

Management Structure

Directors and Executives	38
Organization	40
Corporate Governance	41
Risk Management	46
Human Resources and Corporate Social Responsibility (CSR)	54

DIRECTORS AND EXECUTIVES

As of July 1, 2013

BOARD OF DIRECTORS (6)



Shigeki Toma
Representative Director,
President

Jun. 2010 Representative Director, President, Shinsei Bank, Limited (Current)
May 2010 Advisor, Shinsei Bank, Limited
Jun. 2007 Director, Isuzu Motors Limited
Nov. 2002 Executive Vice President and Director, Isuzu Motors Limited
Apr. 2002 Managing Executive Officer, Mizuho Corporate Bank, Ltd.
May 2001 Managing Executive Officer, The Dai-ichi Kangyo Bank, Ltd.
Jun. 2000 Executive Officer, The Dai-ichi Kangyo Bank, Ltd.
Apr. 1972 Joined The Dai-ichi Kangyo Bank, Ltd. (Predecessor of Mizuho Bank, Ltd. and Mizuho Corporate Bank, Ltd.)



Yukio Nakamura
Representative Director,
Deputy President

Apr. 2013 Representative Director, Deputy President, Chief of Staff, Head of Corporate Staff Group (Current)
Jun. 2010 Representative Director, Senior Managing Executive Officer, Head of Risk Management Group, Chief Risk Officer, Shinsei Bank, Limited
Oct. 2009 Managing Executive Officer, Executive Head of Institutional Business Sub-Group, Shinsei Bank, Limited
Jun. 2008 Statutory Executive Officer, Executive Head of Institutional Business Sub-Group, Shinsei Bank, Limited
Apr. 2007 General Manager, Risk Management Planning and Policy Division, Portfolio and Risk Management Division, Operational Risk Management Division, Shinsei Bank, Limited
Oct. 2000 General Manager, Risk Management Planning and Policy Division, Portfolio and Risk Management Division, Shinsei Bank, Limited
Apr. 1978 Joined The Long-Term Credit Bank of Japan, Ltd. (Predecessor of Shinsei Bank, Limited)



J. Christopher Flowers*1
Director,
Managing Director and
Chief Executive Officer,
J. C. Flowers & Co. LLC

May 2012 Member of the Supervisory Board, NIBC Holding N.V. (Current)
Sep. 2008 Chairman and Director, Flowers National Bank (Current)
Aug. 2007 Member of the Advisory Board, The Kessler Group (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*1,3
Director,
Chairman and Chief Executive Officer,
Higa Industries Co., Ltd.

Apr. 2011 Trustee, Japan Association of Corporate Executives (Current)
Mar. 2011 Chief Executive Officer, Wendy's Japan (Current)
Jun. 2010 Director, JC Comsa Corporation (Current)
Feb. 2010 Chairman and Chief Executive Officer, Higa Industries Co., Ltd. (Current)
May 2009 Board of Overseers, The Columbia Business School (Current)
Apr. 2008 Board Member, New Business Conference (Current)
Apr. 1983 President and Chief Executive Officer, Higa Industries Co., Ltd.
Apr. 1976 Joined Higa Industries Co., Ltd.



Shigeru Kani*1,3
Director,
Former Director, Administration Department,
The Bank of Japan, Professor,
Yokohama College of Commerce

Apr. 2006 Professor, Yokohama College of Commerce (Current)
Jun. 2004 Director, Shinsei Bank, Limited (Current)
Apr. 2002 Advisor, NEC Corporation
May 1999 Executive Managing Director, Tokyo Stock Exchange, Inc.
May 1996 Director, Administration Department, The Bank of Japan
May 1992 Executive Advisor and Senior Advisor to the Chairman, The Tokyo International Financial Futures Exchange (Predecessor of Tokyo Financial Exchange Inc.)
Apr. 1966 Joined The Bank of Japan



Jun Makihara*1,3
Director,
Chairman of the Board,
Neoteny Co., Ltd.

Jun. 2011 Director, Shinsei Bank, Limited (Current)
Jun. 2006 Director, Monex Group, Inc. (Current)
Mar. 2005 Director, RHJ International SA (Current)
Jul. 2000 Chairman of the Board, Neoteny Co., Ltd. (Current)
Nov. 1996 Co-Head of the Equities Division and Co-Branch Manager, Goldman Sachs Japan Ltd.
Nov. 1992 Partner, Goldman Sachs & Co.
Sep. 1981 Joined Goldman Sachs & Co.

STATUTORY AUDITORS (3)



Shinya Nagata
Standing Statutory Auditor

Jun. 2012 Standing Statutory Auditor, 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, 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)



Kozue Shiga*2,3
Statutory Auditor
Lawyer

Jun. 2010 Statutory Auditor, Shinsei Bank, Limited (Current)
Sep. 2009 Director, Toyoko Inn Co., Ltd. (Current)
Apr. 2007 Statutory Auditor, Tokushu Tokai Holdings Co., Ltd. (Predecessor of Tokushu Tokai Paper Co., Ltd.) (Current)
Oct. 2005 Partner, Shiraishi & Partners (Current)
Jun. 2002 Partner, Son Sogo Law Office
Aug. 1999 Established Shiga Law Office
Apr. 1998 Registered Daiichi Tokyo Bar Association
Apr. 1993 Prosecutor, Yokohama District Public Prosecutors' Office
Nov. 1967 Joined Japan Airlines Corporation



Tatsuya Tamura*2,3
Statutory Auditor
Former Executive Director,
The Bank of Japan, and President,
Global Management Institute, Inc.

Jun. 2010 Statutory Auditor, Shinsei Bank, Limited (Current)
Jun. 2008 Director, Autobacs Seven Co., Ltd. (Current)
Mar. 2003 Chairman, Japan Independent Directors Network (Predecessor of Japan Corporate Governance Network) (Current)
May 2002 President, Global Management Institute Inc. (Current)
Apr. 1996 Chairman, A.T. Kearney
Jan. 1992 Executive Director, The Bank of Japan
Apr. 1961 Joined The Bank of Japan

Fiscal Year 2012 Board of Directors meetings

Meetings: 6 Attendance: 100%

Fiscal Year 2012 Board of Statutory Auditors meetings

Meetings: 12 Attendance: 100%

*1 Outside Directors

*2 Outside Statutory Auditors

*3 "Independent director statement" (dokuritsu-yakuin todokede-sho) submitted to Tokyo Stock Exchange Inc.

EXECUTIVE OFFICERS (22)



Shigeki Toma
Representative Director, President,
Chief Executive Officer



Yukio Nakamura
Representative Director,
Deputy President, Chief of Staff,
Head of Corporate Staff Group,
General Manager,
Office of Financing Facilitation
Management



Sanjeev Gupta
Senior Managing Executive Officer,
Head of Individual Group



Michiyuki Okano
Senior Managing Executive Officer,
Group Chief Information Officer,
Head of Banking Infrastructure
Group



Hitomi Sato
Senior Managing Executive Officer,
Head of Institutional Group,
General Manager,
VBI Promotion Division



Shigeru Tsukamoto
Senior Managing Executive Officer,
Chief Financial Officer,
Head of Finance Group,
Head of Treasury Sub-Group



Norio Funayama
Managing Executive Officer,
Executive Officer in charge of
Institutional Business,
General Manager, Osaka Branch



Yoshiaki Kozano
Managing Executive Officer,
Head of Principal Transactions
Sub-Group



Hideyuki Kudo
Managing Executive Officer,
Chief Risk Officer,
Head of Risk Management Group



Toru Myochin
Managing Executive Officer,
Executive Officer in charge of
Institutional Business,
General Manager,
Healthcare Finance Division



Hironobu Satou
Managing Executive Officer,
Head of Global Markets Group



Shinichirou Seto
Managing Executive Officer,
Executive Officer in charge of
Institutional Business,
Head of Institutional
Business Sub-Group,
General Manager,
Institutional Business Division



Masashi Yamashita
Managing Executive Officer,
Deputy Head of Individual Group,
Head of Consumer Finance Sub-Group



Akira Hirasawa
Executive Officer,
General Manager,
Portfolio and Risk
Management Division



Yasunobu Kawazoe
Executive Officer,
General Manager,
Institutional Credit
Management Division



Satoshi Koiso
Executive Officer,
General Manager,
Corporate Planning Division



Takahisa Komoda
Executive Officer,
General Manager,
Human Resources Division



Takako Masai
Executive Officer,
Head of Markets Research Department,
Markets Sub-Group



Yuji Matsuura
Executive Officer,
Head of Markets Sub-Group



Nozomi Moue
Executive Officer,
General Manager,
Structured Risk Management Division



Masayuki Nankouin
Executive Officer,
Head of Financial Control and
Accounting Sub-Group



Eiji Shibazaki
Executive Officer,
Head of Financial Institutions
Sub-Group

ORGANIZATION

As of July 1, 2013

Financial Highlights

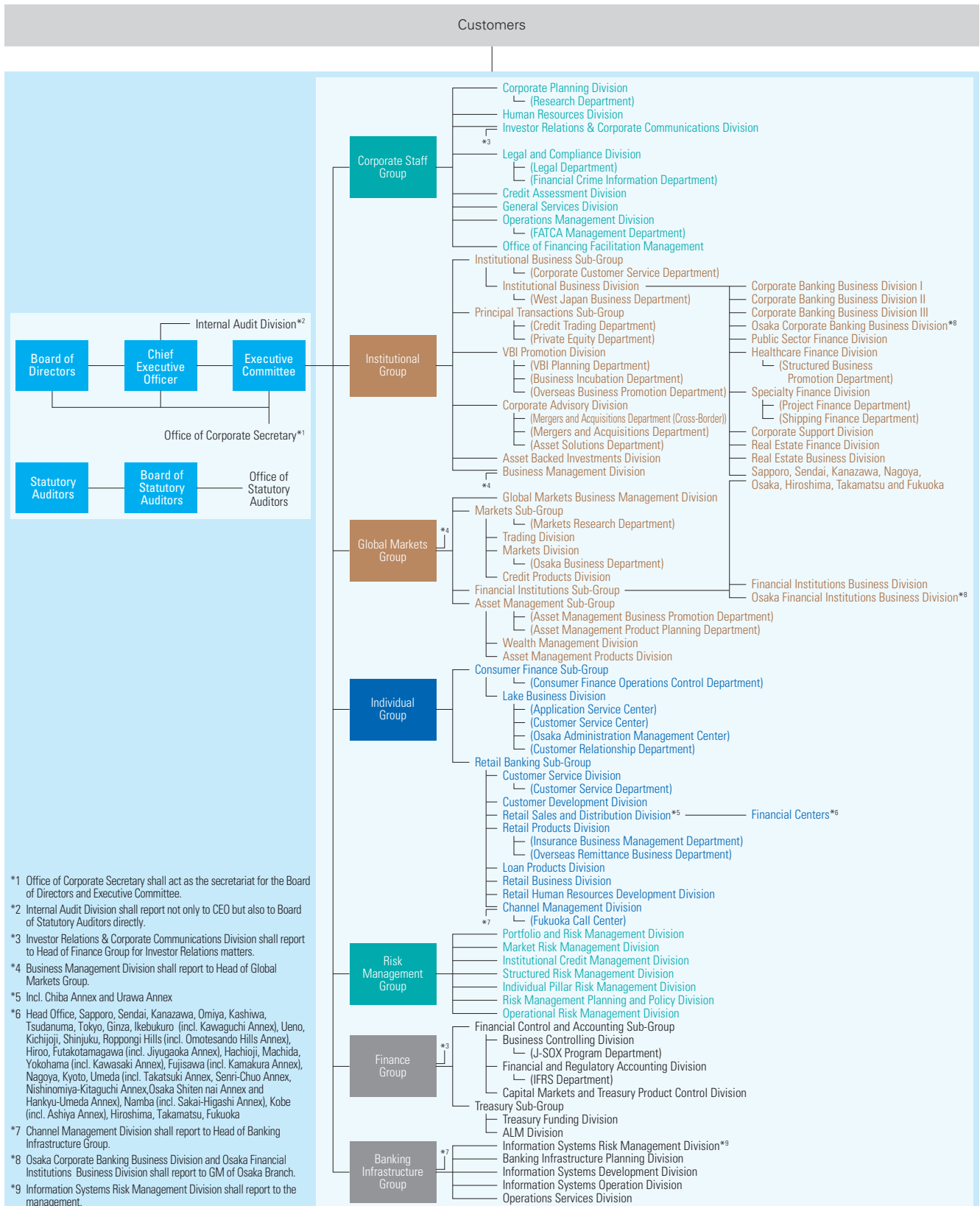
Message from the Management

Special Feature

Review of Operations

Management Structure
Organization

Data Section



CORPORATE GOVERNANCE

Shinsei Bank has established a corporate governance framework as a “Company with a Board of Statutory Auditors” (*kansayakukai-setchi-gaisha*). This model aims to ensure appropriate managerial decision-making and business implementation in order to establish a corporate governance framework with sufficient organizational checking functions. We aim to achieve this through the following two key actions:

- 1) Consolidating business execution authorities and responsibilities in the Board of Directors; and
- 2) Assigning to statutory auditors and a Board of Statutory Auditors that are independent of the Board of Directors auditing duties that include auditing and monitoring of the Board of Directors.

In addition to this, we have adopted an Executive Officer system which ensures the flexibility of our day to day business execution.

Current Corporate Governance System

“Company with a Board of Statutory Auditors”

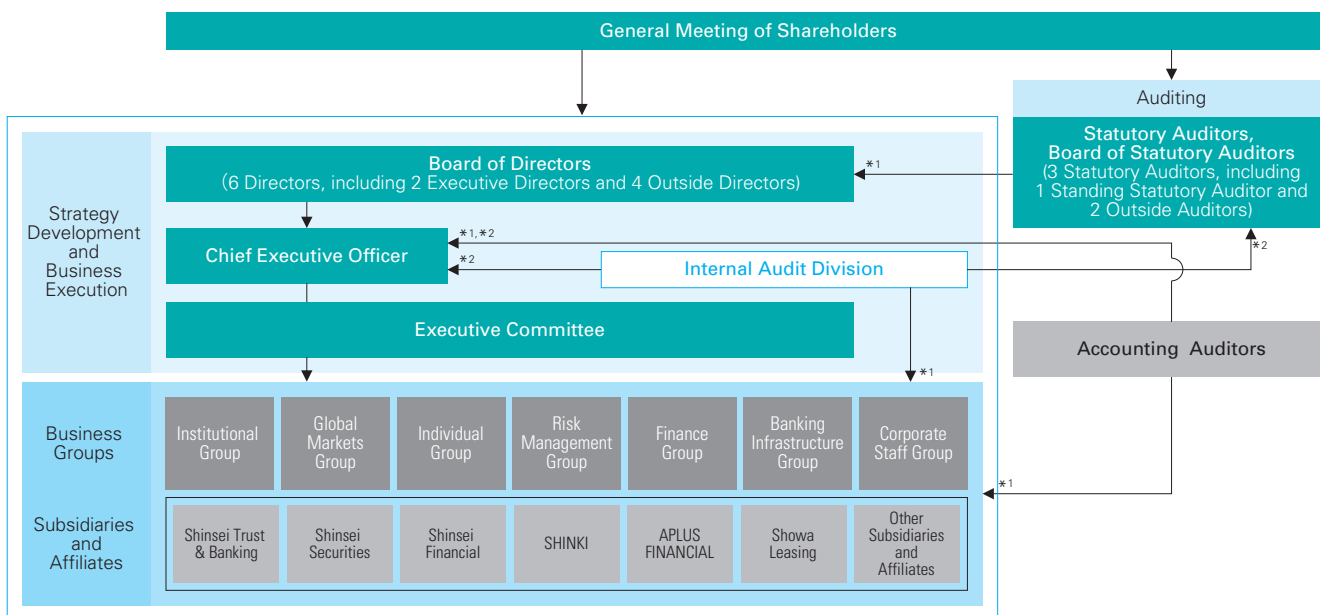
Since June 2010, Shinsei Bank has established a corporate governance framework as a “Company with a Board of Statutory Auditors” (*kansayakukai-setchi-gaisha*). The Board of Statutory Auditors is independent from the Board of Directors, and key functions include the oversight of day to day business execution and the supervision of the activities of the Board of Directors. The purpose of the Board of Statutory Auditors is to improve the ability of the Board of Directors to establish internal control systems, conduct risk management in order to improve the

decision-making functions of management in determining its policies, and to strengthen audit functions. Through this framework, the Bank is making efforts to ensure the propriety of business execution while at the same time enabling flexible managerial decision-making in order to achieve a corporate governance framework that places an emphasis on checks and balances.

Board of Directors

The Board of Directors of the Bank, in addition to determining high level, long-term basic policies, oversees and evaluates executive management and business execution of Executive Directors. Through appropriate deliberation,

Corporate Governance System Chart (as of June 19, 2013)



*1 Audit *2 Report ■ Business Groups ■ Subsidiaries and Affiliates

the Board is able to ensure the interests of shareholders and ensure the maintenance of a proper business system. As of June 19, 2013, the Board of Directors is composed of two inside Directors responsible for daily business execution and four outside Directors who have extensive experience and advanced expertise in areas such as domestic and overseas financial businesses, consumer business, and risk management. The four outside Directors, who make up the majority of the Board of Directors, play an important role in corporate governance by providing independent and objective opinions to management as well as supervising business execution by the President from an outsider's point of view. Through the incorporation of these neutral standpoints in decision making, the Bank is able to maintain transparency and objectivity in the determination of management policy.

Executive Committee and Executive Officers

Shinsei Bank has adopted the Executive Officer system in order to ensure flexible daily business execution. Through the implementation of this system, Executive Officers and Heads of Business Groups appointed by the Board of Directors are able to execute their operations in an efficient manner under the leadership of Executive Directors including the President. Additionally, with the approval of the Board of Directors, on June 19, 2013, the Bank established a 22 member Executive Committee consisting of Executive Directors including the President and Executive Officers who are Group Heads. Through the Executive Committee, the President is able to make decisions to execute business, allowing the Bank to improve the speed and efficiency of its business operations.

Additionally, in order to better deal with the expansion of the Bank's specialized offerings, we have established committees which are chaired by executives in charge of projects but draw on cross functional resources which will enable swift and appropriate responses to issues and opportunities that arise. Shinsei Bank's primary committees include ALM (Asset and Liability Management), Compliance, Risk Policy, Doubtful Debt, SME Loan, IT, BCM (Business Continuity Management), Basel II Steering, and Management Development Committees.

Transactions with Directors and Major Shareholders

In January 2008, a group of investors led by the influential J.C. Flowers & Co. LLC and affiliates completed a tender offer for common shares of Shinsei Bank. In February 2008, the allocation of stock to the same group of investors was completed, and as a result, this group of investors, with which Mr. Flowers is influential, became Shinsei Bank's largest shareholders. Even after the successful issuance of new shares through an international offering carried out in March 2011, this group of investors remains Shinsei Bank's largest shareholder.

In accordance with internal regulations, the Bank established a process for obtaining approval from the Board of Directors for transactions with parties related to the Bank that may involve a conflict of interest. Furthermore, in order to ensure the Bank's independence from major shareholders, as required by the Banking Law, the Bank ensured its compliance with the Bank Rule which requires the approval of the Board of Directors regarding transactions with major shareholders. The Bank also established adequate control frameworks to maintain and enhance the Board of Directors' checks functions over transactions with Directors and major shareholders, such as preparing a structure for the business execution side to verify transaction fairness, conflicts of interest and strengthening post-approval follow-up functions. The Bank prepared and implemented such frameworks to protect the interests of stakeholders based on objective criteria and decisions.

Ensuring Internal Control

In order to enable appropriate corporate governance, it is necessary to prepare a system that ensures proper supervision of internal audit and legal/compliance functions as well as a structure for monitoring business execution and decision-making centered on the Board of Directors. The implementation of an internal control system as required by the Corporation Act, and ensuring internal control so that financial statements comply with the accuracy requirements of the Financial Instruments and Exchange Law are also important elements of corporate governance. Even though internal control is the responsibility of management, the overall internal control system takes

measures to ensure specific internal controls in each of the Groups that carry out actual operations. Basic policies on internal control systems to ensure appropriate and efficient daily operations are stipulated in our “Internal Controls and Regulations” which are approved by the Board of Directors who also periodically review the internal control system. The Internal Controls and Regulations require that the Board of Directors establish a framework in order to ensure effective audits by statutory auditors, and define the Subsidiaries and Affiliates Policy, the Information Security Policy, the Shinsei Bank Risk Management Policy, the Regulations of Business Execution, the Shinsei Bank Code of Conduct and the Internal Audit Policy as the basic rules in order to ensure appropriate, transparent and efficient operations of the Shinsei Bank Group as a whole. In addition, the Charter of Corporate Ethics prohibits relationships with anti-social organizations and establishes a framework to prevent various types of damage by such organizations and to ensure appropriate operations.

Statutory Auditors and Board of Statutory Auditors

As stated above, since June 2010, Shinsei Bank has adopted a corporate governance framework of a “Company with a Board of Statutory Auditors.” The Board of Statutory Auditors of Shinsei Bank is composed of one full-time statutory auditor who has extensive business experience at Shinsei Bank and is knowledgeable in finance and accounting, and two outside statutory auditors who are highly specialized in legal affairs and corporate governance theory. The Board of Statutory Auditors is a body that is completely independent from the Board of Directors and it audits the Directors’ execution of their duties.

The appointment of a full-time statutory auditor will permit full-time monitoring of the Bank’s operations and access to detailed internal data, which in turn will make timely, appropriate responses to external changes possible and thereby enhance the audit function. By providing opinions from an independent and objective viewpoint at meetings of the Board of Statutory Auditors and the Board of Directors, the outside statutory auditors contribute to enhancing auditing activities.

The Statutory Auditors attend high level Bank meetings, such as meetings of the Board of Directors, review important documents, and undertake audits of their own, such

as interviewing the Directors, the Executive Officers and the accounting auditor.

In addition to this, the statutory auditors utilize internal control sections, such as the Internal Audit Division, and staff of the Office of Statutory Auditors in order to systematically and efficiently audit the state of business execution at the Shinsei Bank Group as a whole, including Shinsei Bank and its subsidiaries.

Legal and Compliance Activities

The Legal and Compliance Division play a central role in our corporate governance.

Compliance Systems Organization

Shinsei Bank strongly believes that thorough compliance must be one of the most important management missions, and in order to do so have established a robust compliance system to help ensure sound and proper management that earns trust of society.

The Compliance Committee, the Legal and Compliance Division and individual compliance managers within various business and support units constitute the main elements of our compliance organization. The Compliance Committee, with our Chief of Staff as its chairman, examines and discusses important compliance matters. On the other hand, the Legal and Compliance Division plans various measures concerning compliance risk and implements these measures through central management.

Every division, department, and branch in the Bank also has a compliance manager to act as the point of contact for compliance-related matters. These managers’ duties also include periodical reporting to the Legal and Compliance Division on compliance-related issues. This enables the Legal and Compliance Division to conduct Bank-wide monitoring of how various measures are being implemented as well as to provide centralized compliance guidance. Additionally, in order to be able to better respond to issues such as financial crimes (e.g. bank transfer scams), anti-money laundering regulations, antisocial forces, and for controlling legal matters, the Financial Crime Information Department and the Legal Department have been established as part of the Legal and Compliance Division.

Compliance Activities

Every year, we create a compliance program which promotes the development of regulations and training programs. We place a particular emphasis on the use of training as a tool to ensure the spread of compliance awareness, and in the case of important compliance issues we conduct training on an ongoing basis.

In addition to group training, we are also working to create an environment that maximizes the effectiveness of this training by introducing active e-learning courses and transmitting compliance e-mails.

Legal Supervision

Banks are required to comply with a wide variety of laws and regulations in their day-to-day business operations. Violations of any of these laws can have severe repercussions not only to our credibility and reputation as a financial institution, but to that of the overall banking system itself. In the case of individual transactions, there exists a risk that we may face unexpected claims for damages if our contracts are unreasonable or we act in poor faith during the process of negotiation leading up to contract execution. Prevention and proper management of these legal risks are a crucial function within the day to day operations of today's banks.

In order to mitigate these risks, Shinsei Bank has established a specialized section within its Legal and Compliance Division which presides over such legal affairs, including compliance with corporate and transactional laws, legal documentation and litigation supervision and through this specialized support, we aim to prevent and manage any legal risk.

Internal Audit

With the increased diversification and complexity of risks relating to banking, the management of risk is becoming increasingly important. It is the role of the internal audit to independently assess the effectiveness of risk management measures and internal controls. This, in turn, helps maintain and enhance our corporate governance.

The Internal Audit Division (IAD) of the Bank reports directly to the CEO as well as to the Board of Statutory Auditors. The IAD supports the CEO in his responsibilities

for controlling business execution, and in particular for establishing an effective system of internal controls. The IAD 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 internal policy and procedure requirements of the Bank, and provides solutions to management. The IAD also maintains a close relationship with the Board of Statutory Auditors and provides them with internal audit-related information.

The IAD is independent from all the organizations subject to internal audits, and from day-to-day operational activities and control processes including regular preventive and detective controls.

The IAD utilizes a risk-based audit approach and conducts a comprehensive risk assessment by combining a macro-risk assessment, which assesses risk from the perspective of the Banking Group as a whole, together with a micro-risk assessment, which assesses risk from an individual business level. Businesses or processes that are perceived to have relatively higher risk are prioritized in the allocation of audit resources.

In order to improve the effectiveness and efficiency of internal audit activities, it is important to gather relevant information about the business. To do so, the IAD has been enhancing off-site monitoring activities by attending key management meetings, reviewing internal control documents and holding regular meetings with senior management.

Comprised of the Business Audit Team, the IT Audit Team and the Quality Control and Planning Team, the IAD takes the initiative in developing our internal auditors' expertise, and in particular, strongly encourages them to obtain professional certifications such as the Certified Internal Auditor and Certified Information Systems Auditor qualifications.

While the IAD pursues the development and introduction of new audit techniques, it also recognizes the importance of maintaining its fundamental skills necessary to its duties in governance.

By receiving regular quality assessments by a third party organization on the IAD's internal audit activities, we are able to objectively identify opportunities for improvement. The IAD also involves Group subsidiaries' internal audit divisions in order to continuously improve its performance.

A MESSAGE FROM AN OUTSIDE DIRECTOR



Shigeru Kani
Professor, Yokohama College of Commerce

Can you explain the role of the outside directors?

The role of outside directors is to oversee business management by executive officers. Central to this role is the so-called corporate governance. Naturally, we do not monitor the status of business execution round the clock. Our main activity is to put across our opinions on agenda items at the Board of Directors meetings.

How would you characterize the discussions at the Board of Directors meetings?

All Board members freely express their opinions at every meeting. Overall, I think our meetings are rich in content and have a sense of pressing importance. In addition to asking questions to executive officers, the outside directors state their opinions on agenda items, which leads to robust discussions. At Shinsei Bank's Board meetings, we express our opinions without reserve and have frank and honest discussions.

What issues do you, as an outside director, have to consider in discussions at the Board meetings?

The executive officers give one hundred percent of their energy every day in the field in order to improve the Bank's business results. The Bank's business is thus executed on site. However, it is also important for us to constantly check from a broader perspective and with some distance from the field whether the management is adopting the optimum strategy. This is exactly the role required of the outside directors. The outside directors therefore use their knowledge, which has been developed in their own field of expertise, to tell their honest opinions to the management.

“Shinsei Bank will steadily move forward to bolster stable profitability.”

What do you think is particularly important in performing your role as an outside director?

As I said earlier, the role of the outside directors is to oversee business management. It means we assume an important role in checking business execution so that the Bank's management does not move in the wrong direction and also of strengthening their incentives in order to improve the Bank's results. To achieve these, it is most important to maintain an appropriate risk-return balance. What I consider to be particularly important is to confirm that the Bank is constantly maintaining the basic management principle of taking appropriate risks while generating returns. In that sense, the outside directors need to avoid becoming too friendly with the management. I consciously create some distance from them so that I can become as exacting as possible.

Lastly, please tell us, as an outside director, what you would like to achieve in the future.

Having cleaned up its past negative legacy, Shinsei Bank is moving forward with all of its executive officers and employees having a strong sense of urgency to expand its customer base and to create a stable earnings base. Meanwhile, the environment surrounding the financial economy is about to change rapidly and enormously. In such a drastically changing environment, I would like to carefully monitor the Bank's business management situation by paying sufficient attention to risk management, so that the Bank will be able to steadily increase its earnings while expanding its customer base.

We would very much appreciate the continued support and guidance provided by our shareholders and all other stakeholders.

RISK MANAGEMENT

Shinsei Bank has identified risk management as one of its most important management issues and the Bank has already undertaken various measures to strengthen risk management frameworks. These include improvements of our various committees and further empowerment of their functions, and adoption of a strong governance structure for building a risk management function which is fully independent of other divisions and organizations in the Bank, but at the same time exercises real authority. We are continuing to further strengthen our risk management systems in order to ensure that they are able to function effectively.

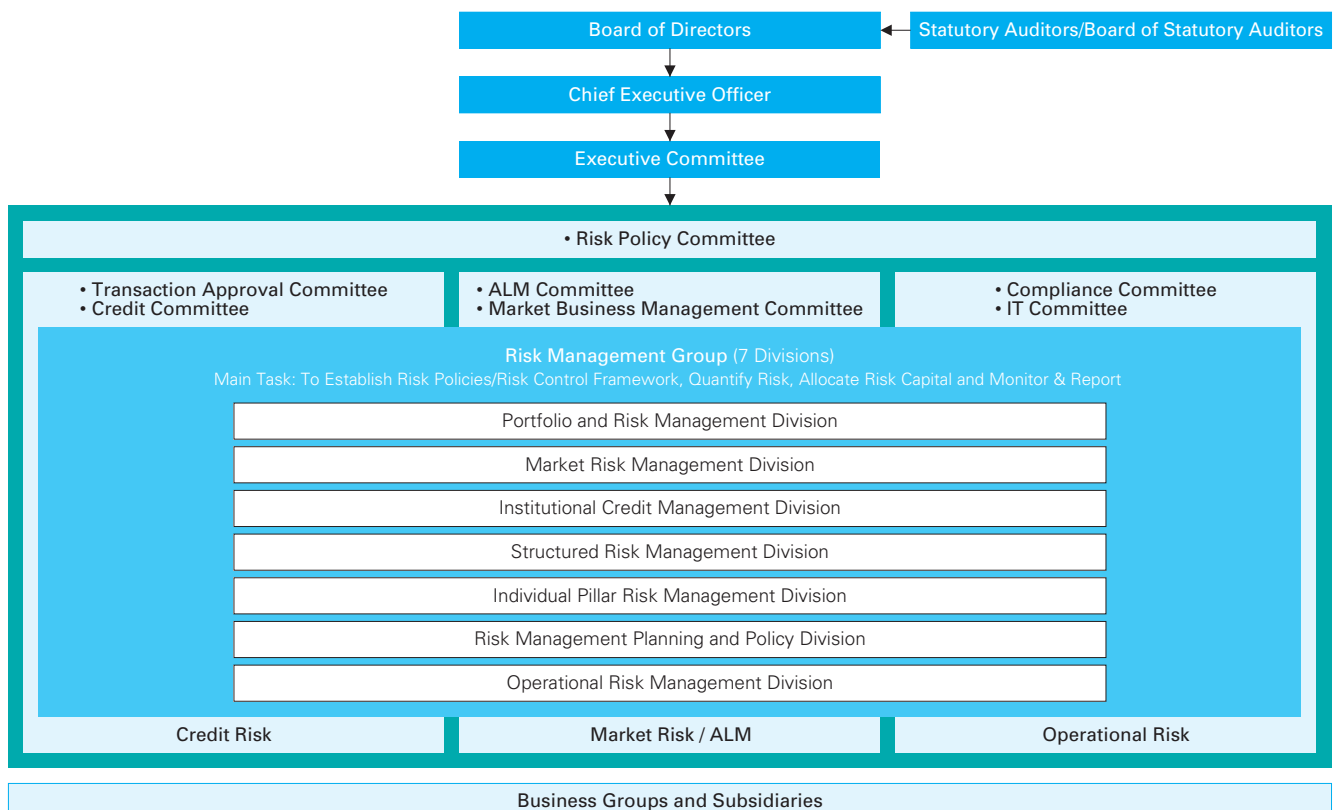
The Risk Management Group regularly reports on the status of the portfolio and risk management frameworks in order to determine the appropriate direction to take going forward, and in order to enhance its communications with the Board of Directors. The personnel that make up the Risk Management Group are well versed in the various types of risk, which allows the department, from a risk management point of view, to evaluate each individual business and its business policies in order to make fast, appropriate decisions. In addition, in order to match our business expansion, we are working to improve our risk taking capabilities,

continuously looking for ways to improve our portfolio management approach, as well as to develop systems in order to upgrade and improve the efficiency of, as well as to strengthen, each risk management framework.

Fiscal Year 2012 Overview

In the beginning of FY2012, we witnessed a rekindling of the sovereign debt crises in Europe, rising concerns of an economic slowdown in the U.S. and in the world economy. Within the Japanese market, we saw a stronger yen, stagnation of share prices, and indications of an economic downturn. However, in the second half of FY2012, government bond yields of the European countries experiencing fiscal crisis started to contract thanks to crisis prevention measures, and signs of an economic recovery began to appear in the U.S. In Japan the new Abe administration that was inaugurated in December 2012 announced the so-called "three arrows policy" which consists of a bold monetary easing policy, flexible fiscal policy, and a growth strategy to stimulate private investment. The new Bank of Japan (BOJ) administration under Governor Kuroda is

Risk Management System Chart (as of June 19, 2013)



determined to implement “a new phase of monetary easing both in terms of quality and quantity” with the goals of raising CPI by 2% in two years, doubling the monetary base, more than double the balance of its long-term Japanese government bond and ETF holdings, and increasing the average remaining maturity of its long-term Japanese government bond purchases by twofold or more. As a result of expectations of economic stimulus from these measures, the Japanese economy has seen some signs of recovery. Additionally, the number of corporate bankruptcies in FY2012 remained low despite the March 2013 expiration of the “SME Finance Facilitation Act” enacted in December 2009.

In these circumstances, regarding the state of the Bank’s portfolio, our credit costs were low as deterioration of the creditworthiness of customers, including that of large borrowers, was limited. With respect to real estate-related loans centered on non-recourse loans, we maintained our management framework that adheres to conservative property assessment and increased the assessment frequency. At the same time we continued to reduce high-risk assets in an attempt to improve the quality of our exposure through asset replacement. In the consumer finance business, although the balance had been declining partly due to changes in the industry environment caused by factors such as the introduction of the total lending volume restriction in FY2010, the decline in the balance ceased and signs that it would increase became noticeable in the second half of FY2012. On the other hand, net credit costs, which had temporarily risen around the time of the introduction of the above-mentioned restriction, continued a downward trend in FY2012 as in the previous fiscal year thanks to the improved credit quality.

For the entire portfolio, credit costs shrank in FY2012 compared to the previous fiscal year, and due to an enlarging capital buffer the Bank’s management stability increased as a result of the steady accumulation of shareholders’ equity and the smaller risk volume resulting from reductions in proprietary account investments and other assets that cause fluctuations in the Bank’s earnings.

Under the Second Medium-Term Management Plan starting in FY2013, Shinsei Bank seeks to establish a unique business base, increase revenues, and further improve financial fundamentals. Although there are signs of an upturn in the external environment, attention needs to

be paid to risks such as the higher interest rates, drastic exchange rate fluctuations, the impact of price increases on consumption, the rekindling of the debt problems and the downturn of the economy in Europe, and the impact of Chinese economic trends as well as the possibility of worsening relations between Japan and China. The Risk Management Group will work to accurately understand the domestic and overseas environments, comprehend the risk profile of the Bank’s existing portfolio from various perspectives using stress tests and other means, and share its view with management. Additionally, we will cooperate with the business promotion sections’ initiatives in growth areas and the implementation of their business strategies, while exercising an appropriate checking function. We will organize and strengthen the risk management framework by adequately monitoring new assets and will flexibly review risk strategies as required.

Comprehensive Risk Management

Basic Concept of Risk Management Systems

Financial institutions are exposed to various risks, including credit risk, market risk, interest rate risk, liquidity risk, and operational risk.

In order to run highly profitable and stable operations, a financial institution must understand the basic challenges of risk management, namely, how to take and how to face these risks.

For this reason, there is a need for a function which monitors whether risks are taken in line with Bank-wide policies as well as individual operational policies, whether risks remain within appropriate limits, and whether they are adequately controlled by the respective sections in charge.

Achieving Comprehensive Risk Management

Shinsei Bank has established the “Shinsei Bank Risk Management Policy” as a basic management policy in order to recognize risks and implement proactive controls based on an understanding of the total risks faced by the Bank as a whole. Due to a fiercely competitive business environment and an evolving regulatory and market environment, the risks which Shinsei Bank faces are increasingly complex. Under such circumstances, the policy stipulates the fundamental principles of risk management including the risk culture within the Bank based on the experience of financial crisis.

Comprehensive risk management requires not only detailed monitoring of each risk involved in individual operations, but also an understanding of total bank-wide risks, and quantifying risks to the greatest extent possible based on analysis and insight into a bank's markets and customers. The Bank defines the "Risk Capital," which is an integrated control approach, and quantifies each risk category, namely (1) credit risk, (2) market risk, (3) interest rate risk, and (4) operational risk. In this way, our management capabilities and risk acquisition activities are controlled in an integrated manner by monitoring the Bank-wide risk volume and Group-specific capital attribution status.

At Shinsei Bank senior management has delegated certain risk management authority to specific committees including the "Risk Policy Committee," "Credit Committee," "Asset and Liability Management (ALM) Committee" and "Market Business Oversight Committee." With continuous improvement of the system and function in response to a changing environment, these committees are functioning effectively as committees responsible for making important risk judgments. The Risk Policy Committee involves the top management of the Bank (including the CEO, CFO, and CRO), who review business strategy alongside risk management policy in order to define appropriate and optimal risk taking for the Group.

Categories of Risk Capital

Risk Capital	Capital amount required as a cushion against unexpected economic losses. Unexpected Loss calculated by subtracting expected loss from estimated maximum loss of which time horizon is one year.
Credit Risk	Unexpected Loss calculated by subtracting expected loss from Credit VaR (Credit Value at Risk). Credit VaR is estimated maximum loss calculated by a simulation based on data including probability of default, exposure at default, and loss given default.
Market Risk	Estimated maximum loss from interest rate, foreign exchange and price change risk based on Market VaR (Market Value at Risk). Market VaR is calculated by a simulation based on data including position, volatility of risk factors, etc.
Interest Rate Risk	Estimated maximum loss from interest rate risk in banking account based on Interest Rate VaR (Interest Rate Value at Risk). Interest Rate VaR is calculated by a variance-covariance method based on data including sensitivity of fair market value when interest rates move 100 basis points.
Operational Risk	Estimated maximum loss based on Operational Risk VaR (Operational Risk Value at Risk). Operational Risk VaR is calculated by a simulation based on frequency and severity distributions which will be derived from internal loss records and scenario loss data.
Total Risk Capital	Amount calculated by subtracting effect of correlation across risk categories from simple sum of Risk Capital for each risk category.

Institutional Credit Risk Management

Credit risk is defined as the risk of loss due to a business partner defaulting on contractual debt obligations.

Our model for credit risk management focuses on securing adequate return on risk, avoiding excessive concentration in particular sectors or to particular obligors, and managing risk with an awareness of maximum loss amount from the credit portfolio.

Shinsei Bank has established a comprehensive "Credit Risk Policy" which defines specific policy on customer attributes, products, markets, industries and credit situations in order to determine whether risks should be taken or limited, and clarifies policies for credit provision operations and specific guidelines for credit risk management together with the "Credit Procedure," and each protocol system.

Credit risk management processes are largely divided into credit risk management for individual transactions and portfolio-based credit risk management, as described below.

Credit Risk Management for Individual Transactions

(1) ORGANIZATION & STRUCTURE

In principle, credit assessment is based on joint consultation by the Sales Promotion Division and the Risk Management Division (RMD) which is independent from the Sales Promotion Division. In order to ensure a transparent and strict evaluation process, the RMD has ultimate veto power, which results in the establishment of an effective system of checks on the Sales Promotion Division. The approval of each transaction is strictly managed, with each transaction being discussed by the Credit Committee and other relevant committees. Through the deliberations, the level of approval authority required is identified based mainly on the total exposure to the obligor group and their credit rating.

As for transactions that require discussions about financial, legal and/or compliance issues, a certain framework has established that the relevant transactions are discussed by the Transaction Approval Committee whose participants includes members of the divisions in charge of such issues so that the transactions can be assessed comprehensively and so that an appropriate decision can be made.

Among receivables that require caution, those that fall under a certain category determined by factors such as ratings, the Bank's exposure, and reserves, Shinsei Bank defensively manages the account, monitoring the obligor's

business performance through the Doubtful Debt Committee. By deciding measures to handle such obligors in the future, Shinsei Bank is making efforts to minimize credit-related costs and to ensure soundness of assets.

(2) CREDIT RATING SYSTEMS

The following is an outline of the internal obligor rating system that the Bank uses for corporate exposures:

CHARACTERISTICS OF SHINSEI BANK'S OBLIGOR RATING SYSTEMS

- Increasing model accuracy and reflecting appropriate qualitative factors
- Benchmarked against external ratings
- Properly reflecting obligors' consolidated-basis accounting system
- Ensuring conformity with rating systems among industry classifications

Specifically, obligor ratings are determined by applying adjustments for qualitative factors to the model ratings calculated by our estimation models, which are based on external ratings. Obligor ratings shall be determined at the "Credit Rating Review Committee" in order to ensure objectivity and transparency. Moreover, we ensure consistency of obligor ratings with obligor categories based on the regulatory self-assessment requirements.

Obligor ratings are used in the standards of credit approval authority procedures and portfolio controls, and are the foundation for credit risk management.

In addition to the obligor ratings, the Bank also applies a facility rating system based on expected losses that incorporates elements such as collateral and/or guarantees, in order to assess obligor ratings and the credit status of individual transactions.

An obligor rating system and facility rating system similar to those adopted in the Bank have been introduced in the analysis of high value leasing receivables at Showa Leasing as well.

Portfolio-Based Credit Risk Management

(1) MONITORING ANALYSIS SYSTEM

It is essential that risks are diversified in terms of industries as well as ratings. This is done on a portfolio basis, which is an aggregation of transactions, and operations of individual transactions must be conducted based on appropriate risk analyses. At Shinsei Bank, the Portfolio and Risk Management Division undertakes risk analyses of portfolios, and

monitors the segment-specific risk diversification status including industry classifications, ratings, products, and regions as well as rating fluctuations related to customers within the portfolios. The Division uses this information to provide reports to senior management and the CRO on a monthly as well as on an ad hoc basis.

(2) QUANTIFYING CREDIT RISK

Quantifying credit risk means measuring and assessing the likelihood of losses that may be incurred from changes in a customer's creditworthiness. The expected value of loss amount derived from the probability of default and collection ratios, an assumption based on past experiences and future outlook, are generally called "expected losses."

Losses that could be incurred in worst case scenarios and cannot be estimated based on past experiences are generally called "unexpected losses," and it is generally considered that risk capital can be quantified by measuring "unexpected losses."

Shinsei Bank utilizes a system for accurate measurement of risk capital which performs automatic measurement for credit risk based on data such as creditworthiness and the transaction type. By doing this, we are striving to contribute to sound portfolio management and resource allocation through the analysis of risk capital changes and profitability against risks. Also, reflecting measured expected losses and unexpected losses in loan spreads helps ensure appropriate risk-return for each transaction.

(3) CREDIT CONCENTRATION GUIDELINE

The credit concentration guideline is an upper limit guideline that was established as part of the framework to prevent the concentration of credit in a specific segment or specific customers/groups. Our credit concentration management framework consists of industry concentration guidelines and obligor group concentration guidelines, both of which are important segments, and in the event that credit concentration exceeds the guideline, reviews and countermeasures will be performed. These procedures are designed to prevent Shinsei Bank from being exposed to a crisis in the event our credit portfolio is affected by systemic shock or other extraordinary events.

Credit Risks Involved in Market-Related Transactions

Credit risks from market transactions, such as derivative transactions, are managed based on their fair value and estimations of future value fluctuations. Because the amount of risk associated with market transactions changes according to fluctuations in market rates after the transaction is traded, Shinsei Bank undertakes strict management of these transactions based on future value fluctuation forecasts.

Self-Assessments

As a result of introducing the “Prompt Corrective Action” system, financial institutions conduct self-assessment of their assets, such as loans, in order to adequately write off or set aside reserves.

Shinsei Bank has put in place a self-assessment system through which the Credit Assessment Division, which is independent from the business promotion and credit analysis sections, is the section ultimately responsible for assessment.

To be precise, the criteria and procedures for self-assessment adhere to the Financial Services Agency’s “Inspection Manual for Deposit-Taking Institutions.” In accordance with the outlined procedures, the business promotion section and the credit analysis section carry out the primary assessments and secondary assessments respectively, and final assessments are conducted by the Credit Assessment Division.

In the future, we will continue to strengthen and update systems in order to ensure obligor categories and categorizations are reviewed in a timely manner according to changes in the obligors’ financial fundamentals. Through this, we seek to be able to mitigate the emergence of problem loans and to ensure the timely and accurate management of troubled loans.

Measures to Meet Basel Accord Requirements

In order to comply with the credit risk regulations under the Basel Accord, Shinsei Bank has adopted the F-IRB (Foundation Internal Ratings-Based) Approach. This framework ensures strict internal controls for our internal rating systems, the basis of credit risk management, through the execution of the design and operations of internal rating systems and parameter estimations such as probability of default. The results of the internal rating systems are reflected not only in credit risk management, but also in calculations of capital levels required under the regulations.

Individual Products Risk Management

Risk management for the consumer finance business covers the entire operations from application underwriting, credit management after contract conclusion, and through debt collections. The Individual Products Risk Management Division holds a risk performance review on a monthly basis with the participation of Shinsei Bank risk-related divisions, and provides advice on risk management policies and strategies to subsidiary employees responsible for risk management.

Risk divisions in subsidiaries carry out appropriate risk control through a statistical method that is based on initial credit scoring, credit control scoring, and collection strategy scoring using customer attribute data, credit bureau data, and transaction history data. These score cards are constantly monitored to maintain their accuracy and are updated on a regular basis.

Credit costs are extremely important in the profitability of the consumer finance business as a whole. For that reason, we analyze leading indicators of various factors that result in credit costs in order to recognize deterioration trends early on and make necessary improvements. We have separated these leading indicators into initial credit quality, portfolio quality, and debt collection quality and monitor each category every month. If we observe a deterioration trend, we take prompt actions to remedy the situation before it becomes serious.

In risk management, we do not merely look to evade losses, but to maximize profit and in order to do so we constantly look to ensure that we are employing the most appropriate risk strategy.

Market Risk Management

Market risk is the term that describes, as a whole, various market risk factors such as interest rates, FX rates, equities, and credit risk which can cause losses on the fair value of the balance sheet (including off balance sheet) through fluctuations.

Market Risk Management Policy

In order to be able to establish basic guidelines, frameworks, and rules necessary to perform risk management in our trading business, the Bank has established the “Trading Business Risk Management Policy and Procedure.” The guidelines

establish quantitative frameworks for risk management, and puts in place limits on acceptable levels of risk and losses, which are determined in management meetings.

Risk management and risk review of the Trading Business is overseen by the Marketplace Trading Oversight Committee. The Committee is responsible for the evaluation of market risk as a whole, and evaluates risks in the setting of individual limits, profit and loss risk, marketplace risk, and trends and products offered within customer businesses.

Risk management of assets and liabilities in banking accounts are performed in accordance with the "Asset Liability Management Policy for Banking Account." In addition to risk management on a daily basis, the ALM Committee meets on a monthly basis in order to provide management with timely and appropriate reports on topics such as interest rate risk, as well as to review and make decisions on ALM strategy and related topics.

Trading Book

The VaR method based on historical simulation has been adopted as the internal modeling method for general mar-

ket risk since March 31, 2007 for Shinsei Bank and Shinsei Securities. The VaR is the maximum loss amount due to future price fluctuations, which is estimated statistically at a specific confidence level, assuming a specific position is held for a specific time horizon. In addition, we implement multi-faceted risk management using interest rate sensitivities. The VaR uses a 99% confidence level, 10 day holding period and an observation period of 250 days. See the table below.

The validity of the VaR model is verified through back testing, which examines how frequently actual daily loss exceeds daily VaR for a one-day holding period. The back testing results for fiscal year 2012 show that there was one day in which actual losses exceeded VaR on a consolidated basis. Additionally, we conduct stress tests on a weekly basis to understand our possible losses as a result of market stressors, and report the findings to senior management at the Market Business Management Committee meetings.

Please note that we have added Stressed VaR to the aforementioned VaR in order to comply with Basel capital requirements as of December 2011. Refer to the following table.

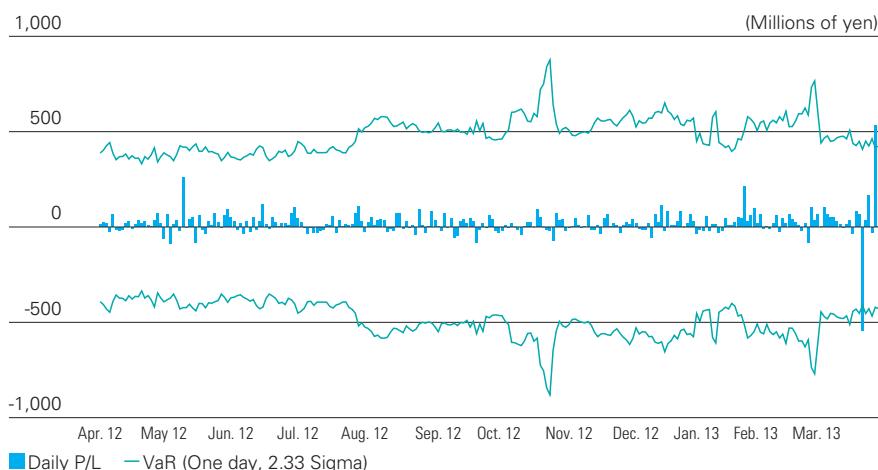
VaR data for Fiscal Year End, Maximum, Minimum and Average during the fiscal year 2011 and 2012

		Millions of yen			
		FY2011		FY2012	
		Consolidated	Non-Consolidated	Consolidated	Non-Consolidated
FYE VaR		1,230	1,180	1,642	1,627
FY	Maximum	3,961	3,869	2,770	2,724
	Average	2,395	2,266	1,539	1,498
	Minimum	1,052	1,019	1,053	988

Stressed VaR data for Fiscal Year End, Maximum, Minimum and Average during the fiscal year 2012

		Millions of yen	
		FY2012	
		Consolidated	Non-Consolidated
FYE VaR		3,727	3,681
FY	Maximum	5,962	5,685
	Average	3,588	3,472
	Minimum	2,241	2,116

VaR and Daily Profit and Loss (Back-Testing) (FY2012, Consolidated basis)



Back-Testing on the VaR Model Applied to the Trading ACCOUNT

Back-testing involves comparing the actual losses to estimated VaR to confirm the reliability of the VaR method.

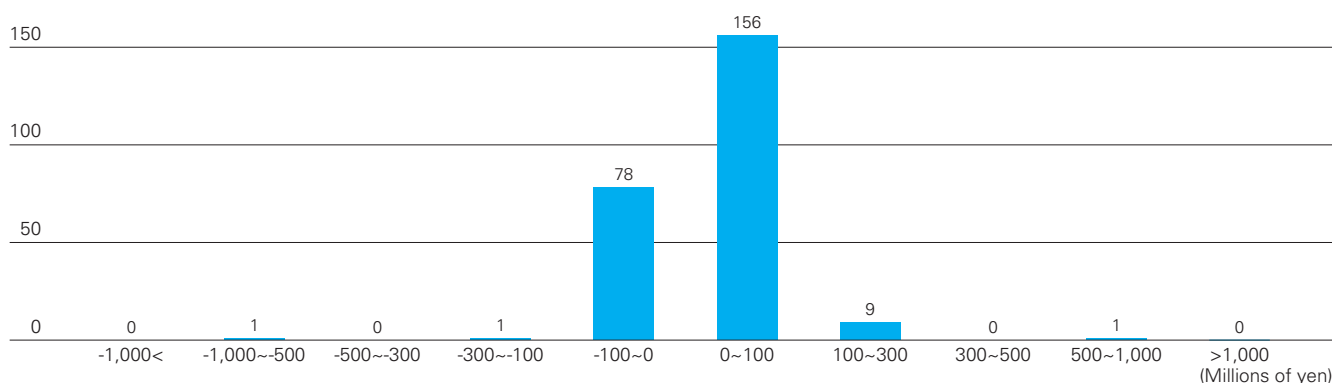
ASSUMPTIONS OF SHINSEI's VaR MODEL

Method: A historical simulation method
 Confidence interval: 2.33 standard deviations
 Confidence level: 99%
 Holding period: 10 days
 Observation days: 250 days
 Coverage: Trading account
 (except for customer margin)

Histogram of Daily Trading-Related Revenue

200 (Number of Days)

(FY2012)



Banking Book

We manage banking book interest rate risk management appropriately using a ceiling limit of 100bpv, scenario analysis and NII (net interest income simulation) to evaluate the potential impact on assets and liabilities.

The following assumptions are used in interest rate risk management.

- Housing loan prepayments

The Bank estimates interest rate risk using the cash flows derived from an internal hazard model for fixed rate housing loans, taking into account factors such as prepayment behavior.

- Definition of core deposits

Retail saving deposits and 2 week maturity deposits are regarded as core deposits, and the Bank determines the maturity of core deposits by customer criteria based on an internal model. We periodically review the parameters and model of the core deposit model.

See the table below for past interest rate sensitivity.

The change in economic values for applied interest rate shock of 2% in the banking book at the end of March 2013:

	Billions of yen	
	Consolidated	Non-Consolidated
JPY	¥ (73.3)	¥ (45.0)
USD	(0.7)	(0.7)
Other	(2.9)	(2.9)
Total	¥ (77.1)	¥ (48.8)

Basis point value (bpv) method:

The bpv method measures the risk of changes in value due to fluctuations in interest rates. For example, 100 bpv indicates the change in value when interest rates move 100 basis points (=1%). The table below sets forth the impact on the economic value of yen-denominated on-balance sheet and off-balance sheet items when interest rates change by 100 basis points.

Liquidity Risk Management

Liquidity risk management is implemented by the ALM Committee, through its approval of liquidity gap structure limits (limits for required funding amounts on a contract maturity basis) and minimum liquidity reserve levels. In addition, liquidity stress testing is performed monthly and reported to the ALM Committee.

Liquidity gap limits and minimum liquidity reserve level compliance is monitored daily by the Market Risk Management Division and is reported to management. The scenarios of stress tests, implemented by the Market Risk Management Division, are reviewed regularly to ensure their appropriateness at the ALM Committee.

The liquidity management framework, including this monitoring and testing, is defined by the "Cash Liquidity Risk Management Policy" and is periodically reviewed by the ALM Committee.

Operational Risk Management

1. Management of Operational Risk

Operational risk refers to the risk of loss resulting from inadequate or failed internal processes, people, systems, or external events. Operational risk requires organization-wide management, because it is inherent in all business activity and is thus extensive.

In order to comprehensively manage operational risk, an Operational Risk Management Policy has been established to clarify the definitions of risk, our basic policy and system for risk management, and a framework for identifying, evaluating, monitoring, reporting and controlling/mitigating risk.

The Operational Risk Management Division, which is responsible for Group-wide operational risk management, evaluates, analyzes and reports on overall operational risks. Specific management divisions have been designated to monitor respective areas of risk, such as operational and administrative risk and systems risk. The Operational Risk Management Division and specific management divisions hold monthly meetings to share information on risk management issues and measures as well as to discuss how to manage the common elements across the risk areas including those of subsidiaries, thereby ensuring the effective management of operational risk.

Regarding quantification of operational risk, we have adopted the standardized approach for regulatory capital under the Basel Accord. At the same time, on the internal management level, we gauge potential internal risk scenarios by considering factors such as previous losses due to internal factors and the perception of risks by each business line. The findings that come out of these practices have been used as part of the overall risk capital system.

2. Management Administrative Risk and Systems Risk

Administrative and systems risk refers to the risk of incurring losses resulting from executives' or employees' failure to perform accurate clerical work, errors, or misconduct. Although we have expanded our retail banking and consumer finance businesses and developed our institutional banking business, we realize that appropriately addressing adminis-

trative and systems risk is of crucial importance in order to offer reliable services to our customers.

Shinsei Bank is committed to improving our operations, and in addition to having established guidelines including "Operations Guidelines" we are working to further improve our administrative flows and leadership.

When errors do occur, we try to prevent recurrences by compiling a database of such cases and analyzing the causes. We have been able to keep the reoccurrence of administrative errors to a minimum due to having thoroughly simplified our operations by taking steps such as switching to paperless administration, and from automation and mechanization.

We believe that the following three factors are crucial for our information systems strategy: security/reliability, flexibility and scalability. In particular, in 2012, we have focused on a more robust, secure and reliable information technology infrastructure in order to ensure the security of customers' transactions. To be specific, we have undertaken a reorganization of the Financial Infrastructure Division and as a result, the Systems Planning/Administrative Oversight Division, has been broken up into the Systems Risk Division, the Financial Infrastructure Planning Division, the Systems Develop Division, and the Systems Operation Division and have been able to improve the Bank's risk checking system. In addition, in order to further improve the quality of system development, a full analysis of systems risk was performed in order to detect problems and flaws in the system to develop appropriate countermeasures, which will help prevent failures of the system and fast recoveries.

We will continue to work to develop a robust system infrastructure that is safe and reliable, as well as secure in order to ensure that we are able to safely engage in transactions with our customers. We will also work to ensure that our system is flexible enough to be able to quickly react to the ever changing needs of our customers to provide them with new products and services that meet their needs.

Additionally, we will work continuously to obtain the qualification of ISO 27001 as an information security measure.

HUMAN RESOURCES AND CORPORATE SOCIAL RESPONSIBILITY (CSR)

“Talent” as an Engine for Growth

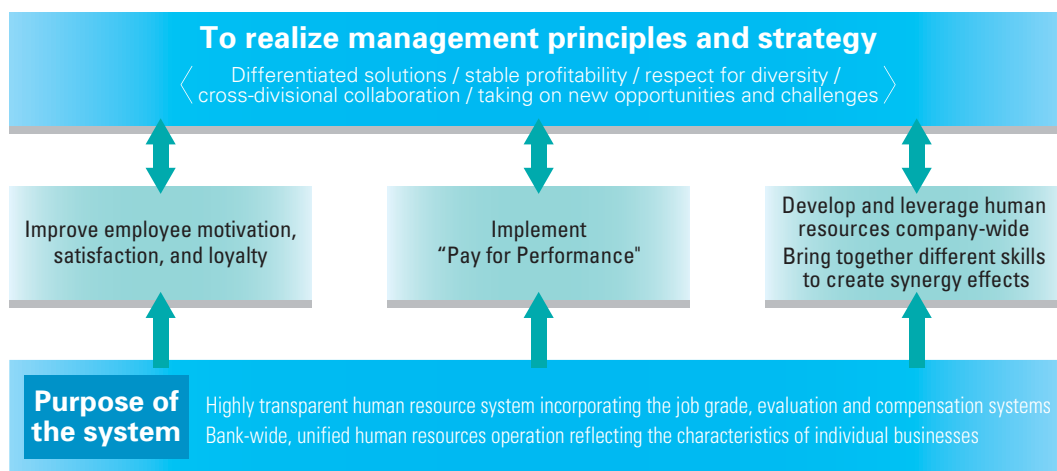
The basic strategies of our Second Medium-Term Management Plan starting in FY2013 is to achieve a new retail finance model for individual customers and through the implementation of “VBI,” in order to support the growth of companies, industries, and regions for our corporate customers, as well as to provide assistance in order to strengthen and enhance their expertise. In today’s world where the structure of economies and societies are rapidly changing, it is essential that we continue to differentiate ourselves even further from our competition in order to remain competitive and to develop into an institution which is appreciated by our customers, society, and the market. In order to be able to accomplish these goals, it is imperative that we be able to attract and develop the talented individuals who are able to put themselves in the position of our customers to be able to deliver excellent, high value-added solutions.

The Bank believes that talented individuals within the organization will be the driving force for delivering new financial services, pursuing a new Bank image, and responding to the widely varied requirements of our customers in a timely manner. We believe that through our ability to accomplish these things the Bank will become trusted as a cohesive unit which is able to respond to the multi-faceted needs of our customers, which in turn will lead to the growth of the Bank.

A Personnel System in Line With our Management Principles

The management philosophy of Shinsei Bank is “to become a banking group that is sought out by our customers, contributes to the development of both domestic and international industrial economies, while maintaining stable profitability,” “to become a banking group that values diverse talents and cultures and is constantly taking on the challenges presented by change,” and “to become a trusted banking group that has highly transparent management, and values all stakeholders.” In order to achieve our management principles and strategy, we have made revisions to our personnel system in April 2012 for the first time in approximately ten years.

The newly revised system includes a grade system in which the responsibilities and requirements for each grade have been redefined; an evaluation system that seeks to measure employee contributions not only in terms of short-term results but also includes an evaluation of efforts and processes that are aimed at mid- to long-term growth; and a compensation system that is based not on seniority or past results, but on an objective evaluation of each employee and his or her level of contribution to the organization. By establishing a highly transparent personnel system incorporating these three pillars, we are seeking to improve employee motivation and loyalty. The new system should also allow employees to demonstrate the best of their abilities, and thus maximize the organization’s performance and increase overall corporate value.



Further Strengthening our Organization and Human Resources

By employing a business group-based organization that reflects the differences in the customer profile and characteristics of individual businesses, Shinsei Bank aims to develop professionals who have a deep understanding of their respective business fields. We also believe that it is important to develop and leverage human resources company-wide in order to encourage cross-divisional collaboration between our highly specialized staff who can deliver differentiated financial solutions and the highest value to our customers.

Based on this thinking, Shinsei Bank provides various types of training programs tailored to the development of skills or the career paths of our employees, including courses designed to provide a wide range of general financial knowledge or to hone specialized knowledge and skills for individual areas, as well as schemes that allow employees to study at graduate schools both in Japan and overseas. We also send our employees overseas for short-term training programs and encourage them to obtain qualifications.

From the last fiscal year, we have restructured our skills development programs for managerial staff with a special focus on strengthening their management capabilities with the aim of maximizing our organizational strength, and introduced a 360-degree feedback system to change the ways of thinking and actions of people at the level of General Manager or above. Additionally, as part of our multi-faceted human resources development measures,



Shinsei endeavors to nurture our human resources using multi-faceted measures including volunteer activities conducted as part of training programs for new employees.

we provide our employees with opportunities to engage in cross-organizational business on a project basis, and transfer our human resources strategically across business groups and Group companies. At the same time, we encourage our people to utilize an internal job posting program to take charge of their own career development by taking on new challenges in different fields and utilizing the “self-declaration” system that allows employees to express their satisfaction level of and suitability to their respective current positions.

Leveraging Diversity

One of Shinsei Bank’s greatest strengths is the diversity of our people in terms of age, gender, nationality and background. It is the creativity generated by this diverse set of people that has enabled us to launch groundbreaking services and business models, and we believe that this diversity is the source of our competitiveness.

Based on this idea, we routinely hire a number of new graduates to expand the ranks of employees from whom we expect our future leaders to emerge, while making mid-career hires in line with business needs, and as a result we are able to continue to preserve the strengths of our diverse corporate culture. Also, since its inception, Shinsei Bank has actively promoted the advancement of talented female employees by introducing a variety of support initiatives including child-care leave, flexible working hours, and the “Shinsei Women’s Network,” an initiative that encourages interaction between female colleagues in the workplace. As of March 31, 2013, the proportion of female managers at Shinsei Bank remains among the highest in our industry with women representing approximately 26% of all titled managers.

In our aging society with a smaller number of children and increasingly diversified lifestyles, we believe that respecting the differences and uniqueness of our employees and developing human resource development measures tailored to each individual’s growth stage will help our employees make the best use of their abilities.

Shinsei Bank is committed to respecting the diversity of our people and will strive to reach new levels of organizational dynamism as we seek to provide completely new solutions to meet our customers’ complex and ever-changing needs.

Contributing to Society

Our Approach

As part of our commitment to acting as a responsible corporate citizen and contributing to societal development, the Shinsei Bank Group actively promotes Corporate Philanthropic Initiatives. The Shinsei Bank Group promotes employee-driven activities aspiring to create a sustainable society together with our employees.

Our Focus

The Shinsei Bank Group aims to create a sustainable society by prioritizing our activities centered on the three themes of “nurturing the next generation,” “the environment,” and “disaster relief activities” after the Great East Japan Earthquake in 2011. The Shinsei Bank Group also continues to participate in charity runs and supports other activities that are strongly supported by our employees.

Nurturing the Next Generation

Support children, youth and physically and intellectually challenged people who create our future

Environment

Protect our earth and the environment we live in

Disaster Relief

Support the areas affected by the Great East Japan Earthquake

Contributing to Society: Nurturing the Next Generation

Financial Literacy Program “MoneyConnection®”

MoneyConnection® is Japan’s first financial literacy program aimed at preventing young people from becoming NEETs (Not in Employment, Education or Training) by providing them with an opportunity to think about money, work and their own future. This is a workshop-based program that is targeted primarily at high school students. Shinsei Financial developed the program in 2006 in cooperation with So-dateage.net, a non-profit organization with a solid track record in NEET and youth support.



A snapshot of the Program

From fiscal year 2012, Shinsei Bank has been running the program together with Sodateage.net as part of our CSR initiatives focusing on the theme of “nurturing the next generation.” As a corporate sponsor, Shinsei Bank is supporting the program financially as well as promoting employee involvement by provid-

ing opportunities for Group employees to participate as facilitators where possible. MoneyConnection® received an Excellence Award in the “First Career Education Awards” program organized by the Japanese Ministry of Economy, Trade and Industry in 2010. As of March 31, 2013, the program has reached approximately 60,000 students from 613 schools throughout Japan.

Shinsei Bank is collaborating with regional financial institutions to expand the geographical scope of MoneyConnection®. In September 2012, Shinsei Bank and So-dateage.net have signed a memorandum of agreement with the Fukui Bank, Ltd. (“Fukui Bank”) in order to support Fukui Bank in delivering the program in Fukui prefecture. Fukui Bank began offering “financial literacy classes” in high schools in Fukui prefecture from December 2012. Furthermore, in May 2013, the Kiyo Bank, Ltd. (“Kiyo Bank”) entered into a sponsorship agreement to strengthen the MoneyConnection® program in Wakayama Prefecture and Sennan City in Osaka. Kiyo Bank will be offering “financial literacy classes” in high schools in Wakayama Prefecture and Sennan City in Osaka by working with a non-profit organization, Career Facilitator Association, a certified organization that delivers the MoneyConnection® program in these areas. Shinsei Bank will continue to promote and strengthen the MoneyConnection® program in regional areas by looking for opportunities for collaboration with regional financial institutions.



Learning materials for MoneyConnection®

(Table) Shinsei Bank Group Efforts to Support Areas Affected by the Great East Japan Earthquake: Disaster Relief Volunteer Activities

Fiscal Year	Activity Period	Place of Activity	Activity	
2011	First Program	Jul. 2011	Ishinomaki City, Miyagi	Removal of mud from street gutters, cleaning photos damaged by the tsunami
	Second Program	Oct. 2011	Minamisanrikucho, Miyagi	Removal of debris
	Third Program	Nov. 2011	Minamisanrikucho, Miyagi	Removal of debris, assisting with work in the fishing industry
	Forth Program	Mar. 2012	Minamisanrikucho, Miyagi	Assisting with work in the fishing industry
2012	Fifth Program	Jul. 2012	Minamisanrikucho, Miyagi	Removal of debris, removal of mud from street gutters, organizing a mini-concert
	Sixth Program	Oct. 2012	Minamisanrikucho, Miyagi	Removal of mud from street gutters
	Seventh Program	Nov. 2012	Karakuwa Peninsula, Kesenuma City, Miyagi	Oyster farming experience at Karakuwa Peninsula
Nov. 2012		Kamaishi City, Iwate	Clean-up of Katakishi Seashore of Otsuchi Bay	

Financial Highlights

Message from the Management

Special Feature

Review of Operations

Management Structure
Human Resources and
Corporate Social Responsibility (CSR)

Data Section

Contributing to Society: Disaster Relief

Volunteer Activities in Disaster Affected Areas

Since fiscal year 2011, employees from across the Shinsei Bank Group have taken part in volunteer activities in the Tohoku region of Japan to help support the areas affected by the Great East Japan Earthquake.



"Buggy Sisters" performing at a mini-concert held at Minamisanrikucho

The Bank organized seven disaster relief volunteer programs during the period from July 2011 to November 2012 in the disaster affected areas in Miyagi and Iwate Prefectures. A total of 208 Shinsei Bank Group employees participated in the seven activities held to date (Of these, three activities were conducted in fiscal year 2012, in which a total of 68 employees volunteered). Past activities mainly involved the removal of rubble, but we also engaged in other activities that were needed in the disaster affected areas such as removing mud from side ditches, assisting in the fish farming business, and holding a mini concert at a temporary housing site. Please refer to the table above for our past activities.

Internal Fundraiser to Donate Street Lamps for Temporary Housing

In May 2012, Shinsei Bank organized an internal fundraiser to erect street lighting in a temporary housing complex in Minamisanrikucho, Miyagi Prefecture. 186 Shinsei Bank Group employees made donations, raising a total of 2.04 million yen in total



A street lamp donated by the Shinsei Bank Group employees

(a donation amount enough for the purchase and installation of four LED solar-panel street lamps). Shinsei Bank donated the funds raised to Minamisanrikucho Council of Social Welfare in response to a request made by the Minamisanrikucho Disaster Volunteer Center, which is run by the Council. In July 2012, the four street lamps purchased with the donations from Shinsei Bank were installed at four temporary housing sites in the Utatsu and Tokura area that had the most urgent need for street lighting. Our contribution to Minamisanrikucho was followed by donations from many other companies, which led to the installment of 42 street lamps as of December 31, 2012.

Contributing to Society: Environment

Nature Protection Initiatives: Rice Terrace Conservation Volunteer Activity

A "Rice Terrace Conservation Volunteer Activity" organized by Shinsei Financial was held on May 15, 2013 in Jyuji, Tookamachi-shi, Niigata Prefecture and on November 14, 2012 in Asukamura, Nara



Employee volunteers taking part in the rice terrace conservation volunteer activity

Prefecture where 32 Group employees volunteered in Niigata and 38 Group employees volunteered in Nara. As part of the nature protection initiatives of the Shinsei Bank Group, we launched this activity jointly with NPO Tanada Network in fiscal year 2011. We have so far run activities in three places (Wakayama Prefecture, Nara Prefecture, and Niigata Prefecture). For the activity held in May 2013, volunteers cleaned the ditches of the rice terrace and in November 2012 and volunteers mowed grass to maintain the views of the villages.

Our Commitment to Environmental Sustainability

Measures to Conserve Electricity and Reduce our Impact on the Environment

At Shinsei, we continue to work hard to conserve electricity in our head office through initiatives such as turning off lights in communal spaces and using motion sensors to control lighting in conference and reception rooms. In preparation for the summer season when electricity demand increases, Shinsei Bank is implementing additional measures to minimize the use of electricity, by reducing ceiling lighting in communal spaces in its head office by approximately 75%, and implementing the "cool biz" clothing and air conditioning policy. Shinsei Bank is stepping up efforts to reduce the environmental impact of our offices and work style after our relocation of the Shinsei Bank headquarters in January 2011 and the Meguro Production Center in February 2012 to an advanced energy-efficient building.

Environmental Impact Data

	Unit	FY2010	FY2011	FY2012
CO ₂ Emissions	t	1,911.7	1,567.3	1,143.0
Electricity Usage	kWh	4,119,089	3,889,138	2,463,386
Gas Usage	m ³	15,773	0	0
Clean Water Usage	t	11,280	1,243	1,572

Notes: (1) CO₂ emissions data have been calculated according to "Guidelines for Calculating Specified Greenhouse Gas Emission Volume under the Total Emission Reduction Obligations and the Emission Trading Framework."

(2) Data are for all Shinsei Bank headquarter only (do not include affiliated companies).

(3) From January 2011, Shinsei Bank became a building tenant, therefore, clean water usage data does not include clean water usage for shared space.

Amount of Waste Generated / Recycling Rate

	Unit	FY2010	FY2011	FY2012
Waste Generated	t	386.24	194.27	217.82
Amount Recycled	t	216.09	118.48	95.10
Amount of Waste Disposal	t	170.15	75.79	122.68
Recycling Rate	%	55.95	60.99	43.68

Notes: (1) Waste generation data have been calculated according to data provided by building maintenance companies.

(2) Data are for all Shinsei Bank headquarter only (do not include affiliated companies).

Showa Leasing Assists Companies in the Introduction of Industrial Solar-Power Generation Systems

With the enactment of the "Feed in Tariff" (FIT) for renewable energy in July 2012, it is expected that renewable energy generation facilities will dramatically become more widespread. Under such circumstances, Showa Leasing entered into partnership with Fuji Furukawa Engineering & Construction Co., Ltd. ("Fuji Furukawa E&C") and launched a business assisting companies to introduce solar-power generation systems.

The main features of "Anshin Lease," the program for introducing industrial solar-power generation systems promoted by Showa Leasing in partnership with Fuji Furukawa E&C, are guaranteed output*¹ and long-term maintenance. A company introducing a solar-power generation system will conclude a 15-year lease contract with Showa Leasing, while Fuji Furukawa E&C will provide installation and maintenance services for the system.

In fiscal year 2012, Showa Leasing concluded 10 "Anshin Lease" contracts, and the total output of the solar-power generation systems installed under the program reached 4,364kW. The annual guaranteed output is 4,475,527kWh, which is equivalent to the annual electricity use of approximately 1,250 households*².

Showa Leasing will continue devoting its efforts to offer advanced and effective products and services in partnership with companies that have a high level of expertise, and support customers who are committed to promoting environmentally-friendly business operations.

*1 If electricity generated by the system is below the guaranteed output set at the time of concluding a contract, Showa Leasing will pay for the shortage.

*2 The calculation is based on the estimated power use of approximately 3,600kWh by a general household (see "Initiatives Concerning Consumer Protection Regarding Solar-Power Generation for Residential Properties" published on February 28, 2012 by the Agency for Natural Resources and Energy).



Photo provided by: Inageya Co., Ltd.