

Q&A Session: Group Organization Strategy

Q: First question. Cloud computing for IT cost structure. How much cost savings do you expect, and could you please let us know the target for the schedule as well?

A: The overall IT reform, we scheduled quite a long time. However, first, we positioned the first three years of core period, and in total, it will be nearly 10 years. Currently, the total IT cost is about JPY30 billion, but finally, we would like to save 5% to 10% in the medium-to-long-term, and for the first three years, the cost savings was about one third of that.

Q: There are two questions from Mr. Nakamura of Goldman Sachs. One, in the current medium-term management strategy, productivity reform slowed down to JPY6 billion compared to the previous mid-term plan. After the completion of the medium-term management strategy, can we think that the productivity reform will be limited, or it can be increased through technology?

Second question, consolidation of data centers and Group-wide IT-integrated operation. How much running costs can be reduced? Are there other advantages, other than cost reduction? With the upfront investment, how much will be required as upfront investment?

A: There are some quick effects, and they were already implemented in the previous medium-term strategy period. We still have the relatively difficult ones left. I mentioned that there's a slowdown from JPY8 billion to JPY6 billion, but we have done our very best at this level. In the measures that I mentioned today, there are some that have not been fully quantified. In the current medium-term strategy, in the later phase of the medium-term strategy, this additional effect can be enjoyed.

The total IT investment, I don't have the information now, so I would like to provide it later. The second question will be covered in our Q&A on our website.

[Follow-up answer: We plan to make initial expenses of about JPY 1 billion over the next three years for the measures we are working on this time. We expect to reduce running cost more than JPY1.0 billion per year over the medium to long term by the measures. As a benefit other than cost reduction, we expect the reduction of the physical systems, mainly in Shinsei Bank, the improvement of the capabilities of the group IT personnel and increase of mobility to support the systems by integrating IT design and operations across the group.]

Q: Branch optimization. Please provide us KPIs for that. For IT cost structure reform, what

will be the net cost savings effects, and when will they emerge?

A: Regarding optimization of our internal KPIs for the optimization, the status of customers' online applications, based on that, once it reaches a certain point, we would like to disclose it. But at this point, we are currently examining the effect, so when and how, we have not set specific targets yet. For the IT cost reduction, it has been answered in previous question.

Q: The productivity reform in phase three, what is the most challenging technology? Is it the shift to Cloud or anything else?

A: In terms of scale, in terms of headcount, the most difficult and the most challenging area is the area of IT. Some systems will be moving to Cloud. For systems which cannot be moved to Cloud, the number of servers will be decreased through virtualization. For hundreds of servers, we will try to optimize and move to Cloud as necessary. That is the most challenging area.

Q: What is the measure to manage resources which will be freed up through the data center integration?

A: Not only internal factors, but also the positioning of the vendors itself will be reviewed. Regarding internal factors, the operation based on physical servers will shift to the Cloud-based operation and required architecture will be also changed. However, in any case, in order to adopt to new environment, we need people or resources. We will take time to train them and to shift people to those areas. The accepted reduction is from the re-allocation of the vendors.

Q: You have made advanced initiatives of the HR system. What are the actual responses from the employees and actual usage rate of such initiative?

A: Work from home is starting gradually. On the other hand, to deal with the coronavirus, and to deal with the Olympic games held this summer, we want to utilize this opportunity to make this a Company-wide initiative. We are moving into that direction. Flexible time working has to do with the convenience of the individuals, so now the usage has progressed significantly. Regarding the side business initiatives, as an executive in charge, we just started and we need to penetrate this more.

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