

Strategies for Increasing Corporate Value

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TO OUR SHAREHOLDERS, CUSTOMERS AND EMPLOYEES

Hideyuki Kudo
President and Chief Executive Officer

Overview of Past Medium-Term Management Plans (MTMPs)

—“A dispassionate reflection upon the achievements and outstanding challenges of the First and Second MTMPs was the first step in our journey to create the Third MTMP”—

The greatest challenge faced by Shinsei Bank during the First MTMP (FY2010–FY2012) was the rebuilding of the Bank’s financial base following the damage it suffered from the global financial crisis triggered by the collapse of Lehman Brothers. In order to accomplish this, the Bank engaged in exhaustive efforts to reduce the Bank’s risk asset balance through the disposal of its distressed assets while simultaneously executing measures such as issuing additional shares of common stock in order to reinforce the Bank’s capital position and improve our capital adequacy ratio. Through the undertaking of aggressive treatments to eliminate issues such as legacy assets generating nonrecurring losses and return the Bank to a state of financial health, we successfully laid the foundation necessary to stabilize our revenues, and furthermore, we began operating the unsecured personal loan business (Shinsei Bank Card Loan—Lake) through the Bank as part of our efforts to deploy new businesses in order to diversify our revenues, and while the Bank enjoyed these successes, the realities of the Bank’s revenues and asset balance made it challenging to argue that the Bank had returned to growth.

In the Second MTMP (FY2013–FY2015), we shifted from a balanced contraction to expansion as we sought to return to growth in both our Individual and Institutional Businesses and established the three major goals of 1) establishing a unique business base, 2) increasing our revenues and further improving our financial fundamentals, and 3) becoming a financial group appreciated by customers and valued by society and markets in order to do so. As a result, in our Individual Business, the unsecured card loan balance expanded at a faster rate than the growth of the overall market while in our

Institutional Business we began to see success in the project finance business focusing on renewable energy projects. Additionally, amid an improving economic environment, we effectively booked investment gains while also recording gains on the reversal of reserves for loan losses due to progression in the final treatment nonperforming loans (NPLs) disposed of during the First MTMP and we continued to record consecutive positive net profits from the First MTMP. Consequently, we have been successful in greatly improving the financial stability of Shinsei Bank, having steadily accumulated capital as well as significantly improved the Bank’s nonperforming loan ratio to a superior level even in comparison to that of other banks.

However, our decision to allocate management resources in a wide range of business areas in the increasingly competitive Japanese financial services industry was an overextension, resulting in insufficient allocation of resources in business areas where the Bank holds expertise and competitive advantages and has the capability to provide unique products and services. Additionally, due in part to the aforementioned insufficient allocation of management resources, the Bank was unable to deliver the aggressive revenue growth targets of the Second MTMP and the Bank fell short of its overhead ratio target, one of the management indicators during the Plan.

Fully accepting both our achievements and outstanding challenges, the creation of the Third MTMP, which has been started from fiscal year 2016, was initiated following a profound reflection to determine the unrealized strengths of the Bank and the strategic leadership required of management over the following three years in order for Shinsei Bank to remain a Financial Group able to enjoy the loyalty of its customers.

The Shinsei Bank Group Medium- to Long-Term Vision

—“It is critical that we clearly identify the vector of the Shinsei Bank Group from a medium to long term perspective.”—

The harshness of the current and future business environment of financial institutions has made apparent the need for management to look beyond the short term and create a Medium- to long-term vision which illustrates the longer term direction of our business. Our Medium- to Long-term vision leaves no ambiguity regarding our strategic direction and was created with the intention that it would serve to identify the loci around which the efforts and businesses of the Shinsei Bank Group would concentrate and gain speed.

Medium- to Long-Term Vision

1. To be a financial innovator that provides cutting edge financial services made possible through Group integration.
2. To be a financial group that achieves outstanding productivity and efficiency through constant improvements and reforms to realize lean operations.
3. To be a financial group which, in addition to rewarding its stakeholders, is both driven and unified by the core values of the confidence, sense of fulfillment and the pride created by the achievement of the first two goals of the Group vision.

The first goal of the vision reflects our intent to realize Group synergies by customer centrally restructuring the businesses of our Group companies, including our core banking business, the unsecured personal loan, credit card, shopping credit, and settlements businesses as well as leasing and other nonbank businesses in a way that transcends their operations as individual companies. Additionally, many core members of the Shinsei Bank Group were assimilated into the Group through acquisitions and have yet to be fully integrated in terms of both their business and management, preventing the full utilization of Group management resources. We believe that the latent opportunity which can be realized by overcoming the concepts of individual companies and enterprises and organically intertwining the customer bases, data, expertise and other business-related assets accumulated by each Group member and the resulting possible combinations of products and services we could provide to our customers could be of staggering magnitude. The realization of this latent potential equates the creation of value for our customers, and while presenting a major challenge for the management of the Bank, is the source of the Shinsei Bank Group's opportunities for growth.

The second goal of our Medium- to Long-Term Vision reflects our belief that the state of our current businesses and

operations are less than ideal and that there are areas where we might be able to apply original and ingenious solutions in order to eliminate waste and inefficiency. We believe that the undertaking of meaningful tasks by our employees will lead to the full realization of the capabilities of each individual which in turn will result in the invigoration of the organization. From this perspective, the effective use of our human resources and the pursuit of “diversity and inclusion” are essential to our future growth and success.

The third and final goal of the vision concerns the achievement of the preceding two goals which will lead to the enhancement of our corporate value, rewarding our stakeholders, as well as instill in all of our employees the confidence, sense of fulfillment, and pride that comes from knowing their efforts are contributing to the enhancement of our corporate value, leading to the creation of the corporate culture of the Shinsei Bank Group. It is my earnest desire for the corporate culture that is borne as a result of the Bank's efforts to achieve our vision to become the steadfast foundation upon which the core values of the Shinsei Bank Group will be built.

The three year plan that our Group will execute starting in fiscal year 2016 as it pursues its Medium- to Long-Term Vision is the Third MTMP.

Third Medium-Term Management Plan

—“As part of the Third MTMP we have performed a “selection and concentration” of our businesses according to the strengths and expertise of the Shinsei Bank Group and the growth potential of the businesses as we pursue the growth of revenues which are both highly sustainable and stable.”—

Considering the achievements and outstanding challenges of our First and Second MTMPs as well as the strategic direction expounded upon in the Group’s Medium- to Long-Term Vision, the Third MTMP naturally must be based upon the strengths and unique characteristics of the Shinsei Bank Group. We therefore took a fresh look at what would qualify as being strengths and unique characteristics, as well as what would qualify as differentiation. Based upon this examination, we conclude there to be two areas in which the Bank retains these characteristics.

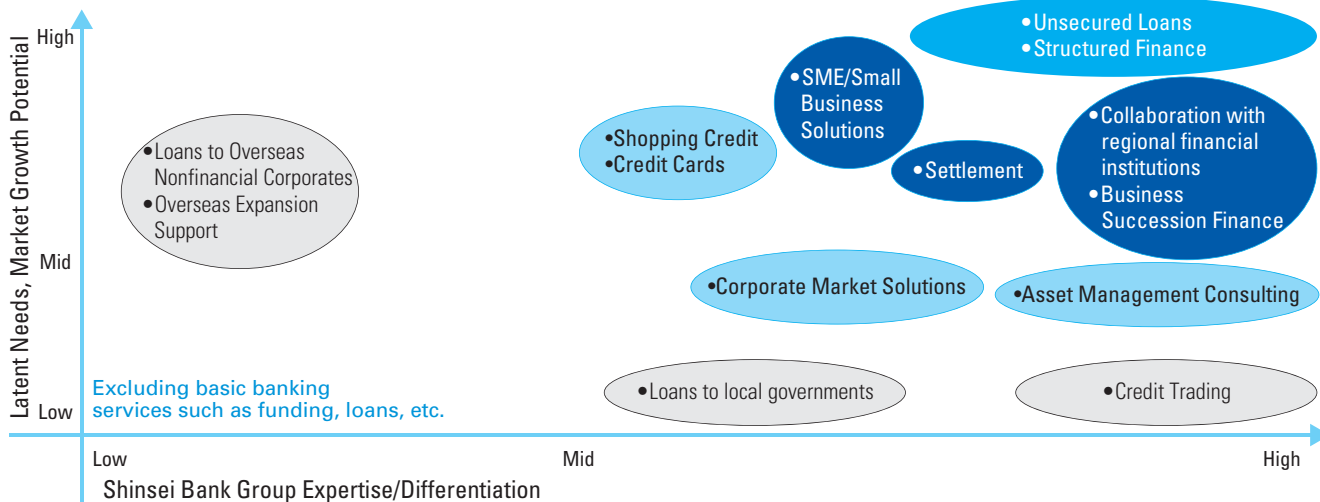
The first area includes businesses that utilize information technology and scientific and statistical methodologies. Examples of such businesses includes our consumer finance and settlements businesses and businesses that utilize large amounts of transaction data such as multi-channel retail banking. The benefits of the information technologies and statistical methodologies used to process and analyze large amounts of data are most pronounced in smaller scale financial transactions

with individual customers and small businesses. Due to this area also having a high affinity with new financial technologies, fully utilizing our information technology capabilities to provide cutting edge services which provide convenience is a highly viable method for achieving differentiation.

The second area includes businesses that leverage financial technologies to deliver customized, value-added services to customers. The businesses fitting this description include institutional businesses such as structured finance, business succession and the businesses providing support for growing companies and business establishment as well as businesses serving retail customers such as asset management consulting services.

Based on our examination of the demonstrated strengths of the Shinsei Bank Group in these two areas of expertise and the market growth potential of each business, we have divided our businesses into four classifications and created a strategic mapping of our current businesses.

Strategic Mapping Businesses



Growth areas	Stable revenue areas	Strategic initiative areas	Curtailment areas
Areas in which the Shinsei Bank Group already has competitive advantages and is seen as having strong profit and growth potential.	Areas in which the Shinsei Bank Group will stably and selectively engage in without being involved excessive competition.	Areas which are expected to deliver future growth and in which the Bank looks to create customer value through groundbreaking innovations beyond conventional formats.	Areas in which the Shinsei Bank Group poorly differentiated or the market is expected to shrink.

As a result of the “Selection and Concentration” review of the businesses of the Shinsei Bank Group we have identified unsecured personal lending in the Individual Business and Structured Finance (real estate finance and project finance) in the Institutional Business as areas which hold high market growth potential and in which the Group retains high levels of expertise, and as such, management resources will be proactively allocated in these areas.

Regarding specific initiatives, in the unsecured loan business we will undertake a detailed segmentation of our customer base and leverage the product features of our three core brands— *Shinsei Bank Card Loan – Lake* (hereinafter, *Lake*), *Shinsei Bank Smart Card Loan Plus*, and *NOLON*— to undertake a highly customized marketing approach of our customer base as we seek to grow the loan balance and increase profits. Additionally, we intend to increase the effectiveness of our marketing activities of *Lake* through the appropriate investment of marketing expenses in order to further enhance the recognition of the brand and grow our new customer acquisitions, as well as pursue increased convenience for our customers through the implementation of improvements to our applications process and increasing the accessibility of the service.

In Structured Finance, while Shinsei Bank has always retained strong market presence in the field of real estate finance, the Bank will look to engage in new initiatives in healthcare and hospitality facilities, which are expected to increase in the future, where it is able to leverage its expertise while also engaging in management which closely monitors factors such as the condition of the real estate market and the balance of risk and return. In the area of domestic project finance the Bank has engaged primarily in the provision of financing

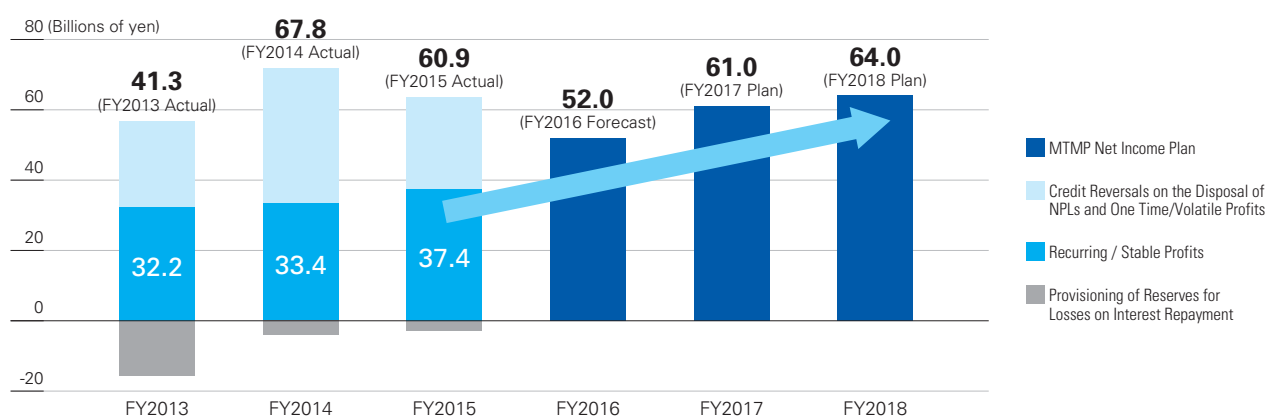
for mega solar projects following the renewable energy development boom which occurred after the Great East Japan Earthquake. Going forward the Bank anticipates the growth of other forms of renewable energy generation including wind, geothermal and wood biomass, and leveraging the advanced analysis and project arrangement capabilities of the Bank, we will extend our undertakings beyond solar power generation as we seek to grow the project finance balance and increase associated profits.

While the Bank is forecasting an operating asset balance compound average annual growth rate of around 10%, we will be engaging in dynamic managerial oversight, flexibly allocating management resources in response to changes in the external business environment and our performance versus our business Plan.

Additionally, we will seek to establish a business operating structure which facilitates the efficient use and flexible reallocation of management resources in response to changes in the external environment and progression versus our business plan, reduces waste and inefficiencies as well as maximizes the latent potential of the employees of the Shinsei Bank Group as part of the Bank’s internal management infrastructure which supports the growth of its businesses. Furthermore, we will look establish a Group wide governance structure which facilitates the unified management of the Shinsei Bank Group.

Through the persistent implementation of the strategies and measures set forth in the Third MTMP, the Bank will increase profits generated by businesses with a high degree of stability and recurrence and thereby enhance sustainable profits and management efficiency.

Trend of Net Income



Notably, one of the objectives of the Third MTMP is the identification of the path to the repayment of public funds. The Bank has made significant progress in accumulating the capital which will serve as the source of funds for repayment over the past several years. We are keenly aware of the importance of improving per share values and as part of efforts to do so, the Bank has

resolved to undertake a share buyback following a full evaluation of all relevant factors including the Bank’s current level of capital and profitability as well as the external market environment. Going forward, assuming the maintenance of a sufficient level of capital, the Bank will implement appropriate capital policy as it seeks to enhance per share values.



Seeking the Enhancement of Sustainable Corporate Value

In the Third MTMP we are pursuing the full utilization of the Shinsei Bank Group's customer bases, financial functions and services in order to drive the development and provision of cutting edge products and services to our customers. In order to achieve this, we must tear down our preconceptions and dispose of confined thinking to transcend the boundaries between our Bank and Nonbank businesses as well as overcome the limitations we have unconsciously imposed upon ourselves due to our past experiences as we seek to interweave the varied experience and expertise held throughout the

Shinsei Bank Group. I will seek to facilitate such change through my management activities and hope the organization we create will encourage the emergence of individuals within our Bank who will seek out challenges which will lead to this kind of innovative thinking. I believe that the confidence, sense of fulfillment and pride which will naturally result from our development into such an organization will become core values of the Shinsei Bank Group and will ultimately lead to our ability to meet the expectations of all stakeholders of the Shinsei Bank Group.

Going forward, we hope to continue to enjoy the understanding and support of all our stakeholders.

July 2016

Hideyuki Kudo
President and Chief Executive Officer

CFO MESSAGE

Shinsei Bank is engaging in flexibly and proactively allocating its Group management resources as well as working to ensure efficiency in their utilization as it seeks to grow stable and sustainable revenues in accordance with its management strategy.

Overview of Financial Management During the Second MTMP

In the Second Medium-Term Management Plan (MTMP), which ran from fiscal year 2013 to fiscal year 2015, management focused on three financial indicators— Growth, Profitability, and Financial Stability. The Bank's achievements in regard to each indicator are as follows:

Growth

Profit attributable to owners of the parent fell short of the target set for the final year of the Second MTMP as a result of deterioration in the market environment and the recording of a loss due to the reassessment of a past investment. While we were unable to record profit growth, the Bank was successful in recording profits for three consecutive years.

Profitability

The Bank achieved the Second MTMP return on risk-weighted assets (RORA) target of around 1%. However, Bank was unable to meet the return on equity (ROE) target of 10%, recording a full year ROE of 8.1% in fiscal year 2015.

The Bank was unable to achieve its targeted expense-to-revenue ratio of below 60% and recorded a full year expense-to-revenue ratio of 64.9% due to the difficulties encountered in achieving the business plan which sought to expand total revenue at a rate far exceeding the rate of expense growth.

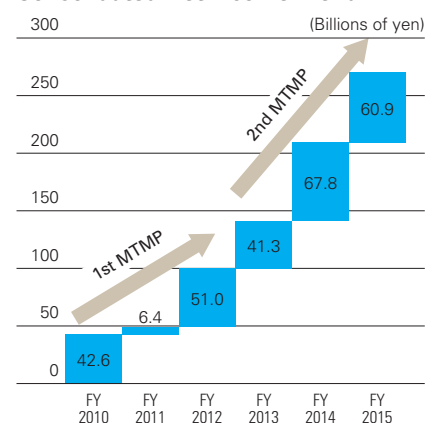
Financial Stability

As of March 31, 2016, the Bank's nonperforming loan (NPL) ratio was 0.79%, well below the Second MTMP's target of an NPL ratio below 3% range. The target was achieved by taking advantage of an improving economic environment to aggressively dispose of NPLs. As a result, the Bank's asset quality has been sharply improved.

The accumulation of retained earnings and the reduction of risk assets achieved through the disposal of NPLs enabled us to sharply improve our capital adequacy ratio (common equity Tier I ratio) to 12.9%, significantly higher than the Second MTMP's initial target of 7.5%.

As a result of the preceding achievements, growing stable and sustainable revenues and further improvement of the expense-to-revenue ratio have been identified as key issues to be addressed in the Bank's Third MTMP, and we are committed to taking all measures necessary to resolve these outstanding issues.

Consolidated Net Income Trend



Performance Review

Profitability

- Total consolidated net income over the past 6 years exceeds JPY 270 billion
- Net interest margin (NIM) increased due to funding cost improvement

	Funding Cost	NIM
FY2010	0.59%	2.19%
FY2015	0.26%	2.40%

- ROA increased to 0.7%, and RORA¹ increased to 1.1%

	EPS	ROA	RORA
FY2010	21.36 yen	0.4%	N.A.
FY2015	22.96 yen	0.7%	1.1%

- Expense-to-revenue ratio remains above 60%

Financial Stability

- NPL ratio significantly improved

	NPL Balance	NPL Ratio
FY2010	279.6 billion yen	6.78%
FY2015	34.7 billion yen	0.79%

- Capital ratios continued to improve

¹ RORA is calculated as net income divided by fiscal year end risk assets (Basel III international standard fully loaded basis)

Pursuing the Achievement of the Financial Targets of the Third MTMP

During the Third MTMP, which runs from fiscal year 2016 to fiscal year 2018, the Bank will seek to address the challenges it has identified through the evaluation of its achievements in the Second MTMP, and through efforts such as performing a selection and concentration of businesses as well as performing a focused allocation of management resources to growth areas, the Bank will engage in financial management which stresses prioritization.

Additionally, through the integration of the management functions of the entire Shinsei Bank Group the Bank is pursuing increased efficiency in its operations and seeks to achieve greater productivity.

Regarding the financial indicators to be utilized in the Third MTMP, we will be assessing the Bank's performance in regard to "sustainability" and "efficiency" and have established performance indicators for both.

Sustainability

The Bank identified profit attributable to owners of the parent (net income) as the performance indicator for the evaluation of sustainability and seeks to grow net income to ¥64.0 billion in fiscal year 2018, the final year of the Third MTMP.

The Bank will pursue the achievement of this goal through the allocation sufficient management resources to the growth areas of unsecured personal loans and structured finance in order to increase stable and sustainable revenues.

Efficiency

The Bank has identified the achievement of an expense-to-revenue ratio below 60% as the performance indicator for the evaluation of efficiency. In order to achieve this, the Bank will seek to expand revenues through the focused allocation of management resources in growth areas as well as the pursuit of efficiency in its expense management through efforts such as enhancing productivity through operational efficiency.

Additionally, the Bank will evaluate its return on risk assets as a performance indicator and targets a RORA of about 1%.

Financial Targets		FY2015 Actual	FY2018 Plan
Sustainability	Net Income	60.9 billion yen	64.0 billion yen
	RORA	1.1%	Around 1%
Efficiency	Expense-to-Revenue Ratio	64.9%	Below 60%

Capital policy remains a key management issue. As the Bank seeks to identify the path to the repayment of public funds, assuming the maintenance of a sufficient level of capital, the Bank will engage in appropriate capital policy in order to improve per share values.

We will continue to work tirelessly in order to meet the expectations of all of our stakeholders.

July 2016



Masayuki Nankouin
Chief Financial Officer

OVERVIEW OF THE SECOND MEDIUM-TERM MANAGEMENT PLAN

(FY2013-FY2015)

Overview

Shinsei Bank implemented its Second MTMP over the three-year period from fiscal year 2013 through fiscal year 2015. The plan had three targets: “establishing a unique business base,” “increasing revenues and further improve financial fundamentals,” and “becoming a financial group appreciated by customers and valued by society and markets.”

The Bank’s main accomplishments under the Second MTMP included lowering of the nonperforming loan (NPL) ratio significantly below the plan’s targeted level and improvement in the quality of its loan portfolio. Although we continued to post net profits during the plan’s three years, the positive results were supported by contributions from volatile income sources and gains on the reversal of reserves for loan losses made possible by the disposal of NPLs. Consequently, one of the major issues for Shinsei Bank in the years ahead will be accumulating assets that provide a source of highly stable and sustainable profits and raising the percentage of profits generated from that source.

Basic Strategy

Individual Business: To implement a new retail banking model to grow our core customer base to 5 million
Institutional Business: To strengthen and utilize expertise to support the growth of companies, industries and regions by working together with customers

Implement a new retail banking model

- Provide products and services with a high level of customer satisfaction
- Strengthen consulting capabilities
- Promote cross selling

Individual Business

Expand/develop the loan business

- Expand housing loan products
- Establish a position in the unsecured card loan market as a trusted lender
- Expand unsecured card loan guarantee business

Pursue differentiation in key industries/fields

- Medical and healthcare
- Renewable energy
- New business/corporate rehabilitation support

Institutional Business

Further promote areas of expertise

- Rebuild the real estate portfolio
- Expand corporate revitalization business
- Utilize the regional financial institutions network
- Strengthen competency of capital market solutions, including sourcing function

Integrated Group Management

Targets and Results

		FY2015 Target	FY2015 Actual
Growth	Net Income	70.0 billion yen (Forecast: 62.0 billion yen)	60.9 billion yen
	RORA ^{1,2}	Around 1%	1.1%
Profitability	Expense-to-Revenue Ratio	Below 60%	64.9%
	ROE	Around 10%	8.1%
Financial Stability	Common Equity Tier I Ratio ²	Around 7.5%	12.9%
	NPL Ratio	2% Level	0.79%

¹ RORA is calculated as net income divided by fiscal year end risk assets
² Basel III international standard fully loaded basis

OVERVIEW OF THE THIRD MEDIUM-TERM MANAGEMENT PLAN

(FY2016–FY2018)

Basic Strategy

In line with the Medium- to Long-Term Vision outlined below, the Bank has established its Third Medium-Term Management Plan (hereafter, the Third MTMP), which is to be implemented over the three years from fiscal year 2016 through fiscal year 2018.

Medium- to Long-Term Vision

1. To be a financial innovator that provides innovative financial services made possible through the integration of its Group companies.
2. To be a financial group that achieves outstanding productivity and efficiency by making constant improvements and reforms to realize lean operations.
3. To be a financial group which, in addition to rewarding its stakeholders, is unified by the core values born from the confidence, sense of fulfillment and the pride created by the achievement of the first two goals of the Group vision.

Overall Strategy

“Selection and Concentration” of Businesses/Creation of Value through Group Integration

- **Growth Areas**
Areas with high profit/growth expectations in which the Bank holds competitive advantages
- **Stable Revenue Areas**
Areas in which the Bank will stably and selectively engage in without being involved excessive competition
- **Strategic Initiative Areas**
Areas which are expected to deliver future growth and in which the Bank looks to create customer value through groundbreaking innovations
- **Curtailment Areas**
Areas in which the Shinsei Bank Group holds little expertise or the market is expected to shrink

Group Management Infrastructure: Achieve Responsive, Flexible Business Management and Lean Operations throughout the Bank Group

- Flexible and proactive reallocation/optimal use of Group management resources based upon business environment changes and plan progression
- Business management framework which enables maximum realization of organization and employee latent potential whilst eliminating waste and overextension
- Robust Group governance through unified Group management and enhancement of horizontal business functions

Financial Plan

- The Third MTMP is focused on the growth of stable profit sources. We are aiming for ¥64.0 billion in profit attributable to owners of the parent in the plan's final year (FY2018).
- We also are emphasizing more efficient operations, with an expense-to-revenue ratio target of below 60%.
- Capital policy is another important issue for the Bank's management. As a recipient of public funds, Shinsei Bank continues to emphasize the accumulation of internal reserves so that it can identify the path of the repayment of public funds and improve shareholder returns.
- We also plan to consider appropriate targets for ROE and the Common Equity Tier 1 Capital (CET1) Ratio.

		FY2018 Plan
Sustainability	Net Income	64.0 billion yen
	RORA ^{1,2}	Around 1%
Efficiency	Expense-to-Revenue Ratio	Below 60%

¹ RORA is calculated as net income divided by fiscal year end risk assets
² Basel III international standard fully loaded basis

THIRD MTMP GROWTH AREAS: UNSECURED PERSONAL LOANS

In its Third MTMP, the Bank has designated unsecured personal loans to individuals as one of its growth areas and, through various initiatives, plans to achieve an average annual growth rate of 10% in the unsecured personal loans operating balance over the plan's three years.

Business Strategy

■ Leverage product features of our three core brands—*Shinsei Bank Card Loan—Lake* (hereafter, *Lake*), *Shinsei Bank Smart Card Loan Plus* (hereafter, *Smart Card Loan Plus*), and *NOLOAN*—to expand total revenue generated by our unsecured personal loan business.

● We will strive to raise brand recognition for *Lake*, the core product of our unsecured personal loan business, and expand the customer base and the outstanding loan balance. Specific measures to achieve those goals are as follows:

1. Raise brand recognition by investing appropriately in advertising and seeking more effective advertising in order to capture new customers
2. Enhance customer convenience by making greater use of online contracting and by seeking more optimal locations for unmanned outlets
3. Prepare systems and a framework that enables more personalized contacts with customers through the collection and analysis of data on customer behavioral patterns
4. Enhance competitive strengths by simplifying document submission processes and improving product features

● Promote cross-selling of *Smart Card Loan Plus* to holders of Shinsei Bank's PowerFlex comprehensive retail accounts and to customers of other Group companies, thus reducing reliance on mass advertising

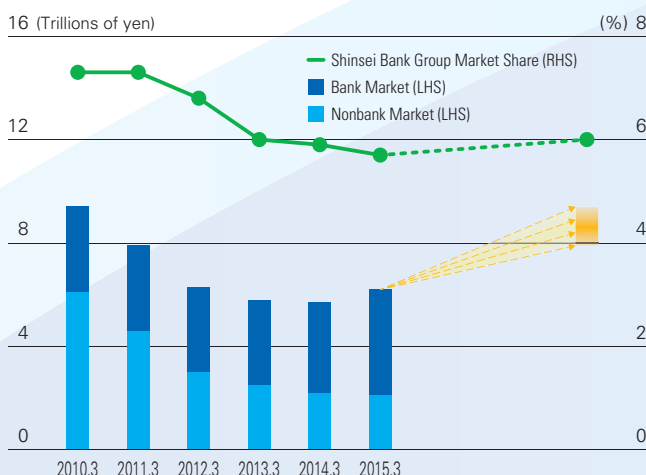
● Promote expansion of *NOLOAN* by introducing the product to *Lake* customers wanting to consolidate their loan positions

■ Increase balance of unsecured personal loan guarantees for regional banks, etc., through collaborative efforts of the Bank and Shinsei Financial

■ Maximize profits by reducing expense-to-revenue ratio while expanding business scale and maintaining rigorous credit standards

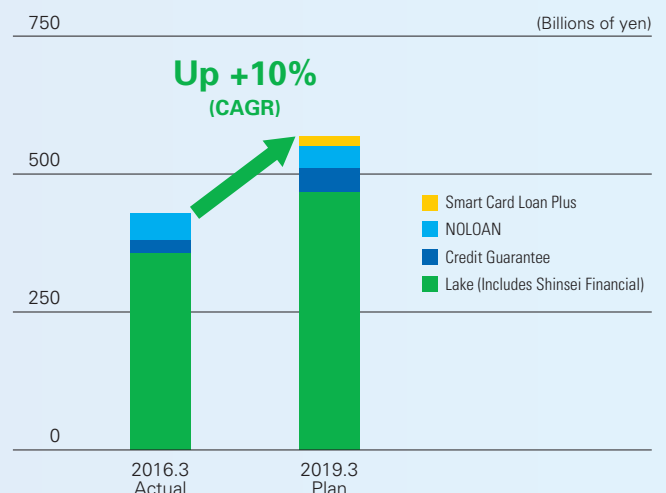
Market Share

Unsecured Loan Market Size and Market Share



Operating Asset Balance Plan

Unsecured Loan Operating Asset Balance



THIRD MTMP GROWTH AREAS: STRUCTURED FINANCE

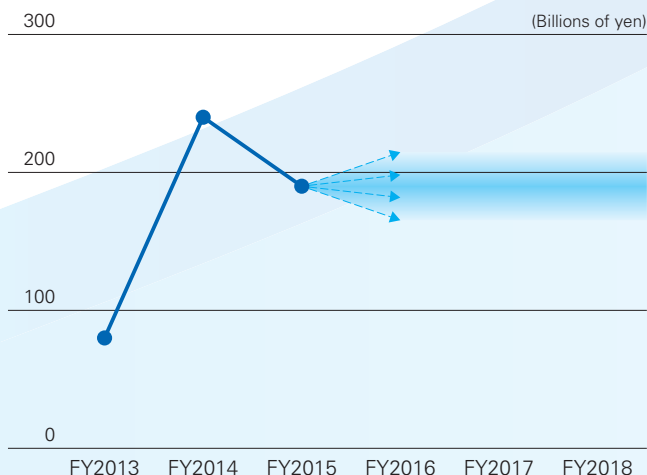
The Bank has designated structured finance, including real estate finance and project finance, as the other growth area in the Third MTMP, which targets an average annual growth rate of around 9% in the outstanding balance of structured finance transactions over the plan's three years.

Business Strategy

Real Estate Finance

We plan to become involved in a more diverse array of real estate financing projects, branching out from simple nonrecourse loans for office building projects to healthcare and hospitality projects while also responding to the demand from Asian investors seeking property investments in Japan. We will seek out unique projects that allow us to take advantage of our accumulated expertise, while maintaining a vigilant watch on market conditions and carefully analyzing each project's risk-return prospects.

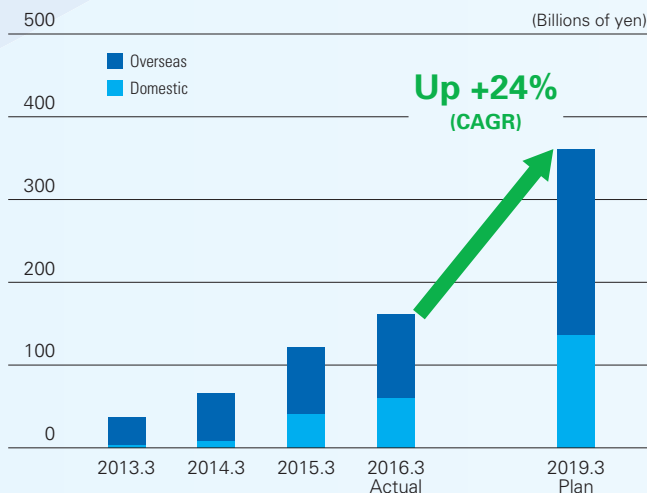
New Real Estate Finance Disbursements



Project Finance

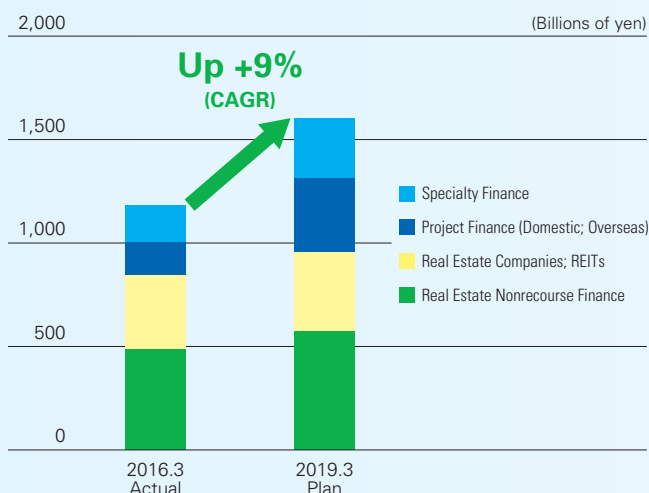
We will foster the creation and development of a project finance market for renewable energy projects in Japan by collaborating with regional banks and other financial institutions to provide financing for solar, wind, and wood biomass power generation projects. Leveraging our highly specialized capabilities, including sophisticated risk analysis and project formation capabilities, we expect to participate in a wide variety of projects in Japan and overseas.

Project Finance Balance (Domestic; Overseas)



Operating Asset Balance Plan

Structured Finance Business: Operating Assets



**Mr. Kiyohiro Kiyotani**President and CEO
Showa Leasing Co., Ltd.**Mr. Hideyuki Kudo**Representative Director, President and CEO
Shinsei Bank, Limited**Mr. Akira Watanabe**Representative Director and President and CEO
APLUS FINANCIAL Co., Ltd.**Moderator: Mr. Shinichiro Nakamura**Senior Analyst
SMBC Nikko Securities Inc.

Group Integration

DISCUSSION

**Mr. Riku Sugie**President and CEO
Shinsei Financial Co., Ltd.

To be a financial innovator that provides innovative financial services made possible through the integration of its Group companies

One of the goals of the Shinsei Group's Medium- to Long-Term Vision is "To be a financial innovator that provides innovative financial services made possible through the integration of its Group companies." Group integration is one of the key themes of the Group's Third Medium-Term Management Plan (hereinafter, "MTMP"). Accordingly, for the Annual Report 2016, the Bank has invited Mr. Shinichiro Nakamura, the banking sector analyst at SMBC Nikko Securities Inc., to moderate a discussion regarding the meaning of "group integration" among the top executives of four major Group companies— Mr. Hideyuki Kudo, President of Shinsei Bank, Mr. Kiyohiro Kiyotani, President of Showa Leasing, Mr. Akira Watanabe, President of APLUS FINANCIAL and Mr. Riku Sugie, President of Shinsei Financial.

“Considering the various capabilities and potential of the Shinsei Bank Group’s banking and nonbanking subsidiaries for meeting customer needs, it was decided that now is the optimal time to promote greater integration.”

Nakamura The Third MTMP calls for the Shinsei Group to pursue greater group integration. Why are you emphasizing group integration at this point in time?

Kudo When I became the President of the Bank in June 2015, it was obvious to me that the key to the future growth of the Shinsei Bank Group laid not in the commercial banking business but in how we could best utilize the Group’s capabilities in other areas such as leasing, shopping credit, and unsecured personal loans. At the same time, I wondered if we were fully realizing the Group’s potential in each of these business areas. Additionally, although the unsecured personal loan business and shopping credit business were both delivering services as separate, independent entities, they did not appear to be fully meeting current customer needs. Consequently, I wondered how we could combine or recombine our numerous services and functions to provide optimized services that meet the needs of today’s customers.

When we began to take concrete steps toward that end, terms such as “cooperation” and “collaboration” did not fully convey the nuance we desired, so we began using the term “integration.” We have two main expectations for this integration. First, from a business perspective, we expect it to enable us to make greater use of the various functions of all Group companies and not just those of the commercial bank. Second, our Group companies have different origins and corporate cultures and we therefore need to build a platform that will enable us to generate synergies. In other words, we need to integrate back-office and administrative functions as much as possible and we expect to make those functions leaner and more efficient. We will implement our Group integration from these two perspectives.

“By integrating banking and nonbanking products and services, the value we are able to deliver to customers will clearly be different from what we could previously provide.”

Nakamura What is the difference between the group integration being expounded by Shinsei Bank and the cooperation being sought among mega bank group companies? What, if any, advantages or issues do you see?

Kudo Although the end goals probably are not greatly different, the result of our integration will be considerably different. The mega bank groups are trying to create synergies among their banking, securities and trust businesses. At Shinsei Bank, however, securities and trust operations are already functions, or support functions, of our core banking business. Those functions have long been managed on what is essentially an integrated basis. Consequently, the integration of these functions is not a

focus of our current group integration efforts. What we seek to achieve going forward is to integrate the unsecured personal loan, shopping credit and leasing functions of our nonbank businesses with our banking business. The goal of effectively linking our functions to better meet the needs of customers is a common goal for our securities, trust banking, leasing and unsecured personal loan businesses. However, the value we can deliver to customers clearly differs with the degree to which those functions are actually integrated. We think financial institutions with that level of awareness regarding integration and collaboration are rare.

“We see potential to expand our business if we can create new products and services by combining the various strengths of Group companies and providing the necessary support through dynamic Group management.”

Nakamura The Third MTMP positions unsecured personal loans and structured finance as growth areas in which the Shinsei Bank group already has competitive strengths. Reflecting on your successes and shortfalls over the past three years, what changes do you plan to make to accelerate growth in the unsecured personal loan business? Also, what do you plan to do to increase market share?

Kudo Considering our competitiveness in the market as well as its growth potential and profitability, the unsecured personal loan business is clearly the most promising business for the Shinsei Bank Group. However, there are areas where we have yet to fully demonstrate the potential of this business. This is because the Bank had been restrictive in its oversight. For example, from an operational management perspective, we create plans that include targets for revenues, cost controls and profits, but strict adherence to those plans restricted the investment of management resources in things such as marketing that have a direct impact on revenues, which resulted in an inability to maximize profits. By removing such unnecessary restrictions in operational management, we can complete the PDCA¹ process in an incredibly short period of time, and make any needed adjustments to strategies and implement new measures, through which we will be able to maximize profits over the medium term. Taking this as a model case, we plan to carry out more dynamic operational management going forward.

¹ PDCA = Plan-Do-Check-Act, a methodology for managing the productivity and quality of business operations

Sugie In the Shinsei Bank Group, we had three companies engaged in the unsecured personal loan business—Shinsei Bank, which operates the *Shinsei Bank Card Loan – Lake* business, Shinsei Financial, and SHINKI. In October 2015, we integrated the management of SHINKI and Shinsei Financial. By combining their head office functions and eliminating redundancies, we were able to cut costs by more than ¥1 billion and achieve a smoother exchange of expertise.

To date, I think the Third MTMP has had two important effects. The first is Group integration, and the second is the emphasis being placed on the unsecured personal loan and structured finance businesses. Group integration is enabling us to eliminate redundancies and free up our limited management resources to pursue businesses we had been eyeing but were not able to pursue due of a lack of resources. In addition, creating a common business foundation means going beyond simply sharing customer bases and also sharing data and technologies. By combining APLUS' customer database with that of Shinsei Financial, we have been able to detect new trends in customer behavior. Meanwhile, establishing a common technology platform forces us to give due consideration to how we can best share our IT resources. This is not limited to re-allocating resources to achieve greater efficiency. Rather, we must also create new capabilities by combining the strengths of each company. Doing so will, I think, expand our business potential. Moreover, I believe the decision to devote more management resources and other corporate strengths to the unsecured personal loan business will give strong impetus to the growth of that business.

Nakamura At present, the bank's unsecured personal loan business is growing rapidly. What specific actions are called for in the new three-year plan to continue this growth? Please give us some specific initiatives that Shinsei Bank plans to undertake.

Sugie Our spending on advertising for our unsecured personal loans is rather limited compared with other major lenders. Nonetheless, even with that lower spending level, we have managed to build a customer base comparable with those of our main rivals. In addition, our unsecured personal loan branch network is only 70 to 80 percent the size of our major rivals' networks, which tend



to have more than 1,000 branch offices. By continuing to operate efficiently, we have freed up some management resources. I think we have reached the fighting fit state we need to be in to take on our rivals.

Kudo Indeed, compared with the difficult conditions we faced about five years ago, we now have more leeway to spend. If our investments and other spending are effective in generating revenues and higher profits lead to a lower expense ratio, we can be flexible in spending more to pursue business expansion. However, there is a tendency to adhere strictly to established budgets regardless of how the actual business situation evolves. We therefore must put a stop to such rigid budget management and constantly verify the efficacy of the use of our budget.

Sugie From this year, we will be implementing a scrap-and-build plan through which we will determine which branches to close and where to build new ones based upon quantitative evaluations of each outlet. This will directly contribute to greater customer convenience. We also plan a drastic revision of our loan contract process and will upgrade automated contract machines with new functions. These measures will greatly shorten the time from loan application to the receipt of cash. Generating returns through such effective investments is one of this year's challenges in the growth area of the unsecured personal loan business.

“Determining the functions of our banking, leasing, unsecured personal lending and other operations we can link together by applying the new technologies and know-how referred to as FinTech to the APLUS platform and the resulting “reactions” will be crucial to the Group’s next great leap forward.”

Nakamura We are increasingly hearing the term “FinTech” being used in relation to Japan’s banking industry. The mega banks are taking up the FinTech challenge by inviting venture firms to participate in contests. How is the Shinsei Bank Group’s response to the FinTech challenge different from that of the mega banks? Also, I believe that APLUS is an important component of the Shinsei Bank Group’s settlements platform. As such, what initiatives are being taken by APLUS to differentiate the Shinsei Bank Group from the competition?

Kudo “FinTech” is presently a popular term used to refer to many different things, but here at the Shinsei Bank Group we hope to pursue initiatives that represent the true meaning of “FinTech.” We will prioritize those initiatives that strengthen our existing businesses and are meaningful for our customers. For example, we will use FinTech first to enhance our competitiveness in our settlements business and our finance business directed at individuals and small businesses.

Watanabe At APLUS, we have three core businesses—our original shopping credit business, the credit card and settlements businesses. We now provide a highly granular range of products to individual customers and to the many affiliate shops and alliance partners that we also



count among our customers. This is the APLUS platform. APLUS’s strength is its ability to leverage the network of many businesses it has built over the years. In addition, we have been able to expand our customer base by adopting a unique strategy that utilizes the functions of the T Point service program. I believe that applying this core strength across the entire Shinsei Bank Group will help to further differentiate the Group from other financial groups. Going forward, how we connect the new technologies, services and expertise being referred to by the term “FinTech” will

be a major theme. There is a company with FinTech to whose customer base and the delivery of new services and platforms by adding new functions, such as credit card and settlement services. This kind of collaboration is one route we can pursue. Another route is the one being applied, which is the application of FinTech to add other functions to our existing settlements business. We are now considering how we can incorporate both of these and deliver the best of both to our customers. Either way, as long as we provide good services to our customers, there is no limit to the potential expansion of our customer base. As one of the active leaders of the Shinsei Bank Group, we at APLUS intend to make every effort to achieve that expansion.

Sugie In the coming age of FinTech, I think we will be speaking less about customer bases and more often about databases. The world of big data will open up many new opportunities and potential for an integrated Shinsei Bank Group. Given the many common features of the leasing, shopping credit, credit card, and unsecured personal loan

business formats, as well as the banking business, our customer's digital footprints are extremely large. This provides us with a huge volume of data that is already available for analysis and we are beginning to utilize it in our businesses. We are different from the mega banks, and it will be very difficult for us to use FinTech to create a new global standard. However, in our pursuit of niche markets, I think we will find some interesting applications for big data that will lead to new business.

Kudo If I were to try and point out one typical FinTech application, it would be an area like small-lot finance, where banks have not been fully meeting the credit needs of customers. This function is what makes APLUS an interesting company. APLUS possesses many functions that can be used in combination with the Bank's business or combined with unsecured personal loans and leasing transactions. Putting APLUS's functions and capabilities to use across the Group could provide the impetus for a great growth.

“We want to be free to pursue new concepts, to think out of the box, in order to provide new types of financial services to Showa Leasing's customer base.”

Nakamura Showa Leasing possesses a customer base that comprises some 35,000 small and midsize enterprises (SMEs). What needs does this customer base have that an integrated Shinsei Bank Group will be able to address and what is the potential for revenue generation from meeting these needs?

Kiyotani You noted that we have a customer base of 35,000 SMEs, but that number is actually as large as 53,000 if we include companies whose contracts expired over the past five years and presently do not have any active contracts with Showa Leasing. Showa Leasing's business includes the sale of life insurance to customers of SMEs as well as the sale of Japan-style operating leases. Five years ago, the life insurance business generated revenues of only about ¥100 million but that figure has expanded to ¥500 million this year. The operating lease business has made equity investments totaling around ¥7 billion over the past several years. It might be interesting if, for example, Showa Leasing were to integrate its





business with Shinsei Bank's business for high-net-worth individuals. Also, SMEs have a considerable need for business succession-related services, and we intended to engage in efforts to meet those needs with new services. In addition, banks have been able to provide finance leases

for some years now and in the future we envision Showa Leasing managing the leases made by Shinsei Bank. By collaboration with APLUS, we also will be able to provide our customers with a service that combines smaller scale financing leases with shopping credit services. For that purpose, we plan to create a platform that suppliers and other customers will find easy to use. I think that aiming for more integration in our services, instead of the cooperative efforts we have focused on to date, will prove extremely positive for our Group.

Kudo The customer introduction activities that we referred to as cross-selling have not proven to be very productive. Going forward, we plan to meet the financing needs of Showa Leasing's potentially 53,000-strong customer base by creating a new financing mechanism that uses methods different from those employed in the past. We are also seeing the emergence of various new techniques, including methods for holding assets, which could be interesting for us.

“The strengths of our unsecured personal loan business include its screening and servicing capabilities, its neutral positioning and speedy IT capabilities.”

Nakamura The Bank of Japan has introduced negative interest rate, but the Shinsei Bank Group's core strengths lie in non-traditional commercial banking business, such as consumer finance, credit card, settlement services, and leasing. Considering these strengths and your Group integration, what changes do you expect to see in the Group's competitiveness and market shares as the central bank's negative interest rate policy shrinks margins of domestic operations?

Sugie It is a well-known fact that unsecured personal loans have thick margins. Without a doubt, this is one area where we expect to leverage the overall strengths of the Shinsei Bank Group. However, it is also an area where we expect to see an increase in competition. We are not a mega player that can cover the entire market on our own. Consequently, we will continue to promote alliances with regional financial institutions in Japan and overseas financial institutions. However, we need to create a flexible supply chain that clearly delineates roles appropriate for us and our business partners. For example, asking our partners to introduce their customers to us and then ensuring

that we have the required screening and servicing capabilities as well as a sufficiently robust IT platform to provide services to those customers. At present, the trend in Japan is from nonbanks to banks and we will firmly develop strategies that correspond to this directional trend.

Within the unsecured personal loan industry, it is very clear what a traditional bank is able to do and what it cannot do. Shinsei Financial has carefully honed its capabilities in business areas where traditional banks do not operate, such as lending to high-risk borrowers, some of whom have become laden with multiple debts, which requires working closely with those borrowers and negotiating debt repayment schemes and helping them get back on their feet.

Nakamura Looking back over the past three years, your major competitors appear to have established a lead in the credit guarantee business and are capturing customers and further enhancing their know-how in this area. As you attempt to cut into their positions, where do you expect to display your strengths and differentiate yourself from the competition?

Sugie In this business, one needs screening and servicing capabilities appropriate for dealing with high-risk borrowers. There are only four major companies capable of performing these functions at the required levels, and one of them is Shinsei Financial. Moreover, Shinsei Financial is in an extremely advantageous position vis-à-vis its competitors because it is not affiliated with the mega bank groups and can be trusted to provide its service using sound mathematical methodology.

At Shinsei Financial, we practice thorough “dashboard management,” with all management decisions and process controls driven by numerical data. As a result, we are able to provide our customers with highly transparent processes and all decisions can be easily explained. We will continue to deliver solutions that leverage our expertise and strengths based on deep market knowledge that enables us to accurately predict what will happen regardless of the decisions made.

Last but not least, I must mention our IT capabilities. IT is one of the major costs of running a consumer finance business, as the lion’s share of the business’ processes



and procedures are now fully automated. Our open core system was developed in-house, which means we possess all source codes and our staff is able to respond immediately whenever we feel the need to make an improvement. As a result, our IT upgrades are achieved remarkably quickly.

“The effects of the central bank’s negative interest rate policy will require that we reconsider what kind of business model can utilize to increase corporate value.”

Nakamura As you implement the Third MTMP in an environment negatively pressured by the Bank of Japan’s negative interest rate policy, what changes can stakeholders expect from Shinsei Bank. What will you change and what will remain the same, and how will they affect corporate value?

Kudo The negative interest rate policy will have a negative effect on commercial banks. For Shinsei Bank, however, it will result in lower funding costs, as our costs have been comparatively high. We therefore hope to offset the overall negative impact on our financials as much as possible

through the positive impact of lower funding costs as well as the shift of focus to businesses that generate relatively high yields. Whether those positives will translate into an increase in corporate value will depend on the magnitude of their contributions being greater than our expectations. We believe we can potentially accomplish this and in order to do so we must naturally expand revenues as we accentuate our differences with other companies and achieve the enhancement of our corporate value together with the revision of our business model. I believe the results will also enable us to provide a solid return to shareholders.



“Group integration will result in changes to our organization and corporate culture that will enable the diverse range of people working to display their individual talents and realize their potential. It is management’s job to create the mechanisms and provide the leadership that will support such a working environment.”

Nakamura As you proceed with Group integration, what changes do you envision for your organization in order to enable your employees to realize their full potential and how do you anticipate your corporate culture will change?

Kiyotani Integration is not merely a buzz word. It requires concrete action by people and the involvement of younger employees in various projects. In that sense, I believe Group integration will have a positive impact on our employees.

Watanabe Group integration requires more than simply engineering the smooth integration of the Bank with other Group companies. I believe it is a natural progression that results from everyone’s recognition that times are changing. It is management’s duty to accurately read the changes taking place in the world and take proper action, which includes providing employees with educational programs and training that will encourage the natural flow of ideas that break down the barriers between our various business formats.

Sugie We want to be the team that has the talented individuals on the front lines of our businesses drive business forward. We will not be able to succeed unless the people toiling on the front lines and those making decisions work

directly together as a team in implementing the PDCA cycle. To form a winning team, we must seek out the most talented people in our Group, regardless of whether they come from a banking or nonbanking background and challenge them to become leaders who will advance our businesses. Also, to achieve the integration of such a highly diversified Group we must stress the importance of maintaining and enhancing diversity. I want to nurture a corporate culture in which we look for each individual’s strengths and provide him or her with opportunities to use those talents.

Kudo I think human resources is the area in which our management resources are most limited. We cannot easily increase the number of high-quality employees and staff capable of being a force in the Group. It is therefore essential that we find ways to fully utilize the resources we already have. We have people with a diverse range of talents and I want to be able to say that we have created a working environment that enables each employee to use all of his or her unique talents. We must search for the mechanisms and operations that will enable employees to utilize their full potential and move forward step by step in that direction.

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.II, 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)

(Note) The attendance rate shows the attendance rate of the Board of Directors meetings held after the Annual General Meeting in the fiscal year 2015 (nine meetings in total).

OUTSIDE DIRECTORS



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%

I believe that Shinsei's 3rd MTMP represents a thoughtful and balanced way forward, combining growth in areas of strength with careful attention to costs. I hope that I can help Shinsei achieved this plan in at least two ways. First, I can offer advice based on my long institutional knowledge of the Bank, which dates back to 2000. I was on Shinsei's board when it acquired each of Showa Leasing, APLUS and Lake, for example. Secondly, I hope to offer advice based on my 37 years of experience in global financial services, including involvement in many successful initiatives in banking in many different markets, as well as learning from some unsuccessful ventures.

May 2012 Member of the Supervisory Board, NIBC Holding N.V. (Current)
Aug. 2007 Member of the Advisory Board, The Kessler Group (Current)
Nov. 2002 Managing Director and Chief Executive Officer, J.C. Flowers & Co. LLC (Current)
Mar. 2000 Director, Shinsei Bank, Limited (Current)
Dec. 1988 Partner, Goldman, Sachs & Co.
Mar. 1979 Joined Goldman, Sachs & Co.



Ernest M. Higa
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: 88%

One of the "key" themes of Prime Minister Abe's reforms for the economic recovery of Japan is "Corporate Governance." I believe the presence of outside board members that can represent shareholders with diverse perspectives and opinions in order to enhance management decisions is especially important. Shinsei Bank has already implemented a robust governance structure whereby the outside board members actually outnumber the internal board members 5 to 2. Furthermore, Shinsei's Board meetings are very interactive, with frank discussions that challenge and advise the management team of the Bank in a collaborative manner, inciting reflection and sometimes resulting in reassessment of decisions made pertaining to strategy and execution. In this context, as an outside board member, I endeavor to contribute to the Board Meetings in a proactive manner to express opinions and observations, from my perspective and experience, which I feel can be helpful to Shinsei's management, as well as represent the view point of our shareholders.

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 (Current)
Jun. 2010 Director, JC Comsa Corporation (Current)
Feb. 2010 Chairman and Chief Executive Officer, Higa Industries Co., Ltd.
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.



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%

In order to realize the full strength of the Shinsei Bank Group through the integration of its various businesses, through the Third Medium Term Management Plan which was commenced this year, the Group is engaging in efforts to provide innovative products and services through the integration of its Group companies as it seeks to become a Bank Group which is trusted by all its stakeholders. In order to achieve this, the Group must both pursue its strategy of selection and concentration through which it seeks to allocate the management resources of the entire Group in a focused manner as well as engage in efforts to achieve prioritized, efficient management to enable the Bank to swiftly respond to any changes which may develop in the external business environment.

Additionally, the full synergistic expression of the expertise of all employees of the Shinsei Bank Group in a closely collaborative manner will be crucial in our pursuit of the 3rd Medium Term Management Plan. I believe that by unceasingly engaging in such efforts we will be able to satisfy the needs of our customers, which in turn will benefit the Group in the form of increasing stable, sustainable revenues.

All outside directors including myself will continue to strive to contribute to the execution of the Plan in line with its original purposes through the monitoring of the Group's operations from both compliance and validity perspectives and by proactively providing opinions and advice to those responsible for business execution.

All officers and employees of the Shinsei Bank Group are committed to the pursuit of the goals of the Plan. I am deeply appreciative of the support we have received from our stakeholders thus far and hope we will be able to continue to enjoy it.

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



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%

The bank has now completed its first year under the leadership of our new President, Mr. Hideyuki Kudo. It has been a year with many changes and significant volatility in the markets. In this environment, we announced our Third Medium Term Management Plan, which builds on the progress we made in the last few years repairing our balance sheet and building a capital cushion. The focus going forward is on closely integrating the Bank's businesses to become significantly more efficient and focusing our efforts where we have a competitive advantage and where we anticipate growth. In other words, we are transitioning from "rebuilding" to "efficient growth." We have no illusions that this will be an easy task. The market for banking services is very competitive, and the macroeconomic environment has many unfavorable elements, including negative interest rates and slowing growth. On the other hand, the opportunity to offer new and creative solutions that meet the needs of individual and corporate clients has never been greater.

Shinsei is fortunate to have a board with a diverse set of skills and experience, encompassing finance and M&A, consumer retail, technology, and regulation, all important elements of the Bank's strategy. We will continue to use these skills to support President Kudo and his team execute their growth strategy.

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.



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%

Fiscal Year 2016 is a key year for the Shinsei Bank Group as the first year of the Third Medium-Term Management Plan. The word "Fintech" has spread throughout Japan, and the entry of new players leveraging their technological expertise into the market has resulted in a further acceleration of the development of new services in the financial sector. In the current environment which requires both speed and security, the adoption of new technologies such as A.I. has begun and there are limitations one what a shingle company is able to accomplish. I believe that this new era requires us to be willing to reach beyond the boundaries of individual companies and organically operate the businesses of the Group as a whole as well as have the capability to create networks with other third parties.

As an outside director I will utilize my experience assisting various corporate transformations in this ever-changing industry in order to support the Shinsei Bank Group achieve its plan together with our stakeholders.

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.

AUDIT & SUPERVISORY BOARD MEMBERS



Shinya Nagata
Audit & Supervisory Board Member

Reasons for Nomination

Reflect in the Bank's audit operations his long years of business experience in the areas of finance and accounting at Shinsei Bank

Attendance rate: 100%

The Third Medium-Term Management Plan was developed through exhaustive deliberations held between the management team and external directors and I am convinced that the process which was undertaken in its creation was both appropriate and thorough.

The audit plan of the Audit & Supervisory Board for fiscal year 2016, the year in which the Plan is being implemented, has identified the "monitoring of the Plan's progress and assessing the efforts of the board of directors for the achievement of the Plan timely and pertinent debate" as the most important audit item. The Audit & Supervisory Board and its members will of course not only monitor the progress of the Plan but also proactively participate in the discussions.

Additionally, one of my most vital roles as the full-time audit & supervisory board member is to assess whether all Shinsei Bank Group Companies and their employees are aligned in the pursuit of the achievement of the goal of the Third Medium-Term Management Plan of "creating further value through organic inter-Group collaboration and pursue further productivity and efficiency" and warn or provide advice to the Group as needed.

I will perform my duties in order to contribute to the strengthening of the Shinsei Bank Group's value for its stakeholders through the achievement of the Third Medium-Term Management Plan.

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)



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%

The first meeting I attended last year in Shinsei Bank as an audit & supervisory board member was the strategy session which was held to prepare the Third Medium-Term Management Plan ("MTMP"). This session was divided into several meetings and greatly enhanced my understanding of the businesses of Shinsei Bank and the Shinsei Bank Group.

The distinguishing feature of the new Plan is the intent to undertake an integration of its Group under the direction of the Bank's management in order to integrate the businesses and human resources of each Group Company, through which the Bank will engage not only the banking business but all businesses of the Group in a cohesive manner. In particular, the Group plans to sharply grow the structured finance and consumer finance businesses, two distinguishing parts of the Group's unique business model. In my second year as an audit & supervisory board member I am committed to contributing to the achievement of the Third Medium-Term Management Plan by providing my opinions and offering advice to the management team together with the other outside directors, as well as monitoring the execution of business by the management team from both compliance and propriety perspectives.

- Jun. 2015 Audit & Supervisory Board Member, Shinsei Bank, Limited (Current)
- Jun. 2014 Audit & Supervisory Board Member, Financial Brain Systems Inc. (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



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: 100%

I believe that most of our stakeholders are already familiar with the details of the Third Medium-Term Management Plan that started in fiscal year 2016. Its basic policy details the actions to be taken by the Shinsei Bank Group such as group integration, selection and concentration, achieving greater proactivity and flexibility in business operations as well as identifying the path to the repayment of public funds and strengthening shareholder returns.

None of these will be achieved easily and, in my experience, the closer we come to achieving our goals the more we will lose sight of our surroundings.

As an audit & supervisory board member, I will ensure that all information necessary to perform thorough audits of the Group is gathered from the Group's various Divisions and safeguard against the Group straying from the path it must follow in order to ensure the realization of the basic policy.

I will also endeavor to strengthen our information gathering capabilities in order to ensure that our actions are in step with those of the business execution team.

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