

2017

ANNUAL REPORT

For the fiscal year ended March 31, 2017



ESG as Foundation Increasing Corporate Value

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Governance

Shinsei Bank has established a corporate governance framework under the "Company with an Audit & Supervisory Board" model. Oversight authority and responsibility for business execution is concentrated in the Board of Directors, and the Audit & Supervisory Board and its members, which are independent of the Board of Directors, are tasked with auditing the Board. This structure facilitates proper management decision-making and business execution while also ensuring a rigorous system of organizational checks and balances.

Social

The Shinsei Bank Group promotes education and recruitment of highly capable human resources that transcends Group boundaries with "people" as an engine for growth.

- Our human resources system aligns with our management principles
- Further strengthening our organization and human resources
- Promoting Diversity & Inclusion

The Shinsei Bank Group promotes employee-driven social contribution activities around the themes of "environment," "educating future generations," and "post-disaster recovery support" in an effort to create a sustainable society.

Environment

- Environment: Protect our earth and the environment we live in
- Educating future generations: Support children, youth, physically and intellectually challenged people, and others who will shape the future
- Post-disaster recovery support: Support the areas damaged by the Great East Japan Earthquake

CORPORATE GOVERNANCE

Bolstering Governance for Sustainable Growth

Shinsei Bank has established a corporate governance framework in accordance with its status as a “Company with an Audit & Supervisory Board” (kansayakukai setchi gaisha). Moreover, the Bank is in full agreement with the concept of the Corporate Governance Code, which was introduced in June 2015 and applies to all companies listed on Japan’s stock exchanges. The Bank strives to implement measures necessary to be in compliance with the code and realize effective corporate governance. The Bank is working to strengthen its corporate governance with the aim of achieving sustainable growth and increasing its corporate value over the medium and long terms.

Four Features of Shinsei Bank’s Corporate Governance

1 Ratio of Outside Directors on the Board of Directors



(Five directors)

71%

- Five of the seven directors at Shinsei Bank are outside directors and comprise a majority of the Board of Directors.
- The Bank has maintained a Board structure where outside directors comprise a majority since Shinsei Bank started.
- The Bank has notified the Tokyo Stock Exchange that six of the ten seats on its governance bodies, including outside members of the Audit & Supervisory Board, satisfy the independence criteria of securities exchanges for an “independent director.”

2 Ratio of Outside Directors with Corporate Executive Experience



(Four directors)

80%

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

3 Attendance Rate for the Board of Directors



(All Six Meetings)

100%

- Our directors, including outside directors, attended each meeting of the Board of Directors and engaged in active debate about the bank’s management and operational execution.
- This attendance rate is the average for our directors for meetings of the Board of Directors since the June 2016 general meeting of shareholders.

4 No. of IR Meetings where the CEO Met with Shareholders, Investors and Analysts



(Total No. of IR Meetings 358)

105

- The CEO has been clearly assigned ultimate responsibility for investor relations (IR) activities and performs the core role in our strategic IR execution.
- Our CEO engaged in constructive dialogue with shareholders, investors, and analysts stationed in Japan, North America, Europe, and Asia in fiscal year 2016.

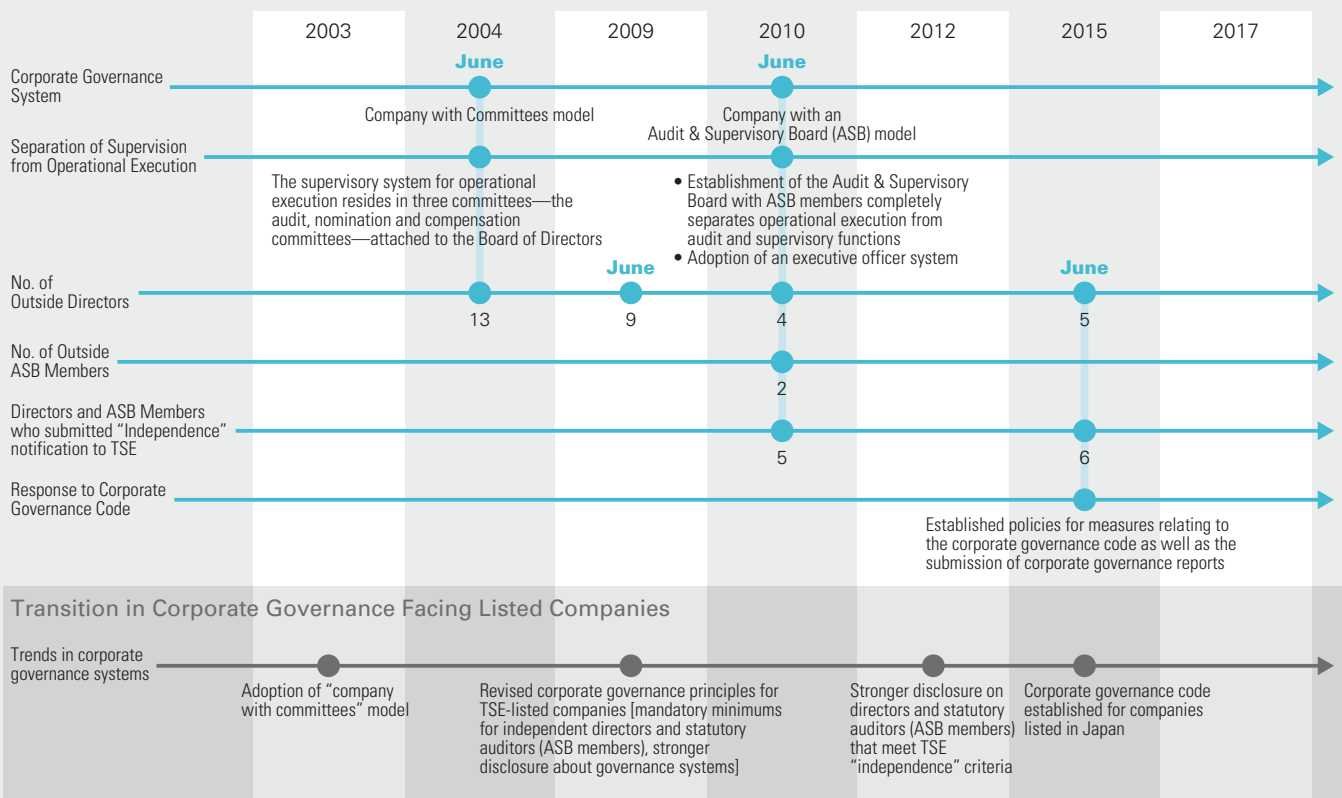
Our History of Corporate Governance Since 2003

Shinsei Bank, Limited changed its corporate governance system from the “Company with Committees” model to a “Company with an Audit & Supervisory Board” model on June 23, 2010. This switch reflected recognition of the growing pressure for the Board of Directors to be actively involved in upholding our internal control systems and risk management, and moreover, for stronger management decision-making functions based on actual experience in operational execution in determining management policies. It also reflected the growing need to strive for stronger and more effective audit functions in our corporate governance by enabling full-time Audit & Supervisory Board (ASB) member responsible for audits to audit everyday operational execution and exercise checks on director activities and operational execution from a viewpoint independent of directors.

The changeover enables: 1) the consolidation of business execution authorities and responsibilities in the Board of Directors, the highest-ranking management decision-making body, and 2) the assignment of responsibility for audits and monitoring of the Board of Directors to the Audit & Supervisory Board and its members, which are independent of business execution and the Board of Directors. This combination has enabled us to realize appropriate management decision-making and operational execution while also establishing a governance system that ensures sufficient checks are in place organizationally.

Moreover, we also adopted the Executive Officer system at the same time we switched to the “Company with an Audit & Supervisory Board” model and have striven to achieve an efficient and suitable management framework for swift management decision-making.

Our History of Corporate Governance Since 2003



CORPORATE GOVERNANCE

Corporate Governance

Shinsei Bank has established a corporate governance framework as a “Company with an Audit & Supervisory Board” (*kansayakukai-setchi-gaisha*). Through this corporate governance framework the Bank has concentrated the authority and responsibility for business execution in the Board of Directors, the highest managerial decision-making body within the Bank, and through the tasking of auditing functions to the Audit & Supervisory Board and its members, which are independent from the Board of Directors as well as business execution, the Bank seeks to ensure a corporate governance framework which facilitates appropriate managerial decision-making and business execution while also ensuring a rigorous system of organizational checks and balances.

Additionally, the Bank is in full agreement with the concept of the “Corporate Governance Code,” which applies to all companies listed on Japan’s stock exchanges, and through proper implementation of the Code in order to realize effective corporate governance, the Bank seeks to continue strengthening its corporate governance in order to achieve sustainable growth and enhance its corporate value over the medium and long term.

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. This combination of internal and external directors ensures the transparency and objectivity of the Bank’s management and fosters appropriate decision-making regarding the Bank’s operations. Additionally, the Bank has adopted an Executive Officer system organized around the two executive directors in order to facilitate flexibility in the execution of the Bank’s day-to-day business operations and has placed chief officers and senior officers in the “Group Headquarters.” Specifically, “Divisions” are designated as the most basic business unit in the Bank, and under the direction of executive directors including the president, executive officers delegated by the Board, such as chief officers and senior officers, are each responsible for a division or are in charge of specific business execution functions in their respective domains of responsibility. Through this system, the Bank is working to realize an efficient management structure. Furthermore, 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 will encourage the adoption of optimal and balanced management policies, through which the Bank seeks to enhance its corporate value.

Characteristics of Shinsei Bank’s Corporate Governance/ Ensuring Transparency and Objectivity of Management through the Appointment of Outside Directors

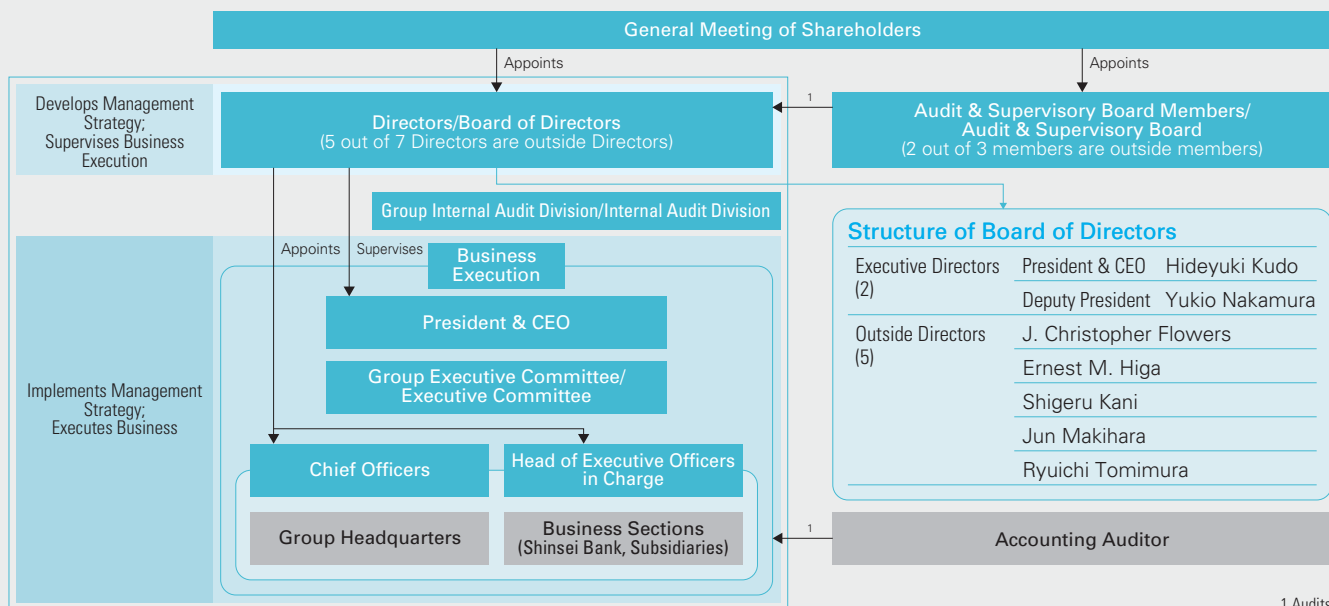
Since its inception as Shinsei Bank in 2000, the management of the Bank has consistently engaged in management which emphasizes the supervisory functions of outside directors in order to achieve management transparency and objectivity as it seeks to achieve sustainable growth and enhance the Bank’s corporate value over the medium and long term. In accordance with its corporate governance framework as a “Company with an Audit & Supervisory Board,” the Bank has a Board of Directors structure in which outside directors outnumber internal

directors, with two internal directors responsible for daily business execution and five outside directors. The current outside directors are a well-balanced group of executives that bring to the Bank their extensive experience and expertise in a range of fields, including domestic and overseas financial businesses, consumer-related businesses and the fields of risk management and information systems. Drawing upon their experience and expertise, the Bank’s outside directors provide independent and objective perspectives regarding the Bank’s management and operations and fulfil vital roles as both supervisors and advisors to the executive directors overseeing the business execution of the Bank.

The Board of Directors deliberates on agenda items and oversees business execution through six regularly scheduled meetings a year, extraordinary meetings convened as necessary, and strategy sessions where important issues from a business strategy and management perspective are debated. At these meetings, all Board members express their opinions freely and engage in robust discussions. The outside directors articulate their views regarding the management of the Bank, drawing upon their diverse backgrounds to offer a broader range of perspectives on topics being discussed and perform supervisory roles regarding management issues such as whether optimum strategies are being adopted, whether the risk-return balance is appropriate and whether a particular course of action will contribute to the growth of the Bank’s businesses. By determining policy through such discussions, the Bank seeks to achieve sustainable growth and enhance the Bank’s corporate value over the medium and long term, protection of the interests of all stakeholders including our shareholders and customers as well as maintain appropriate business promotion frameworks. Furthermore, efforts to improve the effectiveness of the Board of Directors by enabling Board members to focus on discussing key management issues and important matters which affect the medium- and long-term sustainable growth of Shinsei Bank.

The outside directors of Shinsei Bank are not involved in day-to-day business execution and in order 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

Corporate Governance Structure Chart (as of June 22, 2017)



these parties. Through these meetings each outside director is able to more effectively fulfill their roles as supervisors and advisors to the executive directors responsible for the Shinsei Bank Group's day-to-day operations.

Regarding transactions with parties such as directors and major shareholders, the Bank conducts checks to avoid conflicts of interest and to maintain the fairness of transactions and, when necessary, it uses established frameworks for deliberating on such transactions in Board of Directors meetings and conducting any necessary follow-ups.

Executive Officers, Chief Officers, Senior Officers, Executive Committee and Group Executive Committee

Shinsei Bank has adopted the Executive Officer system to ensure the flexible execution of day-to-day business operations, and chief officers and senior officers have been assigned to the Group Headquarters. As of June 22, 2017, there were 32 executive officers tasked with business execution, including the two executive directors, along with 18 chief officers and senior officers at Group Headquarters. All were appointed by the Board of Directors and carry out operational execution. Under the direction of executive directors including the president, executive officers, chief officers and senior officers, who are delegated by the Board, are building systems to efficiently execute operations in their respective domains of responsibility centering on executive officers who are the head of a domain and chief officers.

Additionally, the Bank has established the Executive Committee, comprised of executive directors and executive officers who are the head of a domain, as the decision-making body through which the president makes determinations regarding the Bank's business execution, enabling swift, efficient operational management. As

Reasons for Nomination of Outside Directors

Name	Reason for Nomination
Outside Director J. Christopher Flowers	Reflect in the Bank's management his experience and expertise in the financial service industry as a whole
Outside Director Ernest M. Higa¹	Reflect in the Bank's management his experience and deep insight of business for consumers
Outside Director Shigeru Kani¹	Reflect in the Bank's management his expertise in the risk management area and his extensive knowledge concerning banking operations
Outside Director Jun Makihara¹	Reflect in the Bank's management his extensive knowledge of finance and his domestic and international experience
Outside Director Ryuichi Tomimura¹	Reflect in the Bank's management his extensive experience and wide range of knowledge including information systems as a management executive and a consultant.

¹ Shinsei Bank has submitted to the Tokyo Stock Exchange an independent director registration form identifying Ernest M. Higa, Shigeru Kani, Jun Makihara and Ryuichi Tomimura as independent directors.

Status of Board of Directors Meetings

Ratio of outside Directors
71%

- Five out of the seven Directors of Shinsei Bank are outside Directors and make up the majority of the Board of Directors.
- The structure where outside Directors make up the majority of the Board members has continued since the start of Shinsei Bank.
- Six officers including outside Audit & Supervisory Board Members are reported as independent officers to the Tokyo Stock Exchange (as of June 2017).

Attendance rate
100%

- The Directors, including outside Directors, attended almost all the Board meetings and had robust discussions concerning the management and business execution of Shinsei Bank.
- The figure in the box to the left shows the attendance rate of the Board of Directors meetings held after the Annual General Meeting in the fiscal year 2016 (six meetings in total).

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, coordinate and make decisions concerning medium- and long-term Asset and Liability Management
Group Compliance Committee	Communicate, coordinate and make decisions on the Group's compliance posture and on matters relating to compliance
Group Risk Policy Committee	Discuss the risk operation policy and management framework for the Group's portfolios, and the Group's approach to major portfolios, sectors, products and so forth
Group IT Committee	Discuss, coordinate and make decisions on matters concerning the Group's information technology systems
Group Business Continuity Management Committee	Discuss, coordinate and make decisions across divisions to advance reforms to the Group's business continuity structure
Group Basel Committee	Discuss, coordinate and make resolutions on matters concerning regulatory capital, with a focus on Basel regulations
Group Management Development Committee	Discuss, coordinate and make decisions about the Group's HR system and related measures, etc.
Group New Business/Product Committee	Conduct due diligence on each new business and service proposal across the Group and make decisions, and conduct due diligence on strategic investment proposals
Doubtful Loans 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

for Group governance, in concert with the move to a Group Headquarters system in April 2017, we established the Group Executive Committee as a venue where we could make decisions on important matters concerning overall Group management and where chief officers, executive directors overseeing execution at major Group companies, and others could attend. We have thus put into place a system that enables optimal and efficient decision-making for the Group as a whole.

The Executive Committee and the Group Executive Committee are convened on a weekly basis in order to deliberate on matters concerning the Bank's and the Group's business operations, and through these deliberations the alignment of the sections responsible for each business with the Bank's and the Group's overall management strategy and strategic direction is ensured.

Furthermore, the Bank has established numerous cross-functional committees under the Executive Committee and

the Group Executive Committee, centering on executive officers who are the head of a domain and chief officers, to enable the Bank and Group to appropriately and flexibly respond to issues arising from the increasing specialization and sophistication of banking businesses.

Group Headquarters

To powerfully promote Group integration in keeping with our Medium- to Long-term Vision, we established in April 2017 the Group Headquarters, effectively combining head-office functions such as human resources, finance, general services that had been located at each Group company at the head office. In concert with this, we assigned a chief officer to be in charge of each head-office function and a senior officer to serve as a deputy to each chief officer in an effort to concentrate relevant authorities. Under the recently launched Group Headquarters, we are working to realize an optimal Group-wide structure and provide higher added value that translates into improved customer services, and the consolidation has from the outset enabled us to improve productivity and efficiency by eliminating functional overlap.

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 who 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

Reasons for Nomination of Audit & Supervisory Board Members

Name	Reason for Nomination
Full-time Audit & Supervisory Board Member Shinya Nagata	Reflect in the Bank's audit operations his long years of business experience in the areas of finance and accounting at Shinsei Bank
Outside Audit & Supervisory Board Member Michio Shibuya¹	Reflect in the Bank's audit operations his expertise and extensive experience as a certified public accountant, and knowledge regarding corporate governance based on experience as an Audit & Supervisory Board Member at a listed company.
Outside Audit & Supervisory Board Member Kozue Shiga¹	Reflect in the Bank's audit operations her expertise and extensive experience as a lawyer.

¹ Shinsei Bank has submitted to the Tokyo Stock Exchange an independent director registration form identifying Michio Shibuya and Kozue Shiga as independent directors.

Activities of Audit & Supervisory Board Members since FY2016 AGM²

	Board of Directors meetings	Audit & Supervisory Board meetings
Number of meetings held ³	6 times	12 times
Attendance rate	94%	100%

² AGM refers to the annual general meeting of shareholders

³ The total number of meetings held after the Annual General Meeting in fiscal year 2016

the Board of Directors, engages in appropriate audits of the Board of Directors' management of the Bank's businesses. In addition, both outside Audit & Supervisory Board members are experienced as external directors of other companies and by drawing upon their experience are able to provide views with greater objectivity from a position of greater independence, resulting in enhanced effectiveness of the Audit & Supervisory Board's auditing activities.

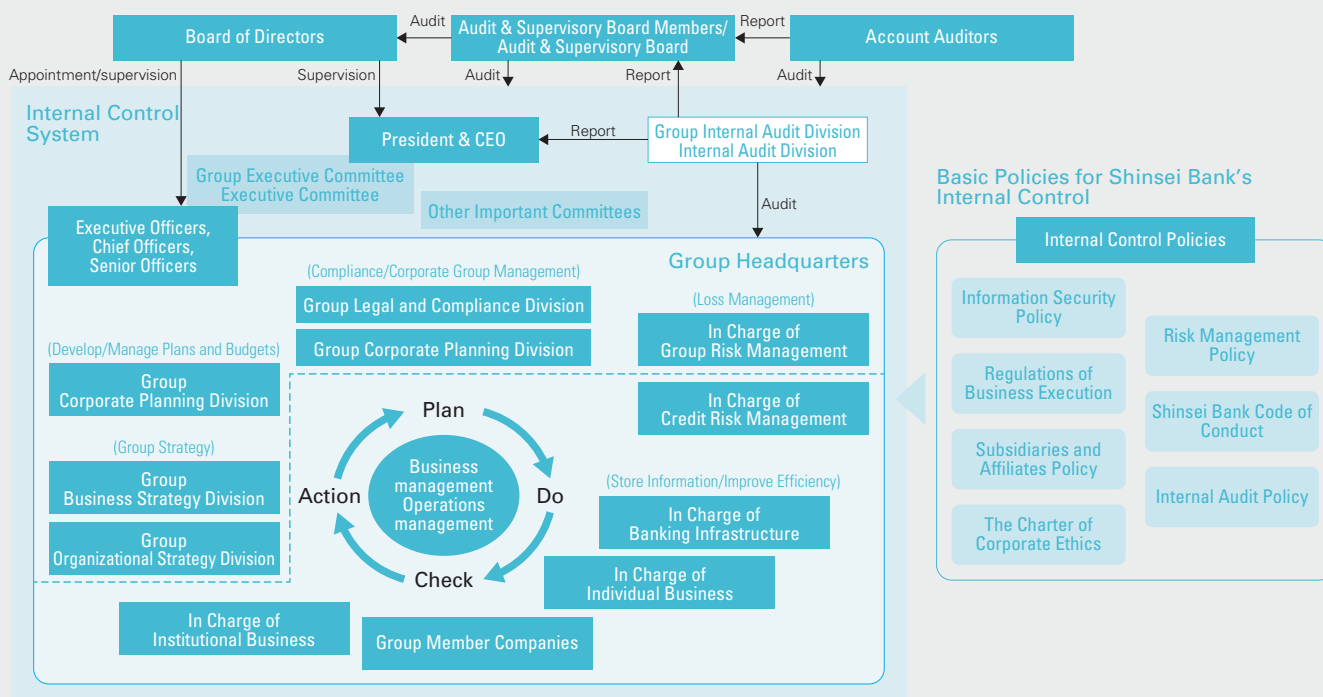
Audit & Supervisory Board members, in addition to personally conducting audit activities such as attending key meetings, such as Executive Committee meetings, in addition to Board of Directors meetings, review key documents and as well interview directors, executive officers and accounting auditors,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

Internal Control

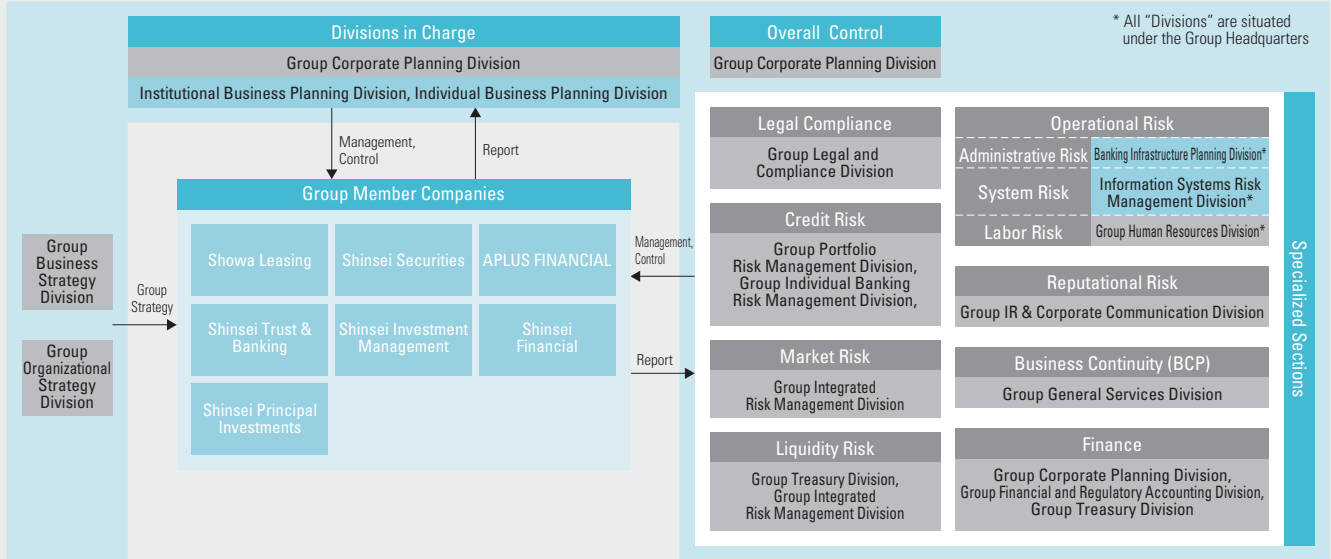
In order for corporate governance to function effectively, in addition to creating business execution oversight and decision-making frameworks around the Board of Directors, putting into place frameworks which facilitate the proper functioning of functions such as internal audits and compliance is also necessary. Additionally, the creation of internal control systems as required by the Corporation Act or internal controls which 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," in addition to creating a framework for safeguarding the effectiveness of audits by the Audit & Supervisory Board Members, defines the Subsidiaries and Affiliate Policy, the Information Security Policy, the Risk Management Policy, the Regulations of Business Execution, the Shinsei Bank Code of Conduct and the Internal Audit Policy as the underlying provisions aimed at preserving the propriety, transparency and efficiency of the operations of the entire Shinsei Bank Group including subsidiaries. Furthermore, the Bank has instituted frameworks to ensure the propriety of its operations, and as required by the Charter of Corporate Ethics in regard to the prevention of relationships with antisocial forces, the Bank continues to prevent and terminate any such ties. We consolidated authorities relating to Group-wide business management functions, including for subsidiaries and affiliates, at the Group Headquarters in April 2017 and are working to bolster systems that support the internal control frameworks of the entire Group.

Internal Control Framework



Group Internal Control Support Framework



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

Legal and Compliance Activities

The Legal and Compliance Division plays a pivotal role in supporting the Bank's legal and compliance function, a key function of the Bank's corporate governance.

Compliance Framework

Shinsei Bank strongly believes that thorough compliance must be one of management's most important missions, and Shinsei Bank has established a robust compliance framework to ensure sound and proper management that earns the trust of society.

The Bank's Compliance Committee, the Legal and Compliance Division, and compliance supervisors (general managers) and compliance managers assigned to divisions, branches, and departments constitute the main elements of our compliance organization. The Compliance Committee, with the head of Corporate Service as its chair, examines and discusses important compliance matters. On the other hand, the Legal and Compliance Division plans and promotes various measures concerning compliance and centrally manages compliance risk.

Additionally, compliance supervisors take leadership in promoting compliance measures in their divisions, branches or departments and are responsible for making compliance-related decisions at their job sites. Compliance managers act as the point of contact for compliance-related matters and periodically report compliance-related issues to the Legal and Compliance Division, as well as focus on strengthening compliance at job sites.

The Legal and Compliance Division provides support to each division, branch, and department in their compliance decisions. Through compliance managers, the Division conducts Bank-wide monitoring of how various measures are being implemented and also provides compliance guidance. In order to be able to respond in a unified manner to issues such as financial crimes (e.g. bank transfer scams), anti-money laundering regulations, antisocial forces, the Financial Crime Information Department has been established and, in order to control legal matters, the Legal Department has been established. Both are part of the Legal and Compliance Division.

Attendant with the April 2017 establishment of the Group Headquarters, the Group Compliance Committee and the Group Legal and Compliance Division were newly established to rebuild a more efficient and effective legal and compliance management posture at the Group level. An examination into integrating the Group's legal and compliance functions is proceeding.

Compliance Activities

Every fiscal year, we create a compliance program which promotes the development of regulations and training programs. We place particular emphasis on the use of training sessions as a tool to promote the penetration of compliance awareness and conduct training such as the "Shinsei Bank Code of Conduct," a basic policy for the Bank employees. We also offer self-training based on the compliance risk of each division, branch, and department, and training for respective important compliance matters such as revisions of laws and regulations, on an ongoing basis.

In addition to group training, we are also working to create an environment that elevates the effectiveness of training by introducing active e-learning courses and regularly transmitting a “Short Lesson for Compliance” by email, which summarizes compliance issues.

Legal Supervision

Banks are required to comply with a wide variety of laws and regulations in their day-to-day business operations. Violations of any of these laws can have severe repercussions not only to our credibility and reputation as a financial institution, but to that of the overall banking system itself. In the case of individual transactions, there exists a risk that we

may face unexpected claims for damages if our contracts are unreasonable or we act in poor faith during the process of negotiation leading up to contract execution.

Prevention and proper management of these legal risks are a crucial function within the day to day operations of today’s banks.

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

Internal Audit

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

The Internal Audit Division (IAD) of the Bank regularly and directly reports audit results and the status of IAD activities to the president and the Audit & Supervisory Board. The IAD supports the president in his responsibility for controlling the business execution, in particular for establishing the 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 of internal controls and its operations. The IAD provides independent and objective assessments of the effectiveness of risk management, control and governance processes, the reliability of information and information technology systems, and compliance with statutory, legal and regulatory requirements as well as internal policy and procedure requirements of the Bank, and provides solutions to management.

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

micro-risk assessment, which assesses risk from an individual business level. Businesses or processes that are perceived to have relatively higher risk are prioritized in the allocation of audit resources.

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

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

While the IAD pursues the development and introduction of new audit techniques, it also recognizes the importance of maintaining the fundamental skills necessary to its duties in governance. By receiving regular quality assessments by a third party organization on the IAD’s internal audit activities, we are able to objectively identify opportunities for improvement.

The IAD also involves Group subsidiaries’ internal audit divisions in these efforts in order to continuously improve its performance.

In April 2017, all IAD staff members, together with subsidiaries’ IAD staff members, belonged concurrently to the Group Internal Audit Division (GIAD) in order to integrate and enhance internal audit framework across the IADs within the Group.

CORPORATE GOVERNANCE

Introduction of Our Directors and Executives

Representative Directors



Hideyuki Kudo
Representative Director, President

Attendance rate

100%

- Jun. 2015 Representative Director, President, Shinsei Bank, Limited (Current)
- Apr. 2015 Managing Executive Officer, Shinsei Bank, Limited
- Apr. 2013 Managing Executive Officer, Chief Risk Officer, Head of Risk Management Group, Shinsei Bank, Limited
- Apr. 2011 Managing Executive Officer, Head of Structured Finance Sub-Group, Shinsei Bank, Limited
- Sep. 2010 Managing Executive Officer, Deputy Head of Institutional Group, Shinsei Bank, Limited
- Jun. 2007 Managing Director, Investments Division, Aetos Japan, LLC
- Jan. 2007 Vice Chairman, MID Urban Development Co., Ltd. (Predecessor of Kanden Realty & Development Co., Ltd.)
- Jun. 2006 Representative Director, President, MID Urban Development Co., Ltd. (Predecessor of Kanden Realty & Development Co., Ltd.)
- May 2005 Managing Director, Aetos Japan, LLC
- Aug. 2003 Director, Acquisition Group, Aetos Japan, LLC
- May 2001 General Manager, Advisory Department No.11, Investment Banking Division, Mizuho Securities Co., Ltd.
- Apr. 1987 Joined The Dai-ichi Kangyo Bank, Ltd. (Predecessor of Mizuho Bank, Ltd.)



Yukio Nakamura
Representative Director, Deputy President

Attendance rate

100%

- Apr. 2015 Representative Director, Deputy President, Shinsei Bank, Limited (Current)
- Apr. 2013 Representative Director, Deputy President, Chief of Staff, Head of Corporate Staff Group, Shinsei Bank, Limited
- Jun. 2010 Representative Director, Senior Managing Executive Officer, Chief Risk Officer, Head of Risk Management Group, Shinsei Bank, Limited
- Oct. 2009 Managing Executive Officer, Executive Head of Institutional Business Sub-Group, Shinsei Bank, Limited
- Jun. 2008 Statutory Executive Officer, Executive Head of Institutional Business Sub-Group, Shinsei Bank, Limited
- Apr. 2007 General Manager, Risk Management Planning and Policy Division, Portfolio and Risk Management Division, Operational Risk Management Division, Shinsei Bank, Limited
- Oct. 2000 General Manager, Risk Management Planning and Policy Division, Portfolio and Risk Management Division, Shinsei Bank, Limited
- Apr. 1978 Joined The Long-Term Credit Bank of Japan, Ltd. (Predecessor of Shinsei Bank, Limited)

Message from Outside Directors

Evaluate Year-One Execution of Third MTMP as Outside Directors, Express Fiscal Year 2017 Outlook



J. Christopher Flowers

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

Reasons for Nomination

Reflect in the Bank's management his experience and expertise in the financial service industry as a whole

Attendance rate

100%

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

Shinsei's net income in fiscal year 2016 was somewhat lower than originally projected in the Third MTMP. This was partly due to negative interest rate policy by the Bank of Japan. However, we would like to do better. This will include:

- Focus on business areas with good growth prospects and where Shinsei is strong.
- Continued cost efficiency. I am heartened by Shinsei's initial steps in this regard, and the company's plan for additional improvements.

- Continued return of capital to shareholders. Again I am heartened by Shinsei's initial steps, and we would like to do more.

I believe that the Board of Directors understands Shinsei's objectives and is functioning cohesively. I believe that I make a contribution to the board through my longstanding institutional knowledge of Shinsei, having served as a director for over 17 years, and my experience with global financial institutions over many years.



Ernest M. Higa

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

Reasons for Nomination

Reflect in the Bank's management his experience and deep insight of business for consumers

Attendance rate

100%

Apr. 2017 Board of Trustees, Showa Women's University (Current)
Sep. 2016 Chairman & Representative Director,
Wendy's Japan K. K. (Current)
Apr. 2015 Chairman, President & Chief Executive Officer,
Higa Industries Co., Ltd. (Current)
Jun. 2013 Director, Shinsei Bank, Limited (Current)

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

Given the continuing deflationary macro-economic environment, the competitive banking situation and the Bank of Japan's policy on negative interest rates; the Board of Directors in conjunction with Shinsei Bank's Management Team, has had to further focus our Third MTMP in order to enhance our strengths such as unsecured loans, and structured finance while accelerating the consolidation and integration of our group companies in order to gain efficiencies in back office functions, synergies and efficiencies. In order to facilitate this process, we have hired outside management consultants to work with us in order to implement industry "best practices" that are results oriented. Meanwhile, we continue to look for growth opportunities through both organic and inorganic growth, as well as, strategic alliances that leverage our various competitive advantages, in addition to adapting

to the rapidly changing financial landscape due to the various FinTech initiatives that are being developed. We see these changes as opportunities rather than challenges and are endeavoring to incorporate the appropriate technological advances to enhance our business model in a flexible and forward looking manner. Given Shinsei Bank's relatively strong capitalization; I believe that this will allow us to have the financial resilience necessary to react to the somewhat volatile and unpredictable geo-political global situation which invariably affects the financial industry here in Japan. In conclusion the Board and Shinsei Bank's Management Team expect that the various initiatives we are pursuing both on efficiency and growth opportunities will be reflected in shareholder value going forward as we implement our Third MTMP.

Message from Outside Directors

Evaluate Year-One Execution of Third MTMP as Outside Directors, Express Fiscal Year 2017 Outlook



Shigeru Kani Director,

Former Director, Administration Department, The Bank of Japan,
Specially Appointed Professor, Yokohama College of Commerce

Reasons for Nomination

Reflect in the Bank's management his expertise in the risk management area and his extensive knowledge concerning banking operations

Attendance rate

100%

Apr. 2014 Specially Appointed Professor, Yokohama College of Commerce (Current)
Apr. 2006 Professor, Yokohama College of Commerce
Jun. 2004 Director, Shinsei Bank, Limited (Current)
Apr. 2002 Advisor, NEC Corporation
May 1999 Executive Managing Director, Tokyo Stock Exchange, Inc.

May 1996 Director, Administration Department, The Bank of Japan
May 1992 Executive Auditor and Senior Advisor to the Chairman, The Tokyo International Financial Futures Exchange (Predecessor of Tokyo Financial Exchange Inc.)
Apr. 1966 Joined The Bank of Japan

The main focus of the Third MTMP is to enhance sustainable and stable core profitability by leveraging the Shinsei Bank Group's overall capabilities and creativity. I think the MTMP's first year developed the base for the Group to further solidify the ties binding us together so we can maximize synergies across both our businesses and business management.

Specifically, we are allocating a higher weighting of resources to fields where the Group has advantages and is uniquely situated by applying "selection and concentration" tests to our businesses. At the same time, in terms of business management, we are orienting the Group's considerable mobility and adaptability in ways that enable us to take various steps to improve cost efficiency in particular.

As outside directors, we ask questions and offer suggestions from multiple viewpoints to executive officers through venues such as meetings of the Board of Directors as we closely monitor execution of the MTMP. If there is scope to further ensure reliable execution of the MTMP, we encourage executive officers to pursue such opportunities resolutely.

In the MTMP's second year, putting that into practice will require delving deeper. Amid a still challenging financial environment, the Group is doing everything it can to ensure all its employees are unified and pushing in the same direction as they work to increase corporate value by securing stable earnings. I appreciate the support the Shinsei Bank Group has received from all our stakeholders and ask for their continued support.



Jun Makihara Director,

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

Reasons for Nomination

Reflect in the Bank's management his extensive knowledge of finance and his domestic and international experience

Attendance rate

100%

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

Shinsei Bank finished the year with earnings of ¥50.7 billion, well below projected earnings of ¥55 billion for the first year of our Third Medium Term Management Plan. I am certain this was a disappointment for you, our shareholders, as it was for the Board and the company. Our revised forecast for fiscal year 2017 is also below original Plan projection of ¥61 billion. There are, of course, a number of reasons for this shortfall, the largest of which was the impact of the Bank of Japan's negative interest rate policy. Difficult markets also reduced revenues from the sale of asset management and derivative products and trading revenues.

Our employees worked very hard this year in a difficult market environment for all financial institutions. But of course our job is to react to market conditions and overcome them; to do better than a passive participant in the market.

We on the Board are equally responsible. It is our job to work with management to achieve better results: higher revenues and lower costs, without undue risk. We could have done better in 2016, particularly on cost control. We are actively engaged in a firmwide cost-containment project which will bear fruit in the coming years. I hope to report better news to you next year.

Message from Outside Directors

Evaluate Year-One Execution of Third MTMP as Outside Directors, Express Fiscal Year 2017 Outlook



Ryuichi Tomimura Director,

Executive Vice President, Representative Director, SIGMAXYZ Inc.

Reasons for Nomination

Reflect in the Bank's management his extensive experience and wide range of knowledge including information systems as a management executive and a consultant

Attendance rate

100%

Jun. 2016 Executive Vice President, Representative Director, SIGMAXYZ Inc. (Current)
 Jun. 2015 Director, Shinsei Bank, Limited (Current)
 Jun. 2014 Audit & Supervisory Board Member, Shinsei Bank, Limited
 Aug. 2012 Director, Plan-Do-See Inc. (Current)
 Apr. 2010 Executive Vice President, Director, SIGMAXYZ Inc.
 Dec. 2007 Representative Director, Managing Director, RHJ International Japan, Inc.
 Feb. 2004 Representative Director, Senior Executive Vice President, JAPAN TELECOM CO., LTD (Predecessor of Softbank Corp.)

Oct. 2002 Managing Director, IBM Business Consulting Service KK
 Vice President, IBM Corporation Business Consulting Service, Asia Pacific
 Jan. 1994 Managing Partner, Pricewaterhouse Consultant
 Oct. 1991 General Manager, Network Integration Division, Recruit Co. Ltd. (Predecessor of Recruit Holdings Co., Ltd.)
 Oct. 1983 Joined IBM Japan, Ltd.

In the Third MTMP's first year, I think we were able to achieve good results as we advanced a range of initiatives with resolve in a challenging external environment. However, we face an era of volatile shifts in the environment where it seems events we did not foresee when we drew up the plan could well happen at any time. To elevate our ability to respond to change, we need to reinforce the entire Group's network to become an organization that is more flexible and imaginative while actively harnessing new digital technologies.

To ensure customers choose the Shinsei Bank Group from among their many options, we need to change our focus to providing the best

financial services from the customer's viewpoint as opposed to merely marketing products to customers. To sharply improve our productivity, a pillar of the MTMP, we must go beyond curtailing costs. It is important to increase the value of the services the Group provides by enabling each employee to concentrate on higher value-added work and do their job with confidence and a sense their contribution matters.

In 2017, I would like to again draw on my years of experience in working with a multitude of companies to address their management problems so I can contribute as an outside director to enabling our growth along with all our stakeholders.

Audit & Supervisory Board Members



Shinya Nagata Audit & Supervisory Board Member

Attendance rate

100%

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

Message from Outside Audit & Supervisory Board Members

Evaluate Board of Directors in Year-One Third MTMP as ASB Members, Express Fiscal Year 2017 Outlook



Michio Shibuya
Audit & Supervisory Board Member
Certified Public Accountant

Reasons for Nomination

Reflect in the Bank's audit operations his expertise and extensive experience as a certified public accountant, and knowledge regarding corporate governance based on experience as an Audit & Supervisory Board Member at a listed company

Attendance rate

100%

Nov. 2016 Audit & Supervisory Board Member, GIFT Inc. (Current)
Jun. 2015 Audit & Supervisory Board Member, Shinsei Bank, Limited (Current)
May 2011 Audit & Supervisory Board Member, Ryohin Keikaku Co., Ltd.
Jun. 2010 Audit & Supervisory Board Member (full time), Business Brain Showa-Ota Inc.

Aug. 2008 Board of Councilors and Global Advisory Council, Ernst & Young ShinNihon LLC
May 2000 Executive Director, Ernst & Young ShinNihon (Predecessor of Ernst & Young ShinNihon LLC)
May 1991 Senior Partner, Showa Ota & Co. (Predecessor of Ernst & Young ShinNihon LLC)
Jul. 1977 Peat Marwick Mitchell (Predecessor of KPMG) LA office
Apr. 1974 Joined Showa Audit Corporation (Predecessor of Ernst & Young ShinNihon LLC)
Apr. 1971 Joined Arthur Andersen LLP

In reviewing the Third MTMP's first year, I would like to express my opinion as an Audit & Supervisory Board (ASB) member about meetings of the Board of Directors I attended. There are seven directors on the Shinsei Bank Group's Board of Directors. Excluding two executive directors, the president and deputy president, the Board comprises five outside directors. As fiscal year 2016 was the first year of the MTMP, all members of the Board sought to progress toward the plan's goals and thus engaged in serious debate at every Board meeting with outside directors voicing their unfiltered views. From my stand point of view as an ASB member, I give the Board high marks as a body where governance principles were adequately applied. As an ASB member, I

also checked the operational execution of executive officers from the viewpoint of regulatory compliance and appropriateness, and offered my views and advice to management in cooperation with outside directors to add to corporate value as much as possible.

As for advancing Group integration, this project made a strong start with the establishment of the virtual Group Headquarters in April 2017. This has enabled the Group to improve productivity and efficiency and provide better services to our customers and will, we hope, allow us to satisfy customer needs. I will continue in my role to actively offer my opinions and advice to management.



Kozue Shiga
Audit & Supervisory Board Member
Lawyer

Reasons for Nomination

Reflect in the Bank's audit operations her expertise and extensive experience as a lawyer

Attendance rate

83%

Jun. 2016 Audit & Supervisory Board Member, Kawasaki Kisen Kaisha, Ltd. (Current)
Jun. 2015 Director, Ricoh Leasing Company, Ltd. (Current)
Jun. 2010 Audit & Supervisory Board Member, Shinsei Bank, Limited (Current)
Sep. 2009 Director, Toyoko Inn Co., Ltd. (Current)
Oct. 2005 Partner, Shiraiishi & Partners (Current)

Jun. 2002 Partner, Son Sogo Law Office
Aug. 1999 Established Shiga Law Office
Apr. 1998 Registered Daiichi Tokyo Bar Association
Apr. 1993 Prosecutor, Yokohama District Public Prosecutors' Office
Nov. 1967 Joined Japan Airlines Corporation

Many severe opinions were exchanged at Board meetings to discuss various kinds of challenges including group integration in a more proactive and enthusiastic manner during the first year of the Third MTMP.

The results of this engagement did not generate visible results in terms of numerical metrics but I believe the Group is making its best effort to resolutely progress toward the plan's goals.

I think Audit & Supervisory Board members fulfilled their role, actively

voicing their views and making their presence at meetings of the Board of Directors felt rather than feeling they must limit themselves to ensuring appropriateness.

With the Third MTMP entering second year in fiscal year 2017, we must achieve enough that our progress can be seen in numerical metrics. In view of this, I will continue to strive to perform the duties expected of my role with sincerity.

CORPORATE GOVERNANCE

Operation of the Board of Directors

Annual Schedule for the Board of Directors



*AGM: annual general meeting of shareholders

Timetable for Day of Regularly Scheduled Board Meetings

8:00	Meeting composed mainly of outside directors
9:00	Meeting of Board of Directors commences
	Report from president
	Report from Audit & Supervisory Board
	Report from Internal Audit Division
	Finance-related report
	Individual agenda items to be resolved
	Lunch
	Report and deliberate on specific agenda items
	Risk-related report
14:00	Conclude meeting

Strategy Session

9:00	Confirm direction of medium-term management plan
	Strategic initiatives at each business (1)
12:00	Lunch
13:00	Strategic initiatives at each business (2)
16:00	Summary
18:00	Conclude meeting

Board of Director Effectiveness Evaluations

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

In the FY2015, the Bank contrived ways to allocate time to important agenda items and for executive officers to give explanations during Board meetings, and proposed to set up sessions to discuss the medium- to long-term issues of the Bank Group. In FY2016, the Bank, taking the above into consideration, made improvements based on the FY2015 results of such evaluation/analysis and focused on the implementation of the PDCA cycle and the evaluation of not only the Board meetings themselves but also the Board's activities in a broad sense. At the same time, the Bank conducted a "Board of Directors Self-evaluation Questionnaire" for the participants of the Board meetings to seek feedback on: (1) Board composition and members; (2) Agenda items and operation of the Board meetings; (3) Strategy Session (setting up of sessions for Board meeting members to discuss medium- to long-term strategic issues); (4) Provision of information to the Board; (5) Communication between the Board and major stakeholders; and (6) Communication among outside Board members, and reported the results of the Questionnaire to the Board.

The results of the question about the operation of the Board meetings in the Questionnaire show that many Board members recognized efforts toward improvements was made, regarding the selection of agenda items and the composition/contents of reference materials, making it possible to place an emphasis on discussions on business models and so forth for our medium- to long-term business visions and sustainable growth.

The results of the Questionnaire also confirm that new initiatives, including setting up of strategy sessions to identify medium- to long-term strategic issues as topics and discuss them intensively, are functioning effectively. The Bank has agreed to the continuation of the sessions in the following FY2017 and beyond.

The Bank will endeavor to maintain or improve such areas that were evaluated as appropriate or improved, and implement reviews and improvements of issues in order to further boost the effectiveness and functionality of the Board. In FY2017, the Board will strive to examine and improve issues raised in the survey such as aiming to spend more time than before on reporting about business conditions at Group companies. The Board will also strive to further improve its effectiveness and functioning.

CORPORATE GOVERNANCE

Risk Management

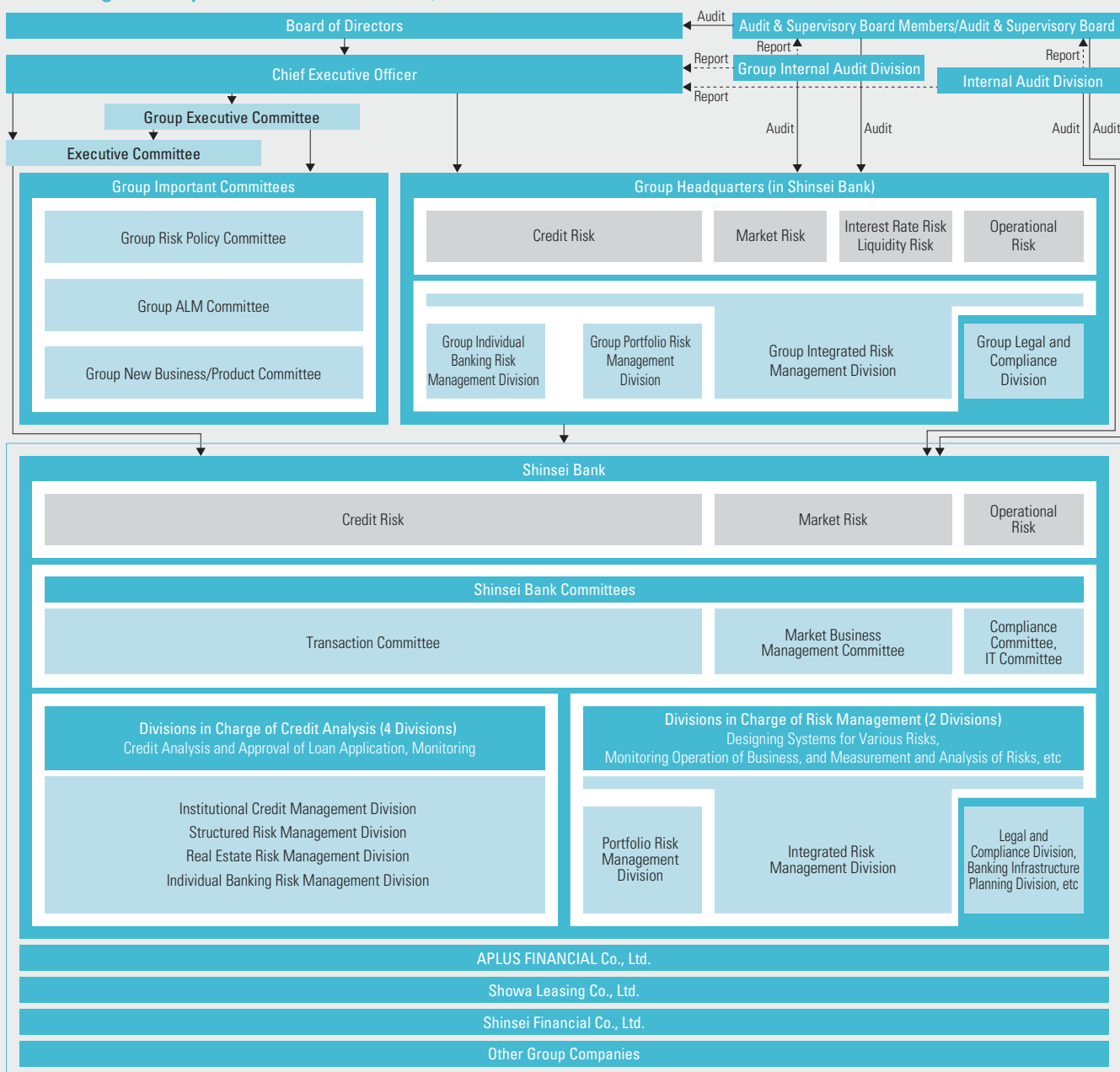
Overview of the Group's Risk Management Systems

Basic Concepts regarding Risk Management Systems

Financial institutions are exposed to various risks, including credit risk, market risk, interest rate risk, liquidity risk, and operational risk. To maintain highly profitable and stable operations, a financial institution must make the control of these

risks a management priority. For that purpose, the Bank must be able to ascertain that risks are taken in line with Bank-wide policies as well as individual operational policies, remain within appropriate limits, and are adequately controlled by the units that take on the risks.

Risk Management System Chart (as of June 22, 2017)



To strengthen the required monitoring functions and further develop its risk management framework, the Bank established two risk management groups: 1) credit analysis divisions responsible for credit analysis, loan application approvals and monitoring and 2) divisions responsible for overall risk management that are independent of sales promotion and credit analysis divisions and are in charge of planning and designing systems for various forms of risk, monitoring operations, measuring and analyzing credit, market, and other risks, and integrating functions for examining and verifying fair value.

Attendant with the April 2017 launch of the Group Headquarters, the Group Integrated Risk Management Division, the Group Portfolio Risk Management Division, and the Group Individual Banking Risk Management Division were newly established to promote improvements in productivity and efficiency on a Group-wide basis, enable more coordinated risk management frameworks, and elevate credit provision capabilities across the whole Group in ways that bolster Group governance.

Aiming for Integrated Risk Management

To ensure its risk management is more effective, the Bank has established various specific committees such as the “Group Risk Policy Committee,” “Transaction Committee,”

“Group Asset and Liability Management (ALM) Committee” and “Market Business Management Committee.” All these committees are able to function effectively as bodies responsible for making important risk judgments by constantly improving their composition and functions in response to changes in the operating environment. The Group Risk Policy Committee, whose members include senior management such as the CEO, Chief Officer of the Group head of corporate planning and finance, and the Group head of risk management, performs the crucial role of setting and coordinating the appropriate and optimal level of risk taking by concurrently reviewing the Bank’s risk management policies and business strategy.

Shinsei Bank has established the “Risk Management Policy” as its fundamental policy on risk management and basic recognition of risk categories based upon its understanding of the totality of risks faced by the entire Shinsei Bank Group and the need to actively manage them. Due to a fiercely competitive business environment and evolving regulatory and market environments, the Bank faces an increasingly complex assortment of risks. The Risk Management Policy therefore sets forth fundamental risk management principles, including its risk culture, and it facilitates enhanced scrutiny regarding what risks can be taken.

Definitions of Risk Categories

Risk Categories	Definition
Credit Risk	Credit risk is the risk of incurring losses due to deterioration in the financial condition of a borrower resulting in an erosion or total loss of asset value (including off-balance assets).
Market Risk	Market risk is the risk of incurring losses due to changes in the value of assets or liabilities through fluctuations of various risk factors such as interest rates, foreign exchange rates, and stock prices, etc.
Liquidity Risk	Liquidity risk (fund-raising risk) is the risk of incurring losses due to difficulties in securing necessary funds or the need to raise funds at an interest rate that is substantially higher than normal stemming from mismatches in the maturities of assets and liabilities or an unexpected outflow of funds.
Operational Risk	Operational risk refers to the risk of incurring losses resulting from inadequate or failed internal processes, personnel, and systems, or from external events.

Institutional Business Credit Risk Management

Credit risk is defined as the risk of losses due to deterioration in the financial condition of a creditor resulting in a reduction in or total loss of asset value (including off balance assets).

The Bank's credit risk management has prescribed specific policies regarding customer attributes, products, markets, sectors, and credit provision forms in order to determine whether risks are acceptable or unacceptable. Along with credit procedures and systems for each series of protocols, the Bank has clearly set out its basic policy for credit provision operations and specific guidelines for credit risk management. Credit risk management processes for institutional customer businesses are broadly grouped into credit risk management for individual transactions and portfolio-based credit risk management, as described below.

Credit Risk Management for Individual Transactions

(1) Organization & Structure

In principle, credit assessments are determined by a joint consultation by sales promotion divisions and risk management divisions, which are independent from sales promotion divisions. In order to ensure a transparent and rigorous evaluation process, risk management divisions have veto rights, establishing an effective system of checks and balances on sales promotion divisions. The Transaction Committee, etc., discuss and approve each transaction but for credit provision to obligors that are part of a corporate group where transaction exposures need to be managed, the level of authority required for approval is prescribed by the Bank's total exposure to obligor's group and its credit rating, and this framework results in strict credit management.

As for loan receivables requiring attention, certain standards have been established based on factors such as credit rating, credit balance, and credit-related allowances, and they are managed in a preventative manner with the Doubtful Debt Committee, etc. monitoring the obligor's business performance. By deciding on how to treat such obligors in the future, Shinsei Bank is working to minimize credit-related costs and ensure asset soundness.

(2) Obligor Rating Systems

As for the internal obligor rating system that the Bank uses for corporate exposure, the following is an outline of the obligor rating system we have adopted.

CHARACTERISTICS OF SHINSEI BANK'S OBLIGOR RATING SYSTEMS

- Increasing model accuracy and reflecting appropriate qualitative factors
- Benchmarking against external ratings
- Ensuring consistency of rating systems among industry classifications

Specifically, using credit estimation models including a model benchmarking the credit ratings of external credit rating agencies, we calculate model ratings and apply adjustments to these based on qualitative factors, and use this method to determine credit rankings. In addition to obligor ratings, the Bank also operates a facility rating system based on expected losses that factors in credit protections such as collateral and/or guarantees from the viewpoint of grasping the credit status of individual transactions.

As for large lease receivables at Showa Leasing, the same credit ranking system and facility rating system the Bank uses is applied to these receivables.

Portfolio-Based Credit Risk Management

(1) Monitoring Analysis System

The credit risk of individual transactions are administered based on proper analysis but it is also necessary to control credit risk at the level of a portfolio, which is an aggregation of transactions, in ways that diversify risk and avoid overreliance on specific industries.

At Shinsei Bank, we perform analysis that derives from unique entry points based on the risk profiles of each product and monitor risk diversification status by segments such as industry, ratings, products, and regions, and use our analysis and monitoring records to issue a monthly report, or to report on an ad hoc basis to the appropriate management layer or Chief Officer of Risk Management.

(2) Quantifying Credit Risk

Quantifying credit risk means measuring and assessing the likelihood of losses that may be incurred from changes in an obligor's creditworthiness. Expected loss amounts derive from the probability of default and collection ratios, which are based upon past experiences and future outlook, and are generally called "expected losses." Anticipated losses that may be incurred in worst-case scenarios that goes beyond projections based on past experiences are generally called "unexpected losses," and required risk capital in such cases can be backwardly derived by quantifying unexpected losses.

The Shinsei Bank Group operates a system that automatically quantifies credit risk from data such as creditworthiness and transaction types, and harnessing this system, it has built a framework to measure required risk capital precisely in a timely and comprehensive manner. Drawing on these, the Bank strives to make these data useful for sound portfolio management and resource allocation through analysis on profitability versus risk and changes in risk capital required. Moreover, by factoring measured expected losses and unexpected losses into loan spreads, we can harness this data to ensure an appropriate risk-return in each transaction.

(3) Credit Concentration Guideline

The credit concentration guideline is an upper limit guideline that was established as part of the framework to prevent the concentration of credit in specific segments, customers or groups. Our credit concentration management framework consists of industry concentration guidelines and obligor group concentration guidelines, and in the event that credit concentration exceeds the guideline, we conduct reviews and adopt countermeasures. These procedures are designed to prevent Shinsei Bank from being exposed to a crisis in the event our credit portfolio is affected by systemic shock or other extraordinary events. As the importance of risk diversification grows in tandem with the globalization of financial markets, we continue to work to establish even more effective credit concentration management frameworks.

Credit Risks on Market-Related Transactions

Counterparty credit risk attendant with market transactions such as derivative transactions are managed based on estimations of the fair value and future value fluctuations of relevant transactions. Estimations of future value fluctuations take into account collateral effects and netting based on guidelines such as the ISDA Credit Support Annex (CSA) and cover diverse products including exotic derivatives. The Bank manages risks that accompany market transactions based on projections of future value fluctuations because risk exposures can change even after a transaction is concluded depending on market rate fluctuations.

Self-Assessment

Asset self-assessments are a part of credit risk management. Financial institutions examine and analyze their asset holdings so they can grasp the actual state of their assets as steps in preparing for appropriate asset write-downs and write-offs as well as reserve provisioning.

At Shinsei Bank, sales promotion divisions and credit analysis divisions conduct asset appraisals, and risk management divisions that are independent of sales promotion and credit analysis verify appraisal results.

Measures to Meet Basel Accord Requirements

In order to comply with the credit risk regulations under the Basel Accord, Shinsei Bank has adopted the Foundation Internal Ratings-Based (F-IRB) Approach. Based on this framework, we have secured strict internal controls vis-à-vis our internal ratings system, the foundation of credit risk management, and we conduct estimations of parameters such as the design and operation of our internal rating system and default rates. The benefits of our internal rating system are reflected not only in internal control of credit risk but also in calculations of regulatory capital requirements.

Individual Business Product Risk Management

Risk management for our consumer finance businesses encompasses all operations from loan application assessment (entry-point credit) to managing risks after a contract is signed (credit monitoring) and, if needed, loan collection operations. The Group Individual Banking Risk Management Division is in charge of risk management for products for individual customers, including our consumer finance businesses. The division holds a monthly risk performance review meeting with other risk-related divisions at the Bank as well as risk officers from subsidiaries in order to share information and promote a shared awareness of risks. The division also provides operational support and advice to relevant units of the Bank and its subsidiaries relating to overall risk management concerning credit administration policies and credit strategies.

Risk-related divisions at Group subsidiaries carry out appropriate risk control through a process that incorporates scoring models into credit administration processes, while using credit-related databases of customer attributes stemming from the nature of their businesses, credit information, and transaction history. The scoring models i.e., initial credit score, score at credit monitoring stages, collection strategy scores, etc. were developed using statistical methodologies, and to maintain the accuracy of the scoring models in line with the level achieved when it was first developed, model performance is constantly monitored and the model is subject to fine tuning as needed. The Group Individual Banking Risk Management Division is working to elevate its scoring model development and enhance the entire Group's credit provision capabilities in ways that help maximize earnings of the entire Group in the medium and long term. Credit costs are crucial to the management of profitability in the consumer finance business. We therefore conduct monitoring while tracking multiple leading indicators and verification metrics at the portfolio level to enable us to quickly grasp any deterioration in the portfolio's overall asset quality and take timely action to improve its profitability.

Market Risk Management

Market risk is the risk of incurring losses due to fluctuations of interest rates, foreign exchange rates, and stock prices, etc.

Market Risk Management Policy

In accordance with the "Trading Business Risk Management Policy," market risks in the trading business are managed through a series of processes with the Executive Committee determining overall market risk and loss limits. The Integrated Risk Management Division monitors on a daily basis the status of compliance with these limits, and the Market Business Management Committee reviews every month trends at individual businesses, the status of profits and losses, market risk conditions, and overall business risks including the risks of products handled. In accordance with the "Group ALM Policy," interest rate risks related to assets and liabilities in the banking book are managed through a series of processes, with the Group ALM Committee determining overall market risk limits and limits on loss amounts. The Integrated Risk Management Division monitors on a daily basis compliance with these limits and reviews on a regular basis the status of profits and losses and risk management policies.

Trading Book

Market risk in the trading book is managed through techniques such as VaR. VaR is the maximum loss amount expected due to future price fluctuations within a given probability range, assuming a specific position is held over a specific time horizon. In addition, we measure multi-faceted risks using sensitivity analysis for various factors.

In calculating the amounts equivalent to market risk, the Bank's VaR model is based on a historical simulation method and uses a 99% confidence level, a 10-day holding period and an observation period of 250 days (see the following table). The effectiveness of the VaR model is verified through back testing, which examines how frequently actual daily loss exceeds daily VaR for a one-day holding period. The back testing results for fiscal year 2016 shows that there were no days in which actual losses exceeded VaR on a consolidated basis. Additionally, we conduct stress tests on a weekly basis and report the findings to senior management at meetings of the Market Business Management Committee, etc.

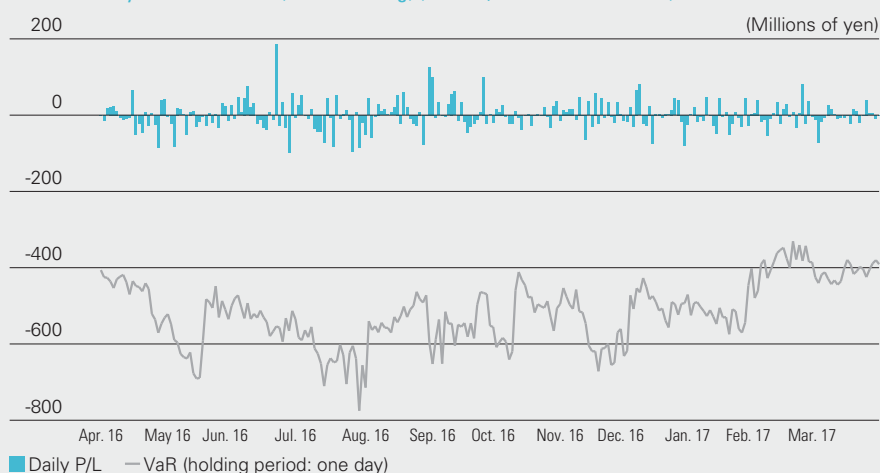
VaR Data for Fiscal Year End, Maximum, Minimum and Average During the Fiscal Year 2015 and 2016

	Millions of yen			
	FY2015		FY2016	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
FY End VaR	1,214	788	1,231	1,155
FY VaR				
Maximum	2,346	1,761	2,444	1,998
Average	1,626	1,128	1,627	1,367
Minimum	1,017	623	1,042	919

Stressed VaR Data for Fiscal Year End, Maximum, Minimum and Average During the Fiscal Year 2016

	Millions of yen	
	FY2016	
	Consolidated	Non-consolidated
FY End VaR	3,171	2,992
FY VaR		
Maximum	4,248	3,604
Average	2,923	2,485
Minimum	2,050	1,843

VaR and Daily Profit and Loss (Back-Testing) (FY2016, Consolidated basis)



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

Back-testing involves comparing fixed position virtual losses to estimated VaR to confirm the reliability of the VaR method.

ASSUMPTIONS OF SHINSEI's VaR MODEL

Method: Historical simulation method
 Confidence level: 99%
 Holding period: 10 days
 Observation days: 250 days
 Coverage: Trading account

Interest Rate Risk in Banking Book

Interest rate risk is the risk of eroding profits or incurring losses due to market interest rate fluctuations amid mismatches in the interest rate or maturities of assets and liabilities. To measure interest rate risk exposure, we calculate the decrease in the economic value of the banking book from an unexpected 1% interest rate increase [a 1% parallel upward shift in interest rates for loan originations (bank assets) and core deposits (bank liabilities)]. This calculated exposure is used for internal controls. As interest rate risk exposure is significantly impacted by the recognition of asset and liability maturities and loan prepayments, we are endeavoring to appropriately capture interest rate risk by adopting the following models.

a. Housing loans

We calculate the interest rate risk of fixed-rate retail housing loans by statistically analyzing historical prepayment data and estimating future cash flow based on a proportional hazard model using periods lapsed from the loan origination.

b. Core deposits

Core deposits are defined as retail ordinary yen deposits and two-week yen denominated time deposits which are left with banks for a long period without withdrawal. We model depositors' behaviors by statistically analyzing deposit balance data and estimating maturities by customer segments.

In calculating outlier criteria, we derive the decline in the economic value of the banking book by applying an interest rate shock test with 2% parallel shifts (+2% and -2%) and use the decline derived as a measure of interest rate risk exposure. The Bank's interest rate risk exposure as of March 31, 2017 is below the outlier criteria of a decrease in the economic value of the banking book greater than 20% of its core capital calculated based on a 2% interest rate shock range.

Change in Economic Value for Applied Interest Rate Shock of 2% in the Banking Book at the End of March 2017

	Billions of yen	
	Consolidated	Nonconsolidated
JPY	¥ (94.0)	¥ (53.2)
USD	(4.3)	(4.3)
Other	(6.2)	(6.2)
Total	¥ (104.6)	¥ (63.8)
Outlier Ratio	12.9%	7.7%

Risk relating to Marketable Credit Instruments

Investments in structured bonds, funds, securitized instruments, etc., are generally held until maturity, although some instruments can be traded on the market. Such instruments have a complex risk profile that includes market risk and liquidity risk in addition to credit risk related to their underlying assets and counterparties. The Bank has established a system to ensure appropriate management of these risks, regularly reviews its investment policies based on the investment environment, and establishes appropriate limits on investment amounts. Credit analysis sections analyze instrument structures and the credit risk of the underlying assets and seek the Transaction Committee's approval for each transaction. The Integrated Risk Management Division monitors price fluctuation risk, and the Market Business Management Committee and Risk Policy Committee strive to promote appropriate management of risks through regular reviews of risk exposure.

Liquidity Risk Management

"Funding liquidity risk" is the risk of facing difficulty in securing necessary funds or a risk of incurring losses due to a need to raise funds at an interest rate that is significantly higher than normal due to a mismatch between asset and liability maturities or an unexpected outflow of funds.

As for funding liquidity risk, pursuant to the "Liquidity Risk Management Policy," the Treasury Division, a fund-raising management unit, and the Integrated Risk Management Division, a funding liquidity risk management unit, have been put in place, and the Group ALM Committee receives reports on the following designated liquidity risk management indicators: "funding gap limit," "minimum liquidity reserves," "liquidity stress tests," and "liquidity coverage ratio."

The levels of funding liquidity risk consist of "Normal," "Need for Concern," "Crisis," and "Risk Administration Mode," with the Group ALM Committee determining the current mode. The response framework for each specific mode is set forth in the "Funding Liquidity Contingency Plan," and regular training is provided.

Operational Risk Management

Operational Risk Management Frameworks

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

To ensure comprehensive management of operational risks, the Bank has established an operational risk management policy that defines risks and sets forth its basic policy and organizational structures for risk management as well as procedures for identifying, evaluating, monitoring, reporting and controlling/mitigating risk.

The Integrated Risk Management Division, a unit responsible for Group-wide operational risk management, evaluates, analyzes and reports on operational risk to management. Moreover, for each domain of operational risk such as administrative risk and systems risk, specialized risk management divisions that are independent from business divisions implement measures to manage operational risks according to the attributes of each category. The Integrated Risk Management Division and these specialized management divisions hold periodic meetings to share information on each category of operational risk conditions across the organization, including consolidated subsidiaries, and discuss how to manage issues that cut across multiple risk domains.

Regarding quantification of operational risk, it should be noted that we have adopted the standardized approach for regulatory capital under the Basel Accord. Meanwhile, on the level of internal controls, based on latent risk scenarios that reflect previous losses that arose internally and recognition of risks in each business line, we measure operational risks in keeping with internal models, and we apply these findings to our risk capital system.

Risk Management Frameworks for Administrative and Systems Risks

Administrative and systems risks refer to the risk of “incurring losses from inaccuracies in clerical tasks due to the carelessness of executives or employees, or errors or misconduct in their performance of work duties.”

As for administrative risks, we recognize appropriate management of them is extremely important to our ability to offer services that our customers trust. We strive to improve the level of our administrative work performance by clarifying the content of procedures through efforts to revise terminology, hold training seminars, provide guidance on administrative work, and improve administrative work flows. Specifically, our efforts to improve risk management include establishing a system of branch self-audits where autonomous checks are performed at the work-task level and creating a database documenting past errors that enables analysis of the casual factors behind errors that will help prevent reoccurrence in the future.

Systems risk includes the risk of companies or individuals incurring losses from the disappearance of valuable data of customers as a result of information systems shutting off and software or hardware failures. Through reviews of system risks we have implemented since fiscal year 2013, including in fiscal year 2016, we are working to improve quality in systems development and prevent system failures and ensure rapid recoveries when problems occur by improving our system operating capabilities. In core operational systems, we completed the upgrade of domestic systems for handling foreign currencies and transfers between bank accounts in the previous fiscal year. Our next step is advancing initiatives to upgrade to next-generation core systems that track accounting related to key operations. Since fiscal year 2015, we have endeavored to improve the level of system risk management and information security for the entire Group, including subsidiaries. Moreover, we have taken appropriate steps based on the latest trends in technology to respond to cyber-security problems that have recently come to be seen as a social threat, so we are working to ensure the safety of customer information and assets.

Management Strategy and Risk Capital

The Bank defines “risk capital” as an integrated control approach to risk that groups risk into categories, namely (1) credit risk, (2) market risk, (3) interest rate risk, and (4) operational risk, and measures exposures relating to each risk category. Risk capital (budgeting) is an approach to defining the type and total amount of risk (risk appetite) the Bank thought it should be willing to adopt so it could attain its management plan goals within the limits of the Group’s management strength. The Bank devises a fiscal year budget for the total amount of risk capital to deploy Group-wide and allocates risk capital to each business line. By tracking business performance adjusted for allocated risk capital

on a monthly basis, risk capital is effectively put to work as a tool to comprehensively manage progress toward management plan goals from a risk-taking perspective. Moreover, risk capital budgeting is useful for judging business performance when monitoring of this performance adjusted for allocated risk capital is combined with risk-return monitoring as a indicator of whether allocated risk capital has been effectively deployed.

Risk capital allocation plays an important role in realizing the Group’s management strategy. We think there is scope to construct even more advanced processes, so our efforts to improve our methods are ongoing.

Shinsei Bank Group’s Portfolio

The Group’s asset portfolio again saw little negative impact from deterioration in the creditworthiness of corporate customers, including large borrowers. We also continued to improve the quality of our real estate loan portfolio, centering on nonrecourse loans, by reducing our exposure to high-risk assets through asset replacement. As a result, the Bank’s nonperforming loan (NPL) ratio against its total portfolio declined to 0.22% as of the end of fiscal year 2016. The consumer finance business had seen its loan balance contract owing to external factors such as changes in the environment due to amended laws and a fiercer competitive environment but its

loan balance is rebounding due to the success of the Group’s revised credit strategy and strategic initiatives aimed at building up high-quality assets. Also, we recognize that losses on repayments of past interest overpayments have peaked out and declined to a level easily covered by periodic net income at nonbank subsidiaries.

Regarding the overall portfolio, risk exposures have been lowered by reductions to credit-related costs and improvements to asset quality, in addition to expansion in capital buffers and greater management stability on the steady accumulation of shareholders’ equity through revenue growth.

Risk Factors and Future Policy

Fiscal year 2016 was the first year of the Third Medium-Term Management Plan, where we grouped our businesses into “Growth Areas,” “Stable Revenue Areas,” “Strategic Initiative Areas,” and “Curtailed Areas,” and put forward consumer finance and structured finance in particular as growth fields. While the external environment has continued to improve, we must continue to monitor the downside risks to the global economy from factors such as the future adjustments to U.S. monetary policy, the impact of the U.K.’s exit from the E.U., and geopolitical risks, and the impact of such factors on financial markets. Risk management operations will continue efforts to accurately understand both domestic and overseas

environments and develop a recognition that is shared by senior management on risk preferences and comprehension of the risk profile of the Group’s portfolio from multiple angles using more advanced stress tests and other means. Also, an appropriate system with checks and balances is applied to initiatives in growth areas led by business promotion sections and implementation of business strategies. Through advanced measurement of risk-return and a stronger monitoring function, we are working to bolster and improve our risk management posture through flexibility in reviewing and revising risk strategies as the need arises.

SOCIAL

Toward Fully Harnessing Group Talent and Capabilities

“People” as an Engine for Growth

With “people” as an engine for growth, the Shinsei Bank Group pursues new financial services and a vision for a new financial group that goes beyond conventional thinking with the aim of growing as a financial innovator that supports our customers from multiple angles by linking together the Group’s entire customer base, financial functions, and services.

HR Strategy Basic Policy

Maximizing organizational capacity, grow sustainably as a bank

- Reform our people culture, focus on personnel development and use
- Improve work environment, systems, and processes in ways that enable each person to contribute fully by harnessing his or her aspirations, attributes, and capabilities

HR Development and Use from Medium- and Long-Term Viewpoint

- Construct a plan for a future core HR pool and develop systematic follow-up
- Strategically deploy and use people who are best suited to a given business from a Group perspective
- Develop human resources for the entire Group

Building HR Systems Responsive to Organizational Needs, External Climate

- Highly transparent and objective systems for compensation, job grades and evaluations
- Multi-track career system that enables employees to opt for a career path
- Flexible work shift systems with diverse options for work arrangements
- Support medium- and long-term career planning

Our Human Resources Strategy Aligns with Our Management Principles

The management philosophy of Shinsei Bank has three core principles: (1) to become a banking group that is sought out by our customers, and contributes to the development of both domestic and international industrial economies, while maintaining stable profitability, (2) to become a banking group that values diverse talents and cultures and is constantly taking on the challenges presented by change, and (3) to become a trusted banking group that has highly transparent management and values all stakeholders. To fulfill our management principles, Shinsei Bank has created a work environment, systems, and processes that enable each employee to contribute as much as possible to the organization by harnessing his or her unique aspirations, attributes, and capabilities. With the financial industry enveloped by an environment changing at a dizzying pace and values such as work arrangements seemingly on the cusp of a sharp break with the past, management regards HR-related matters as one of its highest priorities for enabling growth of the organization and is putting reforms into practice by continuously reviewing its systems and measures. We seek to always be among the earliest to perceive changes in the external environment and understand the needs of the times so we can advance necessary reforms. In doing so, we think we can heighten employee motivation and

loyalty and encourage each employee to perform to the best of his or her abilities in ways that maximize the organization’s performance and enhance corporate value.

Toward Group-wide Human Resources Management

To promote greater cooperation within the Group, increase internal mobility, and ensure reliable implementation of management strategies, the Shinsei Bank Group dissolved the business group system in fiscal year 2016, the first year of the Third MTMP, and advanced reforms to its organizational system. Moreover, in fiscal year 2017, head-office functions across the Group were consolidated in the Group Headquarters at the parent bank and integrated with the aim of sharing management resources in an optimal way across the entire Group and making head-office functions more sophisticated. We will maximize synergies, including on business aspects, across the entire Group by sharing best practices from each Group company and stimulating each other in ways that produce unexpected reactions.

We strive to promote Group-wide development and use of human resources as well as the deepening of our corporate culture so human resources capable of delivering differentiated financial solutions can collaborate across divisions and Group frameworks to provide optimal value to our customers. The main point of our human resources development strategy is to construct organizations capable of self-directed shifts by cultivating skilled people who can learn and grow from self-reflection, people with a sense of loyalty and a strong willingness to serve others, and people with a customer-first mindset who can create services unconstrained by the frameworks of orthodox financial institutions.

Shinsei Bank provides various types of training programs tailored to the growth stage or career paths of its employees and encourages them to obtain qualifications, including courses designed to provide a wide range of general financial knowledge or to hone specialized knowledge and skills necessary for each field and job level, as well as schemes for enrolling in executive education programs at graduate schools in Japan or overseas. We are also implementing measures to cultivate human resources in many other ways such as supporting them in constructing self-directed career paths.

In fiscal year 2016, we launched the “I&D Project” as a way to debate measures for bringing out in full the latent capabilities of the Shinsei Bank Group’s diverse human resources and companies, inviting young and mid-level employees from Group companies to set them loose to come up with creative ideas in this vein and propose them to the Group management team. The Group human resource data we aggregated from this project is centrally managed so we can analyze each employee



from many angles such as his or her suitability, capabilities and aspirations, providing us with a deeper understanding of our employees. That, in turn, has enabled us to adopt a talent management system where we deploy the most appropriate people to places where they can contribute the most. This project was formalized as the New Shinsei Group Project (NSGP) to be a platform where employees can propose ideas for new businesses of their own accord outside of the conventional operational framework in which they perform their roles.

Offering More Work Arrangement Options

Based on overall reforms to our human resources system and proposals from the aforementioned "I&D Project," we advanced initiatives to limit long working hours by swiftly adopting a flex-shift system of staggered work hours as well as various measures to encourage employees to be efficient so they can leave the office sooner.

Promoting Inclusion & Diversity

One of Shinsei Bank's greatest strengths is the diversity of its people in terms of age, gender, nationality and background, and it is the creativity generated by this diverse set of people that has enabled us to launch groundbreaking services and business models. Also, since its inception, Shinsei Bank has actively promoted the role of women in the workplace by expanding the availability of a variety of support frameworks, including childcare leave and shorter working hours, and forming the "Shinsei Women's Network" to facilitate interaction between female

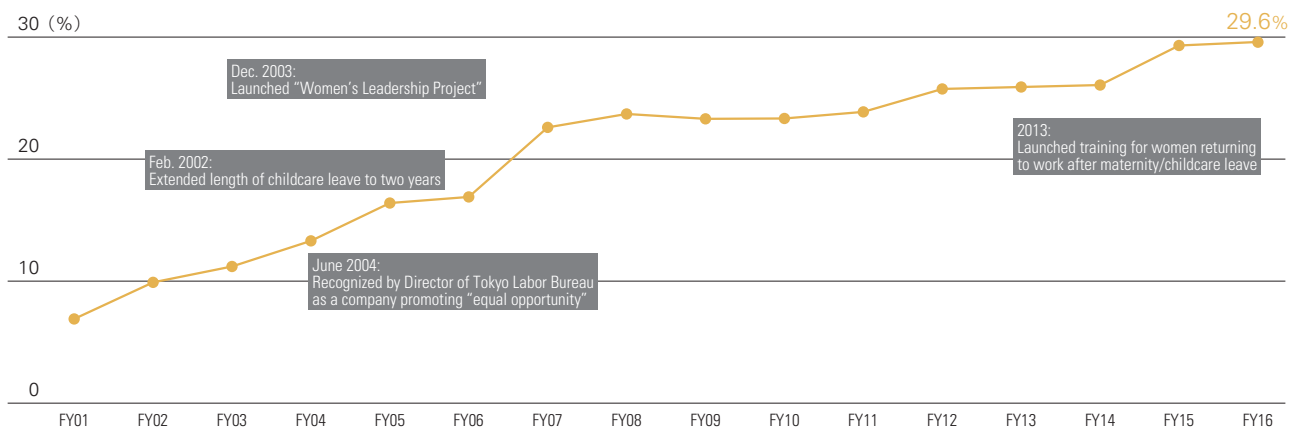
employees of the Group. As of March 31, 2017, the ratio of female managers at Shinsei Bank remains among the highest in the industry, with women representing about 29.6% of all titled managers. We aim to raise this ratio to 35% by 2020.

With Japan's population continuing to age and its birthrate continuing to decline, we will continue to promote personnel policies that are respectful of employees' attributes, characteristics and stages in life—whether they be women or seniors, raising children or caring for a relative—and that enable the Group to fully utilize the talents of this diverse pool of human resources. In addition, to maximize the latent potential of the Group engaged in a wide range of businesses, we will search for and appoint talent across the Group and strive to create knowledge-based synergies through personnel exchanges. Going forward, we will strive to utilize Group resources to their fullest by further promoting "Inclusion & Diversity" of an even more integrated Group as we seek to meet customers' increasingly complex and diverse needs by providing new solutions that are beyond the scope of existing frameworks.

Career Development System Supporting Women with a Career Orientation

- Leadership education and training
- Female career path training
- Hearings for female employees before they obtain maternity leave
- Support for self-learning during childcare leave
- Training for women returning to work after maternity/childcare leave (for those returning from leave; for managers)
- Shinsei Women's Networking Lunch

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



SOCIAL

Educating Next Generation

Promoting Financial Literacy Program "MoneyConnection®"

Shinsei Bank is actively working to promote "MoneyConnection®," a financial literacy program. In collaboration with the program, our employees visit high schools and other places and participate in running the program as voluntary assistants (facilitators) to teachers. We have cooperated with three regional banks as a part of the nationwide promotion of this program, which commenced in fiscal year 2012. Three regional banks derive high interest in this cooperation program from its distinctive features tied to local communities.

Strong Appeal as a Cooperative Program

The developers of the "MoneyConnection®" program noticed that one of the reasons young people who are not in employment, education or training (NEET) had gotten into that situation was their lack of financial literacy. With this in mind, Shinsei Financial Co., Ltd. worked jointly with Sodateage.net, an authorized specified non-profit organization, to develop this program in 2006. It is the first program in Japan aimed at keeping young people from becoming a NEET, and the main participants are high school students. What Shinsei Bank employees can offer is financial literacy, while Sodateage.net offers participants support and know-how regarding work. Combining these two areas of expertise, this program consists of enjoyable features, such as group work exercises and games so that students can enjoy learning throughout the course. While thinking ahead to what it will cost to live on their own and about personal finances and work, students learn about different lifestyles enabled by diversifying forms of work and working styles and what things and how much they will need to live in the years to come. The program offers young people an opportunity to think about their future.

A Decade since the Program Began

In the decade since the program launched through March 31, 2017, the course has been offered at 820 schools in 33 prefectures across Japan, with the cumulative number of student participants totaling 107,843. We continue to work proactively on this program so that "Money Connection®" can be consistently utilized as a reliable program and will become a social platform to connect young people with society.

What Our Employee-Volunteers Say about the Program

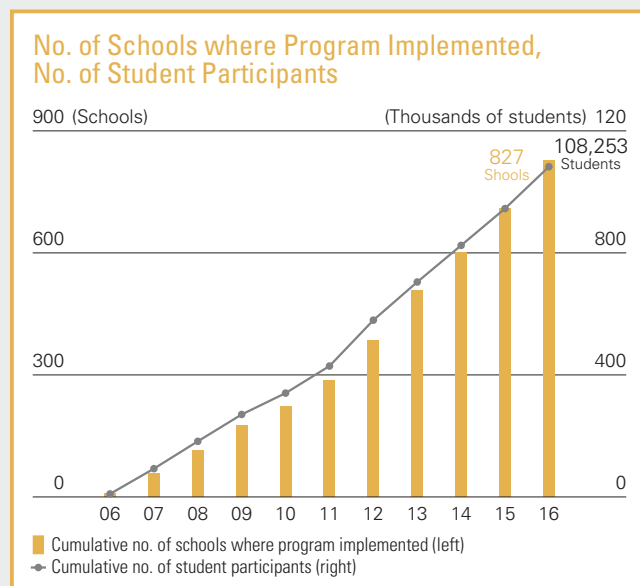
"I still recall how students would listen intently with a serious look on their face when I told them about the difficulties I experienced with personal finances when I first struck out on my own as an adult," said one employee-volunteer. In the questionnaire distributed to participants when the course finished, several students said they learned about the importance of personal finances and others said (the program) made them think seriously about the future. Other employee-volunteers said they felt their involvement in providing students with time to think about the future was a worthwhile endeavor.



An employee-volunteer who worked with students



Cards (working styles, monthly salary, lifestyles) used in the program



SOCIAL

Our Post-Quake Recovery Support Activities in the Tohoku region of Japan

Since soon after the Great East Japan Earthquake caused massive damage across the Tohoku region, Shinsei Bank Group employees have continued to provide support to communities there, by implementing various activities. These include support activities with our employees visiting afflicted areas, donations of money collected from employees, and selling food and supplies produced at welfare centers in the three affected prefectures.

Support Activities in Miyagi Prefecture's Higashi-Matsushima City

In June 2013, "Value The Hotel Higashi-Matsushima Yamoto" opened as a lodging facility for recovery support workers in Miyagi Prefecture. Shinsei Bank provided a nonrecourse loan for the hotel's construction, with Shinsei Trust & Banking also a participant in the loan scheme. Our involvement in the region started with a proposal we made to the Higashi-Matsushima City's social welfare council to let us use the hotel as a base from which to conduct local support activities. Nearly two years after the quake and tsunami, support needs were starting to shift to offering residents mental and emotional care and support. Following a series of discussions, a Christmas concert was planned and held in the hotel's dining hall in December 2013 for all the residents of local temporary housing sites. Thanks to the cooperation of volunteer staff from the local social welfare council and the enthusiasm of employees who participated, the concert was a rousing success. The Christmas concert has become an annual event since then with the full support of the local social welfare council.

Bonds with the Local Community and Close Relationship through Face-to-Face Communication

With the aim of helping to maintain, restore and rebuild the local community beyond organizing concerts, we recently commenced activities with a focus on interacting with members of the local community such as arranging tea get-togethers at public housing for people living in disaster recovery sites. In every follow-up visit, we enjoy meeting again, feeling the bonds of trust we have established over the years through face-to-face communication.

When we visited in 2015, a high school student in the storytelling club told us there were no street lamps, and people felt scared everyday going home because the roads were pitch black. After hearing that, employees participating in support activities proposed giving the community a street lamp, and that, in turn, led them to call on Shinsei Bank Group employees as a whole to also make donations. In early summer 2016, the donations collected were used to present a street lamp to the city's Kameoka district, where a ceremony was held to unveil the new lamp. We feel this gift has further deepened ties between the local community and the Shinsei Bank Group.

Learning from Valuable Experiences

About half of employee-volunteers in each recovery support trip were first-timers. As normalcy returns, there are fewer opportunities for them to have direct experiences of touching and feeling disastrous places. At events like tea get-togethers where they met up with locals, however, there were times when conversation turned to touch directly on what locals experienced post-disaster, their journey since the disaster and what their plans were for the future. This was a valuable opportunity for employee-volunteers to experience the disaster stories of locals as if they were their own. Among the comments we received from employees who volunteered were: "This was my first trip to the disaster area and it took me so far outside of my normal life;" "It was literally 'a picture is worth a thousand words' experience;" and "what is reported in the mass media was just a small piece of the overall situation. By interacting with members of the local community, I felt I was able to catch a glimpse into their lives up to now. The experience pierced deeply into my heart."



An annual Christmas concert is becoming a regular year-end event for Higashi-Matsushima City.



A street lamp funded with donations from concerned Group employees was installed near the Kameoka District Center in Higashi Matsushima City

ENVIRONMENT

Environmental Initiatives

The Shinsei Bank Group recognizes environmental problems as one important management theme. We introduce here several environmental initiatives pursued within the Shinsei Bank Group.

[Shinsei Bank Group]

Forest Conservation Volunteer Activities

The Shinsei Bank Group participates twice a year in forest conservation volunteer projects in a wooded area of TAMAZO (Lion Forest) in Tama Zoological Park and in Katano City, Osaka Prefecture.

With direction from the specified NPO Woods and Environment Network Association, Shinsei Financial sponsors and organizes activities aimed at fostering an interest in environmental conservation and nature by providing people opportunities to perform various tasks such as maintaining wooded areas and thickets.

Volunteers rake up fallen leaves for use in helping culture shiitake spores and breed rhinoceros beetles and perform tasks such as clearing out bamboo grass leaves to preserve forest environments.

[Shinsei Bank]

Efforts to Reduce Electricity Use and Reduce Our Environmental Impact

Shinsei Bank continues to make every effort to conserve electricity in our head office throughout the fiscal year such as shutting off lights in common spaces and using motion sensors to control and shut down lighting in meeting rooms and reception areas. We also have other ongoing initiatives in place aimed at reducing the amount of electricity we use. Among these are voluntary initiatives to reduce electricity use during the summer when electricity is in high demand such as reducing ceiling lighting in common-space areas of the head office by about 75%, full adoption of a “cool biz” dress code for summer, optimizing air conditioner temperature settings and operating hours, installing auto controls to adjust lighting output in response to natural outdoor lighting (daylight), and installing auto controls on outdoor air inflows in response to indoor CO₂ concentrations. The Bank is also working to further reduce the environmental burden of its offices by relocating to energy-efficient buildings¹ and transitioning from 2014 all branches to virtual desktop infrastructure² (VDI) from PCs.

¹ Site relocations were as follows: Head office (January 2011), Meguro Production Center (February 2012), Osaka branch (October 2013), and Nagoya branch (February 2016). The Nihonbashi Muromachi Nomura Building, where our head office is located, was certified in February 2015 as a “top-level installation” under the “mandatory reductions in total greenhouse gas emissions and emissions trading system” the Tokyo Metropolitan Ordinance on Environmental Preservation established.

² Moving from PCs to virtual desktop infrastructure (VDI) usually enables desktop environments at organizations such as companies to be virtualized and computing to be processed on central servers, reducing electricity use. In most cases, VDI (on slim clients and central servers) save electricity versus desktop PCs.

Environment Impact Data

	Unit	FY2014	FY2015	FY2016
CO ₂ Emissions	t	3,395	2,806	2,746
Electricity Usage	kWh	6,029,536	5,163,522	5,093,523
Gas Usage	m ³	90,000	90,000	90,000
Clean Water Usage	t	1,638	1,569	1,796

Notes: (1) Data are for all Shinsei Bank headquarter (do not include affiliated companies) and Meguro Production Center.

(2) CO₂ emissions data have been calculated according to “Guidelines for Calculating Specified Greenhouse Gas Emission Volume under the Total Emission Reduction Obligations and the Emission Trading Framework”

Amount of Waste Generated / Recycling Rate

	Unit	FY2014	FY2015	FY2016
Waste Generated	t	220	215	233
Amount Recycled	t	131	126	154
Amount of Waste Disposal	t	88	89	79
Recycling Rate	%	59.9%	58.6%	66.1%

Notes: (1) Data are for all Shinsei Bank headquarter (do not include affiliated companies) and Meguro Production Center.

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

[Showa Leasing]

Showa Leasing prepares environmental targets each fiscal year in an effort to improve and conserve the environment and carries out corporate activities that reflect environmental considerations.

Handling of Eco-friendly Products

FY2016 Handling Value (Target Value ¥12,000 million)	FY2017 Target Value
¥16,614 million	¥12,800 million

The Energy Use Rationalization Business Support Program¹ (energy-saving subsidies) and the Ecolease Promotion Project² are among the specific initiatives Showa Leasing participates in as a designated leasing company, and we offer agency services to support our customers with the complicated procedures those applying for such subsidies must go through. We support the spread of eco-friendly products across a wide range of sectors, especially among small and medium-sized enterprises. We support adoption of renewable energy facilities, starting with industrial-use solar power generation systems and now encompassing biogas power generators. In such ways through the many years of financial know-how it has built up as a bank-affiliated leasing company, Showa Leasing supports its customers in addressing environmental management.

¹ Energy Use Rationalization Business Support Program (energy saving subsidies)
This business subsidy program is administered by the Ministry of Economy, Trade and Industry (METI) for the purpose of contributing to the attainment of its energy-conservation goal of reducing final energy consumption by about 50.3 billion liters as of 2030. The program is administered by Sustainable Open Innovation Initiative, a general incorporated foundation, to support organizations such as private-sector businesses that adopt energy conservation facilities and technologies.

² Ecolease Promotion Project
The Ecolease Promotion Project, led by the Ministry of the Environment (MoE), was established with the aim of addressing global warming, especially in the household, business, and transportation sectors. It is administered by Japan Association of Energy Service Companies (JAESCO), a general incorporated foundation. It subsidizes a prescribed ratio of the total lease expense from adopting low-carbon equipment that meets a minimum standard via leases for a wide array of areas such as renewable energy equipment, industrial machinery, and operational facilities.

Example: Eco-Friendly Equipment Adoption



Biogas power generation facility

Brokering Used Equipment (Buying-Selling Business)

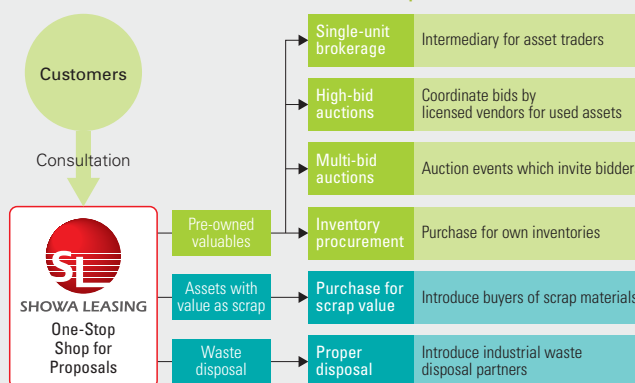
FY2016 Transactions Brokered (Target of 1,500 transactions)	FY2017 Transaction Target
1,005 transactions	1,500 transactions

Harnessing its corporate network and expertise from its leasing business, Showa Leasing is focusing on its business as a broker-dealer buying and selling used equipment. In terms of improving reuse and recycling rates, we think we can contribute to reducing environmental impacts and building a path to a circular economy. On the basis of the numerical targets we set, we are actively promoting this business.

We provide a one-stop, full-service menu for movable properties from their appraisal and sale to final disposal, leveraging our know-how in such assets. The disposal of movable properties at factories and offices require a complicated set of steps, and our services respond to customer worries about such difficulties as reducing volumes of disposal waste, proper disposal, and rigorous adoption of reuse and recycling practices.

Through such business activities, Showa Leasing contributes to realizing a sustainable society.

Full-Service Menu for Movable Properties



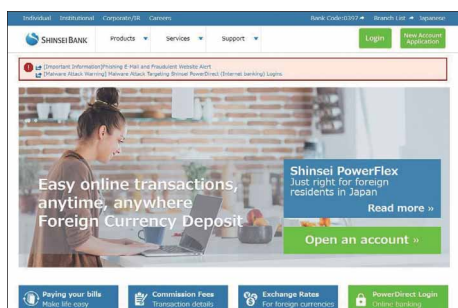
Advantages of a Full-Service Menu for Movable Properties

- 1) One-stop, efficient disposal of movable properties
- 2) Reduced disposal costs via lower volume of disposal waste and recycling
- 3) Compliance-focused, proper disposal

WEBSITE

Our English and Japanese websites provide a wide range of corporate data as well as information for individual and institutional customers and investors.

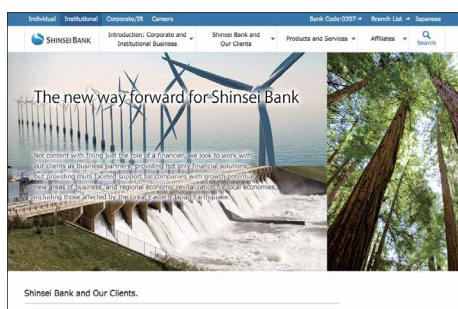
INDIVIDUAL



<http://www.shinseibank.com/english/>

The website for individual customers provides information on our comprehensive retail account, *PowerFlex*. Customers can log on to our Internet banking service, *Shinsei PowerDirect*, submit requests for information on *PowerFlex* and apply to open an account. Product offerings, campaigns, branch and ATM information, and detailed explanations on foreign currency deposits and investment trusts are covered here.

INSTITUTIONAL

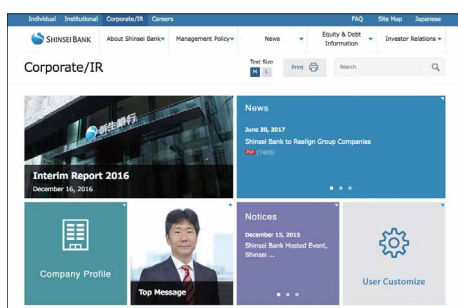


<http://www.shinseibank.com/institutional/en/>

This website provides information on our products and services for institutional customers, as well as the various solutions provided to customers based upon their business area, company lifecycle stage and company needs.

Additionally, information regarding branches, affiliates and market reports (Japanese language only) is also available.

CORPORATE/IR



<http://www.shinseibank.com/corporate/en/>

The Corporate/IR website contains information on our corporate and management profiles, history, medium-term management plan, CSR initiatives and corporate governance. It also provides our news release, equity- and debt-related information, financial information and IR calendar.