial, Showa Leasing and all other Group companies report to me. HR staff work on the same floor of the Head Office as I do.

By strengthening governance through the Group Headquarters' establishment, we aim to further increase productivity and efficiency while pursuing overall optimization.

Slide 5: Group Governance Framework (II) Group Executive Committee, Group Important Committees

As a Group decision-making framework, we have established a Group Executive Committee and other key single-purpose committees. The Group Executive Committee is the Group's highest decision-making entity. It makes executive decisions for the Group as a whole. These committees' members include the presidents of our major Group companies. We practice swift decision-making as a Group policy.

Slide 6: Group Governance Framework (III) Cross-Group Organizations/Units

This next slide pertains to specialized cross-Group divisions we have established to promote Group integration.

The Group Business Strategy Division formulates and executes strategic partnerships and other initiatives, including non-organic growth initiatives, to develop new businesses on a Group-wide basis.

The Group Organizational Strategy Division promotes various reorganization initiatives and other projects to execute the Group's business strategies. I head this division as the Chief Officer of Group Organizational Strategy.

Slide 7: Group Governance Framework (III) Cross-Group Organizations/Units

We have established a total of five Cross-company Business Units as a framework for developing and facilitating business operations across intra-Group delineations. Four of the units operate

businesses while the fifth one, Analytics, is dedicated to Group-wide data utilization. Division heads and executive officers in charge of individual Group companies are involved in the Cross-company Business Units as core members of their management teams. As loosely partitioned units, the Cross-company Business Units share information across divisional and Company boundaries, develop new ideas and plans to consolidate functions on a Group-wide basis. Additionally, they organize projects to work on individual ideas or business opportunities.

Slide 8: Initiatives for Enhancing Productivity

We are proceeding with a project aimed at enhancing productivity atop our integrated Group management platform. The project's first phase is cost reduction. As you have already heard, we expect to reap ¥5 billion of cost savings (in fiscal 2018 relative to fiscal 2015) from our transition to a Group Headquarters system, review of overhead expenses (e.g., indirect and non-personnel expenses), operational reforms and reorganization/consolidation of businesses.

The second phase, slated to be covered in one of the remaining presentations, will be a comprehensive review/revamp of how our businesses operate. It will involve initiatives that utilize AI based on Group-wide data. Information on specific initiatives is presented in slides 10-11. We expect them to yield both tangible and intangible benefits. We plan to carry out such initiatives on an ongoing basis with the aim of enhancing corporate value and gaining new customers.