

# Supporting the Creation of Sustainable Value

## ESG Data

|                                 | (Nonconsolidated)                                   | FY2016                | FY2017               | FY2018                |
|---------------------------------|---|-----------------------|----------------------|-----------------------|
| Corporate Governance            | Number of Directors                                 | 7                     | 7                    | 7                     |
|                                 | Ratio of Female Directors                           | 0%                    | 0%                   | 14.2%                 |
|                                 | Number of Outside Directors                         | 5                     | 5                    | 5                     |
|                                 | Number of Board of Directors Meetings Held          | 6                     | 6                    | 6                     |
|                                 | Attendance Rate for the Board of Directors Meetings | 100%                  | 95%                  | 100%                  |
|                                 | (Note) Governance-related data as of June 30, 2019. |                       |                      |                       |
| Employees                       | Number of Employees                                 | 2,207                 | 2,188                | 2,150                 |
|                                 | Male  | 1,272                 | 1,265                | 1,218                 |
|                                 | Ratio   | 58%                   | 58%                  | 57%                   |
|                                 | Female  | 935                   | 923                  | 932                   |
|                                 | Ratio   | 42%                   | 42%                  | 43%                   |
|                                 | Competitive Ratio in Recruitment (Applicant base)   | 45.0                  | 31.2                 | 27.0                  |
|                                 | Male  | 41.9                  | 26.2                 | 25.8                  |
|                                 | Female  | 50.1                  | 39.5                 | 28.3                  |
|                                 | Average Age   | 40.9                  | 41.3                 | 41.7                  |
|                                 | Male  | 40.4                  | 40.7                 | 41.1                  |
|                                 | Female  | 41.7                  | 42.1                 | 42.5                  |
|                                 | Average Years of Service                            | 11 years<br>11 months | 12 years<br>5 months | 12 years<br>11 months |
|                                 | Average Monthly Salary                              | ¥482<br>thousand      | ¥479<br>thousand     | ¥477<br>thousand      |
|                                 | Number of Business-Limited Employees                | —                     | —                    | 146                   |
|                                 | Number of Part-time Employees                       | 203                   | 267                  | 215                   |
|                                 | Number of Temporary Employees                       | 143                   | 113                  | 6                     |
|                                 | Number of Overseas Locals Recruited                 | 0                     | 0                    | 0                     |
|                                 | Number of new University Graduates Hired            | 54                    | 53                   | 55                    |
|                                 | Male  | 34                    | 33                   | 28                    |
|                                 | Ratio   | 63%                   | 62%                  | 51%                   |
|                                 | Female  | 20                    | 20                   | 27                    |
|                                 | Ratio   | 37%                   | 38%                  | 49%                   |
|                                 | Number of Mid-career Personnel Recruited            | 82                    | 32                   | 38                    |
|                                 | Male  | 43                    | 18                   | 19                    |
|                                 | Female  | 39                    | 14                   | 19                    |
|                                 | Number of Managers                                  | 649                   | 643                  | 631                   |
|                                 | Number of Female Managers                           |                       |                      |                       |
|                                 | Section Leader-Level or Higher                      | 87                    | 89                   | 96                    |
|                                 | Ratio   | 13.4%                 | 13.8%                | 15.2%                 |
| Section Manager-Level or Higher | 383   | 390                   | 412                  |                       |
| Ratio                           | 29.6%   | 30.0%                 | 31.6%                |                       |

|   | (Nonconsolidated)   | FY2016    | FY2017    | FY2018    |
|---|---|-----------|-----------|-----------|
| <b>Employees</b>  | Number of Employed Persons with Disabilities  | 29        | 29        | 32        |
|   | Employment Rate of Persons with Disabilities  | 1.8%      | 1.9%      | 2.1%      |
|   | Average Overtime Hours per Month  | 21.8      | 19.9      | 18.7      |
|   | Average Paid Leave Acquisition Rate   | 59.9%     | 62.5%     | 63.7%     |
|   | Number of Employees Taking Childcare Leave  | 32        | 33        | 35        |
|   | Male  | 0         | 4         | 6         |
|   | Female  | 32        | 29        | 29        |
|   | Number of Employees Taking Life Support Leave   | 4         | 6         | 7         |
|   | Number of Employees Taking Family Care Leave  | 4         | 4         | 1         |
|   | Number of Employees Registering Concurrent Business or Side Business  | —         | —         | 42        |
|   | Ratio of Employees Using Teleworking  | —         | —         | 13.3%     |
|   | Number of Employees Using Continued Employment System   | 13        | 11        | 10        |
|   | Number of Employment of Functional Change or Employment Status Change   | 34        | 60        | 230       |
|   | Male  | 11        | 19        | 50        |
|   | Female  | 23        | 41        | 180       |
|   | (Note) Number of Employees Taking Life Support Leave means the Number of Employees Taking Childcare Leave before January 1, 2018. |           |           |           |
| <b>Environment</b>  | Arrangement Results of Project Finance for Renewable Energy (Billions of yen)   | 69.5      | 61.8      | 90.0      |
|   | Environment Impact Data <sup>1</sup>  |           |           |           |
|   | CO <sub>2</sub> Emissions (t) <sup>2</sup>  | 2,746     | 2,602     | 2,575     |
|   | Electricity Usage (kWh)   | 5,093,523 | 5,069,080 | 5,027,896 |
|   | Gas Usage (m <sup>3</sup> )   | 90,000    | 90,000    | 114,000   |
|   | Clean Water Usage (t) <sup>3</sup>  | 1,796     | 1,758     | 1,623     |
|   | Amount of Waste Generated/Recycling Rate <sup>3</sup>   |           |           |           |
|   | Waste Generated (t)   | 233       | 206       | 218       |
|   | Amount Recycled (t)   | 154       | 123       | 138       |
|   | Amount of Waste Disposal (t)  | 79        | 83        | 80        |
| Recycling Rate  | 66%   | 60%       | 63%       |           |
| (Note) 1. Data are for all Shinsei Bank Nihonbashi headquarters (excluding affiliated companies) and ARCO TOWER (Meguro).<br>2. Calculated using electricity and gas usage according to "Guidelines for Calculating Specified Greenhouse Gas Emissions Volume under the Total Emissions Obligations and the Emissions Trading Framework."<br>3. Data are for Shinsei Bank Nihonbashi headquarters (excluding affiliated companies). |   |           |           |           |
| <b>Contribution to Society (Consolidated)</b>   | Financial Literacy Program (MoneyConnection <sup>®</sup> )  |           |           |           |
|   | Number of Schools where the Program was Held  | 827       | 943       | 1,058     |
|   | Number of Student Participants  | 108,253   | 122,811   | 136,232   |
|   | Volunteer Activities  |           |           |           |
|   | Number of Volunteer Activities  | 27        | 31        | 33        |
| Number of Employee Participants   | 475   | 395       | 328       |           |
| <b>Compliance</b>   | Number of Whistle-Blowing Reports   | 0         | 1         | 1         |

# ESG Management Policy

## Group ESG Management Policy

The Shinsei Bank Group has established “Group ESG Management Policy” to clearly stipulate the basic views and future direction of the Group’s initiatives pertaining to environmental and societal issues. This policy has been positioned as a basic policy and the starting point for the formulation of our management strategies. We are aware that, in order to pursue the kinds of sustainable growth opportunities that are required for the realization of our management principles, it is essential, as part of our social responsibility as a corporate group, that we contribute to the building of a sustainable society.

**Website:** <https://www.shinseibank.com/corporate/en/esg/>

### G: Corporate Governance

Basic views, guidelines and internal control have been stipulated in our Corporate Governance Report.

**Website:** [https://www.shinseibank.com/corporate/en/policy/governance/governance\\_report.html](https://www.shinseibank.com/corporate/en/policy/governance/governance_report.html)

### S: Social Issues

**Basic views:** We believe that human resources are the most important element for the Group as we engage in financial businesses. The Group’s human resources are the source of our innovation and the competitiveness we require to achieve sustainable growth amidst fiercely competitive market conditions. We provide our employees with our all-out support, fostering a working environment that facilitates flexible working styles in order to provide appealing workplaces and enable people of diversified backgrounds from gender, age, nationalities and all other aspects to fully demonstrate their potential and achieve sustainable Group growth.

We have established the “Group Human Rights Policy” in order to clarify the Group’s respect to the human rights of all people. The Group is now able to meet the financial needs in society that conventional financial services have been unable to satisfy, by creating new opportunities for people to access financial services. The Group shall strive to provide easy-to-understand information to enable customers to ascertain their own financial needs in an appropriate manner. When providing information, we vow to prioritize customers’ needs first and foremost and provide them with optimal financial products and services.

**Corporate Philanthropy:** In order to act as a responsible corporate citizen in accordance with our “Policy for Corporate Philanthropic Initiatives,” the Group is actively committed to contributing to society and is aiming to become a banking group that earns the trust of society. Also, through societal contribution, the Group aims to nurture human resources able to contribute to the sustainable development of society through strengthening teamwork among employees that transcends the boundaries of Group companies and creating networks connecting the Group with communities.

### E: Environmental Issues

Global environmental issues such as climate change are very critical issues relating to the realization of a sustainable society, and we are aware that such issues are also important management issues for us in our pursuit of ESG

management. From the perspective of ESG management, environmental issues represent business risks, while at the same time also provide significant business opportunities. The Group will therefore mobilize all of our capabilities as a financial services provider to help tackle environmental issues. Furthermore, we will actively pursue investment and lending opportunities contributing to the expansion of renewable energy use.

**Promotion of ESG Investment and Lending:** When making investment and loans, the Group will actively involve itself in transactions where the recipients of our investments or loans, or the projects operated by these recipients, contribute to the solution of societal and environmental issues. In pursuing ESG investment and lending, we aim to enhance the sustainability of the Group’s revenue-growth opportunities through contributing to the creation of a sustainable society.

**Investment and Lending to Specific Segments:** Based on our awareness that tackling environmental and social issues in a sincere manner will lead to the realization of our management principles, we deem it to be a managerial risk for Group companies to, in the course of their business activities, engage in business transactions with companies that do not respond to environmental and societal issues in an appropriate manner. Consequently, when conducting our business, we will assess cases based on considerations relating to environmental and societal issues as well as economic rationality in an appropriate manner.

The Group has identified transactions with businesses such as those listed below as representing serious environmental and societal risks and any further investment or lending transactions involving such businesses shall, in principle, be banned:

#### Types of transactions which shall be banned in principle



- i) Investment and lending transactions connected with anti-social forces;
- ii) Investment and lending transactions connected with the violation of laws and regulations or aimed at illegal acts or evasion or circumvention of laws;
- iii) Investment and lending contrary to public order or morals;
- iv) Investment and lending to companies producing cluster bombs;
- v) Investment and lending to coal-fired thermal power plants

**Note:** Although further investment and lending to coal-fired thermal power plants shall not be made in principle, in the case of ultra-supercritical pressure coal-fired thermal power plants(\*) or power plants with the same or higher levels of efficiency, a careful assessment shall be made of the power generation efficiency of the power plant concerned. In addition to technologies used to reduce greenhouse gas emissions, and other considerations pertaining to each individual power plant, with reference to guidelines such as OECD Arrangement on Officially Supported Export Credits and in full consideration of the situations in each country and international conditions relating to coal-fired thermal power plants.

(\*) An ultra-supercritical pressure coal-fired thermal power plant is defined as falling into either of following power plant groups:

1. A power plant with a steam pressure of 240 bars or higher and a steam temperature of 593°C or higher.
2. A power plant with a CO<sub>2</sub> emission volume of below 750g per kWh.

# ●●● ESG Information Index

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|  |  | Medium- to Long-Term Vision   |
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|  |  | <small>1. Including corruption prevention and bribery prevention</small>  |
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|  |  | Investment and lending transactions connected with anti-social forces   |
|  |  | Investment and lending transactions connected with the violation of laws and regulations or aimed at illegal acts or evasion or circumvention of laws |
|  |  | Investment and lending contrary to public order or morals   |
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| Investment and lending to coal-fired thermal power plants (including provisional clause) |  |   |
| Approach for Environment Impact of Own Company   | Saving Electricity and Lowering Environment Impact   |   |
| Initiatives  | The United Nations Global Compact  |   |
|  | <p>Since 2019 Shinsei Bank has been committed to the UN Global Compact corporate responsibility initiative and its principles in the areas of human rights, labour, the environment and anti-corruption.</p>  |   |
|  |  | <p>Principles for Financial Action for the 21st Century</p>      |

## ●●● Interview with Outside Audit & Supervisory Board Member



I hope that the Bank will fully recognize the importance of gender diversity as a corporate management strategy, and become a leading company where women can play an active role throughout their careers while dealing with various life events.

Shiho Konno  
Outside Audit &  
Supervisory Board Member, Lawyer

## Promoting Diversity in Corporate Management

**Q** Based on your own experiences and societal trends, please share your thoughts about the significance of diversity in corporate governance.

**A** First, diversity is critical for Boards of Directors to adequately perform their supervisory functions. According to the minutes from the Financial Services Agency's "Council of Experts Concerning the Follow-up of Japan's Stewardship Code and Japan's Corporate Governance Code" where the revisions to diversity-related provisions were debated, there was discussion about the fact that overseas investors used to be concerned that homogeneity and a lack of diversity in Japanese corporate boardrooms may be having a significant negative impact on their supervisory functions. I believe that board member diversity is demanded by the global capital markets as a matter of course since it relates to a board's supervisory capabilities, and I also believe it is an essential condition in order to enhance corporate governance.

Japan's Corporate Governance Code was established in June 2015. The Code included provisions concerning the need for outside directors. With this, Japanese companies took the first steps toward increasing board member diversity, and, with listed companies having added outside directors to a certain extent, the

Corporate Governance Code revision in June 2018 took things one step further by stipulating the need for diversity pertaining to gender and international experience. Diversity can be discussed from the perspective of gender, nationality, age, experience, and many other attributes, but from a global perspective, gender is considered the most critical type of diversity. Nevertheless, Japan ranked 110th out of 149 countries in the Global Gender Gap Index in 2018, which clearly shows that Japan is lagging considerably behind other countries in this respect, and the June 2018 revision to the Corporate Governance Code is seen as a measure to rectify this situation. With respect to gender diversity, based on my personal experience, I feel that in Japan today it is easier for women to speak out without worrying too much about what others in the room will think. For example, I feel that it is easier for women to question long-standing practices within a company and push for improvements. Personally, I have expressed my opinions quite freely at board meetings, including at other companies. At Shinsei Bank, with my nearly 30 years of experience as a lawyer, I would like to continue to proactively state my opinions on things that I notice, many of these being things I notice because I am a woman and an outsider and thereby provide a contribution to enhancing corporate governance and corporate value in the medium term.

**Q** Looking back on the past year as an Outside Audit & Supervisory Board member of the Bank, what challenges as well as potential do you see with respect to diversity in the Group?

**A** Before assuming office, I looked at the figures, such as the ratio of women in managerial positions, and felt that the Bank was ahead of other companies in this area. However, upon actually taking office, I realized that there is still a lot of room to improve in terms of the diversity of senior management and Directors and Executive Officers. I attend Board of Directors meetings and Audit & Supervisory Board meetings, and at these meetings Executive Officers often come to give explanations about the areas they are in charge of. Currently, almost all of the directors, executive officers, and senior managers of subsidiaries who appear are men. On the other hand, there seems to be a shared understanding of the need to improve the current situation, and I feel that considerable effort and progress have been made over the past year. In November last year, an internal symposium on “Unconscious Bias” was held mainly for men in managerial positions, and about 300 people attended the event. I participated in the event as one of the panelists. There was quite a strong reaction to the symposium, and I have heard that some managers changed their behavior from that day on. I feel that the momentum towards more diversity within the Bank has increased following that symposium, as the Group Committee to Promote the Active Participation of Women has contacted me and other newly-appointed female Directors and Executive Officers, asking to have meetings with us.

Recently, a woman was appointed as an Outside Director. This was the first time the Bank has appointed a female Director. Another woman was also appointed as an Outside Audit & Supervisory Board member, meaning that women are now the majority on the Audit & Supervisory Board, which is almost unprecedented, even among listed companies. This spring, three female Executive Officers were newly appointed, and there is momentum to develop women candidates for Director and Executive Officer positions. Based on these events, I feel that the Bank is more committed to diversity than other companies, and that this has led to stronger governance.

As seen by the increasing number of women in top positions in the finance industry these days, I think that finance is a field in which women can thrive. I hope that women in the Bank will assume even more active roles, and that other talented women will opt to join the Bank and thrive as well.

In terms of board diversity pertaining to attributes other than gender, the fact that Outside Directors from a variety of different backgrounds comprise a majority of the Bank’s Directors, is worthy of note for a Company with an Audit & Supervisory Board. The ratio of Outside Directors is not only high, I feel that there are few other companies where Outside Directors speak out as actively and make comments as meaningful as they do at Shinsei Bank.

**Q** What would you like to see Officers and the Board of Directors do with respect to promoting diversity in the Shinsei Bank Group?

**A** As I discussed at the diversity symposium, in this era of declining birthrates, population aging, and a shortfall in the working population, companies where women, who make up half of the population, cannot play an active role will inevitably decline. I would like Shinsei Bank to become a leading company where women can actively participate throughout their careers while dealing with various life events. I also hope that the Bank will become a place that women who possess a strong desire to work flock to. Rather than simply viewing this as “doing something for women” as part of the Bank’s consideration for women’s human rights, I want the Bank to recognize its importance as a corporate management strategy.

To this end, as I discussed earlier in connection with the theme of “Unconscious Bias” at the symposium that I mentioned, I would like the Bank to eliminate certain preconceived notions, such as feeling bad about burdening women with heavy responsibilities. On the other hand, childbirth is a life event particular to women. Childcare and nursing care are common challenges that many employees face. I hope that the Bank will devise ways to create workplace environments that enable both men and women to continue working for their entire careers while also raising children and providing nursing care.

# Corporate Governance

## Four Features of Shinsei Bank's Corporate Governance

### Ratio of Outside Directors on the Board of Directors

71%

- Five of the seven directors at Shinsei Bank are outside directors and comprise a majority of the Board of Directors.
- The Bank has maintained a Board structure where outside directors comprise a majority since Shinsei Bank started.
- The Bank has submitted the names of seven individuals, including outside Audit & Supervisory Board members as independent officers to the Tokyo Stock Exchange.



80%

### Ratio of Outside Directors with Corporate Executive Experience



- The mix of outside directors on our Board is well balanced with deep expertise and extensive experience relating to finance in Japan and overseas, businesses aimed at consumers, risk management areas and information systems.
- Four of the five outside directors on our Board are or have worked as corporate executives.

### Attendance Rate for the Board of Directors

100%

- Our directors, including outside directors, attended each meeting of the Board of Directors and engaged in active debate about the Bank's management and operational execution.
- This attendance rate is the average for our directors for six meetings of the Board of Directors since the June 2018 general meeting of shareholders.



58 meetings

### Number of IR Meetings /Companies where the CEO Met with Shareholders, Investors and Analysts

56 companies

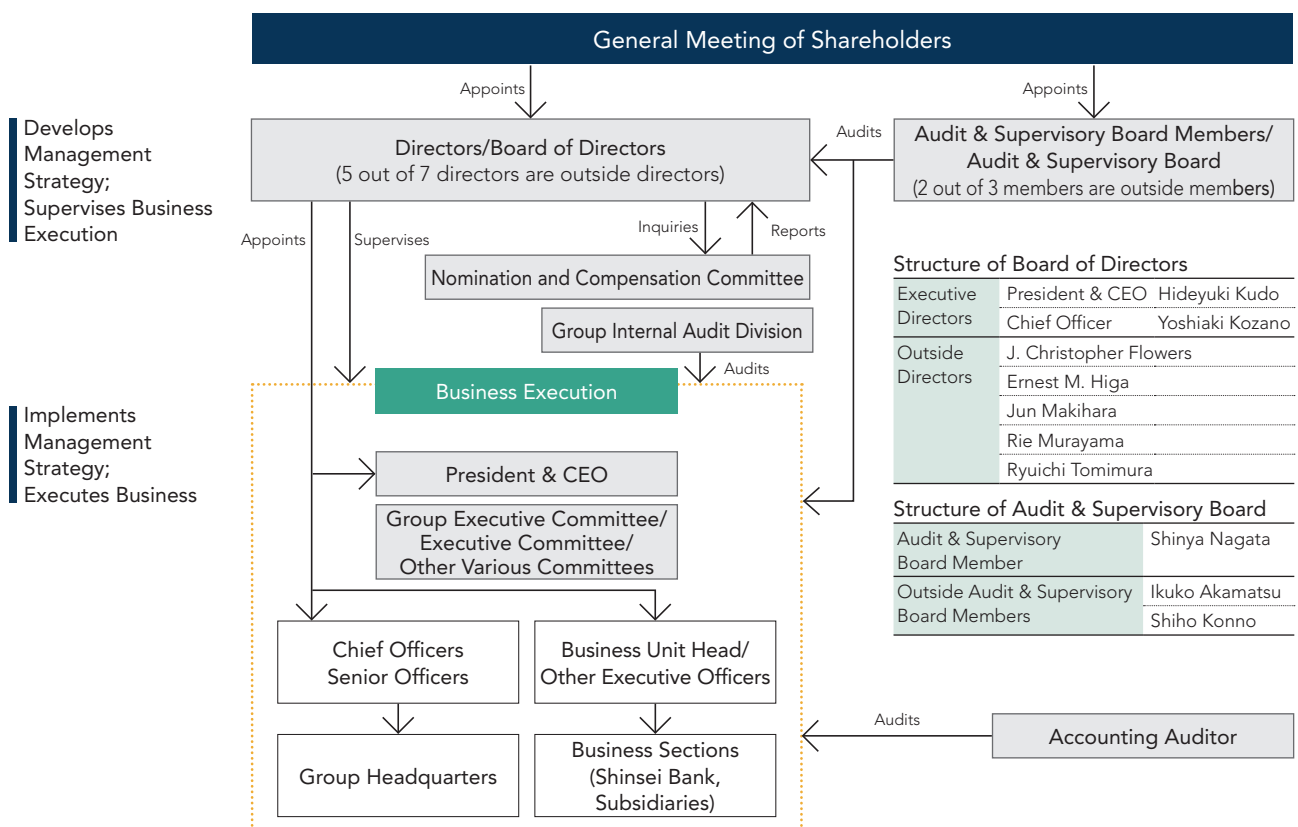
- The CEO has been assigned ultimate responsibility for investor relations (IR) activities and engages in constructive dialogue with the market in Japan, North America, Europe and Asia.
- The Bank has reduced the number of duplicative meetings by CEO with the same investors, and focused on the meetings with proxy advisor firms in fiscal 2018.

## Corporate Governance of Shinsei Bank

Shinsei Bank's Board of Directors—the Bank's decision-making body for its business management—consists of seven directors—two full-time directors who are directly responsible for the execution of the Bank's businesses and five outside directors who primarily supervise the Bank's business execution. The composition of the Board of Directors ensures the objectivity and transparency of business management and facilitates appropriate management decision-making. The current outside directors are a balanced group of executives who bring to the Bank their extensive experience and expertise in a range of fields, including domestic and overseas financial businesses, consumer-related businesses and the fields of risk management and information systems. Backed by this experience and expertise, the outside directors express their opinions in an independent and objective manner fulfilling their roles in providing advice

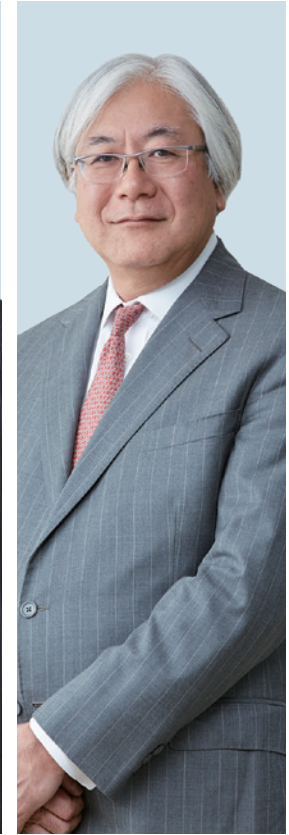
and oversight for executives performing their duties. Regarding transactions with parties such as directors and major shareholders, the Bank conducts checks to avoid conflicts of interest and to maintain the fairness of transactions, and, when necessary, it uses established frameworks for deliberating on such transactions in Board of Directors meetings and conducting any necessary follow-ups. Through the auditing of the Bank's Board of Directors and business execution by the Audit & Supervisory Board and its members, which are independent from the Board of Directors, the Bank seeks to create a strict corporate governance framework which is to encourage the adoption of optimal and balanced management policies reflecting the benefit of stakeholders such as shareholders and customers, through which the Bank seeks to enhance its corporate value.

### ■ Corporate Governance Structure Chart (as of June 19, 2019)





# Board of Directors, Audit & Supervisory Board Members



### Hideyuki Kudo

Representative Director,  
President and  
Chief Executive Officer  
Chairman of Board

### Yoshiaki Kozano

Director

### J. Christopher Flowers

Outside Director  
Nomination and  
Compensation Committee  
Member

### Ernest M. Higa

Outside Director  
Nomination and  
Compensation Committee  
Member

### Jun Makihara

Outside Director  
Chairperson, Nomination and  
Compensation Committee

#### Reasons for Nomination

Mr. Hideyuki Kudo has abundant experience and insight, focusing on corporate and risk management operations. Since his appointment to office as the president in 2015, he has been contributing to improved corporate value by leading the steady implementation of the Medium-Term Management Plan, the formulation of the Medium-Term Management Strategy, and the establishment of the Group head office.

Mr. Yoshiaki Kozano has a wealth of experience and results, focusing on corporate operations. Since his appointment in 2017, he has been planning and promoting the Group's business strategy as the Director, Chief Officer, Group Business Strategy and contributing to the enhancement of corporate value through reorganization of the Group and creation of business opportunities.

Mr. J. Christopher Flowers was asked to stand as an Outside Director in order to reflect in the Bank's management, his expertise and broad insight into banking, finance and the financial services industry as a whole.

Mr. Ernest M. Higa was asked to stand as an Outside Director in order to reflect in the Bank's management, his experience and deep insight of business for consumers.

Mr. Jun Makihara was asked to stand as an Outside Director in order to reflect in the Bank's management, his extensive knowledge of finance and his domestic and international experience.

#### Directors' Skill Matrix

|                          | Management | Finance | Risk Management | Consumer Business | IT |
|--------------------------|------------|---------|-----------------|-------------------|----|
| ■ Hideyuki Kudo          | ○          | ○       | ○               |                   |    |
| ■ Yoshiaki Kozano        | ○          | ○       |                 |                   |    |
| ■ J. Christopher Flowers | ○          | ○       |                 |                   |    |
| ■ Ernest M. Higa         | ○          |         |                 | ○                 |    |
| ■ Jun Makihara           | ○          | ○       |                 |                   |    |
| ■ Rie Murayama           |            | ○       | ○               |                   |    |
| ■ Ryuichi Tomimura       | ○          |         |                 |                   | ○  |



**Rie Murayama**

Outside Director  
Nomination and  
Compensation Committee  
Member

Ms. Rie Murayama was asked to stand as an Outside Director in order to reflect in the Bank's management, her wide range of expertise based on her experience as Outside Director at other companies, as well as her knowledge based on her extensive experience at an investment bank.



**Ryuichi Tomimura**

Outside Director  
Nomination and  
Compensation Committee  
Member

Mr. Ryuichi Tomimura was asked to stand as an Outside Director in order to reflect in the Bank's management, his extensive experience and wide range of knowledge including information systems as a management executive and a consultant.



**Shinya Nagata**

Audit &  
Supervisory Board Member

Mr. Shinya Nagata was asked to stand as Audit & Supervisory Board Member based on the judgment that he is suitable as a corporate auditor who can play a central role in all areas of corporate audit. Through his long work experience at Shinsei Bank, Shinya Nagata has gained a deep understanding of the Group's business and with his extensive knowledge and experience in finance and accounting he is able to share the circumstances of the Group with outside corporate auditors.



**Ikuko Akamatsu**

Outside Audit &  
Supervisory Board Member

Ms. Ikuko Akamatsu was asked to stand as an Outside Audit & Supervisory Board Member in order to reflect in the Bank's audit operations her expertise in compliance and governance, etc. and to take on the promotion of diversity, as well as for her professional knowledge and experience as a certified public accountant and a certified fraud examiner and extensive experience as a consultant based on the aforementioned expertise.



**Shiho Konno**

Outside Audit &  
Supervisory Board Member

Ms. Shiho Konno was asked to stand as an Outside Audit & Supervisory Board Member in order to reflect in the Bank's audit operations her expertise and extensive experience as a lawyer and based on her experience as an outside director at listed companies as well as her expertise in compliance and governance, etc. and to take on the promotion of diversity.

■ Audit & Supervisory Board Members' Skill Matrix

|                  | Finance | Financial Accounting | Legal Affairs |
|------------------|---------|----------------------|---------------|
| ■ Shinya Nagata  | ○       | ○                    |               |
| ■ Ikuko Akamatsu |         | ○                    |               |
| ■ Shiho Konno    |         |                      | ○             |

## Board of Directors, Audit & Supervisory Board Members

### Directors



**Hideyuki Kudo**  
Representative Director, President  
and Chief Executive Officer

Ownership: Common shares 15,051

Attendance rate: 100%

- Jun. 2015 Representative Director, President and Chief Executive Officer, Shinsei Bank, Limited (Current)
- Apr. 2015 Managing Executive Officer, Shinsei Bank, Limited
- Apr. 2013 Managing Executive Officer, Chief Risk Officer, Head of Risk Management Group, Shinsei Bank, Limited
- Apr. 2011 Managing Executive Officer, Head of Structured Finance Sub-Group, Shinsei Bank, Limited
- Sep. 2010 Managing Executive Officer, Deputy Head of Institutional Group, Shinsei Bank, Limited
- Jun. 2007 Managing Director, Investments Division, Aetos Japan, LLC
- Jan. 2007 Vice Chairman, MID Urban Development Co., Ltd. (Predecessor of Kanden Realty & Development Co., Ltd.)
- Jun. 2006 Representative Director, President, MID Urban Development Co., Ltd. (Predecessor of Kanden Realty & Development Co., Ltd.)
- May 2005 Managing Director, Aetos Japan, LLC
- Aug. 2003 Director, Acquisition Group, Aetos Japan, LLC
- May 2001 General Manager, Advisory Department No. II, Investment Banking Division, Mizuho Securities Co., Ltd.
- Apr. 1987 Joined The Dai-ichi Kangyo Bank, Ltd. (Predecessor of Mizuho Bank, Ltd.)



**Yoshiaki Kozano**  
Director

Ownership: Common shares 4,086

Attendance rate: 100%

- Jun. 2018 Director, Chief Officer, Group Business Strategy, Shinsei Bank, Limited (Equivalent to Senior Managing Executive Officer), Shinsei Bank, Limited (Current)
- Apr. 2018 Chief Officer, Group Business Strategy (Equivalent to Senior Managing Executive Officer)
- Apr. 2017 Chief Officer, Group Business Strategy, Managing Executive Officer, Special Assignment, Shinsei Bank, Limited
- Jun. 2016 Director, APLUS FINANCIAL Co., Ltd. (Current)
- Apr. 2016 Managing Executive Officer, Special Assignment (Head of Group Business Strategy, Shinsei Bank, Limited)
- Apr. 2015 Managing Executive Officer, Deputy Head of Institutional Group, Shinsei Bank, Limited
- Jun. 2011 Managing Executive Officer, Head of Principal Transactions Sub-Group, Shinsei Bank, Limited
- Dec. 2007 Head of Principal Transactions Sub-Group, Shinsei Bank, Limited
- Jul. 2006 Head of Corporate Business Solutions Sub-Group, Shinsei Bank, Limited
- Nov. 2003 General Manager, Credit Trading Division, Shinsei Bank, Limited
- Apr. 1986 Joined The Long-Term Credit Bank of Japan, Ltd. (Predecessor of Shinsei Bank, Limited)

### Outside Directors



**J. Christopher Flowers**  
Outside Director

Managing Director and  
Chief Executive Officer,  
J.C. Flowers & Co. LLC

Ownership: Common shares 7,675,374

Attendance rate: 100%

- Nov. 2018 Member of the Supervisory Board, Hamburg Commercial Bank (Current)
- May 2012 Member of the Supervisory Board, NIBC Holding N.V. (Current)
- Nov. 2002 Managing Director and Chief Executive Officer, J.C. Flowers & Co. LLC (Current)
- Mar. 2000 Director, Shinsei Bank, Limited (Current)
- Dec. 1988 Partner, Goldman, Sachs & Co.
- Mar. 1979 Joined Goldman, Sachs & Co.



### Ernest M. Higa

Outside Director

Chairman, President & Chief Executive Officer, Higa Industries Co., Ltd.

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Ownership: Common shares 3,581

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Attendance rate: 100%

- Apr. 2017 Board of Trustees, Showa Women's University (Current)
- Sep. 2016 Chairman & Representative Director, Wendy's Japan K.K. (Current)
- Apr. 2015 Chairman, President & Chief Executive Officer, Higa Industries Co., Ltd. (Current)
- Jun. 2013 Director, Shinsei Bank, Limited (Current)
- Mar. 2011 Chief Executive Officer, Wendy's Japan LLC
- Jun. 2010 Director, JC Comsa Corporation (Current)
- May 2009 Board of Overseers, Columbia Business School (Current)
- Apr. 2008 Board Member, The Tokyo New Business Conference (Current)
- Apr. 1983 President and Chief Executive Officer, Higa Industries Co., Ltd.
- Apr. 1976 Joined Higa Industries Co., Ltd.



### Jun Makihara

Outside Director

Director, Monex Group, Inc.  
Director, Philip Morris International Inc.

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Ownership: Common shares 20,000

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Attendance rate: 100%

- Sep. 2014 Director, Philip Morris International Inc. (Current)
- Jun. 2011 Director, Shinsei Bank, Limited (Current)
- Jun. 2006 Director, Monex Group, Inc. (Current)
- Jul. 2000 Chairman of the Board, Neoteny Co., Ltd.
- Nov. 1996 Co-Branch Manager, Goldman Sachs Tokyo Branch (Predecessor of Goldman Sachs Japan Co., Ltd.)
- Nov. 1992 Partner, Goldman, Sachs & Co.
- Sep. 1981 Joined Goldman, Sachs & Co.



### Ryuichi Tomimura

Outside Director

President,  
Representative Director, SIGMAXYZ Inc.

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Ownership: Common shares 0

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Attendance rate: 100%

- Jun. 2018 President, Representative Director, SIGMAXYZ Inc. (Current)
- Jun. 2016 Executive Vice President, Representative Director, SIGMAXYZ Inc.
- Jun. 2015 Director, Shinsei Bank, Limited (Current)
- Jun. 2014 Audit & Supervisory Board Member, Shinsei Bank, Limited
- Aug. 2012 Director, Plan.Do.See Inc.
- Apr. 2010 Executive Vice President, Director, SIGMAXYZ Inc.
- Dec. 2007 Representative Director, Managing Director, RHJ International Japan, Inc.
- Feb. 2004 Representative Director, Senior Executive Vice President, Japan Telecom Co., Ltd. (Predecessor of Softbank Corp.)
- Oct. 2002 Managing Director, IBM Business Consulting Service KK, Vice President, IBM Corporation Business Consulting Service, Asia Pacific
- Jan. 1994 Managing Partner, Pricewaterhouse Consultant
- Oct. 1991 General Manager, Network Integration Division, Recruit Co. Ltd. (Predecessor of Recruit Holdings Co., Ltd.)
- Oct. 1983 Joined IBM Japan, Ltd.

## Board of Directors, Audit & Supervisory Board Members

### Audit & Supervisory Board Member



**Shinya Nagata**  
Audit & Supervisory Board Member

Ownership: Common shares 2,229

Attendance rate: 100%

- Jun. 2012 Audit & Supervisory Board Member, Shinsei Bank, Limited (Current)
- Oct. 2010 Executive Officer, General Manager, Financial and Regulatory Accounting Division, Shinsei Bank, Limited
- Sep. 2010 Executive Officer, General Manager, Group Regulatory Accounting and Tax Division, General Manager, Group Financial Accounting Division, Shinsei Bank, Limited
- Jun. 2010 General Manager, Group Regulatory Accounting and Tax Division, General Manager, Group Financial Accounting Division, Shinsei Bank, Limited
- Sep. 2009 General Manager, Group Regulatory Accounting and Tax Division, Shinsei Bank, Limited
- Apr. 2009 General Manager, Group Regulatory Accounting and Tax Division, General Manager, Group Financial Accounting Division, Shinsei Bank, Limited
- Oct. 2006 General Manager, Group Regulatory Accounting and Tax Division, General Manager, Group Financial Projects Division, Shinsei Bank, Limited
- Dec. 2001 General Manager, Financial and Regulatory Accounting Division, Shinsei Bank, Limited
- Apr. 1981 Joined The Long-Term Credit Bank of Japan, Ltd. (Predecessor of Shinsei Bank, Limited)

### Outside Audit & Supervisory Board Member



**Shiho Konno**  
Outside Audit & Supervisory Board Member

Lawyer

Ownership: Common shares 0

Attendance rate: 100%

- Jun. 2018 Director, Monex Group Inc. (Current)
- Jun. 2018 Audit & Supervisory Board Member, Shinsei Bank, Limited (Current)
- Jun. 2017 Director, Alfresa Holdings Corporation (Current)
- Jun. 2016 Director, Kakaku.com, Inc.
- Jun. 2015 Director, Watami Co., Ltd.
- Mar. 2015 Established Shiho Konno Habataki Law Office (Current)
- Aug. 2014 Auditor, Japan Corporate Governance Network
- Apr. 2014 Member, Committee on Realization of a Gender-Equal Society of Japan Federation of Bar Associations (Current)
- Apr. 2009 Professor, Waseda Law School, Waseda University
- Mar. 2008 Audit & Supervisory Board Member, Advanced Softmaterials Inc.
- Jun. 2005 Audit & Supervisory Board Member, Yahoo Japan Corporation
- Apr. 1991 Registered in Daiichi Tokyo Bar Association

## Newly Appointed Outside Director

On this occasion, I am honored to have been appointed as a Shinsei Bank Outside Director.

For a total of 27 years, I worked for foreign financial institutes and accumulated experience in the equity research and investment banking divisions, and as executive manager. For the past three years, I have attended the site of corporate management as an outside director and board member of several companies, and have thereby personally experienced the weight of responsibility as a director. As an outside director of Shinsei Bank, I will have the opportunity to experience the forefront of the finance industry as it continues to encounter a surging wave of multiple reforms and changes, which I feel is both an unexpected joy and a heavy yet motivating responsibility.

Moreover, one of my major goals is to contribute to greater corporate value by promoting the true diversity and meritocracy required to demonstrate and realize the Womenomics advocated by my former colleagues, and by materializing the results thereof. I look forward to working with all of you.



**Rie Murayama**

Outside Director

Former Managing Director at  
Goldman Sachs Japan

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Ownership: Common shares 0

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- Jun. 2019 Director, Shinsei Bank, Limited (Current)
- Jun. 2017 Director, KATITAS Co., Ltd.
- Apr. 2017 Chairman & Representative Director, ComTech, Ltd.
- Jun. 2016 Director, RENOVA, Inc.
- Apr. 2016 Trustee, National Center for Global Health and Medicine (Current)
- Nov. 2001 Managing Director
- Mar. 1993 Joined Goldman Sachs Tokyo Branch (Predecessor of Goldman Sachs Japan Co., Ltd.)
- Nov. 1988 Joined CS First Boston Securities

## Newly Appointed Outside Audit & Supervisory Board Member

My name is Ikuko Akamatsu, and I was recently appointed as an Outside Audit & Supervisory Board Member.

After graduating from university, I raised two sons while serving as a certified public accountant and certified fraud examiner. Based on my experience working in these areas, over the past eight years I have researched compliance, governance, and diversity at a university.

Likewise, I hope to utilize my various experiences and expertise gained over the past quarter century along with my knowledge in my specialty fields of finance and internal control as I work to audit and provide oversight for the executive branch of management. I will aim to enhance corporate value over the medium- to long-term and carry out my responsibilities as Outside Audit & Supervisory Board Member in order to support all of Shinsei Bank's shareholders and stakeholders.

I look forward to working with all of you.



**Ikuko Akamatsu**

Outside Audit & Supervisory  
Board Member

Certified Public Accountant  
Certified Fraud Examiner

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Ownership: Common shares 0

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- Jun. 2019 Audit & Supervisory Board Member, Shinsei Bank, Limited (Current)
- Apr. 2019 Senior Researcher, Management Training and Consulting Division, Institute of Management, SANNO University (Current)
- Aug. 2018 Director, TOP'S Inc. (Current)
- Jan. 2017 Member, Committee on Promotion of Active Participation for Women Accountants, The Japanese Institute of Certified Public Accountants (Current)
- Dec. 2010 Chief Researcher, Management Training and Consulting Division, Institute of Management, SANNO University
- Jan. 1995 Joined Showa Ota & Co. (Predecessor of Ernst & Young ShinNihon LLC)

## Policy for Operation of the Board of Directors

The Bank holds strategy sessions to intensively discuss selected agenda items in addition to the six periodic Board of Directors' meetings. In fiscal 2018, the Bank held two strategy sessions that mainly discussed the Medium-Term Strategies that start in fiscal 2019. In the sessions, directors and audit & supervisory board members posed numerous questions and comments on the explanation by executive directors from a broader perspective.

Moreover, to ensure the sharing of their independent viewpoints as well as to share detailed information regarding business execution with each of the outside directors, the Bank holds regular meetings attended only by the outside directors themselves.

The majority of the Bank's Board of Directors are presently composed of outside directors (five of the seven directors are outside directors), ensuring objective and transparent discussions for appointment of candidates for directors and decisions on the directors' remuneration system and their specific remuneration levels. In addition, from the perspective of "governance" in the ESG management philosophy, the Bank has concluded

that in order to improve the Bank's accountability towards its stakeholders, including shareholders, it is necessary to further enhance objectivity and transparency of the Board of Directors' functions related to appointment of candidates for directors and decisions on directors' remuneration. In March 2019, the Bank established a voluntary Nomination and Compensation Committee for the purpose of further increasing the objectivity and transparency of the functions of the Board of Directors. The Nomination and Compensation Committee comprises only outside directors. The committee consults with the Board of Directors, and deliberates on the contents of General Meeting of Shareholders proposals regarding the appointment and dismissal of directors, on matters concerning the appointment and dismissal of representative directors and on matters concerning the compensation of directors, and reports its findings back to the Board of Directors.

In order to fulfill its accountability towards stakeholders, Shinsei Bank will make efforts to continually strengthen its corporate governance framework.

### ■ Annual Schedule for the Board of Directors

|      |   |      |  |
|------|---|------|--|
| May  | Regularly scheduled Board meeting (on financial results, AGM* related materials, audit reports, etc.) | Nov. | Regularly scheduled Board meeting (on interim financial results, etc.)   |
| Jun. | Regularly scheduled Board meeting (held after AGM ends, appointment of President, etc.)               | Jan. | Regularly scheduled Board meeting  |
| Sep. | Regularly scheduled Board meeting   | Mar. | Regularly scheduled Board meeting (on fiscal year budget and plan, etc.) |

\* AGM: annual general meeting of shareholders

### ■ Timetable for Day of Regularly Scheduled Board Meetings

|       |   |
|-------|---|
| 8:00  | Meeting composed of outside directors only (Nomination and Compensation Committee as needed)  |
| 9:00  | Meeting of Board of Directors commences<br>Report from President<br>Report from Audit & Supervisory Board<br>Report from Group Internal Audit Division<br>Finance-related report<br>Individual agenda items to be resolved<br>Report and deliberate on specific agenda items<br>Risk-related report |
| 11:30 | Conclude meeting  |

### ■ Strategy Session

|       |   |
|-------|---|
| 9:00  | Explanation by executive directors on formulation of Medium-Term Strategies |
| 12:00 | Lunch   |
| 13:00 | Discussion on formulation of Medium-Term Strategies                         |
| 15:00 | Summary   |
| 16:00 | Conclude meeting  |

## Board of Directors Effectiveness Evaluations

The Bank periodically conducts an evaluation/analysis of the effectiveness of the Board as a whole in order to improve the Board's functionality.

An overview of the fiscal 2018 self-evaluation is as follows.

### (1) Objective

To improve the function of the Board of Directors by having the Board perform a self-evaluation of whether it is fulfilling the roles and duties required of it and then implement the PDCA cycle.

### (2) Subjects of analysis/evaluation

The Board's activities, and the operation and support systems for efficiently and effectively carrying out such activities.

### (3) Evaluators

Evaluation by all members attending Board meetings (Directors, Audit & Supervisory Board members and others – totaling 11 people). Certain questions are only asked to Audit & Supervisory Board members in order to receive an evaluation of the Board by Audit & Supervisory Board members.

### (4) Analyzed/evaluated matters

The contents of discussions at Board meetings, the operation of the Board by the executives, the composition and diversity of members of the Board, the provision of information to the Board by the executives, the content of discussions at strategy sessions, the management of strategy sessions by executives, communication, the necessity of third-party evaluations of the Board's effectiveness, evaluations by Audit & Supervisory Board members, etc.

### (5) Means of analysis/evaluation

Questionnaire survey (questions in which responses are selected including free-response questions) prepared by the secretariat for the Board of Directors based on instructions from the Board Chairman.

### (6) Results feedback

The selected results and responses to free-response questions are reported to the Board.

The following is an overview of the key results of the survey.

#### (a) Contents of Board meeting discussions

To a certain extent, survey respondents feel that discussions for the medium- to long-term business vision, as well as discussions for a business model aimed at increasing corporate value and achieving sustainable growth have been constructive and are contributing to an increase in corporate value and sustainable growth.

#### (b) Contents of strategy sessions discussions and effectiveness of the sessions

In the fiscal year under review, discussions focused on the theme of mid-term management strategy formulation, and in general these were evaluated to be useful. Strategy sessions were deemed to still be effective for deliberating on business strategy, and the decision was made to continue to hold the sessions while considering the themes as well as the timing and frequency of sessions.

#### (c) Board composition/diversity

Questions were asked regarding the roles, responsibilities, gender balance, and cosmopolitanism of the Board, and it was confirmed that continued consideration should be given, particularly with respect to gender balance.

#### (d) Management of Board and strategy sessions by executives

Since there had been feedback that deliberation time was long, we worked to select agenda items with omitted explanations and worked to keep explanations brief, among other measures, and in the fiscal year under review, as a result of efforts including revising the composition of materials and receiving questions in advance, etc., all respondents evaluated deliberation time as being appropriate, and we recognize that these efforts have led to more efficient and dynamic management.

#### (e) Provision of information to the Board by executives

While the explanations at Board of Directors Meetings were evaluated as having improved, we also confirmed that there is room for improvement in providing information on risk management, compliance, and other topics.

#### (f) Third-party evaluation of effectiveness

The utilization of evaluations and their necessity are matters that we should continue to study while taking into account the Board's intentions.

#### (g) Questions for Audit & Supervisory Board members

We confirmed that, as a whole, Audit & Supervisory Board members feel that directors are properly executing the duties expected of them.

From the results of the survey, we concluded that more efficient operation has led to more time being devoted to important discussions within limited meeting times, such as the medium- to long-term business vision. The Bank will also strive to improve and maintain the aspects that were evaluated as appropriate or improved from the previous year, and work to further improve the Board's effectiveness and functioning by examining and making improvements to issues raised in the survey.



## Corporate Governance

### Directors and Executive Officers Compensation Scheme

#### Policy for Determining Compensation

- Appropriate incentives are provided in order to advance the Group's business and realize the mid- to long-term Group management principles.
- Reflecting the roles and responsibilities of each director and executive officer, directors and executive officers share common shareholder value by holding the Company's shares over the long term.
- The scheme will curb excessive risk-taking and contribute to ongoing sound management as a financial institution.
- The plan incorporates a compensation system that provides incentive to further increase corporate value considering share price.

#### Composition of Compensation for Full-Time Directors\*

- Basic compensation
  - Fixed compensation (Annual fixed amount)
- Mid- to long-term incentive compensation
  - We have introduced mid- to long-term incentive compensation in order to enable directors and executive officers to share with shareholders in the risks and benefits associated with stock price fluctuations and to increase their motivation to contribute to increasing the stock price and enhancing corporate value over the mid- to long-term.
  - 1) Restricted stock compensation (Introduced from fiscal 2018)
  - 2) Equity remuneration type stock options

\* There is no short-term incentive compensation to reward full-time directors for performance in a single fiscal year. Note that introduction of restricted stock compensation is under consideration as mid- to long-term incentive compensation for outside directors who are not full-time directors.

#### Performance-based compensation

Equity remuneration type stock options are calculated using a set formula that is based on the stock prices and net assets of the Bank and other companies in the banking sector. For this reason we have categorized them as "performance-based compensation". Equity remuneration type stock option payment amounts are determined based on internal

rules determined by the Board of Directors. Note that since the indices used in the calculation formula are determined by the market, they are not set as performance targets.

#### Total Maximum Amount of Compensation for Directors

- (1) Total maximum amount of compensation for directors (including outside directors): Up to ¥180 million per year (of this amount, ¥60 million for outside directors)
- (2) Maximum amount of allotment of restricted stock for full-time directors: Up to ¥20 million per year, within the total maximum amount in (1) above (introduced from fiscal 2018)
- (3) Maximum amount of allotment of equity remuneration type stock options for full-time directors: Up to ¥50 million per year, separate from the total maximum amount in (1) above

#### Process for Determining Compensation Amounts

Compensation amounts for directors and executive officers are predicated on the content of the Bank's current Plan for Restoring Sound Management and are determined by the Board of Directors taking into consideration the recommendations of the Nomination and Compensation Committee who deliberate on compensation amounts within the scope of compensation amounts determined at a general meeting of shareholders. The Nomination and Compensation Committee is comprised of all of the Bank's outside directors, and the quorum for Nomination and Compensation Committee meetings is a majority of members present. Note that although the Nomination and Compensation Committee was established on March 20, 2019, the process for determining compensation amounts for the Bank's directors and executive officers in fiscal 2018 also involved determination through deliberations at a Board of Directors meeting at which outside directors comprised the majority. Three Board of Directors meetings with matters on the agenda concerning compensation etc. for directors and executive officers were held in fiscal 2018.

#### ■ Total Amounts of Compensation etc. by Category, Total Amounts by Type of Compensation etc., and the Number of Eligible Persons (from April 1, 2018 to March 31, 2019)

| Categories  | Total amounts of compensation etc. (millions of yen) | Total amounts by type of compensation etc. (millions of yen) |  |                               |                     |       | Number of eligible persons    |
|---|--|--|--|-------------------------------|---------------------|-------|-------------------------------|
|   |  | Fixed compensation   | Equity remuneration type stock options | Restricted stock compensation | Retirement benefits | Other |                               |
| Directors (excluding outside directors)   | 139  | 69   | 22                                     | 19                            | 27                  | —     | 3 (One of whom has retired)   |
| Audit & Supervisory Board members (excluding outside Audit & Supervisory Board members) | 20   | 20   | —                                      | —                             | —                   | —     | 1                             |
| Outside directors and outside Audit & Supervisory Board members                         | 78   | 72   | —                                      | —                             | 6                   | —     | 8 (One of whom has retired)   |
| Total   | 237  | 161  | 22                                     | 19                            | 33                  | —     | 12 (Two of whom have retired) |

Notes: 1. Amounts have been rounded down to the nearest unit.

2. Within the categories above, there are three directors who serve concurrently as executive officers (one of whom has retired).

3. Based on a resolution at the 15th Annual General Meeting of Shareholders held on June 17, 2015, one executive director and one outside director who retired at the closing of the 18th Annual General Meeting of Shareholders held on June 20, 2018, were paid retirement benefits of 33 million yen.

Compensation for executive officers as well as chief officers and senior officers in the Group Headquarters is comprised of a fixed compensation component as basic compensation, a bonus component based on the single

year's performance as short-term incentive compensation, and restricted stock compensation as medium- to long-term incentive compensation (introduced in fiscal 2018).

## Audit & Supervisory Board Members/Audit & Supervisory Board

Shinsei Bank's Audit & Supervisory Board is composed of one full-time member who has extensive business experience at the Bank and is knowledgeable in finance and accounting and two outside members, one of whom is an attorney and the other is a certified public accountant. By applying the expertise from their respective fields of specialization and their knowledge of corporate governance, the Audit & Supervisory Board, which is fully independent from the Board of Directors, engages in appropriate audits of the performance of the business execution of directors.

In addition, both outside Audit & Supervisory Board members are experienced as external directors of other companies, and, by drawing upon their experience, they are able to provide views with greater objectivity from a position of greater independence, resulting in enhanced effectiveness of the Audit & Supervisory Board's auditing activities. Audit & Supervisory Board members, in addition to personally conducting audit activities such as attending

key meetings, such as Executive Committee meetings, in addition to Board of Directors' meetings, review key documents and conduct interviews with directors, executive officers and accounting auditors, engage with internal control sections such as the Group Internal Audit Division and utilize staff of the Office of Audit & Supervisory Board Members to systematically and efficiently audit the state of the business execution of the entire Shinsei Bank Group, including the Bank as well as its subsidiaries.

### ■ Activities of Audit & Supervisory Board Members since Fiscal 2018 AGM<sup>1</sup>

|                                      | Board of Directors meetings | Audit & Supervisory Board meetings |
|--------------------------------------|-----------------------------|------------------------------------|
| Number of meetings held <sup>2</sup> | 6 times                     | 12 times                           |
| Attendance rate                      | 100%                        | 100%                               |

<sup>1</sup> AGM refers to the annual general meeting of shareholders.

<sup>2</sup> The total number of meetings held after the AGM in fiscal 2018

## Chief Officers/Senior Officers and Executive Officers

In order to ensure agile day-to-day business operations, business operations are split into basic units called "divisions," and under the direction of the Executive Directors led by the President and Chief Executive Officer, the 37 (as of June 19, 2019) executive officers, chief officers, and senior officers appointed by the Board of Directors are responsible for each division as executive officers in charge.

With regard to business functions, business unit heads and executive officers in charge of each division are appointed from among executive officers, and each divisions' executive officers in charge and their supervising executive officers in charge work to promote business with customers based on overall Group business strategies and management resource allocations devised by business unit heads.

We have consolidated indirect functions such as human resources and finance that had been located in each Group company within the Bank's Group Headquarters as much as possible under the Banking Act, the Companies

Act, and other laws and ordinances, and are working to increase the level of sophistication and productivity of operations on a consolidated basis under the responsibility of chief officers and senior officers who assist them.

In addition, as bodies that support the President and Chief Executive Officer in making decisions regarding the execution of business, the Bank has established a Group Executive Committee and an Executive Committee, both comprising Executive Directors, business unit heads, supervising executive officers in charge, chief officers, and others. In addition, by establishing various committees that handle technical matters as a complement to the Group Executive Committee and the Executive Committee, the Bank has put in place a framework for making decisions after adequate deliberation and verification based on the nature of the matter at hand.

Based on this framework, the Bank is strongly promoting Group integration in keeping with the Medium- to Long-Term Vision.

### ■ Overview of Group Executive Committee, Executive Committee and Other Important Committees

| Name   | Main Purpose   |
|--|--|
| Group Executive Committee                      | The President's decision-making body for day-to-day business execution at the Group level  |
| Executive Committee                            | The President's decision-making body for day-to-day business execution for Shinsei Bank, Limited   |
| Group ALM Committee                            | Negotiate, formulate policies and make decisions concerning medium- and long-term Asset and Liability Management   |
| Group Compliance Committee                     | Communicate, coordinate and make decisions on the Group's compliance posture and on matters relating to compliance   |
| Group Risk Policy Committee                    | Discuss the risk operation policy and management framework for the Group's portfolios, and the Group's approach to major portfolios, sectors, products and so forth                                    |
| Group IT Committee                             | Discuss, coordinate and make decisions on matters concerning the Group's information technology systems  |
| Group Business Continuity Management Committee | Discuss, coordinate and make decisions across divisions to advance reforms to the Group's business continuity structure  |
| Group Basel Committee                          | Discuss, coordinate and make resolutions on matters concerning regulatory capital, with a focus on Basel regulations   |
| Group Management Development Committee         | Discuss, coordinate and make decisions about the Group's HR system and related measures, etc.  |
| Group New Business/ Product Committee          | Conduct due diligence on each new business and service proposal across the Group and make decisions, and conduct due diligence on strategic investment proposals                                       |
| Doubtful Debt Committee                        | Promptly inform top management about significant bad debt exposure, and make decisions on write-offs and other matters concerning sale of debts, debt forgiveness and so forth                         |
| SME Loan Committee                             | Through discussions on the business policy and challenges for the entire institutional banking business, take initiative in bank-wide efforts to achieve SME loan goals set in the Revitalization Plan |

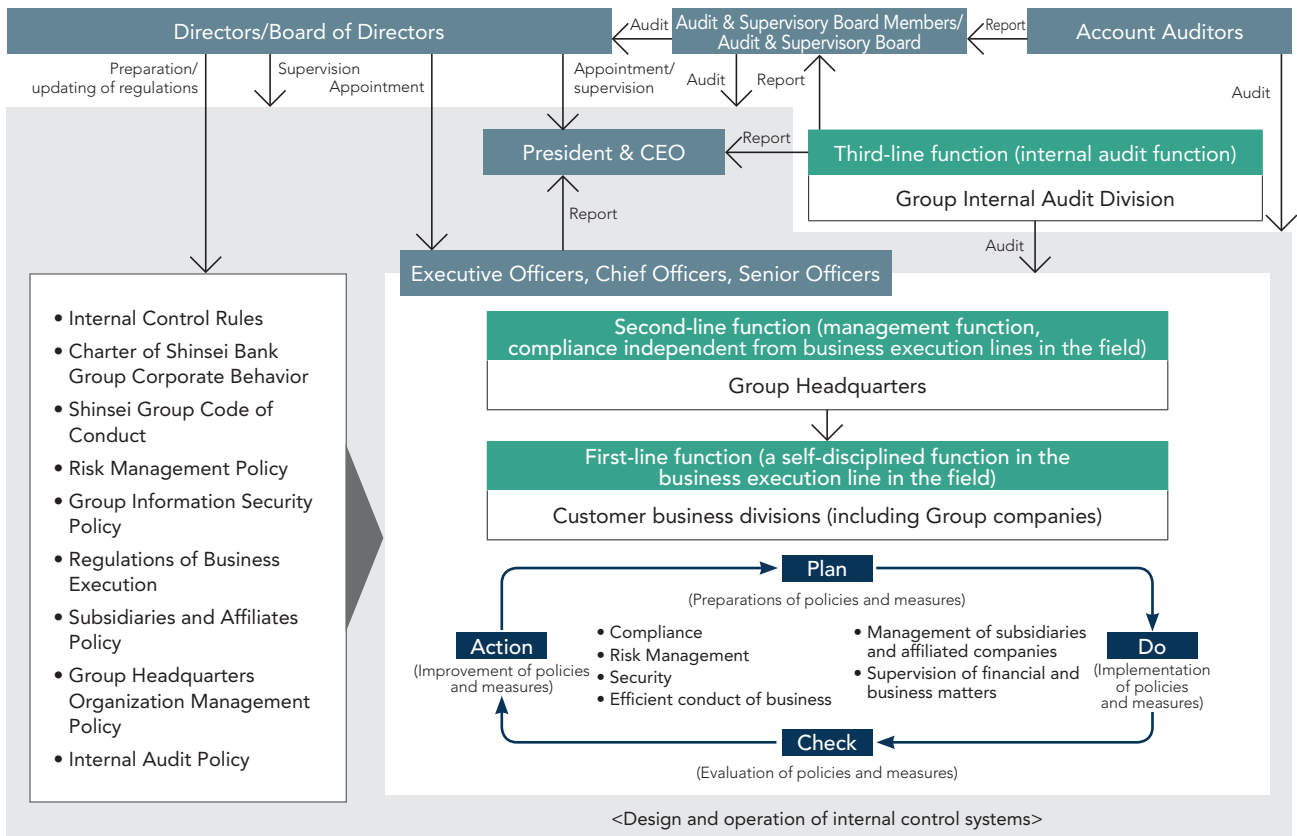
●●● Corporate Governance

### Internal Control

In order for corporate governance to function effectively, in addition to creating business execution oversight and decision-making frameworks around the Board of Directors, putting into place frameworks which facilitate the proper functioning of functions such as internal audits and compliance is also necessary. Additionally, the creation of internal control systems as required by the Corporation Act or internal controls that ensure the accuracy of financial reports as required by the Financial Instruments and Exchange Act is also a crucial element in a properly functioning corporate governance structure. While management is responsible for ensuring the implementation of such internal controls, the proper function of overall internal controls can be ensured by installing detailed internal control frameworks within the divisions executing business operations.

Shinsei Bank's basic policy governing its internal control systems has been put in place in order to ensure the propriety and efficiency of day-to-day operations and is defined in the "Internal Control Rules" determined by the Board of Directors, and, furthermore, the adequacy of its internal control systems is reviewed annually by the Board of Directors. The Internal Control Rules clearly state that (1) the internal control system has a self-disciplined function in the business execution line in the field (first-line); a management function, such as compliance independent from business execution lines (second-line); and an internal audit function independent from these functions (third-line); (2) the Board of Directors shall receive timely and appropriate reports from the second-line and third-line functions in order to grasp and deal with serious risks and problems appropriately, and

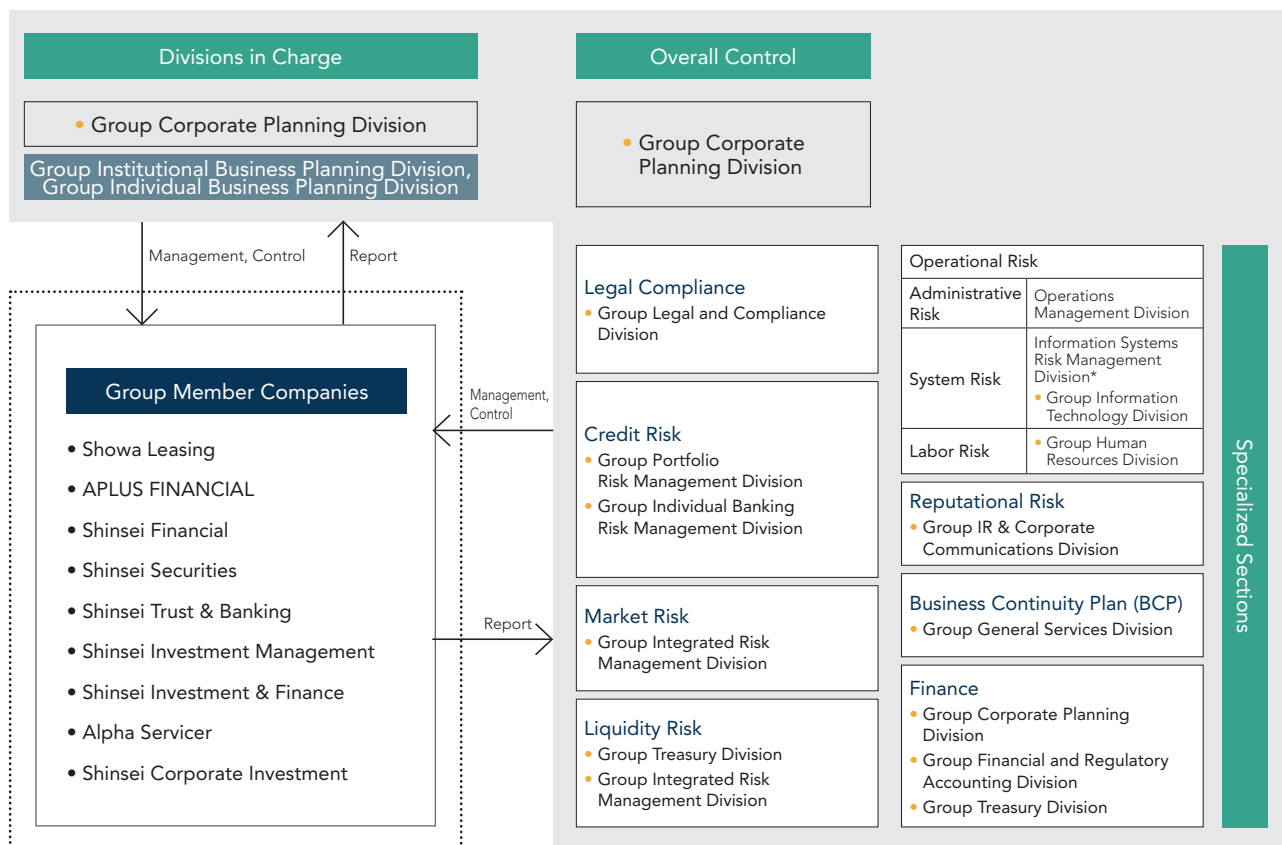
■ Internal Control Framework



shall periodically review the key policies and controls. Under this regulation, the Shinsei Bank Group Code of Conduct, Risk Management Policy, Group Information Security Policy, Regulations of Business Execution, Subsidiaries and Affiliates Policy, Group Headquarters Organization Management Policy and Internal Audit Policy are established as the underlying rules. In addition, by improving the system for ensuring the effectiveness of the audits by Audit & Supervisory Board members, we are striving to ensure the propriety, transparency and efficiency of operations throughout the entire Group, including subsidiaries. Furthermore, we are striving to create systems to sever relationships with anti-social forces and ensure the propriety of operations, including establishing the Charter of Shinsei Bank Group Corporate Behavior to cut off relationships with anti-social forces.

With regard to internal control over group companies, from April 2017, the indirect functions of Group companies have been consolidated at the Group Headquarters and managed centrally, and the departments in charge and specialized sections of the Group Headquarters work together to manage subsidiaries and affiliates. Under this system, matters related to business activities and internal management of subsidiaries and affiliates are regularly reported to the Group Executive Committee, and important matters related to the management of subsidiaries and affiliates are discussed at and reported to the Group Executive Committee. Through the development of this system, we will further enhance the management system of the entire Group, including subsidiaries and affiliates.

■ Group Internal Control Support Framework (as of June 19, 2019)



● Under Group Headquarters

\* The specialized sections of each risk area identify and measure the potential risks in cooperation with the controlling division (Group Integrated Risk Management Division).

## Corporate Governance

### Internal Audit

The Group Internal Audit Division (GIAD) of the Bank makes regular direct reports regarding the results of audits and the status of GIAD activities to the President and the Audit & Supervisory Board. The GIAD supports the President in his responsibility for controlling business execution, in particular for establishing an effective system of internal controls, and also supports the Audit & Supervisory Board in their responsibilities for audit and supervisory activities, in particular for monitoring the system governing internal controls and its operation. The GIAD provides independent and objective assessments of the effectiveness of risk management, control and governance processes, the reliability of information and information technology systems, and compliance with statutory, legal and regulatory requirements, as well as provides solutions to management.

The GIAD is independent of all organizations subject to internal audits, as well as being independent of day-to-day operational activities and control processes, including regular preventive and detective controls. The GIAD utilizes a risk-based audit approach and creates a comprehensive risk assessment by combining a macro-risk assessment, assessing risk from the perspective of the Banking Group as a whole, together with a micro-risk

assessment, assessing risk from an individual business level. Audit resources are prioritized to businesses or processes perceived to have relatively higher risk.

The GIAD has enhanced its off-site monitoring activities by attending key management meetings, reviewing internal control documents and holding regular meetings with senior management.

The GIAD also takes the initiative in developing internal auditors' expertise, in particular, strongly encouraging them to obtain professional certifications such as the Certified Internal Auditor and Certified Information Systems Auditor qualifications. While the GIAD pursues the development and introduction of new audit techniques, it also recognizes the importance of maintaining fundamental skills necessary to perform its audit-related duties.

The GIAD has integrated internal audit functions within the Bank and major subsidiaries, and conducts internal audit activities in an integrated manner across the Bank group. By receiving regular quality assessments carried out by a third party organization of group internal audit activities, we are able to identify opportunities for improvement from an objective viewpoint.

### Legal and Compliance Activities

#### Compliance Framework and Activities

The Group Compliance Committee established in the Group Headquarters, Group Legal and Compliance Division and compliance supervisors (general managers) and compliance managers assigned to divisions, branches and departments in key Group companies, including Shinsei Bank, constitute the main elements of the Shinsei Bank Group's compliance framework. The Group Compliance Committee, chaired by the Chief Officer of the Group Legal and Compliance Division, reports on and discusses the basic policy for the compliance framework spanning the entire Group as well as compliance-related issues.

There are compliance officers within the Group Legal and Compliance Division, and in addition to providing support and guidance for compliance promotion activi-

ties performed by compliance supervisors and compliance managers, these compliance officers prepare an annual Group compliance program, set rules, provide training, and so on.

#### Whistle-blower System

Shinsei Bank has established a compliance hotline system. Under this system, executives and employees of the Bank can report on violations of laws or ordinances, or matters in which there are suspicions of such violations. If a report is made, the matter is reported to senior management, a team is organized to investigate the issue, and necessary corrective and recovery measures are implemented. The Bank prohibits whistle-blowers from being subject to unfavorable treatment due to the fact that they made a report, and the Group Legal and Compliance Division later follows up to make sure that

the whistle-blower has not been treated unfavorably. Other group companies have also established similar internal whistle-blowing systems.

#### ■ Compliance Hotline

- Three Investigation Teams
  1. Group Legal and Compliance Division
  2. Full-Time Audit & Supervisory Board Member
  3. Outside Law Officer
- Information on the internal whistle-blower system is provided through internal rules and the Company's intranet

#### Measures against Money Laundering and Provision of the Financing of Terrorism

The Shinsei Bank Group has "Policy on Anti-Money Laundering and Countering the Financing of Terrorism" and has positioned combating money laundering and the provision of funds to terrorist organizations as one of the most critical issues for management, and works to establish a Group-wide framework for doing so. Using a risk-based approach, the Group is reducing risk by implementing individual measures to combat the Shinsei Bank Group's particular risks that have been identified and evaluated. In particular, in fiscal 2019, ahead of the 4th Round of Mutual Evaluations of Japan by the

Financial Action Task Force (FATF), the Shinsei Bank Group is working on measures to combat money laundering and the financing of terrorism under the leadership of senior management. Going forward, assessing the effectiveness of countermeasures and continuously reviewing efforts will be a top priority for the Group.

#### Legal Supervision

Violations of any laws and ordinances that the Bank and each Group company are required to abide by carries the risk of severe repercussions not only to our credibility and reputation as a financial institution, but to the credibility and functionality of the overall banking system itself. In the case of individual transactions, there exists a risk that we may become embroiled in a dispute and face unexpected claims for damages. Prevention and proper management of these legal risks are a crucial function within the day-to-day operations of today's banking groups. Shinsei Bank has established the Legal Department within its Group Legal and Compliance Division that presides over such legal affairs, including compliance with corporate and transactional laws, legal documentation and litigation supervision, and, through this specialized support, we work with legal officers in all Group companies and, on a Group basis, aim to prevent and manage any legal risk and support our compliance posture from a legal standpoint.

#### ■ Shinsei Bank Group Policy on Anti-Money Laundering and Countering the Financing of Terrorism

|   |   |
|---|---|
| 1. Risk assessment  | Specify and assess the risk of money laundering and financing of terrorism at each company based on the concept of the risk-based approach, while paying attention to laws, ordinances, and other rules in Japan and documents issued by the Financial Action Task Force (FATF), the Basel Committee on Banking Supervision, and other international organizations. Take risk mitigation measures that are appropriate for the risk being addressed.<br>Regularly examine the effectiveness of risk identification and assessment practices and risk mitigation measures and review them as needed. |
| 2. Customer identification and due diligence  | Conduct customer identification before entering into transactions pursuant to relevant laws and ordinances, practice proper customer due diligence, and endeavor to eliminate inappropriate transaction relationships with customers including those with antisocial forces.  |
| 3. Transaction monitoring, customer screening, and reporting of suspicious transactions | Give the authorities a suspicious transaction report immediately if a transaction is judged to fall under suspicious transactions based on an abnormality found in the customer identification process conducted before entering into a transaction or during transaction monitoring or customer screening or based on a report made by business promotion divisions/branches.  |
| 4. Targeted financial sanctions and asset-freezing measures                             | Eliminate transaction relationships with the parties that are subject to targeted financial sanctions and appropriately take asset-freezing and other measures pursuant to domestic and overseas regulations and so forth.  |
| 5. Management of customers with correspondent contract                                  | Appropriately collect information on customers who have entered into a correspondent contract with the Bank and assess their AML/CFT frameworks. Shinsei Bank and its customers who have entered into a correspondent contract with the Bank are prohibited from having transactions with shellbanks and from having transactions using through accounts with a strong level of anonymity.  |
| 6. Training for officers and employees  | Endeavor to provide guidance and training to officers and employees to deepen their knowledge and understanding of AML/CFT measures and to equip them with expertise and to ensure their suitability according to their roles.  |
| 7. Continuous improvement   | Regularly check the effectiveness of AML/CFT frameworks and endeavor to keep improving them based on the results of such checks.  |

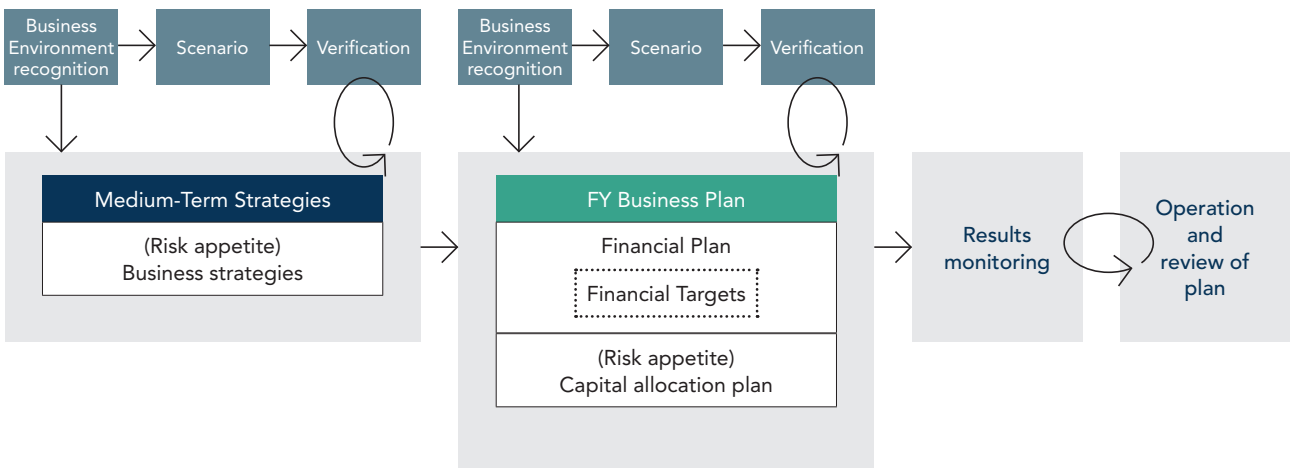
# Risk Governance

## Basic Approach

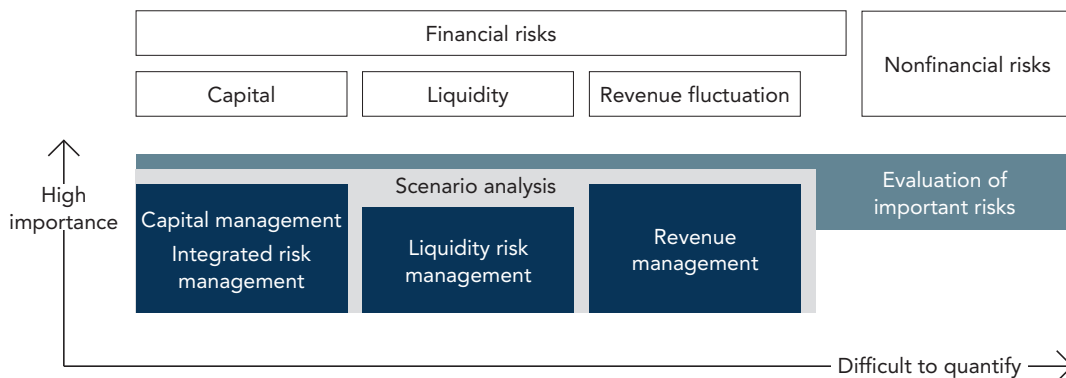
The Shinsei Bank Group handles business and risk management in an integrated manner by matching risk and return. In the process of formulating our annual management plan, we create a financial plan and a capital allocation plan by keeping consistency with one another, based on the risk appetite specified in each business strategy in the Medium-Term Strategies. The capital allocation plan quantifies risk appetite and allocates the required capital to each business line in order to achieve the financial plan. The Shinsei Bank Group has identified

the Common Equity Tier 1 Capital Ratio and ROE (return on equity) etc. as important financial targets in its business strategy, and the consistent framework between financial planning and risk appetite allows us to generate expected return by taking appropriate risk, which will result in improving financial targets through the integrated risk management and business management. This management philosophy based on risk appetite is commonly referred to as the "risk appetite framework."

### Conceptual Diagram of Integrated Management



### Overview of Integrated Management Functions



## Risk Appetite

The types and amounts of key risks are defined as “risk capital” in an integrated risk management method. Risk capital is the amount of risk measured for each of the risk categories: Credit risk, market risk, interest rate risk, and operational risk, and it is a performance indicator vis-à-vis the capital allocation plan. Risk capital by business line is monitored under the strict rules, and the progress of the management plan is managed from the viewpoint of risk appetite. If monitoring activity reveals a deviation from the original capital allocation plan due to changes in the business environment or other factors, we review the plan and/or the operational policy.

In addition, among risks that may emerge in the coming year, risks believed to have a significant impact on business are recognized based on discussions by senior management. This process also emphasizes the consid-

eration of nonfinancial risks that are difficult to quantify, along with other risks. In this process, we visualize trigger events, transmission mechanisms, and financial impacts to the maximum extent possible when determining business impacts. Currently, we identify various important risks including economic downturns, the rise in long-term interest rates, the entry of nonfinancial companies into the industry due to innovations in financial technologies, the risk of fraud in business processes, and the risk of destabilization of the foreign currency procurement environment. We will strive to monitor the signs of, as well as manage, these risks, and bolster our ability to respond in times of emergency. At the Shinsei Bank Group we established a risk policy committee as a consultative body to ensure an alignment between business strategy and risk appetite.

### ■ Important Risks

| Risk scenario   | Risk scenario details/impact  |
|---|---|
| 1. Decline in asset prices and increase in fund procurement costs due to a rise in long-term interest rates | A change in monetary policy caused by significant inflation resulting from protectionist moves triggered by U.S.-China trade friction.<br>An increase in credit costs and fund procurement costs in conjunction with falling real estate prices caused by a sharp rise in long-term interest rates following interest rate hikes. |
| 2. Entry of nonfinancial companies into the industry due to innovations in financial technologies           | Entry by players from other industries into the personal and SME loan market in association with the rise of FinTech and other new technologies.<br>A resulting decline in the Shinsei Bank Group's loan balance and lower profit margins due to competition over interest rates.   |
| 3. Risk of fraud in business processes  | Internal fraud, including fraud by subcontractors, external fraud (money laundering, cyberattacks, etc.), system failures, etc.<br>Associated penalties and administrative sanctions imposed by relevant authorities, as well as reputational damage, etc.  |
| 4. Risk of destabilization of the foreign currency procurement environment                                  | The foreign currency investment/procurement balance increasingly tilts towards excessive investment.<br>Instability and inefficiency of foreign currency procurement, including rising fund procurement costs in conjunction with financial market turmoil under such circumstances.  |

## Management Plan Verification

To ensure the validity of the management plan, our basic approach is to perform verification including scenario analyses, and conduct revisions as necessary. In scenario analyses, we create several scenarios such as an economic downturn, and estimate the revenue fluctuation risk, capital adequacy, and liquidity risk in each scenario. If, based on the analyses, we determine that the plan assumes excessive risk, or if there are doubts about its

feasibility, we review the plan. For nonfinancial risks, we attempt to link these to the management plan and perform the aforementioned important risk analyses during the plan formulation process. This requires close communication between the business management and risk management sections, and this communication is an important factor to integrate risk management and business management.



## Initiatives for Employees

The Shinsei Bank Group regards HR-related matters as one of the most important tasks for the growth of the organization. Therefore, we implement ongoing reviews of our existing systems and initiatives. In order to provide optimal value to our customers, the entire Group is working together across departments and groups to develop and utilize personnel and foster an organizational culture.

### The Shinsei Bank Group's Diversity & Inclusion



Hideyuki Kudo  
President and Chief  
Executive Officer

Shinsei Bank Group companies provide financial products and services to corporate and individual customers while collaborating under integrated management. We also conduct reviews of the Group's financial functions from the customer's point of view, and aim to create new businesses that extend beyond existing frameworks based on

customers' true needs. We call on our Group employees to free themselves from conventional concepts and ideas, to enjoy change, and to develop a mindset of respecting diversity and accepting things that are different. "Enjoying" change involves being open minded and adopting a positive approach to change, and proactively embracing your own efforts to respond to changes. At the same time, in order to create new, interesting, and unique things, the Group is working to create a structure whereby the Group is not simply a collection of individual companies, but one in which the various strengths of each company are brought together and the personnel underpinning these strengths work together organically while respecting one another's individuality.

### The Shinsei Bank Group's Personnel Strategy

The finance industry has entered a dynamic period of transformation due to the progress of digitalization, the utilization of data and AI, and other advancements, and the Shinsei Bank Group aims to be a financial innovator that provides innovative financial services by further refining our features and strengths. We believe that the key is for the personnel in each Group company to leverage their business platforms, product strengths, and development capabilities to maximize their capabilities. We want all personnel to enhance their level of expertise, while also bringing together their expertise at a high level, generate novel ideas, and proactively deliver new value to customers.

Starting in fiscal 2018, we began using a common performance evaluation system across the Group as a part of our efforts to bolster talent management. We are working to have all employees, regardless of which Group company they belong to, contribute even more value to the Group by maximizing their individual strengths and through the optimal utilization of personnel on a Group-wide basis in addition to helping employees develop their skills. Moreover, we aim to maximize group performance while creating new financial services as we integrate the Group's various financial functions.

### Promoting Diversity and the Active Participation of Women in the Workplace

In order to further promote diversity, in February, 2018, the Shinsei Bank Group established the Diversity Promotion Office within the Group Human Resources Division. We have positioned diverse work styles, promoting active participation of women in the workplace, utilization of seniors, etc., as important themes, and we are promoting measures related to these topics. As an

example, to help promote diverse work styles, in April 2018 we introduced a telecommuting system and also started allowing employees to engage in both side work and concurrent work. Allowing employees to engage in both side work and concurrent work received a great deal of attention as a cutting-edge initiative by domestic financial institutions, and was covered by large media

outlets. Leveraging this kind of framework allowing diverse work styles, we will consider hiring more outside talent, such as people with high levels of specialization.

Shinsei Bank President and Chief Executive Officer Hideyuki Kudo supports the “Declaration on Action by a Group of Male Leaders Who Will Create a Society in which Women Shine” advocated by the Cabinet Office. In February 2018, the Bank established the “Committee on Promoting the Role of Group Women in the Workplace,” and is developing a variety of career development systems to promote female employees in the workplace, including providing training opportunities. In fiscal 2020, the Bank aims to have a female manager (section leader-level or higher)<sup>1</sup> ratio of 17% (15.2% in fiscal 2019), and a female manager (section manager-level or higher)<sup>2</sup> ratio of 35% (31.6% in fiscal 2019).

(Note 1) Ranking of senior manager, deputy senior manager, or above

(Note 2) Ranking of manager or above

## Employee Health Initiatives

The Shinsei Bank Group is working to maintain and improve the health of its employees and create a safe and comfortable working environment by linking the activities of the Health Committee and industrial health, in accordance with laws related to occupational health and safety. We also use stress checks to understand the health risks of individual organizational units based on organizational analyses of each Group company, and take actions to improve them. Shinsei Bank has established a Health Development Center, which provides daily health management and health guidance. The Health Development Center is staffed with full-time industrial physicians.

### Work Style Reform Interview ①

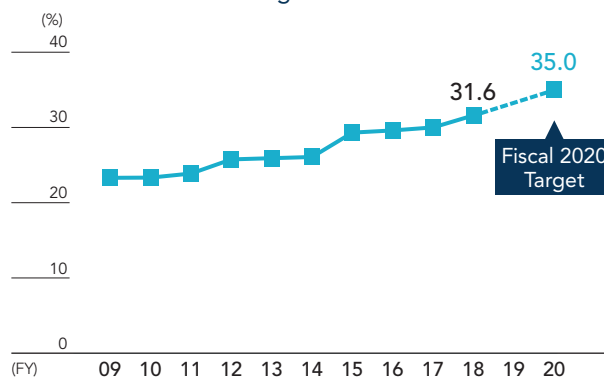
#### Side Work and Concurrent Work

Masahiro Tazawa  
Project Finance Division



In addition to my main work in the lending business at Shinsei Bank, I import and sell cashmere wool from Mongolia as a side business. When starting my side business, I made sure that it was the kind of business that would not hinder my main work and would be something that I could do without over-extending myself. I basically limit the time I spend on my side business to weekends and holidays. In creating a business plan for my side business, I meet and speak with a lot of people, and during this process my network grew to include people both outside and inside the Group that I previously had no connection with. This network, along with the various opinions I received from people, have been very useful to me in my main work in the Bank’s lending business as well. In addition, I think that by starting my own business and actually experiencing the difficulties that come with running a business first hand, I am able to better understand the customers I lend to and better serve them.

### Promoting Role of Women in Workplace, Trend in Female Manager Ratio



## Employment Initiatives for Persons with Disabilities

There are 88 people with disabilities working in various Shinsei Group workplaces (as of March 31, 2019), based on the idea that personnel with diverse values should be able to harness their individuality and work together in the same workplaces, rather than separating from each other people with disabilities and those without disabilities. In order to maintain a working environment and systems whereby people with disabilities can work with peace of mind for many years, and in order to expand opportunities for continuous active participation based on the circumstances of each individual, the Bank assigns such employees to workplaces in accordance with their individual characteristics.

## ●●● Initiatives for Employees

### ■ List of Shinsei Bank's work-style reform-related programs

| System                    | Details   |
|---------------------------|---|
| Self-Directed Flex-Time   | Allows employees to start or finish work 30 minutes or one hour earlier or later than the normal starting or ending times   |
| Work from Home            | Allows employees to work from their home or a relative's (within two degrees of kinship) home, up to a maximum of two days per week   |
| Side Work/Concurrent Work | Allows employees to concurrently engage in personal business (outsourcing, business start-up, company executive, etc.) or work concurrently for another company                             |
| Half-Day Paid Time Off    | Allows employees to take time off in half-day increments during designated hours in the morning or afternoon  |
| Hourly Paid Time Off      | Allows employees to take time off in one-hour increments, up to five days per year (in combination with above half-day paid time off)   |
| Life Support Leave        | Allows employees to take a leave of absence for reasons including childcare, family care, study abroad, fertility treatment, spouse work transfer, etc., not covered by existing frameworks |
| Maternity Leave           | Female employees can take leave from 6 weeks prior to childbirth to 8 weeks after childbirth  |
| Childcare Leave           | Employees can take leave up until their child reaches the age of two at a maximum   |
| Family Care Leave         | In principle, employees can take up to a total of one year (365 days) off to care for each family member who requires care  |

(Note) Only employees satisfying certain conditions are eligible to take the systems noted above.

## Work-Style Design – Office Space Reform

In April 2017, the Shinsei Bank Group integrated the indirect functions of Group companies, established a virtual Group headquarters, and consolidated all employees engaged in indirect functions at Group companies in the Nihonbashi Office. In fiscal 2019, in order to further promote Group integration on the business side, we will consolidate the formerly decentralized Tokyo metropolitan area offices of Group companies into functional units transcending the bounds of legal entities. In addition to workplace strategies and securing work space, such as introducing ABW (Activity Based Working)<sup>1</sup> in areas where institutional business departments are gathered, we have launched a project to promote the redesigning of office environments and working styles, including switching to mobile PCs, adding Wi-Fi in offices, and enhancing the IT environment to facilitate paperless meetings etc., along with other initiatives.

### ■ Reducing the Volume of Paper Documents Stored at the Nihonbashi and Meguro Offices to Facilitate More Efficient Use of Space

As part of efforts to reduce the volume of stored paper documents, reduction targets have been set for each department. We achieved the goal of reducing the volume of paper documents stored per person to 1.5fm (file meters). The volume of documents was reduced by 2,714fm in total, which is 2,642 meters when converted to height. This is more than four times the height of Tokyo Skytree. Reducing the amount of space used for document storage allowed office space to be used more effectively.



A PDF file certificate was awarded to departments that achieved significant reductions in the volume of stored paper documents

(Note 1) A work style that allows choice in such things as location of work and desk to match the type of work being performed.

### Work Style Reform Interview ②

#### Assigning Senior Personnel

Mitsumasa Sugiyama  
Retail Sales & Support Division



My current job involves arranging general affairs matters within my division; handling inquiries, including inquiries from retail branches concerning personnel matters; and coordinating with related divisions. For 45 years, I was helped along by others at the Long-Term Credit Bank of Japan and then Shinsei Bank. I wanted to return the favor, even if just a little, while other staff members still see me as someone they can depend on. I think that smiles, communication, and handshakes are important. In talking with staff, I try to understand what they are feeling, and talk to them about my experiences and about how to stay motivated. I tell people to take all work seriously, and that what is important is to figure out ways to enjoy the work you're given and to make progress one step at a time with a positive attitude. In order for senior personnel to contribute, what is important is that others rely on us without viewing our age as an issue.

# ●●● Initiatives for Customers

## Customer-Oriented Business Conduct

As a guideline for conducting business operations with top priority on customers' "best interests," the Bank established the "Policy on Customer-Oriented Business Conduct" (hereinafter referred to as the "Policy") and an "Action Plan" to put this Policy into practice. Each Shinsei Bank Group company and all executives and employees of the Group have reaffirmed the importance of "Pursuing customer-oriented business conduct and

contributing to our customers' asset formation," and by firmly committing to customer-oriented business operations, we will contribute to the sustainable growth and development of society and the economy.

For additional details, please refer to Shinsei Bank's website.

▶ <https://www.shinseibank.com/fiduciaryduty.html>

### ■ Shinsei Bank Group Companies that Have Established and Announced a Policy



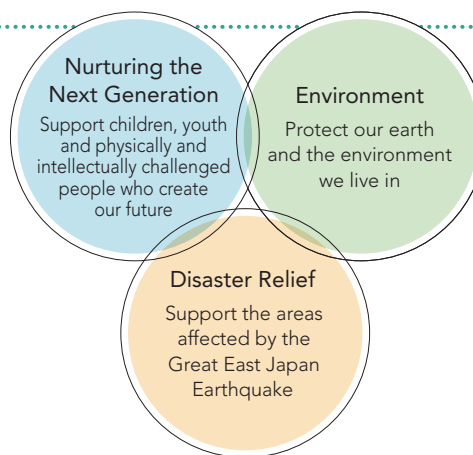
### ■ The Policy and Actions

| Policy   | Actions   |
|--|---|
| Implementation of the Policy on Customer-Oriented Business Conduct | Monthly PDCA (Plan-Do-Check-Action) meetings were held among members of divisions including planning, sales, product management and compliance in the retail asset management business regarding customer-oriented business conducts. Status of the action plan for fiscal 2018 has been announced.   |
| The Best Interests of the Customers                                | We have reviewed operation rules and advisory tools in asset management and consulting services to provide the services suitable for each customer. Asset management products and services have been enhanced and consulting services with video conference system have been introduced in some branches to fulfill the customers' various needs.   |
| Appropriate Management of Conflicts of Interest                    | 31 new products and services were screened and checked for conflicts of interest in the committee. All products and services have been reviewed semi-annually, and also checked changes in market value, status of complaints and its follow-ups in addition to conflicts of interest.  |
| Transparency of Expense and Fee Structures                         | We renewed our website on mutual fund products for customers to easily compare fees with those of other mutual funds. Internal training program has been enhanced to explain fee structures to the customers in easily understandable ways.   |
| Providing Important Information in Easily Understandable Ways      | Advisory tools in asset management consultation was revised and Money Plan Guide has been developed to provide information on life planning and asset formation of customers. We have provided information about structure, risks and fees of mutual funds and also introduced Mutual Fund Lineup as a tool for customers to compare and select mutual funds.   |
| Providing Services Suitable for Each Customer                      | We have monitored to see if products and services we advised have been good matches for customers' asset management experiences, assets, investment purpose and life plan as well as economic rationality. Monitoring results have been fed backed to employees to improve quality of the services. Particularly, transactions of elderly customers have been continuously monitored as to whether appropriate advice has been made and customers could properly understand.  |
| Frameworks for Appropriate Motivation of Employees                 | Increase in asset under management and the results of customer satisfaction survey were added to the performance evaluation of branches to ensure that employees could deeply understand customer-oriented business conduct. We also reviewed evaluation frameworks and items in order to encourage employees to act in the best interests of customers. Internal training programs including inheritance, real estate investment and tax in addition to customer-oriented business conduct policy were held for appropriate consulting services for customers. |

# Social Initiatives

## Our Approach

As a corporate group that provides financial services to society, the Shinsei Bank Group is aware that the healthy development of society is the foundation for the Group's continued existence. As such, we actively promote Corporate Philanthropic Initiatives as part of our commitment to acting as a responsible corporate citizen and contributing to the development of a sustainable society. The Shinsei Bank Group promotes employee-driven philanthropic activities, whereby approximately 330 employees throughout the entire Group participated in 33 activities in fiscal 2018 (ended March 31, 2019).



## “MoneyConnection®” Financial Literacy Program

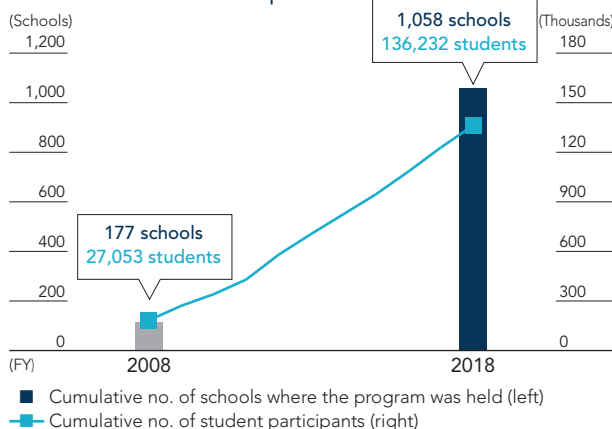
In cooperation with Sodateage.net, an authorized specified nonprofit organization, the Shinsei Bank Group holds “MoneyConnection®,” a financial literacy program that aims to help younger people avoid situations where they are not in employment, education or training (NEET).

This program was developed with the understanding that “a lack of accurate knowledge regarding money and a lack of monetary sense” is one of the reasons that people lapse into a NEET situation. We offer this program with the goal of providing opportunities, mainly to high school students, who are facing the first big choice in their lives regarding their future paths to enable them to consider work, monetary aspects, and the future. Employees are able to participate as class supporters at high schools, and through the pre-program orientation where they learn about the background of the program and about the situation facing youths. In addition, through their interactions with students in the classroom, employees are able to learn about how the risk of young people lapsing into NEET situations, which has a big impact on society, is a social issue that ought to be addressed.

Since this unique program that connects youth with society was launched in 2007, the program has expanded to cover 37 prefectures. The Shinsei Bank Group will continue to proactively support the program, so that even more students have an opportunity to take the course.



■ No. of Schools Where the Program Was Held  
■ No. of Student Participants



## Post-quake Recovery Support Activities in the Tohoku Region of Japan

Soon after the Great East Japan Earthquake, Shinsei Bank Group employees began and have continued to provide support to local communities in various ways. These include traveling to the region to provide support, collecting internal donations and opening a stall within the Bank to sell food and supplies made at businesses that support the employment of handicapped individuals in Miyagi Prefecture.

Although the ways in which employees have connected with the affected region have continued to change

over time, our employees have continued to work to understand the current situation and to place importance on empathy while continuing to provide the kind of support that is required at each particular point in time.



Stall within the Bank

# ●●● For Shareholders and Investors

## Fiscal 2018 IR/SR Strategy

1. Create environment for the CEO to engage in constructive dialogue with the market
2. Issue Integrated Report and proactively utilize this in dialogue with the market
3. Create environment to facilitate the utilization of IR/SR/ESG information as management information
4. Promote mutual communication between investors/analysts and the company from only feedback from them
5. Enhance communication with those in charge of exercising voting rights and those charged with the responsibility of shareholder stewardship

### ■ IR Activities (Fiscal 2018 Results)

|  |                     |
|--|---------------------|
| Individual meetings (including individual meetings at conferences)   | 208 (127 companies) |
| Participation in conferences held by securities companies (Total of domestic and overseas)                             | 5 times             |
| Financial results briefings and telephone conferences  | 8 times             |
| Number of participants at financial briefing session (including live streaming)  | More than 280       |
| Dialogue with directors, executive officers and managers by market participants and experts                            | 3 times             |
| IR activity reporting at Board of Directors' meetings, Group Executive Committee meetings and General Manager meetings | 5 times             |

### ■ Top Management's Commitment to IR (Number of IR Meetings in Fiscal 2018)

| CEO | Executive Officers | IR/SR Officers | Total |
|-----|--------------------|----------------|-------|
| 58  | 79                 | 71             | 208   |
| 28% | 38%                | 34%            | 100%  |

## FY2018 Achievements and Issues

The number of repeated meetings between the CEO and the same investors declined while the number of meetings with executive officers remained at the same level of last fiscal year. The number of meetings with IR representatives declined due primarily to reduction of research costs for investors since the introduction of MiFID2 and a decline in appetite for Japanese financial stocks. In fiscal 2019 we plan to focus on cultivating new investors by refining our targeting methodology.

We commenced full-fledged engagement by the CEO and executive officers in charge of IR with proxy voting advisory firms and the responsible investment officers of domestic institutional investors. In fiscal 2019, we aim to strengthen the framework for engagement meetings with investors and analysts.

We issued our first Integrated Report and the CEO conducted an Integrated Report Roadshow both in Japan and overseas. Our Integrated Report was selected as an "Excellent Integrated Report" by asset managers of GPIF (Government Pension Investment Fund) who are entrusted with domestic equity investment.

Feedback of IR information to employees of the Group has been enhanced in addition of reporting to the management. For example, we issued IR reports for the employees, and organized seminars on ESG by the subject matter experts and market valuation of the Group by the market participants. Through the dialogue with investors about ESG, we will make more efforts on supporting each business line to resolve social issues.

## Formulation of Group ESG Management Policy

The Company formulated a "Group ESG Management Policy" which clarifies the basic concepts and direction of the Shinsei Bank Group's efforts to address environmental and social issues. In addition to our basic approach to corporate governance, social issues, and

environmental issues, the Policy also clearly defines our approach to investment and financing in both ESG and specific businesses (please refer to page 46 for the "Group ESG Management Policy").

▶ <https://www.shinseibank.com/corporate/en/esg/>

### Feature: IR/SR Seminars for the Management Given Market Participants and Experts

We initiated numerous events to receive direct feedback from the market, as a part of measures to utilize IR, SR and ESG information as an important management tool and also to promote on an exchange of information and dialogue based on feedback from investors and analysts. For instance, a buy-side analyst discussed with the Board of Directors about integration of ESG and investment, and a subject matter expert illustrated new trends in disclosing nonfinancial information in the medium-term management plan at the presentation to the executives. Furthermore, a sell-side analyst provided the managers with a market view on the Group. We will continue to create opportunities to directly provide the Group with opinions of the capital market and encourage to make the most of IR, SR and ESG information for the Group's management.

# Environmental Initiatives

## The Shinsei Bank Group's Renewable Energy Initiatives

Since 2012, Shinsei Bank has been accumulating know-how about deal origination, risk management and other matters through the provision of financing for renewable energy projects involving solar power, wind power, biomass and geothermal energy and has been expanding the base of domestic project financing investors as well as promoting syndication with regional financial institutions. As we enhance our efforts to diversify power sources, in fiscal 2018 we financed a wind power project in Ishikawa Prefecture and an offshore wind power project in the United Kingdom. As of March 31, 2019, wind power accounts for approximately 8% of the approximately ¥260 billion total balance of domestic project finance (including committed amounts), and 21% of the approximately ¥170 billion total balance of overseas project finance (including committed amounts).

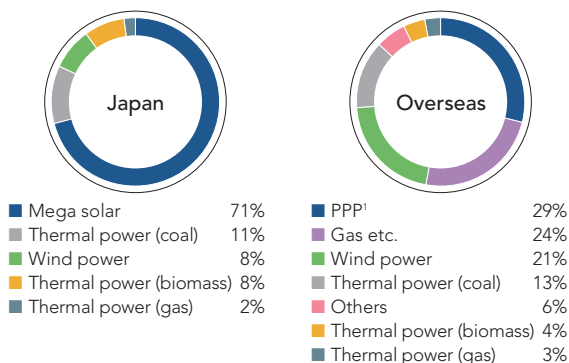
As a market leader in domestic renewable energy projects, the Shinsei Bank Group will continue to contribute to the development of the renewable energy market in Japan and to solve environmental and energy issues through the renewable energy business using diverse power sources.

Under the Group ESG Management Policy, the Shinsei Bank Group prohibits new investment and lending to coal-fired thermal power plants, in principle. However, in the case of ultra-supercritical pressure coal-fired thermal power plants or power plants with the same or higher

levels of efficiency, a careful assessment of many factors is made. This assessment includes the power generation efficiency of the power plant in question, as well as technologies used to reduce greenhouse gas emissions, and other considerations pertaining to each individual power plant, with reference to guidelines such as the OECD Arrangement on Officially Supported Export Credits, and in full consideration of the situation in each country and international conditions relating to coal-fired thermal power plants (please refer to Page 46 for the "Group ESG Management Policy").

### Project Finance

Balance: project type, includes commitment basis  
(as of the end of March 2019)



1 Public Private Partnership  
2 Finance to LNG related facilities and receiving terminal etc.

## Business Model Addressing Societal Needs by Promoting Reuse

Harnessing its expertise and corporate network cultivated through the leasing business, Showa Leasing is focusing on its business as a broker-dealer buying and selling used equipment. Tozai Boeki Co., Ltd., which became a wholly-owned subsidiary of Showa Leasing in November 2015, holds three parade auctions a year, where participants bid on used construction machines that are driven out and auctioned in front of bidders one at a time. Many buyers from developing countries come to these auctions, and the Japanese-made construction machinery auctioned off are exported overseas where they support infrastructure-building in emerging markets

including China and other countries in Southeast Asia. In fiscal 2018, the transaction value totaled ¥6.7 billion (up 10% from the previous fiscal year), and the transaction value has been on the rise in recent years. Going forward, the Shinsei Bank Group will continue to promote the reuse of well-maintained used Japanese-made machinery that meets environmental standards.



Construction machines destined for overseas export

## Reverse Mortgages for Seniors

### —Curbing the Rise in Unoccupied Homes by Helping People Stay in their Homes for their Entire Life

APLUS, a subsidiary of APLUS FINANCIAL, has been offering pre-owned housing purchase/resale loans to

real estate operators since 2017. This initiative provides financing to real estate operators for purchasing

pre-owned housing, renovation work, as well as various other expenses, thereby helping to raise the value of pre-owned homes through renovation and invigorate the market. This program contributes to the revitalization of the market for pre-owned homes, primarily targeting young people and families with children.

In addition, with the rapidly declining birthrate and aging population, there is also a need to provide financial support to allow elderly people to continue to have fulfilling lives independently in their homes for the rest of their life. In 2018, we started offering reverse mortgages to seniors with the aim of helping seniors over the age of 60 who own their own home but are struggling to

pay bills due to a decline in income and other factors in order for them to continue to stay in their home with peace of mind and continue to have a fulfilling life. Using their homes as collateral, reverse mortgages help people stay in high-quality “final abodes” that allow them to live a safe, healthy, and comfortable life by providing mortgage refinancing or renovation funds for the rest of their life. As a result, reverse mortgages also help curb the increase in unoccupied homes.

Through these initiatives, the Shinsei Bank Group is providing solutions to help address the low birthrate and aging population as well as the associated problem of the rise in the number of unoccupied homes.

## Addressing the Plastic Problem through Investment

### —Supporting a Company Developing Material as a Plastic Alternative

With environmental pollution from ocean plastics and other waste having become a global problem, the Shinsei Bank Group made an investment in TBM Co., Ltd., a Japanese venture company that develops, produces, and sells LIMEX, a new material made primarily from limestone. LIMEX is drawing attention as a material that is both eco-friendly and economical. Using LIMEX, which employs a very limited amount of petroleum-based material, as an alternative to plastic, will allow for manufacturing costs to be reduced going forward, while limestone, the raw material for LIMEX, is abundant in Japan, with a self-sufficiency ratio exceeding 100% and there are no concerns about depletion.

TBM is accelerating its efforts to contribute to the transition to a sustainable circular economy. Examples include upcycling recyclable LIMEX as a more valuable plastic alternative and developing and spreading the use of biodegradable LIMEX. In addition to expecting returns on this investment, the Shinsei Bank Group will support TBM's initiatives to help realize a sustainable society via financing and business matching.



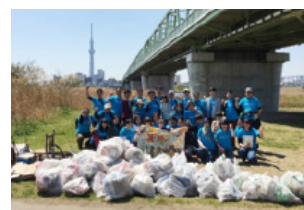
LIMEX, an alternative to plastic

## Participating in Arakawa Clean Aid to Address the Plastic Problem

### —Raising Employees' Awareness of Environmental Problems and Contributing to the Local Community

The Shinsei Bank Group has been participating in the Arakawa Clean Aid program run by the Arakawa Clean Aid Forum, an NPO, since 2009. More than 380 people in total have participated in waste pickup surveys in the Arakawa River riverbed to check the amount and types of waste. The most prevalent types of scattered waste on the Arakawa River are plastic waste, including plastic beverage bottles, plastic food bags, and plastic containers. Even after cleaning up the waste, new waste floats ashore again and starts to accumulate in about a month. It is said that 50-80% of the waste in the ocean comes from land, and participants in the program learn through firsthand experience that a large amount of waste is flowing out from Tokyo Bay and into the ocean, and also

learn that collecting it before it gets to the ocean is critical because plastic waste left in the riverbed is degraded by ultraviolet light as well as the wind and waves, and eventually becomes microplastic which is even harder to recover. In addition to raising the environmental awareness of employees, this program also provides an opportunity to recognize that we are responsible for solving environmental problems as a member of the local community.



Arakawa Clean Aid participants and the waste they collected