FY2019 Financial Results

Presentation to investors/analysts (Held on May 14)

Moderator: Good morning and thank you for joining the online presentation of the FY2019 full year results. Please allow me to give some announcements before the presentation. In response to COVID-19, the results presentation will be purely online presentation to live audio, in a response to the prevention of the spread of outbreak.

At the beginning, overview of the financial results of FY2019 and approach for FY2020 earnings forecast will be presented. Then we'll explain the opinion of the Board of Directors with regards to the shareholder proposal that was mentioned in the press release yesterday. The materials are on the Shinsei website in the section of the quarterly results. Those of you who have pre-registered, we have given the URL and QR code for the questions site and the participants codes. Please use your PCs or smartphones to send your questions when the question and answer session begins.

We now will begin the results presentation. I give the floor to our CEO, Mr. Kudo.

Kudo: Thank you and good morning. My name is Kudo of Shinsei Bank. Thank you for joining this online full year financial results presentation.

Before I go into the numerics, let me touch upon how we intend to battle against COVID-19. We've issued a management message. In early April, when we had a branch managers meeting, this message was announced to the Group employees. We are in extraordinary circumstances; it is not business as usual. In this context, we have tried to give the basic principles of how we will be chartering under such circumstances in the coming year. Please take a look at this page.

Defense against risks: Strong defense

1. **Ensure safety of all our stakeholders including our employees and their families, customers, partners and shareholders**
2. **Fulfill our responsibilities as a financial institution to support social infrastructure and contribute to customers and society**

- **Taking emergency measures and preparing ourselves for prolonged current situation**
  - ✓ Office work focuses on important tasks to ensure our responsibilities (branch offices, call centers, operation centers, etc., are being operated with safety in mind)
  - ✓ Secured technology and telecommunications infrastructure and built remote work system Approx. 80% of employees are teleworking[1]
- **Support customers' businesses and activities**
  - ✓ Support partners by providing cloud factoring and loans to individuals, business owners and corporate customers such as restaurants, beauty salons and other retail shops
  - ✓ Offer specific loans to customers who are suffering economic losses due to COVID-19

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[1] Nonconsolidated basis

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Going on to slide number 3. The first and second points require no explanation but at the bottom you see some supplementary explanation. As an emergency response measure, in order to fulfill our social responsibilities, we are asking people assigned to essential tasks to still come to the office, but those are the only people who are working from home. But call center, operation center, they are manned at the minimum level. According to our statistics, 80% of our employees are working from home.

Further there are some enquiries coming in from our customers, and we're not just passively responding to these enquiries. We're trying to provide proactive support to our clients by consulting such requirements with our outside partners and some of the examples are listed at the bottom of this page.

Offense to capture opportunities: Step ahead

A cross-organizational task force will implement:

1. Responding to new normal

- Triggered by the crisis, the world is changing in various ways
- New sense of value and needs will arise; and new businesses based on these will emerge
- On the other hand, some businesses might disappear in a mid- to long-term
- In light of the significant changes in real economy, it becomes even more important to provide financial services to newly emerging underserved customers

2. Making new normal a sustainable form

- Accelerate to operate remotely and on a virtual basis in institutional and individual businesses
- Enhance business operations through digitalization, stabilize business processes and improve level of data security
- Standardize business processes and work styles, and conduct further review of physical space utilization

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Now, please turn to page 4. We do not believe that COVID-19 will be easily contained; rather, we're thinking about our life with corona. That has become the consensus of the general public, that we would have to coexist with the virus. In this context, what can Shinsei contribute as a financial institution? As I said, we're not just trying to passively respond to the requests submitted by our customers.

Many changes are occurring and the social activities have been completely stopped, which has led to the stagnation of economic activity. The current situation is not sustainable for the long run and that commonsense is shared by the government and amongst the general public. We have to be mindful of the fact that COVID-19 will continue to exist with us and we must think about how we can embark upon a new normal in terms of the social, economic activities.

What would be the financial services that would be able to effectively respond to such new normal? That's what we need to design. That would require us to change. In the background, there would have to be an operational structure that would support our new way of life. We cannot imagine our employees commuting to the office, so there has to be a system that would support our employees working from home. There would be some tools that will only come in, in the long range, but we will have to develop more tools and a cross-organizational task force is injecting efforts to establish such tools.

I will be revisiting this point later, but there is so much uncertainty in the single year fiscal year business plan -- there could be some reviews. But, the mid-term management strategy remains unchanged; rather, our response to COVID-19 means that we will further accelerate the pace of implementation of the measures that we have set forth in our mid-term management strategy. I'm not just saying that we will simply follow the mid-term management strategy that we have created. What I'm saying is that we're thinking how we can achieve what's indicated in the strategy in a shorter time span, and that is one of the objectives of the cross-organizational task force.

Key points

1 Net income[1] for FY2019 at JPY 45.5 billion, incorporating impact of COVID-19

- Without COVID-19 impact, net income would have been JPY 54.0 billion
- Impact of COVID-19 on net income: JPY 8.5 billion (incl. precautionary credit provisioning of JPY 3.9 billion)
- Secured ample funding and liquidity for both JPY and FCY. Capital remains at high level (CET1 capital ratio of 11.3%)

2 Net income[1] forecast for FY2020 is yet to be determined as impact on COVID-19 will be examined carefully

- Without the COVID-19 impact, we expected net income to grow approx. 2% from the initial FY2019 net income plan of JPY 53 billion
- We need to closely monitor the possibility of exceeding the precautionary credit provisioning recorded in FY2019 due to COVID-19. It is difficult to make a reasonable full year financial outlook at this point as we have just entered the current fiscal year
- After carefully examining future economic conditions and their impact on business activities, earnings forecasts will be formulated and announced by the time of our interim financial results announcement

3 Share buyback program of JPY 20.5 billion has been determined; total shareholders return to stand at maximum 50%

- Dividend remains unchanged at JPY 10 per common share and buyback program of JPY 20.5 billion has been determined resulting in total shareholders return ratio at maximum 50%
- Considering extraordinary uncertainty due to COVID-19, execution of the buyback program will be judged in terms of its feasibility, amount and/or timing depending on impacts on earnings and capital during this fiscal year as well as the trends of external environments including macro economy and stock market. (There is a possibility of not being able to fully execute the total amount of the buyback program)

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[1] Profit attributable to owners of the parent

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Now from page 7, let me give you the business highlights. There are three main points.

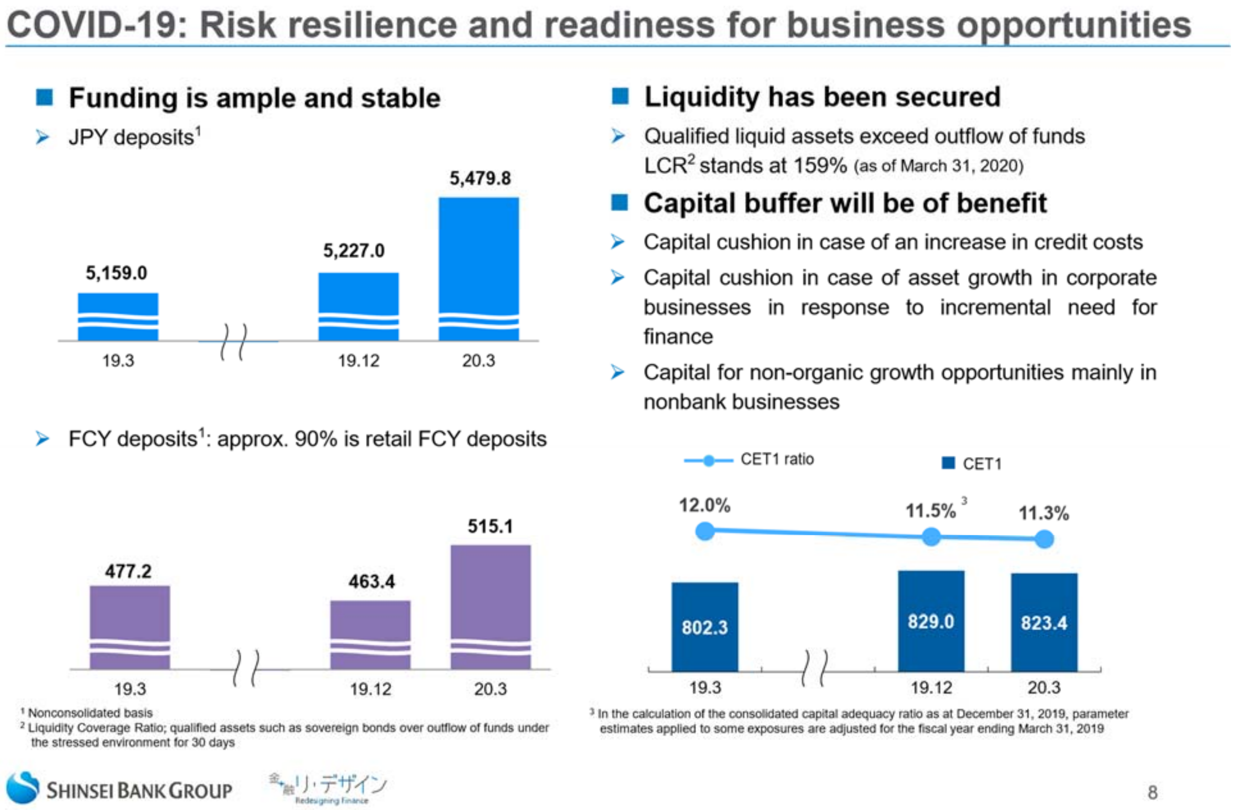
First, net income for FY2019 was JPY45.5 billion, a decrease of 13% YoY after incorporating the impact of COVID-19. But without the COVID-19 impact, it would have been about JPY54 billion, which would have been plus 3%. The initial plan for fiscal 2019 was JPY53 billion, so we would have outperformed the plan.

On the other hand, the impact of COVID-19 on the net income was JPY8.5 billion, half of which has already been apparent, and the remaining half is precautionary credit provisioning. In other words, this hasn't been apparent at the moment, but this is the impact and fallout from COVID-19 that we expect to experience in the coming weeks and months. Precautionary credit provisioning has been accounted for, but even in this harsh environment, we have sufficient capital and ample liquidity, both in terms of Japanese Yen and Foreign currency. There is no uncertainty with regards to funding.

Coming to the second point, net income forecast for FY2020 is yet to be determined. For your information, without the impact of COVID-19 we expect net income to grow by approximately 2% from the initial FY2019 net income plan of JPY53 billion. Precautionary credit provisioning has been done for FY2019 and will the impact be over and above the amount of provisioning? It's only been one month since this fiscal year began so at this juncture it is extremely difficult to obtain a reasonable forecast for the full year. So, full year earnings forecast is yet determined but after carefully examining the future economic conditions and the impact on our business activities, earnings forecast will be formulated and announced by interim financial results announcement.

Third point. Total shareholder return stands at maximum 50%. We have announced a share buyback program of JPY20.5 billion. With a dividend, total shareholders' return would amount to JPY22.8 billion, or the total shareholder return ratio of maximum 50% for FY2020 based on the net income of JPY45.5 billion for FY2019.

However, considering the extraordinary uncertainty due to COVID-19, the execution of the buyback program will be judged in terms of the macroeconomic trend, the situation surrounding our customers, the equity market and the impact of such indicators, our earnings and capital. The timing and the amount will be judged accordingly, looking at the evolution of the situation, so there is a possibility that we may not fully execute the total amount of the buyback program.



Going on to page 8. It illustrates funding and capital adequacy in terms of risk resilience and readiness for new business opportunities. Funding is ample and stable. As you know, we have a huge amount of foreign currency denominated deposits from retail and ample yen denominated deposits as well. Liquidity coverage ratio stands at 159%. CET1 capital ratio of 11.3% demonstrates enough capital in light of our business portfolio, as well as minimum regulatory capital required as a domestic bank. It's enough not just to fulfill the minimum regulatory capital, but it's ample to cover our business portfolio.

On the right hand side, towards the bottom, we have indicated the priority in terms of use of capital. Needless to say, in the midst of uncertainty regarding the future, credit costs could increase and that's one risk that we need to be mindful. We need to secure preparedness and of course there could be various requests from our customers for support, both from corporates and retail customers, and we have to be well prepared to respond to those requests. That would require a buffer, a cushion.

On a more positive front, with this kind of dislocation, it is heightened volatility of asset prices and non-organic growth opportunities may emerge that would contribute to the growth of the group. That kind of scenario is also being assumed. We need to have capital to capture those opportunities. Making those assumptions, even then, taking into consideration various possibility, we think that there's ample capital and the share price is not necessarily fair. That reflects our value. That's the backdrop against which we have decided on the share buyback program.

COVID-19: Our approach to FY2020 earnings forecast

- **FY2020 earnings forecast prior to incorporating impact of COVID-19**
  - We expected net income to grow approx. 2% from the initial FY2019 net income plan of JPY 53 billion
- **Assumptions for impact on our businesses due to COVID-19**
  - Once the state of emergency situations is over, maintaining social-distancing will still be required. Business activities are to begin to recover from Q2, but it will take longer for the inbound-related industries, hospitalities, restaurants, and other services industries to recover and to resume the disrupted supply chain. The credit conditions of SMEs and individuals continue to deteriorate. The key determinant will be when an effective therapeutics and vaccines are developed
  - In the process of recovery, not all will be restored, but irreversible changes are to occur, such as changes in consumer mindset and behavior, the transition to a decentralized society, acceleration of digital investment, review of supply chains, review of physical space utilization, and review of excessive services
  - Regarding real estate prices, the search for new price levels (rent multiplied by expected yield) based on COVID-19 experience will continue, but the extent of the adjustment (price decline) by asset type is expected to be disproportionate
- **Profit will be ensured even under the stress test scenario which is similar conditions as the global financial crisis**
  - Earnings power in business portfolio: Revenue from many existing businesses including core businesses, such as real estate finance and unsecured loan businesses, are expected to decline to certain extent as business activities are to be subdued. However, we do not think a sharp decrease would happen as new finance needs and new businesses to emerge
  - Risk profile of business portfolio: In comparison of other financial groups, our business portfolio is not directly linked to the macroeconomics of Japan as a whole or a certain region. In addition, portfolio reallocation and risk management have been strengthened since the global financial crisis
- **We plan to disclose FY2020 earnings forecast by the time of our interim financial results announcement, upon completion of careful examination of the future economic condition and its impact on our businesses**
- **Direction of our strategies as outlined in the Medium-Term Management Strategy remains unchanged, instead various initiatives should be further accelerated. We will strengthen sustainable profitability from a medium-to long-term perspective**

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Going onto slide 9. I said the earnings forecast for this fiscal year is yet determined, but I wish to offer you some of the factors that could lead to certain assumptions for fair disclosure. We've added some qualitative comments on our earnings and qualitative comments have been broken down into business lines.

COVID-19 impacts are assumed as indicated on this page. Even if the state of emergency declaration is removed, the so-called "Three C's" of social distancing for the people's travel restrictions, or moves, will still be strongly restricted. On the other hand, just continuing that status by in order to protect their social life of the consumers or people as appropriate, that is their view. How to recover the social life, as started in many areas? I would like to proactively support such initiatives. It's not just to be shrinking as a natural disaster, and then wait until things recover, but making maximum business, how to support the customers will be our major initiative.

If I add, I need to pay attention to real estate price. Hotels or commercial facilities such a specific asset types, their cash flows are seeing adverse impact. And it will affect the other properties such as residences or others, so how the impact will expand? Property prices have the major impact on the national economy. And also, even for the management of financial institutions this is important factor, so this needs to be paid attention.

But the Lehman shock level stress, even that stress is given to our portfolio, we will do not have major problem in maintaining profitability. Our business portfolio constitutes the core business, such as the structured finance or unsecured finance for individual customers. To some extent, if the social activities decrease and the business activities should also decrease and then transaction decrease and the revenue would decline to some extent, that is expected.

However, the interest income would not be so affected. We are a niche financial institution, unlike megabanks or regional banks which are dependent on the particular regions or economies or just strongly linked with Japan's total GDP. In that sense, we have a buffer, a cushion, so we are insulated from impact.

COVID-19: Our approach to impact on major businesses

■ **Real estate-related business and unsecured loan business are closely monitored while degree of impact would differ across businesses**

- Total revenue: most existing business segments might decline while degree of impact would differ across businesses
- Net credit costs: precautionary credit provisioning has been made in FY2019 in case of credit deterioration of borrowers in the future. We will carefully monitor progress of collections, delinquencies and defaults to consider necessity of additional credit costs associated with deterioration of asset quality. The businesses that are closely watched are real estate-related business, which would be affected by asset-price trends, and unsecured loan business, which has a relatively high net credit costs

Major business	Points to be closely watched
Structured finance: real estate finance	• Possibility of large decline in new originations (lower fee income) • Increase in net credit costs due to decrease in real estate price. However, the negative impact would be limited unless major asset prices such as offices and residential drop significantly. (No significant impact on probability of collection even if real estate asset price drops by 30-40%)
Unsecured loans	• Possibility of lower interest income reflecting slight downturn in growth of new customers • Increase in net credit costs due to delinquent loans of lower income segment. However, "increase in net credit costs due to bad debt" might be partly offset by "decrease in net credit costs resulting from sluggish loan growth"
Showa Leasing	• Possibility of lower deal volume (lower leasing income) and lower fees including insurance related fees • Possibility of net credit costs from SMEs mainly in service industries
APLUS FINANCIAL	• Possibility of slightly lower transaction volumes in shopping credit (auto and others) and credit cards • Possibility of increase in net credit costs due to delinquent loans of lower income segment. However, "increase in net credit costs due to bad debt" might be partly offset by "decrease in net credit costs resulting from sluggish loan growth"
Retail banking	• Possibility of decrease in sales volume of asset management products • Possibility of increase in net credit costs due to possible rescheduling of housing loan repayments
Structured finance: project finance	• Lower fees reflecting slight decrease in new arrangements (lower fee income). However, longer timeframe required from commitment to disbursement would result in limited impact on asset growth and interest income • Neutral to a decline in oil price as we do not undertake price risks in natural resources related deals
Others	• Lower capital gains due to postponement of the scheduled exit from our equity investments

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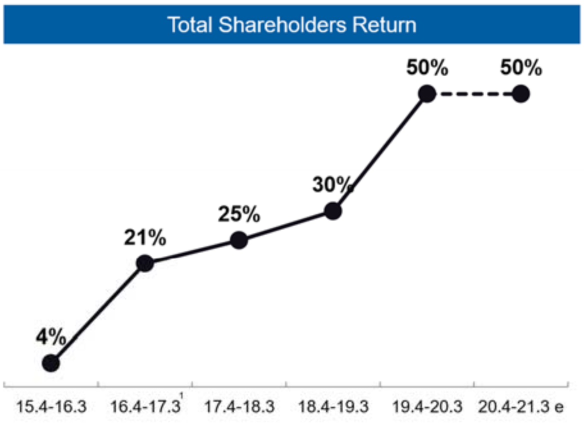
Next, please look at this slide 10. I just mentioned the basic understanding of the environment, now I'd like to touch upon the impact on specific businesses. All items are these slides, comments for each business. I'm not going to cover everything but I'd like to make a comment on two major points.

Total revenues overall, we have to be prepared for the decline of total revenues to some extent. But as net credit costs are attracting attention, there are two points that need to be noted. One, the real estate finance, this real estate finance includes, is not for the individual customers, but for major institutions that are, such as REITS or private funds. When they invest in properties, with non-recourse finance, on non-recourse loans, and if the property prices decline significantly, the credit costs will increase. The targets are shown here [inaudible]. If they decline to 30% to 40%, there's no major impact on the collection ability because our loan-to-value (LTV), loan amount to property value, so this LTV and the conservativeness of property valuation. These numbers are based on such factors.

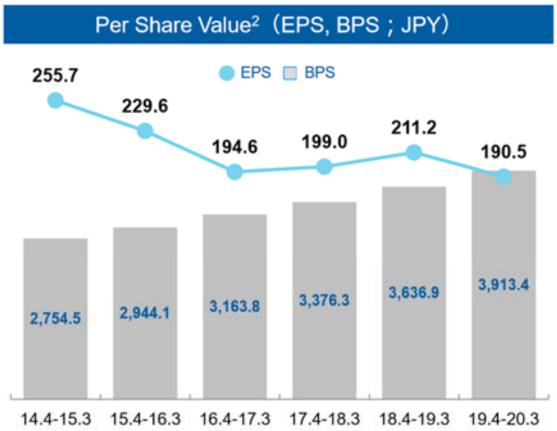
Another point is unsecured loans for individual customers. So, when the economic activities are active, we have more new customers and there is a possibility that the new customers would decrease. And net credit cost, centered on those engaged in statistic fact sectors, the net credit cost is increasing. As a result, the net credit cost may increase. And also, the characteristics of the business is that if the loan balance growth slows down and credit costs will decrease or be reversed. These are offset, the decrease as new customers. Other business is unlikely to have the major impact, so I would like to keep my explanations.

COVID-19: Share buyback program of JPY 20.5 billion has been set; total shareholders return to stand at maximum 50%

- Considering ample capital adequacy, current share price does not reflect fair corporate value. Share buyback program has been determined considering total shareholders return policy as outlined in the Revitalization Plan
- Considering extraordinary uncertainty due to COVID-19, execution of the buyback program will be judged in terms of its feasibility, amount and/or timing depending on external environments and our share price as well as earnings conditions. As a result, there is a possibility of not being able to fully execute the total amount of the buyback program
- This does not make any reference to future total shareholders return ratio



[1] Excluding JPY 2 billion relating to acquisition of treasury shares in order to attain full ownership of Showa Leasing



[2] Reverse stock split (10 stocks to 1 stock) was executed on October 1, 2017. Per share data for previous years has been adjusted to conform to current period presentation

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Please move to slide 11. This slide explains about the total shareholders' return. As I said earlier, we have sufficient capacity and the current price does not necessarily indicate the real capacity. As shown on the based-on the policy and the revitalization plan, we have set the share buyback program. Based on current financial institution or finance sector, this has total shareholders' return ratio will be at a higher level, but attention is not required that year. We have the order of priority. First, our top priority is support customers, so we will all examine how are we all support our customer. Then, we will decide the share buyback. So far, the Tokyo Metropolitan area cannot even release the state of emergency. It is very difficult forecast the future. But, set in the program. This shows the confidence of the management and is the will of the management to maintain the total shareholders' ratio at a high level.

This concludes my presentation and going forward the summary of the financial results will be given by Mr. Hirano a Chief Officer of Group Corporate Planning and Finance.

FY2019 net income would have exceeded the initial plan without COVID-19 impact of JPY 8.5 billion

Consolidated	18.4-19.3 (Actual)	19.4-20.3 (Actual) Without COVID-19	19.4-20.3 (Actual) Impact of COVID-19	19.4-20.3 (Actual) With COVID-19	19.4-20.3 (Initial Plan)
Total Revenue	**229.7**	**241.6**	**-1.7**	**239.9**	**243.0**
Net Interest Income	133.8	133.5	0	133.5	
Noninterest Income	95.9	108.1	-1.7	106.4	
Expenses	**-144.7**	**-149.5**	**0**	**-149.5**	**-152.0**
Ordinary Business Profit (OBP)	84.9	92.1	-1.7	90.4	91.0
Net Credit Costs	**-29.3**	**-32.1**	**-3.1** (apparent) **-3.9** (precautionary)	**-39.1**	**-35.0**
OBP after Net Credit Costs	55.6	59.9	-8.7	51.2	56.0
Others	-3.3	-5.8	0.2	-5.6	-3.0
Income Taxes	-2.5	-4.2	0.2	-4.0	
Net Income	**52.3**	**54.0**	**-8.5**	**45.5**	**53.0**

COVID-19 impact

Total revenue
- Net interest income had no impact from COVID-19
- Noninterest income was negatively impacted due to equity investments related impairment losses and non-realization of expected income due to COVID-19

Expenses
- No impact from COVID-19

Net credit costs
- Additional provisioning in real estate finance and LBOs considering apparent impact from COVID-19
- Additional precautionary provisioning in corporate business, real estate finance and Showa Leasing segments considering deteriorating financial position of borrowers due to COVID-19

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Hirano: Let me explain the summary of financial results. Please look at slide 13.

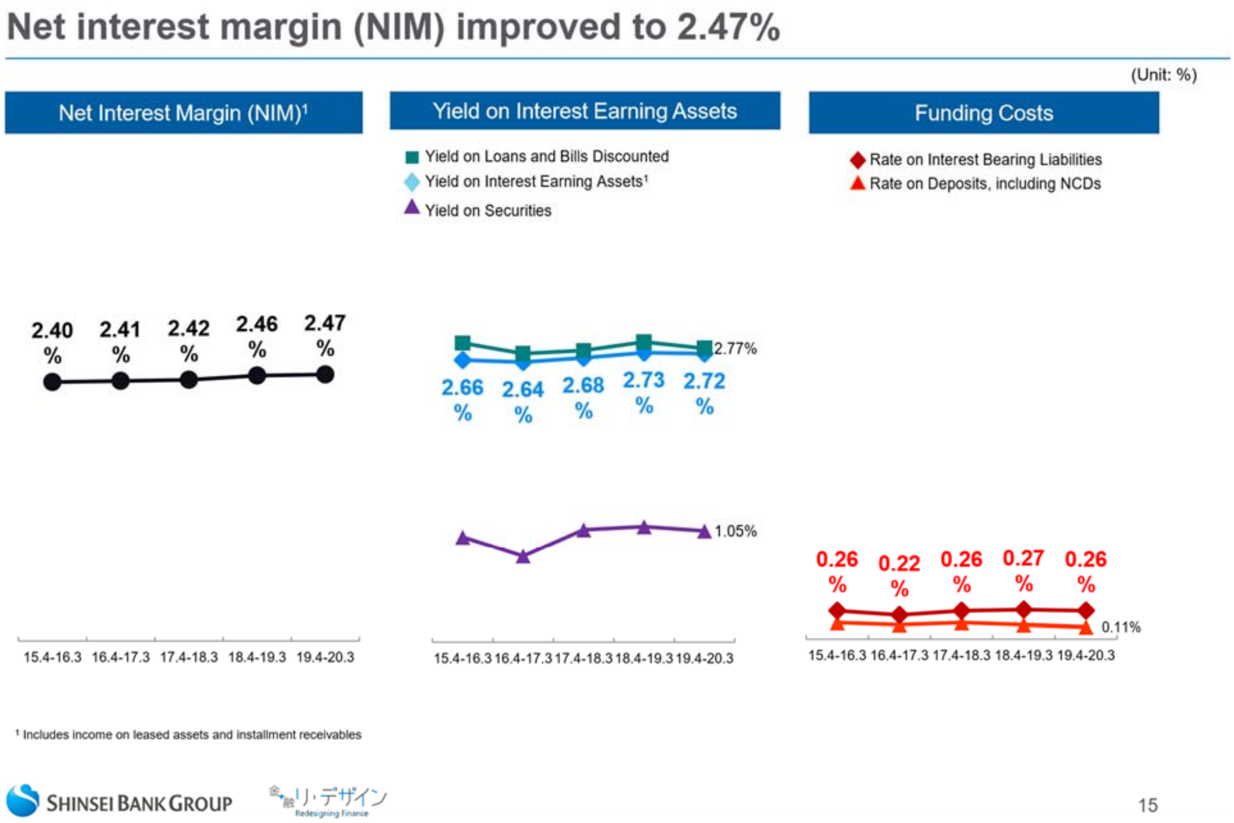
This slide covers the summary of the financial result of FY2019. First, total revenue, JPY239.9 billion, so which increased from YoY, however, it did not achieve the initial plan.

The breakdown, net interest income increased in, there was no impact of COVID-19. The institutional business increased YoY but the individual business, unsecured loans and APLUS did not grow.

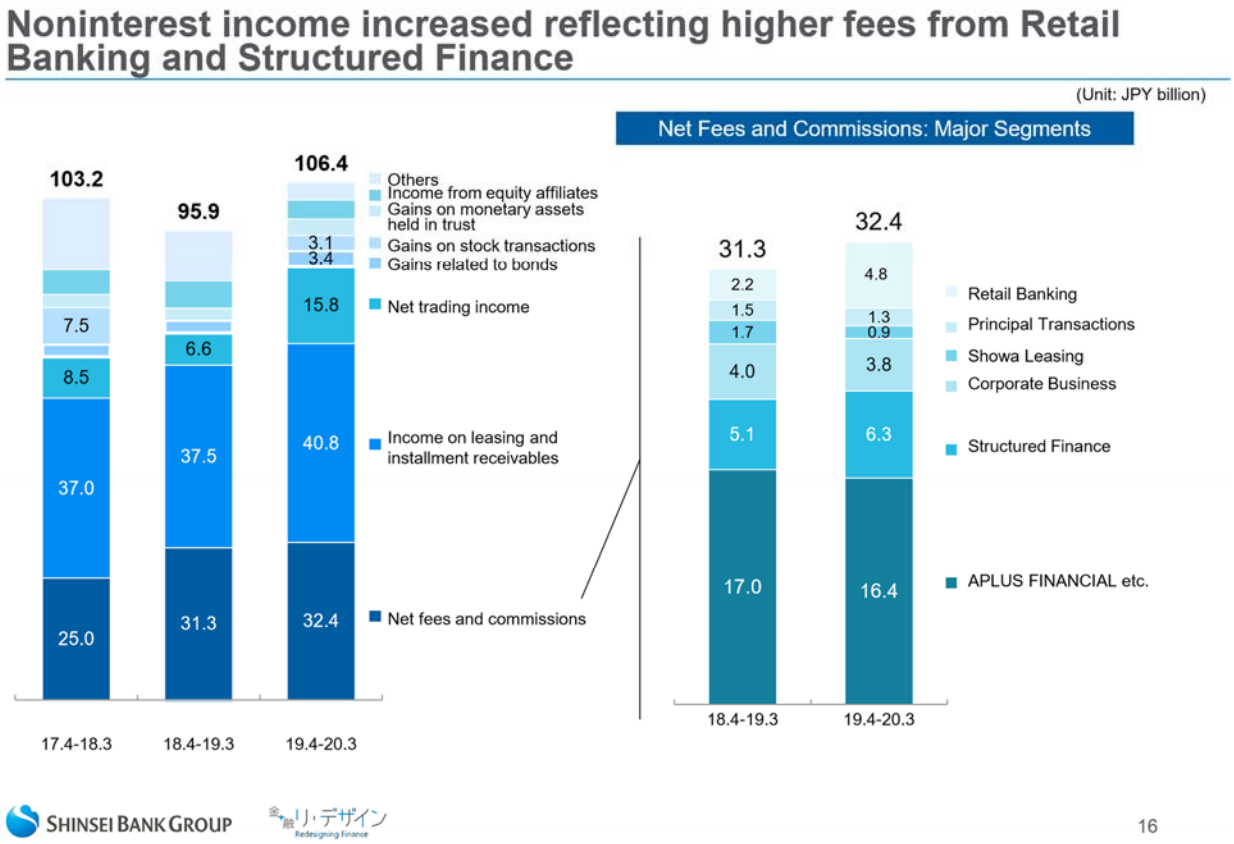
Noninterest income, in addition to institutional business and retail banking and APLUS, saw an increase YoY. As for the COVID-19 impact, there's an impairment of the equity investment or there is un-realization of the profit expected.

Expenses, as expected, due to the release of the new system, the system cost increased, and so the expenses increased on year end basis. However, compared to the initial plan of FY2019, these expenses while controlled, the expense-to-revenue ratio has improved to 62.3% from 63%.

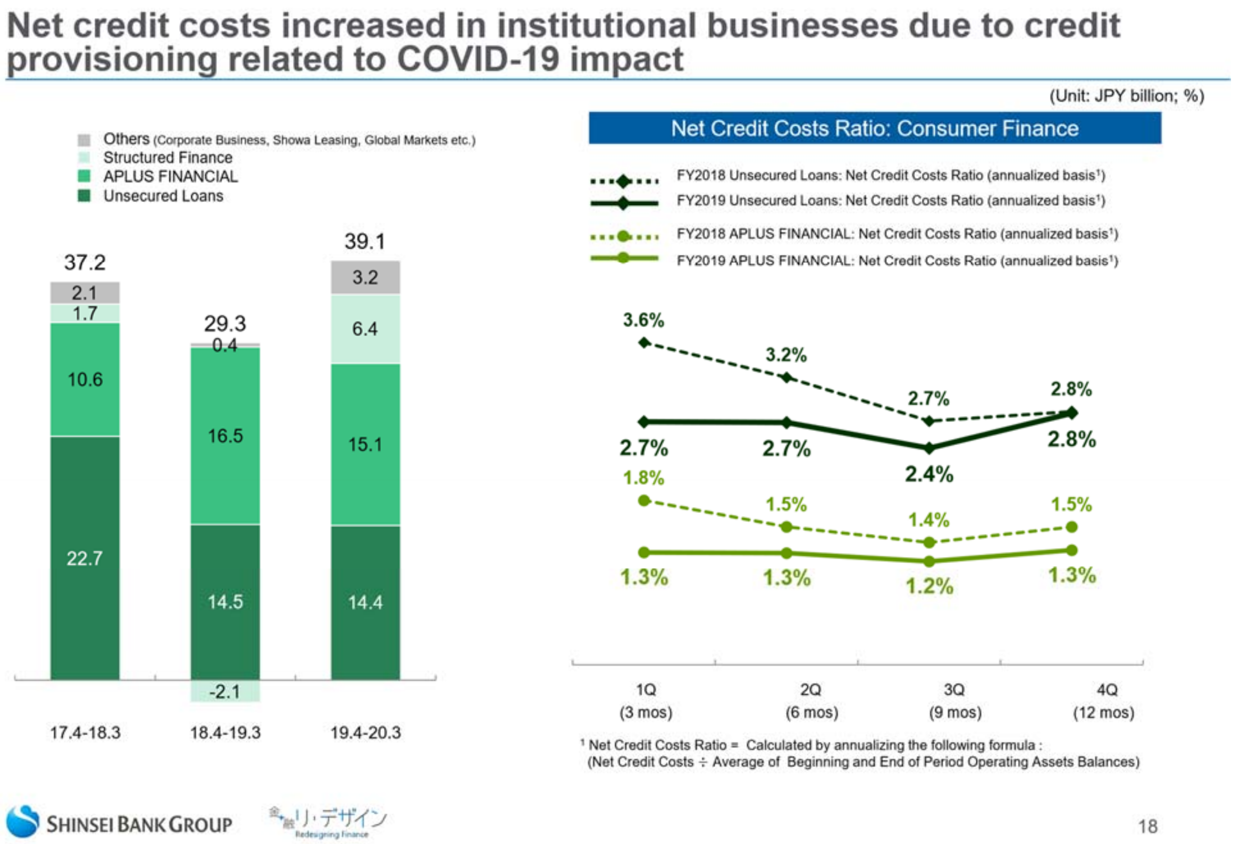
Next, credit cards. There are special factors in 2018 disappeared and also due to COVID-19 there is a provisioning. On a net basis, net credit costs increased YoY. Compared to initial plan, the net credit cost increased. For details, I would like to explain using the net credit cost page. As a result, the net income attributable to owners of the parent was JPY45.5 billion and without COVID-19 impact it would have been JPY54 billion.



Next, please look at slide 15. Due to the decrease in funding cost, net interest margin improved to 2.47%.



Next, please look at slide 16. Noninterest income saw an increase in APLUS installment revenues and net trading income by capturing market volatility and fee income in retail banking and structured finance.



Next, please look slide 18. Net credit costs decrease and unsecured loans and APLUS but increased in institutional business.

Net credit costs increased in institutional business but decreased in unsecured loans and APLUS businesses. The reason of higher net credit costs recorded in institutional business is as follows:

First, absence of credit reserve reversal of approx. JPY 6.0 billion due to revision of general reserve for loan losses in FY2018 for project finance transactions etc.

Second, additional provisioning of JPY 3.1 billion was recorded in real estate finance and LBOs portfolios considering apparent impact from COVID-19.

Third, additional precautionary provisioning of JPY 3.9 billion was taken as we applied higher reserve ratio than the regular general reserve ratio to specific categories, anticipating deterioration in financial position of these types of borrowers in the future due to COVID-19.

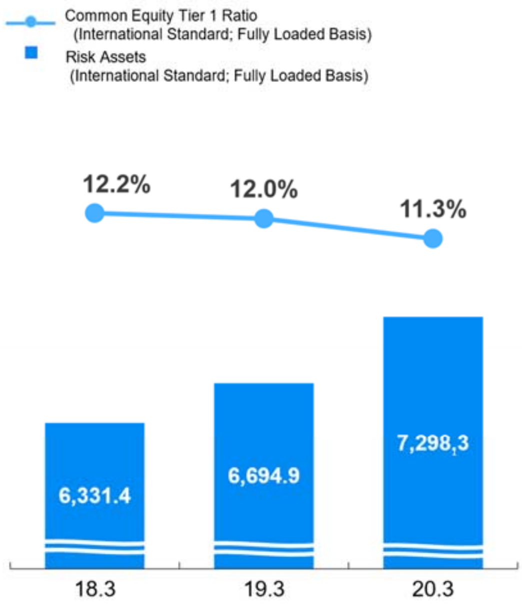
The precautionary provisioning includes, approximately JPY 1.6 billion of provisioning in corporate business, approximately JPY 1.5 billion of provisioning in real estate finance, and approximately JPY 0.9 billion of provisioning in Showa Leasing.

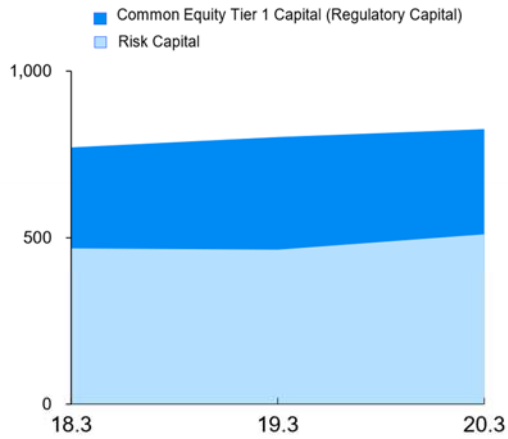
Net credit costs in unsecured loans remained almost flat, reflecting sluggish loan growth and enhancement of collection. Net credit costs in APLUS remains flat at 1.3%.

Capital adequacy ratio reflects increase in risk assets

(Unit: JPY billion; %)

	2018.3	2019.3	2020.3
Common Equity Tier 1 Capital (International Standard; Fully Loaded Basis)	771.0	802.3	**823.4**
Risk Capital	468.2	464.5	**510.2**





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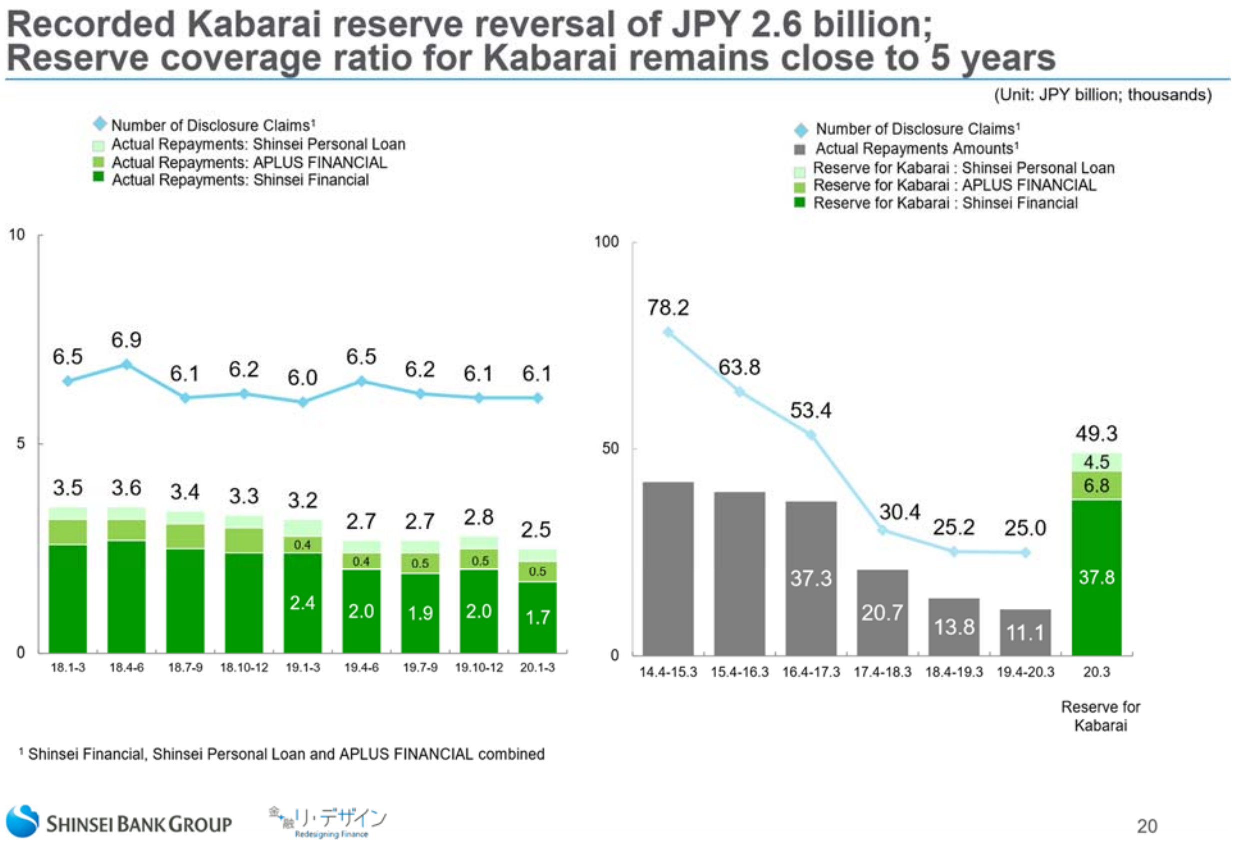
Next, please look at slide 19. The Common Equity Tier 1 ratio stands at 11.3%. Risk weighted assets increased mainly reflecting asset growth in real estate finance and acquisition of SHINKO Lease.



Please look at slide 20. Regarding Kabarai, for 2019 we reversed net of Kabarai reserves of JPY2.6 billion. Breakdown is JPY4.5 billion reversal in Shinsei Financial, JPY1.7 billion additional provision in APLUS, and JPY0.1 billion provision in Shinsei Personal Loan. Kabarai reserve is at JPY49.3 billion as of March 31, 2020, which is represents close to five years of coverage.

This concludes my presentation regarding our financial results. Lastly, Mr. Kudo, our CEO, will explain the opinion of the board of directors on the agenda for the upcoming AGM and the shareholders' proposal.

Kudo: From the perspective of corporate governance, I'd like to refer to one agenda item of the AGM, which is the appointment of the directors and also touch upon the shareholders' proposal.

Please refer to page 56 of the presentation material. Further, on the shareholder's proposal, it's been uploaded as of May 13 on the website of Shinsei Bank. It's included in the press release dated May 13.

I probably should explain the background. In August 2019, exiting of the JCF Fund took place and with that, Mr. Flowers resigned as an outside director. In the revitalization and plans, the number of directors is set at seven, so there's one seat open as of today. As indicated on page 56, we are proposing the reelection of the existing six directors and new appointment of one director. That will be proposed at the upcoming shareholders meeting.

The candidates have been diligently discussed in the nomination and compensation committee by outside directors and reached a consensus that the Board -- Mr. Higa, Mr. Makihara, Ms. Murayama, and Mr. Tomimura -- have been notified to the TSE as independent directors. If Ms. Kawamoto is appointed, the Bank will notify the Tokyo Stock Exchange of her as an independent director as well.

Dalton Kizuna Fund LP, our shareholder, has submitted a proposal to appoint Mr. Rosenwald. Please refer to the press release should you wish to be informed of the shareholder's proposal.

At the Shinsei Bank Board of Directors, discussions have been diligently and thoroughly conducted. We object to the proposal due to the following reasons: first of all, governance independent directors is sufficient. We have six directors for which, who are independent, outside directors, and our proposal to appoint Ms. Kawamoto, if appointed, will be another independent director, so then will have five out of seven directors as independent. That ensures deterrence surveillance and monitoring. It will be a structure that would fairly reflect the interests of the shareholders. So, we think there is very little need to add Mr. Rosenwald as another director.

Diversified experiences and skills required for outside directors

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

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The second issue is with regards to relevant expertise be held by the directors. If you could refer to page 57.

Among the seven candidates for election as directors under the Bank's proposal, four candidates have experience in company management and five candidates have expertise in finance. Therefore, the entire scope of Mr. Rosenwald's knowledge, as stated by Dalton, is significantly covered by the candidates under the Bank's proposal and accordingly, the election of an additional director is not meaningful.

Let me touch upon another point. In the Bank's proposal, two are female candidates out of the seven candidates. We are trying to promote gender diversification in the Board portfolio. And from that perspective as well, we do not find any purpose or meaning in the election of Mr. Rosenwald.

The third point is with regards to director compensation structure. Alignment of interest of directors with those of shareholders and we've implemented various measures to ensure that. First of all, executive directors in the AGM of 2018 -- myself, and Kozano -- against these two directors, restricted stock compensation plan was introduced. On top of that, to all executive officers we have a compensation scheme with restricted stock compensation plan to all executive officers. Further, as a new measure for independent directors, we are also proposing introduction of partial restricted stock compensation plan. By taking these measures, we are ensuring the complete alliance between the interests of the board of directors, executive officers, and the shareholders.

The fourth point is, with regards to the revitalization plan under the Act on Emergency Measures for Early Strengthening of Financial Functions. We are a bank with public funds injected so revitalization plan has been submitted under the Act on Emergency Measures by Early Strengthening of Financial Functions. We've provided for seven directors under the plan. In order to comply with the plan, we believe that the seven candidates in the Bank's plan would form the best portfolio, and therefore we do not feel any need to appoint Mr. Rosenwald as a director. From the perspective of the repayment of public funds, we need to increase the share price. As part of that, improvement of shareholder return is an important task ahead of us. From the nominal dividend of only JPY1, where we used to be, total shareholder return ratio has greatly improved. Amongst the domestic peers, if we compare the total shareholder return, I think we would be ranking towards the very top.

We have already been making efforts or what is possible under the law, JPY45 billion of large-scale buyback is the proposal under the shareholder Dalton and that would deviate from the scope identified in the revitalization plan and the Act. And we do not believe that we should be accepting such a proposal.

Finally, on ESG. We're in the midst of this turmoil caused by COVID-19 which has raged on all of our customers and society, and in light of our social mission, we have to protect our customers and provide a smooth financial service, which is asked upon us from the society. Mr. Rosenwald has a strong opinion about eliminating marginally profitable lending divisions and shrinking the balance sheet, maybe that is not against the rules in the textbook, but is it appropriate to take such as short-term profit seeking measure? We do not think that that is the right kind of corporate behavior that we should implement at this timing.

In conclusion, after careful discussion in the nomination and compensation committee of the Bank, the Bank requests approval for the election of its proposed candidates for directors. Thus, our Board of Directors believe that our proposal will lead to the best Board structure, and we object to the proposal from Dalton.

This concludes my presentation regarding the agenda for the AGM and the Board opinion on the shareholders' proposal.

Thank you for your kind attention. Thank you very much.