

## Interview with Outside Director ~About the Nomination and Compensation Committee

**Jun Makihara**  
Outside Director  
Chairperson, Nomination and  
Compensation Committee



Regarding the nomination of candidates for directors, please explain the nomination process, the committee's policies (such as the required skills and the balance of the skill portfolio) and discussion in the committee.

As the Shinsei Bank has a significant majority of outside directors and auditors, we have the flexibility to select a group of board members who each bring a different set of skills relevant to overseeing the bank's management, operations, and long-term strategy.

Our auditors and board members participate fully in the Board meetings and executive sessions together and are treated as one group, so in this discussion I will refer to them together as "the Board."

We have also appointed senior advisors, who attend every Board meeting and executive session, and who bring additional wisdom and perspective to our discussions. Although they do not have a formal vote, their advice is treated equally to board members.

We do not have a detailed policy as to qualifications for a director. What we have is common sense. The most important quality we look for is, of course, general experience in business, finance, and government, and a willingness to speak up. Beyond that, we value a diversity of experience. For example, we have a high percentage of

women on our board. We have board members who have experience in running businesses, finance, IT, legal and regulatory, and accounting. A number of board members have extensive international experience. Although Shinsei's business is largely domestic, I feel it is particularly important that our board understands international trends (many of the trends affecting Japanese banks have started abroad), and also what our foreign shareholders are thinking.

One area that we have discussed but find particularly difficult is finding younger board members (40s or even below). I feel there is a whole level of discussion and social perception that we miss by not having the next generation represented on the board, but this has been very difficult. If any reader has suggestions, we welcome them!

In terms of nominations, the challenge is paying attention to an ongoing search for and recruiting of new board members. There is a natural turnover at the board, and over time the needed skills will also change. But we cannot suddenly come up with a good candidate when there is an opening. So, we have to continually be on the lookout. To date, all of our board members have come through introductions from existing board members. This has been an advantage, I feel, because one of the most important things is to have a board that works well together and works well with management. So the "fit" of a new board member is crucial, and it helps to have a candidate introduced by someone who knows both the current board and management, and the candidate.

### Regarding the compensation structure for executive directors and outside directors, please elaborate on the discussion points and actual discussion at the committee.

We are mindful that our compensation policies (including that of the board) must reflect the fact that we are the recipient of taxpayer funding that has not yet been repaid. Also, I should be clear that no director or auditor has expressed a feeling that their compensation is inadequate. In fact, director compensation is almost never discussed. The one item that has surfaced several times is whether some portion of our compensation should be tied to our performance (stock price performance or earnings growth, for example). Interestingly, there is a disagreement amongst our shareholders on this point, with some (mostly foreign) shareholders thinking that incentivizing directors to focus on stock price performance is very important, and other (mostly domestic) shareholders thinking this is a bad idea. I serve on two other boards, one (Japanese) that has no stock incentive, and one (foreign) where I have chosen to receive my entire compensation in stock. I don't think it has affected my behavior as a director.

But after discussion, we have decided, starting this year, to have 25% of compensation for outside directors (excluding auditors) paid in restricted stock. I personally don't think this will affect our behavior or discussions at the Board, but I look forward to seeing how it goes.

### Regarding the appointment and dismissal of representative directors, please outline the committee's policies (required qualities, etc.) and succession plans.

Corporate governance experts are fond of saying that the most important decision a board can make is hiring and firing the CEO. This may be true, but it is a rare occurrence, and there are many things we do working with the CEO that I think are just as important. The day-to-day

advice and support to the CEO, for example. Here again, the diverse experience of our board, and our willingness to speak up honestly is key.

We do not have a detailed policy as to what standards we would apply or the procedures we would follow in appointing or dismissing the CEO. What is important again is common sense: 1) we regularly discuss amongst the outside directors whether we feel Kudo-san is doing a good job (he is), and 2) we discuss succession planning for him several times a year in executive session with him present.

We are fortunate to have a CEO who we feel is doing a very good job. Banking in Japan is an industry where it is currently very difficult to do well. And of course, the current COVID-19 crisis is a huge challenge. Despite all of this, Kudo-san has run the bank well. In addition, the bank had two distinct challenges at the beginning of Kudo-san's tenure: 1) assisting our largest shareholder, J.C. Flowers & Co. to achieve an exit, and 2) developing a plan to repay public funds. Regarding the two challenges, J.C. Flowers & Co. did exit their position last year, so one challenge remains. All in all, we are pleased with where we are.

As for succession planning, the Board conducts an ongoing dialogue with Kudo-san about the process: potential candidates, training future leaders, pros and cons of internal versus external candidates, etc. We again benefit here also from having a board with a broad variety of experience that includes seeing CEO succession planning that has been successful and less successful.

I would like to close by saying that no set of written rules or procedures can guarantee a good outcome for any of the above questions. The most important thing is to have a board that works well together and works well with the CEO. Above all, a board and CEO that have an open and honest dialogue is the key to successful corporate governance.

# Corporate Governance

## Four Features of Shinsei Bank's Corporate Governance

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

71.4%

- 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.



40%

### Ratio of Outside Directors with Corporate Executive Experience



- Outside directors are well-balanced members with extensive experience and high levels of expertise, such as management, financial, and business-related useful fields including consumer, real estate, and IT, as well as comprehensive knowledge and experience in consulting and academia.
- Two of the five outside directors on our Board are or have worked as corporate executives.

### Ratio of Female Directors on the Board of Directors

28.6%

- Two of the seven directors of Shinsei Bank are female directors.
- 40% of the total number (10) of directors and Audit & Supervisory Board members of the Bank are women.
- Diversity & inclusion is one of our most important management strategies, and we are working to promote the empowerment of women in the workplace.



100%

### Attendance Rate for the Board of Directors



- 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 eight meetings of the Board of Directors since the June 2019 general meeting of shareholders.

## 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.

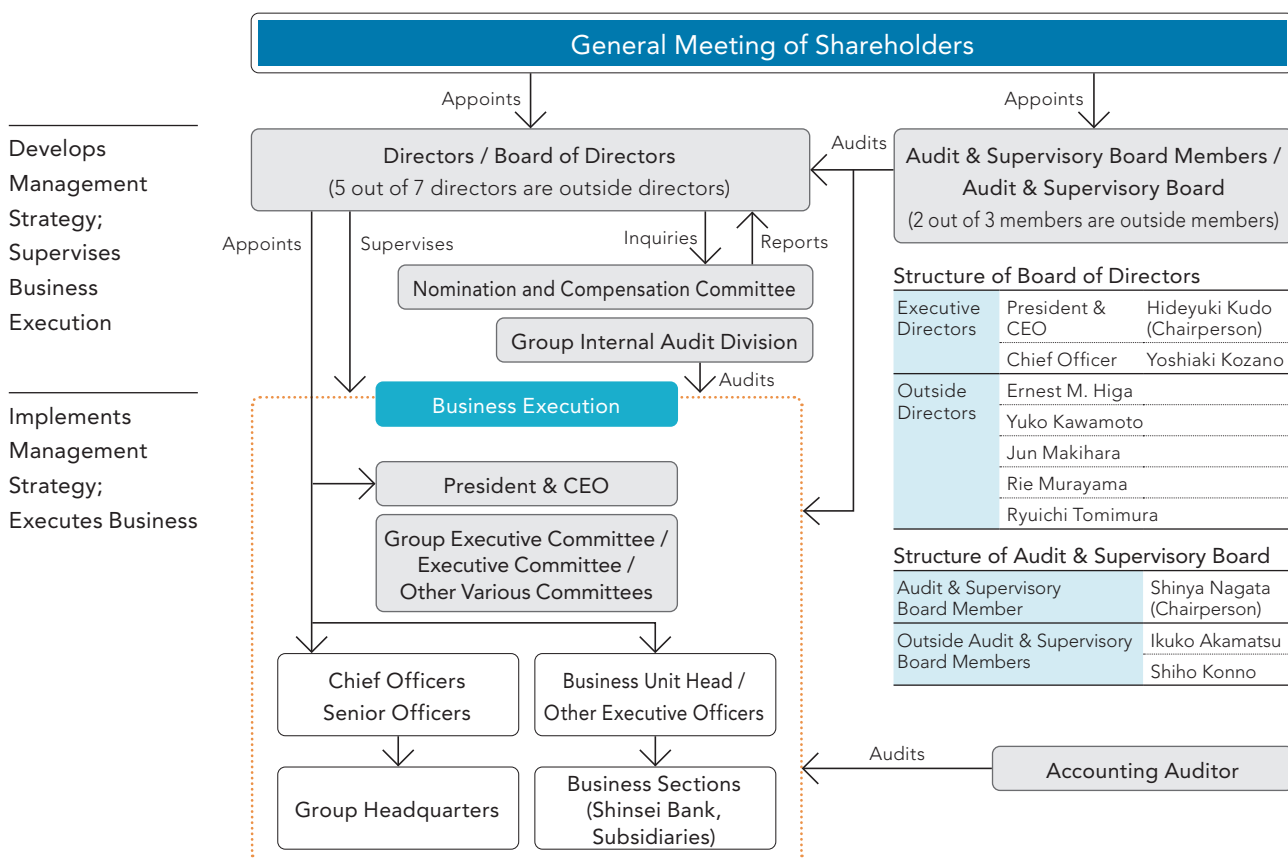
The composition of the Board of Directors ensures the objectivity and transparency of business management and facilitates appropriate management decision-making. The current outside directors are a balanced group of executives who bring to the Bank their extensive experience and expertise in a range of fields, including domestic and overseas financial businesses, consumer-related businesses, management consulting, and the fields of information systems and risk management. 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, 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 encourages the adoption of optimal and balanced management policies reflecting the benefit to stakeholders such as shareholders and customers, through which the Bank seeks to enhance its corporate value.

■ Corporate Governance Structure Chart (As of June 17, 2020)



# Board of Directors, Audit & Supervisory Board Members



**Hideyuki Kudo**  
Representative Director,  
President and  
Chief Executive Officer  
Chairman of Board



**Yoshiaki Kozano**  
Director



**Ernest M. Higa**  
Outside Director  
Nomination and  
Compensation Committee  
Member



**Yuko Kawamoto**  
Outside Director  
Nomination and  
Compensation Committee  
Member



**Jun Makihara**  
Outside Director  
Chairperson, Nomination and  
Compensation Committee

## Diversified Experiences and Skills Required for Outside Directors

		Ernest M. Higa	Yuko Kawamoto	Jun Makihara	Rie Murayama	Ryuichi Tomimura
Management Experience	Corporate Management	○				○
	Outside Director	○	○	○	○	○
Financial Experience	Debt Finance		○	○	○	
	Equity Investment			○		○
	Risk Management		○		○	
Other Necessary Experience	Consumer Business	○				
	Real Estate Business				○	
	IT / Digital					○
	Administration Bureau					
Comprehensive Knowledge on Management, Finance, and IT / Digital	Consulting		○			○
	Academia		○			



**Rie Murayama**  
Outside Director  
Nomination and  
Compensation Committee  
Member



**Ryuichi Tomimura**  
Outside Director  
Nomination and  
Compensation Committee  
Member



**Shinya Nagata**  
Audit &  
Supervisory Board Member



**Ikuko Akamatsu**  
Outside Audit &  
Supervisory Board Member



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

**Audit & Supervisory Board Members' Skill Matrix**

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


## Board of Directors, Audit & Supervisory Board Members

### Directors



**Hideyuki Kudo**  
 Representative Director,  
 President and Chief Executive Officer  
 Chairman of Board


Ownership: Common shares 23,072  
 Attendance rate: 100%



**Yoshiaki Kozano**  
 Director

Ownership: Common shares 8,367  
 Attendance rate: 100%

### Outside Directors



**Ernest M. Higa**  
 Outside Director  
 Nomination and Compensation  
 Committee Member

Ownership: Common shares 4,286  
 Attendance rate: 100%

#### Reasons for Nomination

Mr. Hideyuki Kudo has an abundant experience and insight, focusing on corporate and risk management operations. Since his appointment as the president, he has been contributing to improved corporate value by establishing and implementing the core strategies of “enhance/leverage our capabilities” and “grow through value co-creation” outlined in the Medium-Term Strategies that starts in fiscal 2019.

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 Chief Officer, Group Business Strategy and contributing to the enhancement of corporate value through reorganization of the Group and creation of business opportunities.

#### Reasons for Nomination

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.

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

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

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



### Jun Makihara

Outside Director  
Chairperson, Nomination and  
Compensation Committee

Ownership: Common shares 20,000  
Attendance rate: 100%

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.

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



### Rie Murayama

Outside Director  
Nomination and Compensation  
Committee Member

Ownership: Common shares 0  
Attendance rate: 100%

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, particularly related to business and risk-analysis in real estate, mortgage, construction and related sector.

- Nov. 1988 Joined CS First Boston Securities
- Mar. 1993 Joined Goldman Sachs Tokyo Branch (Predecessor of Goldman Sachs Japan Co., Ltd.)
- Nov. 2001 Managing Director, Goldman Sachs Tokyo Branch (Predecessor of Goldman Sachs Japan Co., Ltd.)
- Jun. 2016 Director, RENOVA, Inc.
- Apr. 2017 Chairman & Representative Director, ComTech, Ltd.
- Jun. 2017 Director, KATITAS Co., Ltd.
- Jun. 2019 Director, Shinsei Bank, Limited (Current)
- Jun. 2020 Director, MAEDA CORPORATION (Current)



### Ryuichi Tomimura

Outside Director  
Nomination and Compensation  
Committee Member

Ownership: Common shares 0  
Attendance rate: 100%

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.

- Oct. 1983 Joined IBM Japan, Ltd.
- Oct. 1991 General Manager, Network Integration Division, Recruit Co. Ltd. (Predecessor of Recruit Holdings Co., Ltd.)
- Jan. 1994 Managing Partner, Pricewaterhouse Consultant
- Oct. 2002 Managing Director, IBM Business Consulting Service KK, Vice President, IBM Corporation Business Consulting Service, Asia Pacific
- Feb. 2004 Representative Director, Senior Executive Vice President, Japan Telecom Co., Ltd. (Predecessor of SoftBank Corp.)
- Dec. 2007 Representative Director, Managing Director, RHJ International Japan, Inc.
- Apr. 2010 Executive Vice President, Director, SIGMAXYZ Inc.
- Aug. 2012 Director, Plan•Do•See Inc.
- Jun. 2014 Audit & Supervisory Board Member, Shinsei Bank, Limited
- Jun. 2015 Director, Shinsei Bank, Limited (Current)
- Jun. 2016 Executive Vice President, Representative Director, SIGMAXYZ Inc.
- Jun. 2018 President, Representative Director, SIGMAXYZ Inc. (Current)
- May 2020 Director, VECTOR INC. (Current)



## Newly Appointed Outside Director



**Yuko Kawamoto**

Newly Appointed Outside Director

Ownership: Common shares 0

**Reasons for Nomination**

Ms. Yuko Kawamoto was asked to stand as an Outside Director in order to reflect in the Bank's management, her wealth of expertise in finance and extensive experience as a management consultant and professor at university.

I am Yuko Kawamoto and I was recently appointed as an Outside Director.

For more than 30 years, I have been engaged in the management of financial institutions and their reforms. After working at a bank, I participated in management strategy discussions at a management consulting company, and from the beginning of the 21st century, I had the opportunity to participate in a number of deliberations by the regulatory authorities. Over the past 15 years, I have been in charge of "financial institutions management" and "corporate governance" classes at a graduate school, as well as serving as an outside director and advisor to banks, securities companies, insurance companies, stock exchanges, financial holding companies, and nonbank financial companies.

Based on my knowledge and experience, I would like to make every effort as a member of the Board of Directors so that Shinsei Bank can play an active role as a financial innovator and sustainably improve its corporate value as an individualized boutique bank that differentiates itself from any other financial institutions.

I look forward to working with you all.

- Apr. 1982 Joined the Bank of Tokyo, Ltd. (Predecessor of MUFJ Bank, Ltd.)
- Sep. 1988 Joined McKinsey & Company, Inc.
- Jul. 2001 Senior Expert, McKinsey & Company, Inc., Tokyo Office
- Apr. 2004 Professor, Waseda Graduate School of Finance, Accounting and Law (Predecessor of Business and Finance) (Current)
- Jun. 2004 Director, Osaka Exchange, Inc. (Predecessor of Japan Exchange Group, Inc.)
- Jun. 2006 Audit & Supervisory Board Member, Tokio Marine Holdings, Inc.
- Jun. 2013 Director, Mitsubishi UFJ Financial Group, Inc.
- Jun. 2020 Director, Shinsei Bank, Limited (Current)
- Jun. 2020 Director, SoftBank Group Corp. (Current)
- Jun. 2020 Director, Panasonic Corporation (Current)



## Audit & Supervisory Board Member



**Shinya Nagata**

Audit & Supervisory Board Member

Ownership: Common shares 2,583  
Attendance rate: 100%

### Reasons for Nomination

Mr. Shinya Nagata was asked to stand as an 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 make useful remarks and suggestions at the Board of Directors meetings and the Audit & Supervisory Board meetings.

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

## Outside Audit & Supervisory Board Members



**Ikuko Akamatsu**

Outside Audit & Supervisory Board Member

Ownership: Common shares 0  
Attendance rate: 100%

### Reasons for Nomination

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.

- Jan. 1995 Joined Showa Ota & Co. (Predecessor of Ernst & Young ShinNihon LLC)
- Dec. 2010 Chief Researcher, Management Training and Consulting Division, Institute of Management, SANNO University
- Aug. 2018 Director, TOP'S Inc. (Current)
- Apr. 2019 Senior Researcher, Management Training and Consulting Division, Institute of Management, SANNO University
- Jun. 2019 Audit & Supervisory Board Member, Shinsei Bank, Limited (Current)
- Jun. 2020 Director, CAWACHI LTD. (Current)
- Jun. 2020 Audit & Supervisory Board Member, Toyo Seikan Group Holdings, Ltd. (Current)



**Shiho Konno**

Outside Audit & Supervisory Board Member

Ownership: Common shares 0  
Attendance rate: 100%

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 corporate governance and to take on the promotion of diversity.

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

# Corporate Governance

## 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 2019, the Bank held strategy sessions that mainly discussed on human resources, digital, and business. In the sessions, directors and Audit & Supervisory Board members posed numerous questions, provided comments and suggestions from a broader perspective in relation to the explanations by executive directors.

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 content 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.

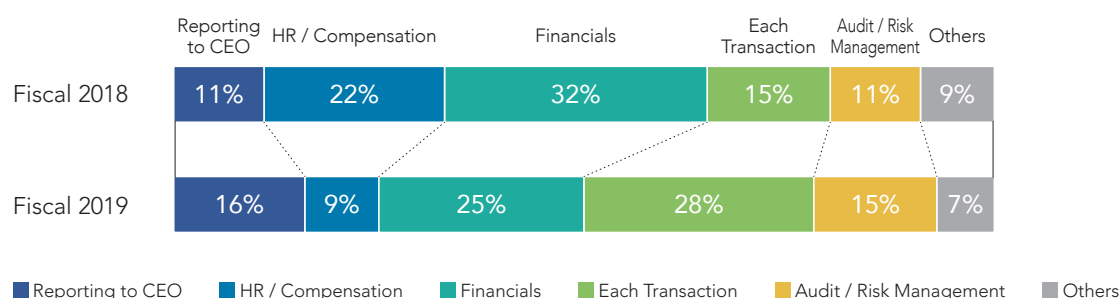
In order to fulfill its accountability towards stakeholders, Shinsei Bank will make efforts to continually strengthen its corporate governance framework.

### Fiscal 2019 Schedule for the Board Meetings

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
Aug.	Extraordinary Board meeting	Mar.	Extraordinary 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

### Agenda of the Board Meeting and the Time Required



## 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 2019 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 10 people). Certain additional questions are only asked to Audit & Supervisory Board members in fiscal 2019.

### (4) Analysis/evaluation items

The content 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 Nomination and Compensation Committee, 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 same as last year.

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

In the fiscal year under review, discussions focused on the three themes: human resources, digital, and business. These themes were evaluated as appropriate with an emphasis on management issues and business models for sustainable growth.

Strategy sessions were deemed to be effective for deliberating on business strategy, and the decision was made to continue to hold the sessions while considering the themes, timing, and frequency of sessions.

#### (c) Board composition/diversity

Regarding roles and responsibilities, and diversity, including gender and internationality, the appointment of female directors and corporate auditors this fiscal year resolved the issue of gender diversity, although it was confirmed in the previous assessment that gender should continue to be considered in particular.

However, it was confirmed that further study is necessary from the viewpoint of diversity in a broad sense, including skills and experiences.

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

Following on from the previous fiscal year, we have been making efforts to improve the efficiency of our operations by selecting proposals for an abbreviated explanation, receiving preliminary questions on materials, and providing brief explanations. As a result of this fiscal year's questionnaire, we received the evaluation that the questionnaire covered important topics and was largely a forum for deliberate discussion. However, we have confirmed that the quantity of materials should be improved, so we will strive to achieve more efficient management.

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

While the explanations at Board of Directors meetings were evaluated as having improved, we confirmed that there was room for further improvement. As for providing of information, we confirmed that information on risk management and compliance, which was enhanced based on the opinions of the previous evaluation, was appropriately provided. On the other hand, we confirmed the progress of acquisitions and business alliance projects, initiatives for promoting the empowerment of women, and reports on the status of subsidiaries and Group companies as topics where there was room for improvement and consideration. Accordingly, we will take into consideration the provision of such matters through the Board of Directors, strategy sessions, and other opportunities.

#### (f) Communication

It was confirmed that the environment for information sharing among outside directors is favorable. We also confirmed the effectiveness of executive sessions made up entirely of outside directors.

#### (g) Nomination and Compensation Committee

Since its establishment in March 2019, the committee met 5 times by the end of January 2020. They confirmed that the composition and frequency of meetings of the committee members were generally appropriate, and that the committee was a useful forum for discussion on matters related to nomination and remuneration.

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

A certain number of opinions have been expressed that there is room for discussion in this regard this fiscal year. We will confirm the intentions of the Board of Directors to consider it.

#### (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.

The results of the survey were, although there was no significant difference from the results of the previous year, highly evaluated as a whole. Therefore, we appreciate that efficient management of the Board of Director meetings helped to secure time for important discussions. 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 function by examining and making improvements to issues raised in the survey.

## Directors and Executive Officers Compensation Scheme

The Bank's Board of Directors, which is comprised of a majority of outside directors, determines the introduction and level of executive remuneration within the total amount of executive remuneration approved at the General Meeting of Shareholders. In addition, the Nomination and Compensation Committee, which consists of all outside directors, has been voluntarily established as an advisory body to the Board of Directors. The committee deliberates matters related to the compensation of directors based on consultations with the Board of Directors and reports to the Board of Directors.

### Policy on Determining Compensation

- Appropriate incentives are provided in order to advance the Group's business and realize the medium- 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.

### Compensation System for Full-Time Directors

- Basic remuneration  
Fixed Compensation (Annual fixed amount)
- Medium- to long-term incentive remuneration  
The remuneration of full-time directors is based on medium- to long-term incentive remuneration in order to further promote the sharing of value with shareholders and to increase the motivation to contribute to the improvement of corporate value and share price over the medium to long term in the execution of business. The amount of stock-based compensation stock options to be paid is determined based on certain formulas based on the share price and net assets of the Bank and banking businesses in accordance with the internal regulations determined by the Board of Directors. However, as the benchmarks are determined in the marketplace, these are not set as targets. There is no short-term incentive remuneration that depends on the performance of each fiscal year.

- ① Restricted stock compensation
- ② Equity remuneration type stock options

### Compensation System for Outside Directors

As for the remuneration for outside directors, we introduced restricted stock remuneration in fiscal 2020, in addition to fixed remuneration as base remuneration. The purpose of this system is to continuously improve corporate value and further promote the sharing of value with shareholders.

### Process for Determining Compensation Amount

Compensation amounts for directors and executive officers reflect 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 each general meeting of shareholders. In addition, the Board of Directors has an internal control system that is audited by the Audit & Supervisory Board meeting.

At the Nomination and Compensation Committee, which was established on March 20, 2019, is composed of all outside directors, the agenda is resolved by a majority of the members present. Audit & Supervisory Board members also attend the Nomination and Compensation Committee. The Nomination and Compensation Committee was held five times within the fiscal year.

### 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  
Maximum amount of restricted shares for outside directors (introduced in fiscal 2020): ¥15 million per year out of the total maximum amount in (1) above  
The transfer restriction period is determined in advance by the Board of Directors for a period between three and five years after the allotment date of the allocated shares to full-time and outside directors.
- (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

## Total Amounts of Compensation etc. by Category, Total Amounts by Type of Compensation etc., and the Number of Eligible Persons (from April 1, 2019 to March 31, 2020)

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)	114	67	27	19	—	—	2
Audit & Supervisory Board members (excluding outside Audit & Supervisory Board members)	20	20	—	—	—	—	1
Outside directors and outside Audit & Supervisory Board members	77	66	—	—	11	—	9 (Three of whom have retired)
Total	211	153	27	19	11	—	12 (Three of whom have retired)

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

2. Within the categories above, there are two directors who serve concurrently as executive officers.

3. Based on a resolution at the 15th Annual General Meeting of Shareholders held on June 17, 2015, one executive director who retired at the closing of the 19th Annual General Meeting of Shareholders held on June 19, 2019, and one executive director who resigned on August 27, 2019, were paid retirement benefits of 11 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, not only personally conduct audit activities

such as attending key meetings, such as Executive Committee meetings, and Board of Directors' meetings, they also review key documents and conduct interviews with directors, executive officers and accounting auditors. Through cooperation with internal control sections such as the Group Internal Audit Division and utilizing staff of the Office of Audit & Supervisory Board members they 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 2019 AGM<sup>1</sup>

	Board of Directors meetings	Audit & Supervisory Board meetings
Number of meetings held <sup>2</sup>	8 times	12 times
Attendance rate	100%	100%

1 AGM refers to the annual general meeting of shareholders.

2 The total number of meetings held after the AGM in fiscal 2019.

## 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 President and Chief Executive Officer, the 35 (as of June 17, 2020) 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 resolve the Group's IT strategies and governance issues
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

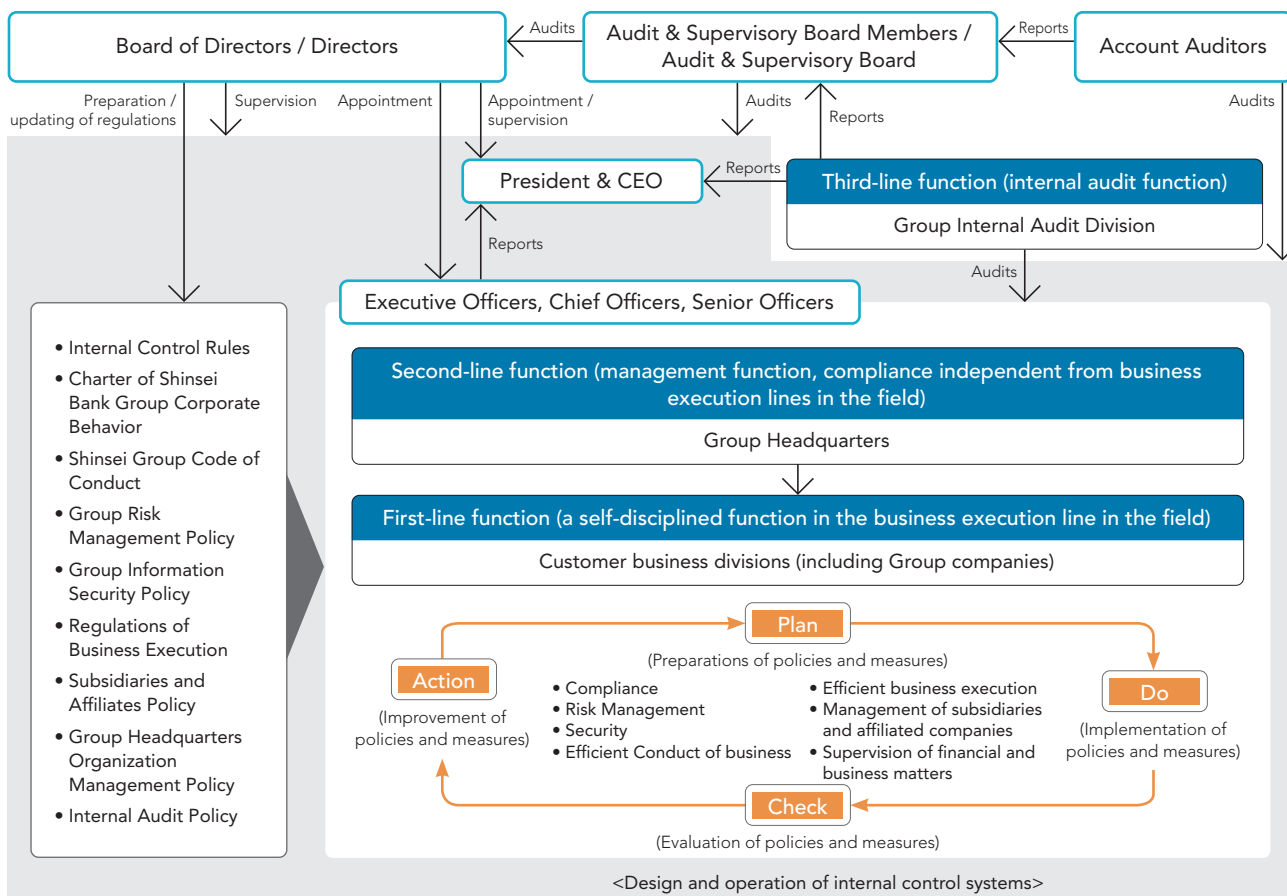
For corporate governance to function effectively, in addition to creating business execution oversight and decision-making frameworks around the Board of Directors, putting into place frameworks which facilitate the proper functioning of functions such as internal audits and compliance is also necessary. 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 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,

#### Internal Control Framework



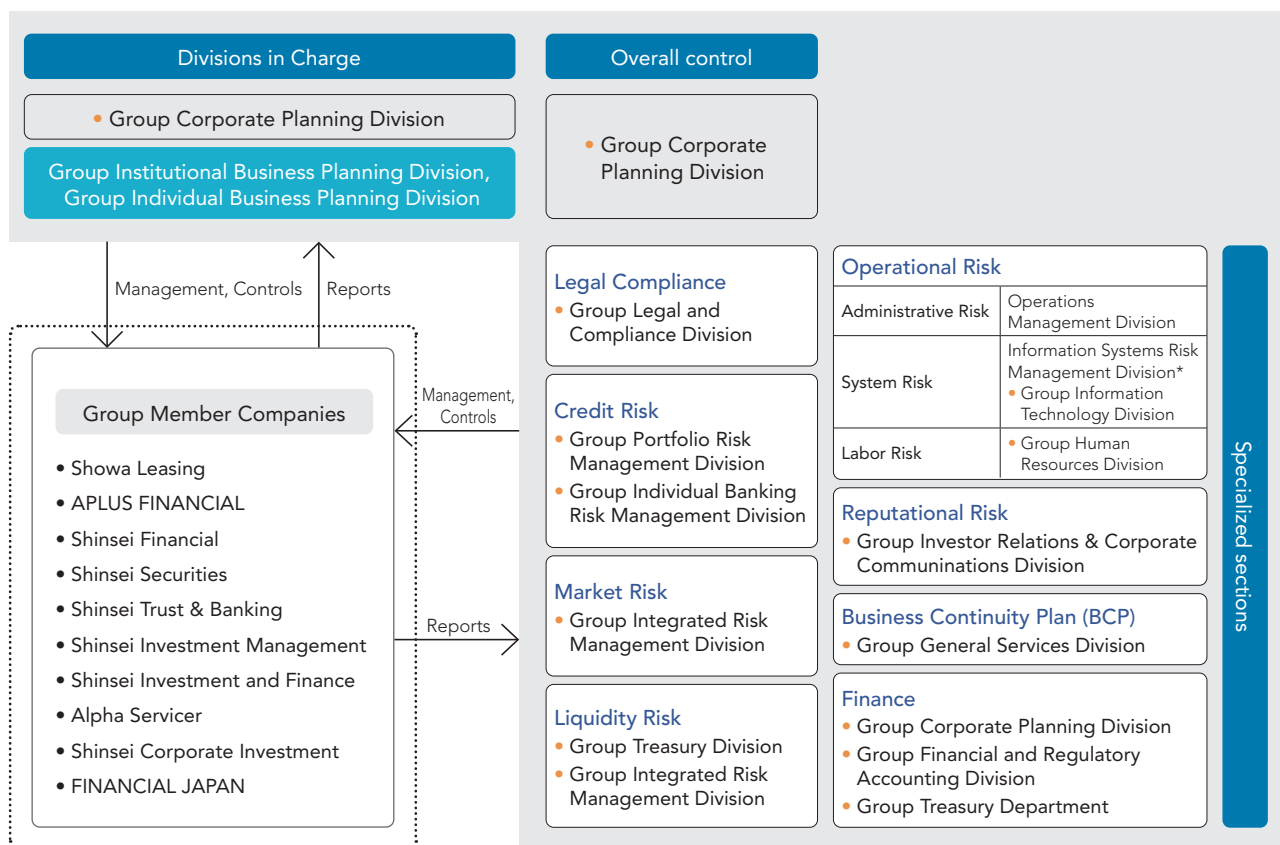
Subsidiaries and Affiliates Policy, Group Headquarters Organization Management Policy and Internal Audit Policy are established as the underlying rules. In addition, by improving the system for ensuring the effectiveness of the audits by Audit & Supervisory Board members, we are striving to ensure the propriety, transparency and efficiency of operations throughout the entire Group, including subsidiaries. We are also striving to create systems to block relationships with anti-social forces and ensure the propriety of operations, including establishing the Charter of Shinsei Bank Group Corporate Behavior to prevent relationships with anti-social forces. Furthermore, we have established the Group Business Continuity Management Committee to prepare for large-scale disasters, accidents, and other disruptions to the Bank business activities, and have established various rules concerning the business continuity system to ensure that important business operations are continued and that the Group fulfills its responsibilities to customers and society as much as possible.

With regard to internal control over group companies, from April 2017, the indirect functions of major Group companies have been consolidated at the Group Headquarters in Shinsei Bank and managed centrally, and the specialized sections of the Group Headquarters directly manage subsidiaries and affiliates based on Banking Law, Companies Act and other related laws to the extent possible.

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 and other important committees organized by the Group Headquarters.

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 17, 2020)



\* Under Group Headquarters

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



## 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 initiatives 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

activities 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, and works to establish a Group-wide framework for doing so under the leadership of management. Using a risk-based approach outlined in Mutual Evaluations of Japan by the Financial Action Task Force (FATF), the Group is reducing risk by implementing individual measures to combat the Shinsei Bank Group's particular risks that have been identified and

evaluated and working on more effective measures. It is our top priority to eliminate risks of money laundering and the financing of terrorism by assessing the effectiveness of countermeasures and providing continuous effort on reviewing the measures.

## Legal Supervision

Violations of any laws and ordinances that the Bank and each Group company are required to abide by carrying 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.

## The Shinsei Bank Group Policy on Anti-Money Laundering and Countering the Financing of Terrorism (AML / CFT)

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. 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 anti-social 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 key components of risk governance are risk culture, appropriate business execution based on risk appetite, and risk management. While the Shinsei Bank Group continually strives to improve all of these elements, we have put particular emphasis on building systems for appropriate business execution based on risk appetite and have put in place an integrated management framework based on consistency between risk appetite and financial planning. The concept of risk appetite is commonly referred to as the risk appetite framework. At the Shinsei Bank Group, however, we focus on the consistency

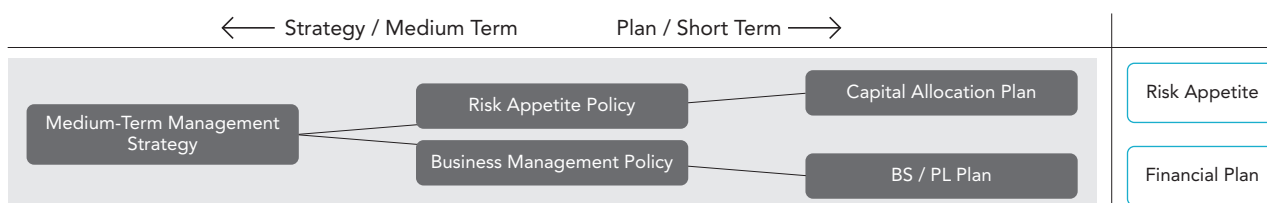
between risk appetite and financial planning as a key premise, and work to achieve appropriate business execution based on risk appetite through the integrated operation of existing functions related to both. The Shinsei Bank Group uses the common equity Tier 1 ratio and return on equity (ROE) as key strategic financial indicators. By aligning risk appetite with financial planning, appropriate risk-taking aims to produce expected returns, which in turn leads to improved financial indicators.

## Risk Appetite

Risk appetite and financial plans are detailed and materialized in the process of formulating these plans based on strategies and tactics for each business line based on the Medium-Term Management Strategy that indicates the direction of management. The Shinsei Bank Group has formulated a Risk Appetite Policy that documents

risk appetite in an appropriate and detailed manner to clarify the Group’s risk appetite behind financial planning and foster a shared understanding of risk. In addition, to quantify risk appetite on a uniform scale, we have formulated a capital allocation plan that allocates capital to each business line.

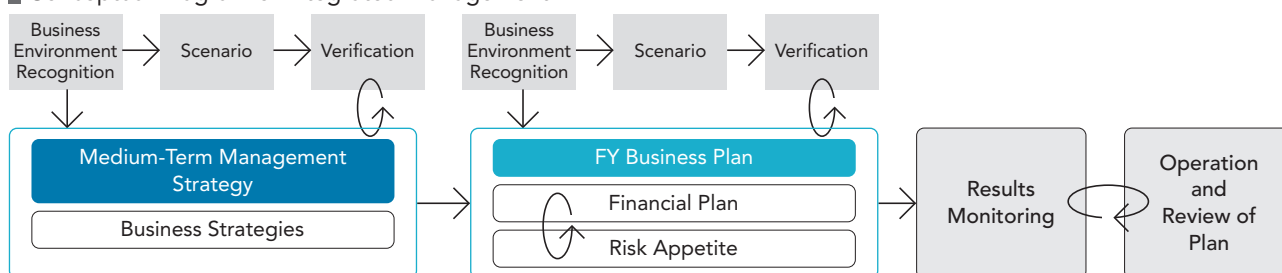
### Conceptual Diagram of the Relationship Between Risk Appetite and Financial Planning



In order to ensure consistency between risk appetite and financial plans, we verify and monitor financial plans through multiple methods from the perspective of risks related to the fundamentals of management, such as capital, liquidity, and earnings fluctuations. If it is determined that there is excessive risk-taking or if there is doubt about its feasibility, the Bank reviews the plan as necessary. For example, in scenario analysis, which is a typical verification method, we comprehensively analyze financial risks based on multiple scenarios including an economic downturn. During the fiscal year, the Bank monitors the actual use of capital allocation plans and

multiple liquidity risk indicators based on the strict rule. The Shinsei Bank Group has established the Group Risk Policy Committee as a consultative body of senior management to discuss risk appetite. At the same time, this structure requires close communications between the risk management section and the management section, which is a key element of the framework.

### Conceptual Diagram of Integrated Management



## Important Risks

Of the risks that could materialize in the next one-year period, we recognize risks that are considered to have a significant impact on management based on management discussions. This process emphasizes the consideration of nonfinancial risks that are difficult to quantify, but trigger events, transmission channels, and financial impacts are specified as much as possible when determining the impact on management. In addition to the current economic downturn, we have identified

important risks such as the entry of nonfinancial companies into the financial industry due to innovations in financial technologies, materialization of human resource risks, risk of fraud in business processes, and the instability of the foreign currency procurement environment. The integrated business management framework is designed to continuously strengthen the ability to predict and respond to these risks.

### Important Risks

Risk Scenario	Risk Scenario Details / Impact
1. Increase of credit costs due to economic downturn	A shift in monetary policy due to inflation caused by a hike in tariffs and a rise in crude oil prices. An increase in credit costs and an increase in fund procurement costs accompanying a decline in real estate prices through a sharp rise in long-term interest rates due to interest rate hikes. Lower stock prices due to the economic downturn caused by the worsening of U.S.-China issues.
2. Large-scale natural disasters and infectious disease epidemics	An increase of credit costs due to the economic downturn triggered by a global outbreak of large-scale natural disasters caused by climate change and infectious diseases. Business interruption or loss due to system failure, etc.
3. 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. A decline in the Shinsei Bank Group's loan balance and lower profit margins due to competition over interest rates.
4. Materialization of human resource risk	Low performance due to the inability to secure high-quality human resources and a downturn in capabilities due to the outflow of key personnel, etc. Difficulty in securing human resources to execute business strategies that need to be strengthened in the future.
5. Risk of fraud in business processes	Internal improprieties, including outsourcees, fraud (money laundering, cyber attacks, etc.), and system failures. These causes fines and administrative dispositions from the related authorities, and rumors etc.
6. Instability of the foreign currency procurement environment	The foreign currency investment / procurement balance increasingly tilts towards excessive investment. Instability and inefficiency of foreign currency procurement, including rising fund procurement costs in conjunction with financial market turmoil under such circumstances.

## Business Continuity Plan (BCP)

We have formulated Business Continuity Management Policy and Business Continuity Plan to ensure the continuity of important operations and the smooth fulfillment of our responsibilities to customers and society in the event of an earthquake, typhoon, or other disaster,

damage from terrorism or crime, or an outbreak of an infectious disease. The Business Continuity Plan and its operating procedures are regularly reviewed, and employees undergo regular education and training.

# Initiatives for Global Environmental Issues through Our Core Businesses

Shinsei Bank has endorsed the recommendations of TCFD (Task Force on Climate-related Financial Disclosures). In line with this TCFD framework, we introduce the Shinsei Bank Group's efforts to address global environmental issues through our core businesses.

## Governance

The Shinsei Bank Group has positioned the Group ESG Management Policy as the starting point for formulating management strategies, and by contributing to the creation of a sustainable society, we aim to fulfill our corporate social responsibilities and acquire sustainable growth opportunities.

Responding to global environmental issues, including climate change, is indispensable for a sustainable society. We will strive to create social value and increase the corporate value of the Shinsei Bank Group over the medium to long term through a variety of initiatives, including investment and financing to clients' climate change-related projects.

The Group Executive Committee formulates the Group ESG Management Policy to show the Group's policies for ESG-related initiatives. In recognition of the fact that ESG-based management and SDGs should not be limited to specialized departments, we share information and issues, through cross-organizational team from divisions such as corporate planning, businesses, risk management, human resources, general affairs and investor relations, and lead the formulation of individual action plans. Progress and results are reported to the Board of Directors and the Group Executive Committee on a regular basis.

## Strategy

### Opportunities:

#### Promotion of Businesses That Contribute to the Improvement of Global Environmental Issues

The Shinsei Bank Group is actively promoting investment and lending to improve and resolve environmental and social issues through project finance for renewable energy businesses, and investment and lending for facilities which reduce the environmental impact of real estate and ship finance.

#### Objectives, Organization, and Action Policies of the Sustainable Impact Development Division

In February 2020, we established the Sustainable Impact Development Division to further deepen the initiative mentioned above. At the same time, the Sustainable Impact Assessment Department was established to structure a unique evaluation system of sustainable finance based on ongoing engagement with customers. The Sustainable Impact Development Division supports the creation of positive impacts on environmental and social issues by planning and promoting sustainable

finance, developing and supplying investment products for institutional investors based on this evaluation.



#### Fiscal 2019 Initiatives

In fiscal 2019, in the project finance business, we marked the tenth transaction of our participation in offshore wind power projects in Europe. In addition, we participated in the domestic offshore wind power projects for the first time, which is expected to see significant growth in the future, using our accumulated knowledge so far. Showa Leasing also invested in renewable energy funds, a regional recycling-oriented type fund.

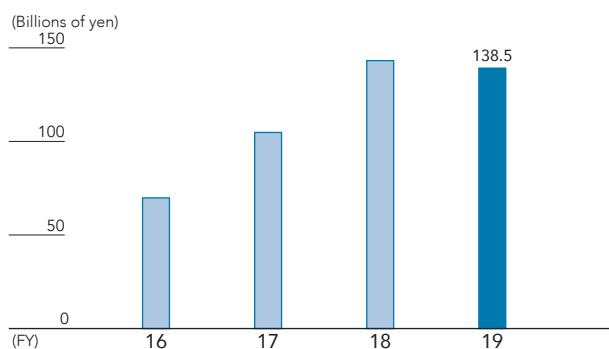
In ship finance, we implemented some financing projects for LNG carriers, which are expected to play a major role in energy conversion. In addition, in order for customers to comply with international environmental regulations in the shipping industry, we financed an

exhaust gas cleaning system for ships (SOx scrubber) with a loan and a sales credit product. In the future, we will continue to provide financial support for the decarbonization and reduction of environmental impact, which are strongly required in the shipping industry.

### Renewable Energy Project Finance Arrangement Results

Since 2012, Shinsei Bank has actively promoted syndicated loans for renewable energy businesses such as solar, wind, and biomass, and has been supporting the spread of renewable energy in cooperation with regional financial institutions.

### Renewable Energy Project Finance Arrangement Results



### Restoration Support for Natural Disasters

Harnessing its expertise and corporate network cultivated through the leasing business, Showa Leasing is focusing on its business as a buying and selling of used equipment, especially for construction machines. Tozai Boeki Co., Ltd., a wholly-owned subsidiary of Showa Leasing, holds regular parade auctions for used construction machines, and many buyers from developing countries come to these auctions. The Japan-made construction machinery is auctioned off and exported overseas where they support infrastructure building in emerging markets and Showa Leasing is working to promote the reuse of Japanese-used machinery. In addition, the need for construction machinery to recover from natural disasters in Japan has been increasing recently. Against this background, Eishin Kogyo Co., Ltd., a wholly-owned subsidiary of Showa Leasing, promotes finance to modular barge system to prevent river floods, and Shinko Lease Co., Ltd, a group company of Kobe Steel Ltd., which became a wholly-owned subsidiary of Showa Leasing in 2019, works on financing to construction

machinery by collaborating with manufacturers and selling companies in an integrated manner.



Modular barge system used as a river flood countermeasure (assembled marine construction machinery capable of smoothly performing civil engineering work on water)

### Risks:

#### Identified Risks

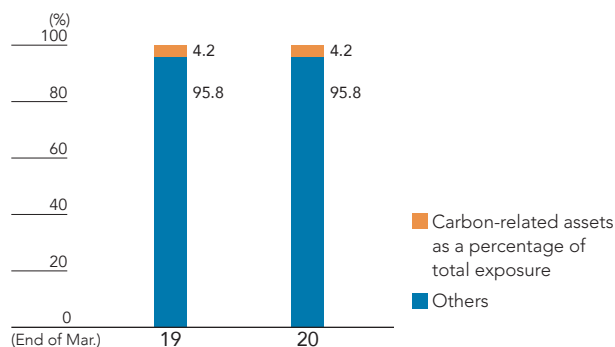
We believe that climate change influences the Shinsei Bank Group's portfolios principally through the following two channels:

**Physical Risk:** Direct impacts such as property damage caused by floods, storms and other climate events, and indirect impacts such as disruptions to the global supply chain and resource depletion.

**Transition Risk:** Risks arising from the revaluation of financial assets with high GHG (Greenhouse Gas) emissions as a result of the transition to a low-carbon economy.

Carbon-related asset exposures (the ratio of carbon-related assets to total exposure = energy and utilities (excluding project finance such as solar and wind power)) was 4.2% as of March 2019, and 4.2% as of March 2020, and we have begun quantifying the impacts of transition risks and physical risks.

### Carbon-Related Assets as a Percentage of Total Exposure (energy and utilities (excluding project finance for renewable energy))



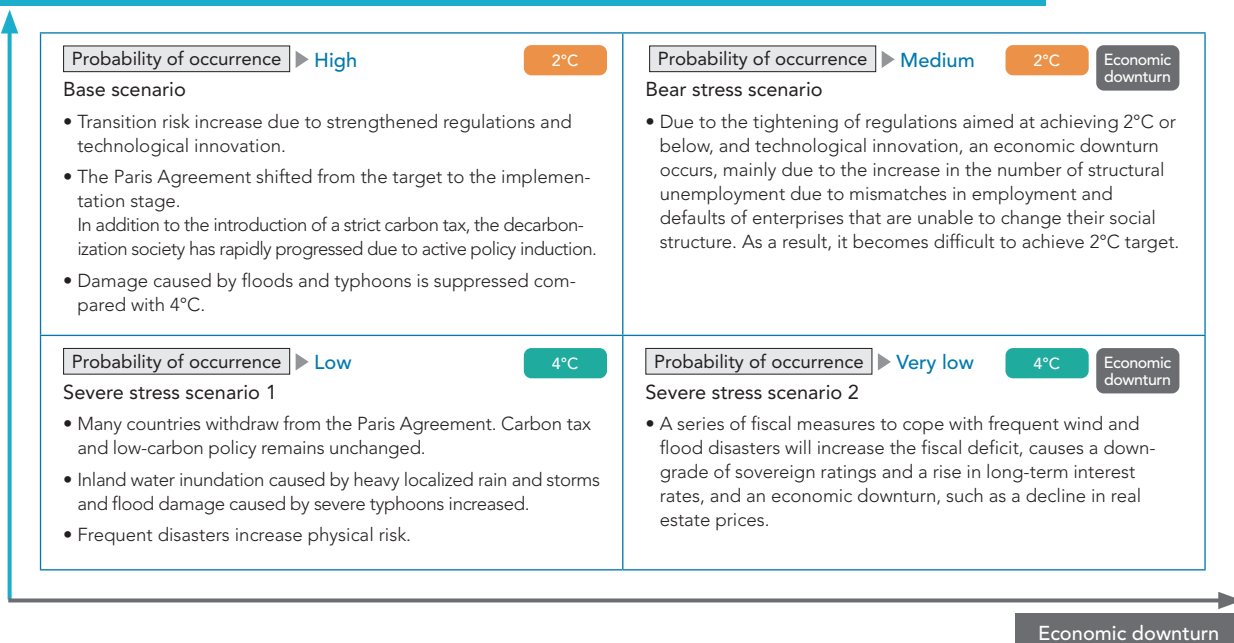
## Initiatives for Global Environmental Issues through Our Core Businesses

### Scenario Analysis

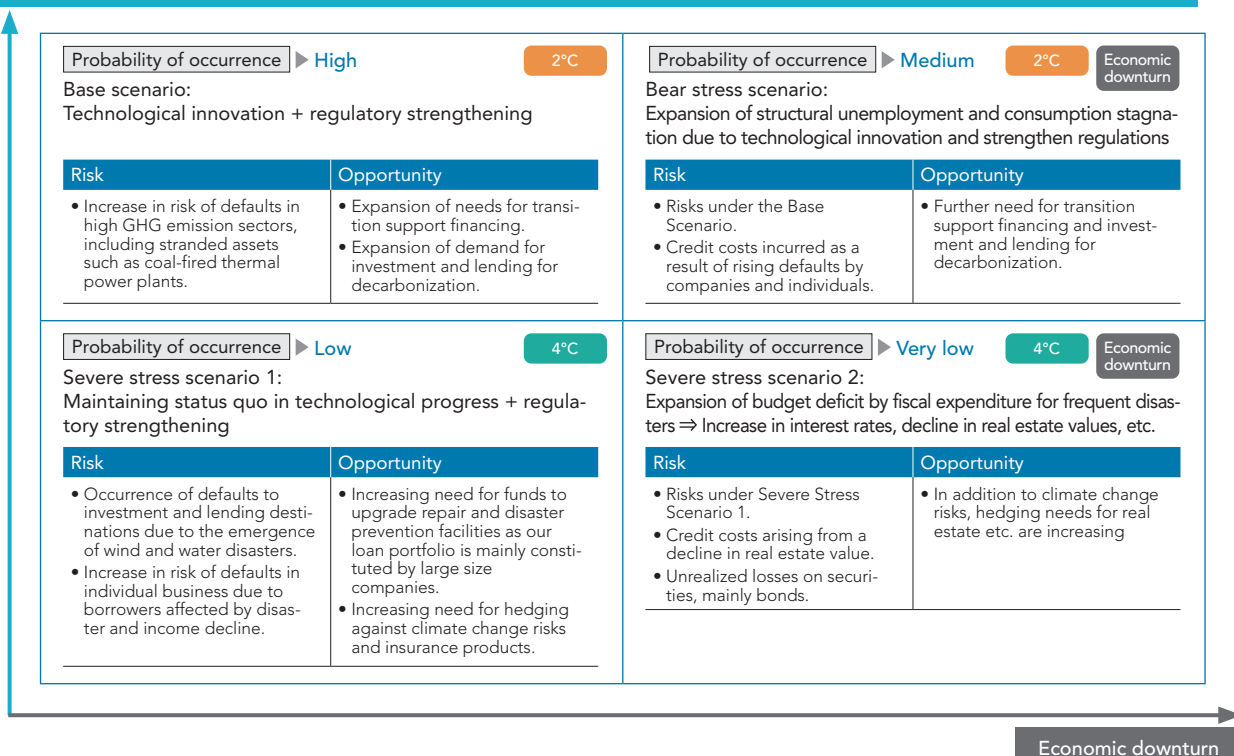
We have identified addressing climate change as one of our top management priorities. We formulated opportunities and risks based on scenarios under two dimensions which constitute (1) strengthening regulations and transformation of technology and (2) economic fluctuations

which we regularly monitor. Looking ahead, we will closely monitor the impact on the Shinsei Bank Group's portfolios, taking into consideration quantification of risks.

#### Trends in Regulatory Strengthening and Technological Innovation Towards 2°C or Below: Scenarios



#### Trends in Regulatory Strengthening and Technological Innovation Towards 2°C or Below: Opportunities and Risks



## Risk Management

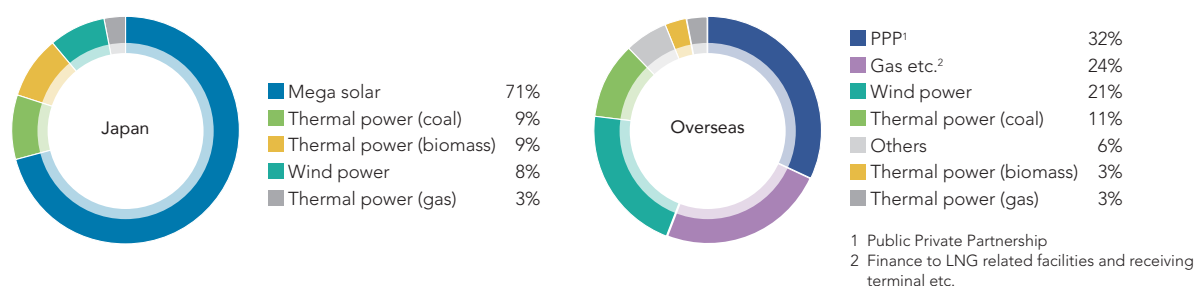
### Adoption of the Equator Principles

In April 2020, Shinsei Bank became the seventh Japanese financial institution to adopt the Equator Principles. The Equator Principles are a framework adopted by private financial institutions to assess whether projects will be implemented with due consideration to the environment and society when financing projects involve large-scale development. In November 2019, the fourth edition of the Equator Principles was adopted to strengthen the perspectives of human rights, climate change, and the rights of indigenous people. By reviewing the environmental and social impacts of projects and making comprehensive decisions based on the Equator Principles, we will fulfill our corporate social responsibility and enhance our environmental and social risk management.



### Project Finance (as of the end of March 2020)

Balance: project type, includes commitment basis



## Ratios & Targets

### CO<sub>2</sub> Emissions, Electricity Usage

Environment Impact Data (FY)	FY2015	FY2016	FY2017	FY2018	FY2019
CO <sub>2</sub> Emissions (t)	2,806	2,746	2,602	2,575	2,425
Electricity Usage (kWh)	5,163,522	5,093,523	5,069,080	5,027,896	5,013,949

### Future Policy

In measurement of GHG emission we plan to cover Scope 1 and Scope 2 to each of our group companies as a first step, and then we plan to respond to Scope 3.



# 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. 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 Human Resources Strategy



Our Medium-Term Strategies  
"Redesigning Finance," one of our basic strategies is to pursue the strengthening and leveraging of organizational capabilities that are the source of corporate growth.

Hideyuki Kudo  
President and Chief Executive Officer

The Shinsei Bank Group provides 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. Financial needs of customers are diversifying, and the way of providing services is also changing due to the evolution of digital technologies. What we have to do now is to "redesign" our financial business and break away from the ideas and organiza-

tional structure bound by existing frameworks.

We are working to have all employees 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. 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. 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 create sustainable value, the Shinsei Bank Group is promoting diversity, focusing on strengthening and utilizing capabilities as a pillar of its management strategies.

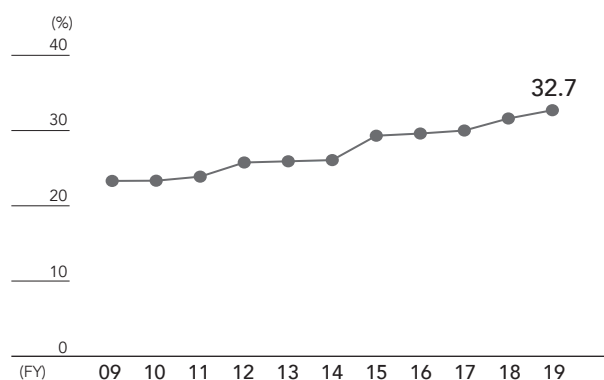
In April 2018, we introduced a teleworking system as an example of promoting diverse work styles. In addition, we are working to create an environment in which employees can work in their own way with satisfaction and fulfillment by enhancing their work styles in order to generate continuous good performance, by introducing various options such as self-directed flex-time, life support leave, and the complete abolition of dress codes. To enhance diverse careers, we started allowing employees to engage in both side work and concurrent work as the first among the domestic financial institutions so that employees will be able to link the learning outside the company or in the place away from business with individual growth and innovation of the organization.

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. The Group Women's Activity Promotion Committee, established in February 2018, is developing a variety of career development

systems to promote female employees in the workplace, including providing training opportunities. In addition, five Shinsei Bank Group companies<sup>\*1</sup> formulated "Action Plan for Promoting Active Participation of Women," for three years starting in fiscal 2020. The Group set the following common targets in order to promote highly effective initiatives for promoting the active participation by women in the workplace with a sense of speed across the Group.

<sup>\*1</sup> Shinsei Bank, Ltd.; Showa Leasing Co., Ltd.; Shinsei Investment & Finance Limited; APLUS FINANCIAL Co., Ltd.; Shinsei Financial Co., Ltd.

### Trend in Female Manager Ratio at Shinsei Bank



### The Shinsei Bank Group's Action Plan Based on the Act on Promotion of Women's Participation and Advancement in the Workplace (From April 2020 to March 31, 2023)

- Target 1** Achieve a ratio of 18% or more for women in managerial positions<sup>\*2</sup> at five group companies (also set separately for each company)
- Target 2** Achieve 100% for the child-care-related leave utilization rate for both males and females

<sup>\*2</sup> Positions of Senior Manager, or Higher

### Target Ratio of Women in Management Positions (Senior Manager or Above) (as of March 1, 2020)

	Shinsei Bank	Showa Leasing	Shinsei Investment & Finance	APLUS FINANCIAL	Shinsei Financial	Total
<b>Target</b>	20%	8%	15%	18%	17%	18% or more
<b>Result</b>	17.8%	4.1%	11.1%	12.3%	13.0%	13.9%

## Employment Initiatives for Persons with Disabilities

There are 100 people with disabilities working in various Shinsei Group workplaces (as of March 31, 2020), 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

### Support for Male Childcare

Since fiscal 2020, the Shinsei Bank Group has been placing even greater emphasis on supporting the childcare of male employees. By creating an environment in which employees can choose flexible working styles according to their life stages, regardless of gender, and diverse human resources can play an active role, we aim to improve teamwork and organizational capabilities and strengthen our ability to respond to future life events that all team members may encounter. As initiatives to support childcare, we have been expanding our existing

childcare leave system, and since fiscal 2020 we have been incorporating support for balancing work and childcare for male employees as performance evaluation items for evaluators. In October 2019, Shinsei Bank received the *Kurumin* certification from the Ministry of Health, Labour and Welfare as a childcare support company. In the Shinsei Bank Group, Shinsei Financial was certified as *Platinum Kurumin* in 2018.



#### List of Shinsei Bank's Work-Style Reform-Related Programs

System	Details
Self-Directed Flex-Time	Allows employees to start or finish work up to two hours earlier or later than normal starting or ending times in increments of 30 minutes
Work from Home	Allows employees working for an unlimited number of days from their home or a relative's home (within two degrees of kinship)
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 up to five days per year and up to four hours per day in one-hour increments (in combination with half-day paid time off)
Special leave system for spouses at the time of giving birth	Allows for 20 days leave after spouse's pregnancy up to the child reaches two years old (allows employees to take leave on a split basis or in half-day units)
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 six weeks prior to childbirth and eight weeks following childbirth
Childcare Leave	Allows employees to take leave for childcare up to the child reaches two years old
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 avail the programs noted 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. In addition, Shinsei Bank and Showa Leasing received the Silver award for the Gan (cancer) Ally Award 2019, a private-sector project called the Gan Ally Bu that addresses the issue of cancer and employment, which was established to create a workplace and society where people with cancer can work vigorously while treating them.



# 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. The Policy was revised as of June 30, 2020 with the aim of making it easier for customers to understand and establishing it as part of our corporate culture in the field of sales.

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/english/fiduciaryduty.html>

### The Shinsei Bank Group Companies that Have Established and Announced the Policy



### The Policy and Actions

Policy	Actions
Implementation of the Policy on Customer-Oriented Business Conduct	We have strengthened our management system by adding a bottom-up approach from the sales front to the conventional headquarters-led approach. In addition, we communicated with management and discussed solutions to issues at executive and practical levels, and promptly implemented various measures related to customer-oriented business management while incorporating on-site opinions.
The Best Interests of the Customers	To provide finely tuned services tailored to the characteristics of each customer, we established a new division in charge of the Financial Center located in the Tokyo metropolitan area and the Kansai area. We have expanded the number of hours available for visiting by integrating the management of nearby stores in order to respond to the customers' needs of visiting stores on holidays and on business. In addition, we have stimulated communication with customers and enhanced follow-up through the trial introduction of a "Shinsei Communication App" and the start of follow-up to customers by providing the current value evaluation data for some already-contracted premium products.
Appropriate Management of Conflicts of Interest	Held seven committee meetings to select financial products and services prior to the introduction and check conflicts of interest in 95 financial products. All financial products and services were reviewed semi-annually to confirm not only conflicts of interest, but also changes in market values, the occurrence of complaints, and the status of implementation of after-sales follow-up.
Transparency of Expense and Fee Structures	In order to enable comparisons between mutual fund products, we introduced "Mutual Fund Lineup," which includes basic information about mutual funds, fees, and expenses for the mutual funds that we offer, as well as a QUICK Fund Score, to make it easier to compare mutual funds.
Providing Important Information in Easily Understandable Ways	We added a page to the "Money Plan Guide," a proposal tool for asset management consulting, in order to explain product characteristics by comparing investment targets, risks, costs, etc. for similar products, such as variable life insurance and investment trusts, foreign currency fixed-amount insurance and foreign currency deposits, so that customers can select products in an easy-to-understand manner.
Providing Services Suitable for Each Customer	Conducted monitoring in order to check the status of consulting from the customer's point of view. We provided feedback to our staff based on the status of provision of services appropriate to our customers and easy-to-understand provision of important information, and actively shared good practices.
Frameworks for Appropriate Motivation of Employees	The evaluation system and items were reviewed and the evaluation plan was revised with the aim of realizing consulting that better meets customer needs. In addition, according to the characteristics of each customer, we conducted training to develop the knowledge and skills necessary for each group, such as training to solve complex problems such as inheritance, gifts, and business succession, as well as training for consulting for long-term asset formation based on life plans.

# 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.

### Contributions for COVID-19

In May 2020, the Shinsei Bank Group contributed a combined total of ¥30 million to support the continuation of medical activities, lives of students including their entry to the higher grades and freelance artists' activities. Together with USEN-NEXT HOLDINGS Co., Ltd., we donated a total of 100 thousand masks to corporate and sole proprietorship businesses including restaurants, beauty salons, and various retail stores in accordance with our strategy of "Growth through Value Co-Creation" under the Medium-Term Strategies.



The Shinsei Bank Group promotes employee-driven philanthropic activities, whereby approximately 721 employees throughout the entire Group participated in 26 activities in fiscal 2019 (ended March 31, 2020).

## "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. With high school students as the main target, the program aims to provide opportunities for students to think about their relationship with people and their connection to society with "money and work" in the beginning, and to turn their eyes to future options and self-reliant lifestyles. 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.

As a unique program linking young people and society, the number of programs implemented not only in schools but also in rehabilitation facilities such as young people support facilities and juvenile training schools has increased. In addition, the "value as an opportunity" that enables young people and their supporters to deepen mutual understanding and build relationships of trust is being appreciated. We will continue to actively support the program, so that even more students have an opportunity to take the course.



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

Since the Great East Japan Earthquake, the Shinsei Bank Group employees have continued support activities, such as visiting areas affected by the earthquake. The visiting assist activities support the revitalization of local communities while deepening exchanges with residents through the planning and management of events. Regular visits also provide employees with a firsthand opportunity to feel the progress of reconstruction.

In fiscal 2019, in collaboration with the Higashi-Matsushima City Social Welfare Council in Miyagi

Prefecture, which is one of the support destinations, we implemented the Financial Literacy Program "MoneyConnection®" for the first time at a prefectural high school in the city. Many of the regional issues that surfaced over time after the disaster were universal and were realized from the viewpoint of raising young people's awareness as a response to poverty and other problems that could occur across generations. Those efforts, in which schools and local communities and businesses collaborate, have attracted a great deal of interest.

# For Shareholders and Investors

## Basic IR/SR Activities Policy for Fiscal 2019

1. Improve the accuracy in targeting potential investors
2. Improve the quality of information disseminated internally and externally by strengthening competitive analysis functions, etc.
3. Strengthen the engagement interview approach with investors and analysts

### IR / SR Activities (Fiscal 2019 Results)

Financial results briefings and telephone conferences	8 times
IR Day	Once
Participation in live-streamed IR conferences (Total of both domestic and overseas)	Approx. 270
Small group meeting on integrated report	Once
Interviews with ESG representatives, investment officers and advisory companies	11 times
Briefings for individual investors (at branches of securities companies)	3 times
Lectures by market participants and experts for directors, executive officers, and general managers	3 times
IR / SR activity reporting at Board of Directors' meetings, Group Executive Committee meetings and General Manager meetings, and issuance of IR / SR report for employees	5 times



### Top Management's Commitment to IR / SR (number of IR / SR meetings in Fiscal 2019)

CEO	Executive Officers	IR/SR officers	Total
73	89	62	224
33%	40%	27%	100%

## Fiscal 2019 Achievements and Challenges

### Increase in Number of Meetings with IR/SR Investors

The number of meetings increased by 8% year on year due to the sale of shares by major shareholders in August 2019 and the resulting changes in the shareholders composition, which resulted in more active engagement with persons in charge of exercising voting rights and advisory companies for exercising voting rights. In light of the impact of the MiFID 2 and the decline in demand for Japanese financial stocks continues, we will continue to focus on cultivating new investors.

### Improving the Quality of Meetings with IR/SR Investors

In Fiscal 2019, we exchanged useful opinions by engaging with the responsible investment officers (persons in charge of exercising voting rights) of domestic institutional investors with our management. By further enhancing the accuracy in targeting potential investors, we will engage in meaningful dialogue with responsible investment officers and active investors who analyze companies from a medium- to long-term perspective. We will use the Integrated Report as a tool for this dialogue to highlight the features of Shinsei Bank from both the financial and nonfinancial perspectives.

### Expansion of Explanations of Nonfinancial Information

We held the Shinsei IR Day in February 2020. The Executive Officers in charge of focused areas of the Medium-Term Management Strategy made presentations and explained to investors the progress of the focused areas. The Shinsei IR

Day was held in both Japanese and English through live audio streaming, and investor inquiries were accepted online as well as responding to them live. In the second integrated report, which was published in 2019, we enhanced the disclosure on our Medium-Term Management Strategy, materiality, and ESG information. Subsequently, we exchanged opinions at the "Integrated Report Small Group Meeting" with domestic equity and debt investors who have a strong interest in ESG. Consequently, Shinsei Bank's Integrated Report was selected as the "Excellent Integrated Report" (for the second consecutive year) and the "Most-improved Integrated Report" by the Government Pension Investment Fund (GPIF). In IR/SR activities, we are aware of the increasing importance of explaining business initiatives to address sustainability issues that take into account not only governance but also the materiality of the Shinsei Bank Group. Going forward, we will continue to share the opinions of investors to the management and employees, and endeavor to communicate management information to outside company clearly.

### ESG Investors' Seminar for the Shinsei Bank Group's ESG Officers

A seminar by an ESG investor regarding the "understanding, initiatives, disclosure, and dialogue which the ESG investors expect toward companies" was held for ESG officers in the Shinsei Bank Group companies. The officers who are engaging in the initiatives concerning climate change or human rights in the divisions such as corporate planning, businesses, HR, risk management, general services, participated in the seminar and had an active Q&A session. We will continue to provide opportunities for direct communication on opinions from various front-runners in the capital markets to our management and employees, and we hope that IR / SR / ESG information is helpful to our management.