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[TRANSLATION]

Shinsei Bank, Limited

TSE Stock code: 8303

Notice of the Annual General Meeting of Shareholders for the 19th Term

Date and Time:

Wednesday, June 19, 2019 at 10:00 a.m.
(Doors Open at 9:00 a.m.)

Place:

Grand Hall
Nomura Conference Plaza Nihonbashi 6th floor,
Nihonbashi Nomura Building
4-3 Nihonbashi-muromachi 2-chome Chuo-ku,
Tokyo

Agenda Items:

Proposals made by the Board of Directors
Company's Proposals (Items 1 and 2)

1. Election of Seven (7) Directors
2. Election of One (1) Audit & Supervisory Board Member

Proposal made by one (1) shareholder
Shareholder's Proposal (Item 3)

3. Election of One (1) Director

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*Please exercise your voting right by mail or via internet in case you do not
attend the meeting by deadline: Tuesday, June 18, 2019 by 5:00 p.m.*

No gifts to shareholders will be given on the meeting day.

(Translation)

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[TRANSLATION]

TSE Stock code: 8303
May 29, 2019
4-3 Nihonbashi-muromachi 2-chome, Chuo-ku, Tokyo
Shinsei Bank, Limited

Notice of the Annual General Meeting of Shareholders for the 19th Term

Dear Shareholders,

We are pleased to invite you to the Annual General Meeting of Shareholders of Shinsei Bank, Limited ("the Bank") for the 19th Term, which will be held as shown below.

If you are not able to attend the meeting in person, we encourage you to examine the accompanying reference materials below and exercise your voting right by either filling out the enclosed Form for Exercising Voting Rights and returning it to the Bank or by an electromagnetic method using the Internet, etc. In either case, please read the "Instructions on Exercising Voting Rights" carefully and exercise your voting right, using either method, so that your vote is received by 5:00 p.m. on Tuesday, June 18, 2019.

Yours faithfully,

Hideyuki Kudo
Representative Director and President

If you attend the Meeting in person



Please **submit to the receptionist** the enclosed Voting Right Exercise Form while indicating your approval or disapproval for the agenda.

Exercise of voting rights in writing via Voting Right Exercise Form



Please indicate your approval or disapproval for the agenda on the Voting Right Exercise Form enclosed herewith and send the Voting Right Exercise back to us (no postage is needed.)

Deadline: Tuesday, June 18, 2019 by 5:00 p.m.

Exercise of voting rights by Internet



Please refer page 3 and **vote by: Tuesday, June 18, 2019 by 5:00 p.m.**
Website for exercising voting rights: <https://www.web54.net>

If you are not able to attend the meeting, you can designate another shareholder who is also eligible to vote at the meeting to vote on your behalf at the meeting. Please note, however, that a document must be submitted that provides evidence of this power of representation.

Description of the Meeting

1. **Date and Time:** Wednesday, June 19, 2019 at 10:00 a.m.
Doors Open at 9:00 a.m.
2. **Place:** Grand Hall, Nomura Conference Plaza Nihonbashi,
6th floor, Nihonbashi Nomura Building
4-3 Nihonbashi-muromachi 2-chome, Chuo-ku, Tokyo
※No gifts to shareholders will be given on the meeting day.
3. **Purposes:**
Matters to be reported:
 1. Report on the Business Report, Consolidated Financial Statements and the Results of the Audit of the Consolidated Financial Statements by the Accounting Auditor and the Audit & Supervisory Board for the 19th Term (from April 1, 2018 to March 31, 2019).
 2. Report on the Financial Statements for the 19th Term (from April 1, 2018 to March 31, 2019).

Matters to be voted on:

- Proposals made by the Board of Directors
Company's Proposals (Items 1 and 2)
Item1 : Election of Seven (7) Directors
Item2 : Election of One (1) Audit & Supervisory Board Member
- Proposal made by One (1) shareholder
Shareholder's Proposal (Item 3)
Item3 : Election of One (1) Director

END

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- Among the documents to be provided in conjunction with this notice, Stock Acquisition Rights of the Bank, Contents of Resolutions Concerning the Organization of a System to Ensure Business Relevance and Operational Status of the Said System (Outline of resolutions concerning a system to ensure business Relevance), and the notes to the financial statements and the notes to the consolidated financial statements are provided through the Bank's website pursuant to the laws and Article 13 of the Company's Articles of Incorporation, and they are not stated in the documents accompanying this notice. The financial statements and the consolidated financial statements audited by the Audit & Supervisory Board Members or the Independent Accounting Auditors include the notes to the financial statements and the notes to the consolidated financial statements provided through the Bank's website described above.
 - If it becomes necessary for the Bank to make corrections to the Reference Materials for the General Meeting of Shareholders, business report, financial statements (keisan-shorui) or consolidated financial statements (renketsu-keisan-shorui), the Bank will post these matters on its website.
 - We are planning to disclose the certain parts of Annual General Meeting of Shareholders for the 19th Term by posting media file(s) on the Bank's website at a later date for a certain period of time in order to enable shareholders who were unable to attend the meeting to view the images of the meeting. Images of individual shareholders who attended the meeting will not be shown.

The Bank's Website ▶▶▶▶▶ <https://www.shinseibank.com>

Registered Shareholders, such as trust banks acting as administrators (including standing proxies), can use the voting platform in order to exercise their voting rights by electromagnetic means at the Annual General Meeting of Shareholders of the Bank, provided that each has applied in advance to use the electronic voting platform for institutional investors which is operated by ICJ Inc., the joint venture company formed by the Tokyo Stock Exchange, Inc. and other entities.

Please note that this is a translation of the original document, and is provided for reference only. Although this translation is intended to be complete and accurate, the Japanese original shall take precedence over this translation in case of any discrepancies between this translation and the original.

Instructions on Exercising Voting Rights

Exercise of voting rights by Internet



Please access the website to exercise voting rights. (<https://www.web54.net>)
Log on with your "Voting Rights Exercise Code" and password written on the Voting Right Exercise Form enclosed herewith to follow the instruction on the site for approval or disapproval.

Deadline: Tuesday, June 18, 2019 by 5:00 p.m.



※You may access via the bar-code if your cell phone is able to scans it.

Procedures for Exercising Voting Rights via Internet

Please take note of the following instructions before exercising voting rights via Internet.

1. Voting rights can be exercised via Internet only by accessing the following website for exercising voting rights from a personal computer or cell phone.

Website for exercising voting rights: <https://www.web54.net>

2. When exercising voting rights via the Internet, you must enter the "Voting Rights Exercise Code" and "Password", both of which are contained in the enclosed Form for Exercising Voting Rights. Please follow the instructions on the screen to vote in favor of or against the proposed items.

3. Shareholders may exercise their voting rights via the Internet **until 5:00 p.m. on Tuesday, June 18, 2019**. However, we urge shareholders to exercise their voting rights at their earliest convenience for the purpose of tallying voting rights.

4. If you have cast your votes twice by using the Form for Exercising Voting Rights and via the Internet, the Bank will consider the vote cast via the Internet to be the valid vote.

5. If you have cast your votes more than once via Internet, the Bank will consider the vote last cast via the Internet to be the valid vote.

6. Any costs incurred to access the website for exercising voting rights, such as Internet connection costs payable to a provider or telecommunication fees (telephone charges, etc.) shall be borne by the shareholder exercising the voting rights.

Inquiries concerning Exercising Voting Rights via the Internet

Please contact the following.

Shareholder List Administrator:

Web Support, Stock Transfer Agency Department, Sumitomo Mitsui Trust Bank, Limited.

Hotline 0120-652-031 (available from 9 a.m. to 9 p.m.)

Other inquires 0120-782-031 (available from 9 a.m. to 5 p.m., except Saturdays, Sundays, and Holidays)

- In case that you have an account at a securities company, please consult them directly.
- Any shareholder who has agreed to receive the notice of convocation by electromagnetic means, and who wishes to request that the Form for Exercising Voting Rights, etc. be delivered in written form, will be sent these written forms and documents. If any shareholder wishes such treatment, please contact the Hotline above.

(Translation)

Material for Annual General Meeting of Shareholders Agenda
Company's Proposals are from Item 1 and 2, pages 4 through 12.

Company's Proposal

Agenda Item 1:

Election of Seven (7) Directors

We would like to seek approval to elect seven persons as Directors, since all Directors (seven Directors) will have completed their terms of office at the end of this Annual General Meeting of Shareholders.

Career summary of the candidates is as follows.

	Name	Positions and Responsibilities in the Bank		Attendance rate of the Board of Directors
1	Hideyuki Kudo	Representative Director, President and CEO	Reappointed	5/5 (100%)
2	Yoshiaki Kozano	Chief Officer, Group Business Strategy (Equivalent to Senior Managing Executive Officer)	Reappointed	5/5 (100%)
3	J. Christopher Flowers	Director	Reappointed Outside Independent	5/5 (100%)
4	Ernest M. Higa	Director	Reappointed Outside Independent	5/5 (100%)
5	Jun Makihara	Director	Reappointed Outside Independent	5/5 (100%)
6	Rie Murayama		Newly appointed Outside Independent	—
7	Ryuichi Tomimura	Director	Reappointed Outside Independent	5/5 (100%)

Reappointed Candidate for reappointed director **Newly appointed** Candidate for newly appointed director **Outside** Candidate for outside director **Independent** Candidate for independent director

[Nominating policy of the candidates for Directors]

The appointment of each candidate for Director is deliberated by the Nomination and Compensation Committee and determined by the Board of Directors meeting with a consideration of a balance among knowledge, experience and skills, diversity and appropriate size.

1

Name (Date of Birth)

Hideyuki Kudo (September 1, 1963)Ownership Common Shares 15,044
Attendance rate of BoD 5/5 (100%)

Reappointed

[Personal History/Positions and Responsibilities in the Bank and Important Concurrent Posts]

1987 Y 4 M Joined The Dai-Ichi Kangyo Bank, Ltd. (Predecessor of Mizuho Bank, Ltd.)
 2001 Y 5 M General Manager, Advisory Department No.II, Investment Banking Division, Mizuho Securities Co., Ltd.
 2003 Y 8 M Director, Acquisition Group, Aetos Japan, LLC
 2005 Y 5 M Managing Director
 2006 Y 6 M Representative Director, President, MID Urban Development Co., Ltd. (Predecessor of Kanden Realty & Development Co., Ltd.)
 2007 Y 1 M Vice Chairman
 2007 Y 6 M Managing Director, Investments Division, Aetos Japan, LLC
 2010 Y 9 M Managing Executive Officer, Deputy Head of Institutional Group, Shinsei Bank, Limited
 2011 Y 4 M Managing Executive Officer, Head of Structured Finance Sub-Group
 2013 Y 4 M Managing Executive Officer, Chief Risk Officer, Head of Risk Management Group
 2015 Y 4 M Managing Executive Officer
 2015 Y 6 M Representative Director, President, CEO (Current)

Reasons for nominating each of the candidates for Director

Mr. Hideyuki Kudo, who served as Deputy Head of Institutional Group, Head of Structured Finance Sub-Group, and Head of Risk Management Group, etc. since he assumed the office of Executive Officer of the Bank, has extensive experience and expertise. Since he has assumed the office of President and CEO, he has contributed to enhancing the corporate value through taking the initiative in steadily implementing the Second and Third Medium-Term Management Plans, preparing the next medium-term strategies, and preparing and implementing measures for enhancing productivity and efficiency, such as the establishment of Group Headquarters. He is asked to stand as a candidate for Director since the Bank judges that he is well qualified for the position for the aforementioned reasons.

2

Name (Date of Birth)

Yoshiaki Kozano (November 1, 1962)Ownership Common Shares 4,086
Attendance rate of BoD 5/5 (100%)

Reappointed

[Personal History/Positions and Responsibilities in the Bank and Important Concurrent Posts]

1986 Y 4 M Joined The Long-Term Credit Bank of Japan, Ltd. (Predecessor of Shinsei Bank, Limited)
 2003 Y 11M General Manager, Credit Trading Division
 2006 Y 7 M Head of Corporate Business Solutions Sub-Group
 2007 Y 12M Head of Principal Transactions Sub-Group
 2011 Y 6 M Managing Executive Officer, Head of Principal Transactions Sub-Group
 2015 Y 4 M Managing Executive Officer, Deputy Head of Institutional Group
 2016 Y 4 M Managing Executive Officer, Special Assignment (Head of Group Business Strategy)
 2016 Y 6 M Director, APLUS FINANCIAL Co., Ltd. (Current)
 2017 Y 4 M Chief Officer, Group Business Strategy, Managing Executive Officer, Special Assignment, Shinsei Bank, Limited
 2018 Y 4 M Chief Officer, Group Business Strategy (Equivalent to Senior Managing Executive Office)
 2018 Y 6 M Director, Chief Officer, Group Business Strategy (Equivalent to Senior Managing Executive Office) (Current)

Reasons for nominating each of the candidates for Director

Mr. Yoshiaki Kozano has extensive experience and track records mainly in institutional businesses, including credit trading, corporate rehabilitation, and principal transactions. For the recent two years, he has contributed to enhancing the corporate value through implementing business reorganization of the Bank Group and creating new business opportunities, etc. as Chief Officer planning and promoting Group Business Strategy. He is asked to stand as a candidate for Director since the Bank judges that he is well qualified for the position for the aforementioned reasons.

3

Name (Date of Birth)

J. Christopher Flowers (October 27, 1957) Ownership Common Shares 7,675,374
Attendance rate of BoD5/5 (100%)

Reappointed

Outside

Independent

[Personal History/Positions and Responsibilities in the Bank and Important Concurrent Posts]

1979 Y 3 M Joined Goldman, Sachs & Co.
1988 Y 12M Partner
2000 Y 3 M Director, Shinsei Bank, Limited (Current)
2002 Y 11M Managing Director and Chief Executive Officer, J. C. Flowers & Co. LLC (Current)
2012 Y 5 M Member of the Supervisory Board, NIBC Holding N.V. (Current)
2018 Y 11M Member of the Supervisory Board, Hamburg Commercial Bank (Current)

Reasons for nominating each of the candidates for Director

Mr. J. Christopher Flowers is asked to stand as a candidate for Outside Director in order to reflect in the Bank's management his experience and expertise in banking, finance and the financial services industry as a whole.

4

Name (Date of Birth)

Ernest M. Higa (October 15, 1952) Ownership Common Shares 3,515
Attendance rate of BoD5/5 (100%)

Reappointed

Outside

Independent

[Personal History/Positions and Responsibilities in the Bank and Important Concurrent Posts]

1976 Y 4 M Joined Higa Industries Co., Ltd.
1983 Y 4 M President and Chief Executive Officer
2008 Y 4 M Board Member, The Tokyo New Business Conference (Current)
2009 Y 5 M Board of Overseers, Columbia Business School (Current)
2010 Y 6 M Director, JC Comsa Corporation (Current)
2011 Y 3 M Chief Executive Officer, Wendy's Japan
2013 Y 6 M Director, Shinsei Bank, Limited (Current)
2015 Y 4 M Chairman President & Chief Executive Officer, Higa Industries Co., Ltd. (Current)
2016 Y 9 M Chairman & Representative Director, Wendy's Japan K.K. (Current)
2017 Y 4 M Board of Trustees, Showa Women's University (Current)

Reasons for nominating each of the candidates for Director

Mr. Ernest M. Higa is asked to stand as a candidate for Outside Director in order to reflect in the Bank's management his experience and deep insight of business for consumers.

5

Jun Makihara (January 15, 1958)

Ownership Common Shares 20,000

Attendance rate of BoD 5/5 (100%)

Reappointed

Outside

Independent

[Personal History/Positions and Responsibilities in the Bank and Important Concurrent Posts]

1981 Y 9 M Joined Goldman, Sachs & Co.
1992 Y 11M Partner
1996 Y 11M Co-Branch Manager, Goldman Sachs Tokyo Branch
(Predecessor of Goldman Sachs Japan Co., Ltd.)
2000 Y 7 M Chairman of the Board, Neoteny Co., Ltd.
2006 Y 6 M Director, Monex Group, Inc. (Current)
2011 Y 6 M Director, Shinsei Bank, Limited (Current)
2014 Y 9 M Director, Philip Morris International Inc. (Current)

Reasons for nominating each of the candidates for Director

Mr. Jun Makihara is asked to stand as a candidate for Outside Director in order to reflect in the Bank's management his extensive knowledge of finance and his domestic and international experience.

6

Name (Date of Birth)

Rie Murayama (May 1, 1960)

Ownership Nil

Newly appointed

Outside

Independent

[Personal History/Positions and Responsibilities in the Bank and Important Concurrent Posts]

1988 Y 11M Joined CS First Boston Securities
1993 Y 3 M Joined Goldman Sachs Tokyo Branch (Predecessor of Goldman Sachs Japan Co., Ltd.)
2001 Y 11M Managing Director
2016 Y 4 M Trustee, National Center for Global Health and Medicine (Current)
2016 Y 6 M Director, RENOVA, Inc. (Current)
2017 Y 4 M Chairman & Representative Director, ComTech, Ltd.
2017 Y 6 M Director, KATITAS Co., Ltd. (Current)

Reasons for nominating each of the candidates for Director

Ms. Rie Murayama is asked to stand as a candidate for Outside Director in order to reflect in the Bank's management her wide range of expertise based on her experience as Outside Director at other companies, as well as her knowledge based on the extensive experience at an investment bank.

7	Name (Date of Birth)	Ownership Nil
	Ryuichi Tomimura (February 17, 1959)	Attendance rate of BoD5/5 (100%)

Reappointed	[Personal History/Positions and Responsibilities in the Bank and Important Concurrent Posts]
Outside	1983 Y 10M Joined IBM Japan, Ltd.
Independent	1991 Y 10M General Manager, Network Integration Division, Recruit Co. Ltd. (Predecessor of Recruit Holdings Co., Ltd.)
	1994 Y 1 M Managing Partner, Pricewaterhouse Consultant
	2002 Y 10M Managing Director, IBM Business Consulting Service KK Vice President, IBM Corporation Business Consulting Service, Asia Pacific
	2004 Y 2 M Representative Director, Senior Executive Vice President, JAPAN TELECOM CO., LTD (Predecessor of Softbank Corp.)
	2007 Y 12M Representative Director, Managing Director, RHJ International Japan, Inc.
	2010 Y 4 M Executive Vice President, Director, SIGMAXYZ Inc.
	2012 Y 8 M Director, Plan·Do·See Inc.
	2014 Y 6 M Audit & Supervisory Board Member, Shinsei Bank, Limited
	2015 Y 6 M Director (Current)
	2016 Y 6 M Executive Vice President, Representative Director, SIGMAXYZ Inc.
	2018 Y 6 M President, Representative Director (Current)

Reasons for nominating each of the candidates for Director

Mr. Ryuichi Tomimura is asked to stand as a candidate for Outside Director in order to reflect in the Bank's management his extensive experience and wide range of knowledge including information systems as a management executive and a consultant.

Notes.

- The responsibilities in Shinsei Bank, Limited (hereinafter, "the Bank") of the candidates for Directors who are currently Directors are described on page X of the Business Report.
- The attendance rate to Board of Directors Meetings indicates the attendance rate to Meetings held during the period following the Annual General Meeting of Shareholders in June 2018, until April 30, 2019.
- Those positions or posts of candidates for Directors without "Current" in their "Personal History/Positions and Responsibilities in the Bank and Important Concurrent Posts" section are positions or posts from which the candidate has already retired.
- Candidates for Directors, namely, Mr. Hideyuki Kudo and Mr. Yoshiaki Kozano will be elected as Executive Directors at the Board of Directors meeting to be held after this General Meeting of Shareholders. They have the knowledge and experience to be able to carry out business management of a bank appropriately, fairly and efficiently.
- Candidate for Director, Mr. Yoshiaki Kozano concurrently serves as Director (Non-Executive) of Shinsei Financial Co., Ltd., APLUS Co., Ltd., APLUS PERSONAL LOAN Co., Ltd. and Showa Leasing Co., Ltd. as well as Director (Non-Executive) of APLUS FINANCIAL Co., Ltd. described in his personal history. All of these companies are business entities in special relationship with the Bank (the Bank's subsidiary).

6. Special interests between the Bank and a candidate:

- ① The Bank invests as a limited partner in J.C. Flowers II L.P., J.C. Flowers III L.P. and J.C. Flowers IV L.P. which are investment funds operated by JCF Associates II Ltd., JCF Associates III Ltd. and JCF Associates IV Ltd., respectively, and advised by J.C. Flowers & Co. LLC (JCF), an investment advisory firm founded by Mr. J. Christopher Flowers, who serves as Managing Director and Chief Executive Officer.
- ② In January 2008, four investment vehicles advised by JCF acquired 358,456 thousand common shares of the Bank through a public tender offer and subsequently subscribed to a primary issue of an additional 117,647 thousand shares to strengthen the capital base of the Bank. In addition, in March 2011, the four investment vehicles and Mr. J. Christopher Flowers acquired in total 172,000 thousand common shares of the Bank through the Bank's international offering of newly issued shares, of which such parties currently retain 22,500 thousand shares. (The Bank made a 1-for-10 reverse stock split on October 1, 2017. However, in this note, each reference to a certain number of shares does not reflect such reverse stock split.)
Mr. J. Christopher Flowers, a Director of the Bank, is the founder and Managing Director of JCF.
- ③ The Bank has indirectly invested in NIBC Holding N.V. through an investment partnership advised by JCF. NIBC Holding N.V. is indirectly controlled by New NIB Limited, of which Mr. J. Christopher Flowers commands 49% of voting rights.
- ④ Ms. Rie Murayama assumed the office of Senior Advisor of the Bank as of January 30, 2019, but the Bank judges that she is not an "employee" stipulated in the Article 2, Item 15-A of the Corporation Act because she provided advice for the Bank's management under an advisory agreement. Moreover, the agreement does not have any impact on her independence, since it is terminated prior to this General Meeting of Shareholders and annualized total compensation during the agreement period is less than 10 million yen.
- ⑤ Mr. Ryuichi Tomimura served as a representative director of RHJ International Japan, Inc. until his retirement from that position in June 2012. For the duration of his tenure at RHJ International Japan, Inc. and up until the present, there has been no capital or transactional relationship between the Bank and RHJ International Japan, Inc.

No special interests exist between any of the other candidates for Directors and the Bank.

7. Overview of the contents of the Agreement for Limitations on Liability concluded with Directors:

Messrs. J. Christopher Flowers, Ernest M. Higa, Jun Makihara and Ryuichi Tomimura among candidates for Directors have concluded an Agreement for Limitations on Liability with the Bank under Article 427, Paragraph 1 of the Corporation Act. Under this agreement, liability of each of the Directors for any damage caused through neglect of their duties and responsibilities shall be limited. If the Bank suffers damage as a result of such neglect, the Outside Directors shall be liable up to the lowest maximum liability provided for in Article 425, Paragraph 1 of the Corporation Act, provided that there should be no willful misconduct or gross negligence involved in their duties and responsibilities. If the above-mentioned four candidates are re-elected as Directors, the Bank will continue the said Agreement for Limitations on Liability with them.

The candidate for new Outside Director, Ms. Rie Murayama, once elected as Director, will conclude with the Bank an Agreement for Limitations on Liability with the same conditions as mentioned above.

8. The following persons are candidates for Outside Directors:

Messrs. J. Christopher Flowers, Ernest M. Higa, Jun Makihara, Ryuichi Tomimura and Ms. Rie Murayama

9. The registered name of Ms. Rie Murayama is "Rie Shiga".

10. Matters concerning candidates for Outside Directors:

- (1) ***Violation of laws or articles of incorporation or other unjust business execution by the relevant joint stock company (kabushiki-kaisha) during the most recent term of office of the Outside Director candidate in the joint stock company, as well as actions actually taken by the Outside Director candidate to prevent recurrence of such violation and subsequent countermeasures taken by him/her.***

Not applicable.

(2) If a candidate for Outside Director had been a Statutory Executive Officer, a Director, or an Auditor in other joint stock companies (kabushiki-kaisha) in the last five years, the fact (if any) of violation of laws or articles of incorporation or other unjust business execution by the relevant joint stock company during his/her term of office in the company, as well as actions actually taken by the relevant candidate to prevent a recurrence of this violation and subsequent countermeasures taken by him/her.

Not applicable.

(3) The number of years since candidates for Outside Directors who are currently Outside Directors became Outside Directors and Audit Supervisory Board Members:

- ① As of the end of this General Meeting of Shareholders, Mr. J. Christopher Flowers will have been an Outside Director for eighteen years and three months in total.
- ② As of the end of this General Meeting of Shareholders, Mr. Ernest M. Higa will have been an Outside Director for six years.
- ③ As of the end of this General Meeting of Shareholders, Mr. Jun Makihara will have been an Outside Director for eight years.
- ④ As of the end of this General Meeting of Shareholders, Mr. Ryuichi Tomimura will have been an Audit & Supervisory Board Member and Outside Director for five years in total.

11. The Bank has submitted to the Tokyo Stock Exchange, Inc. an “independent director statement” (*dokuritsu-yakuin todokede-sho*) that Messrs. J. Christopher Flowers, Ernest M. Higa, Jun Makihara and Ryuichi Tomimura are independent directors (*dokuritsu-yakuin*). In addition, the Bank will notify the Tokyo Stock Exchange, Inc. of Ms. Rie Murayama as “independent director” (*dokuritsu-yakuin*) once she is elected as Director. The Bank judges the independence of the Outside Directors considering the independence standards presented by the Tokyo Stock Exchange, Inc..

■Candidate for Directors' Skill Matrixes

Name	Management	Finance	Risk Management	Consumer Business	IT
Hideyuki Kudo	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>		
Yoshiaki Kozano	<input type="radio"/>	<input type="radio"/>			
J. Christopher Flowers	<input type="radio"/>	<input type="radio"/>			
Ernest M. Higa	<input type="radio"/>			<input type="radio"/>	
Jun Makihara	<input type="radio"/>	<input type="radio"/>			
Rie Murayama		<input type="radio"/>	<input type="radio"/>		
Ryuichi Tomimura	<input type="radio"/>				<input type="radio"/>

Company's Proposal

Agenda Item 2:

Election of One (1) Audit & Supervisory Board Member

We would like to seek approval to elect one person as Audit & Supervisory Board Member, since Mr. Michio Shibuya will have completed his terms of office at the end of this Annual General Meeting of Shareholders.

The Audit & Supervisory Board's consent has been obtained.

Career summary of the candidate is as follows.

Name (Date of Birth)	
Ikuko Akamatsu	(February 27, 1968) Ownership Nil
Newly appointed	[Personal History/Positions in the Bank and Important Concurrent Post]
Outside	1995 Y 1 M Joined Showa Ota & Co. (Predecessor of Ernst & Young ShinNihon LLC)
Independent	2010 Y 12M Chief Researcher, Management Training and Consulting Division, Institute of Management, SANNO University
	2017 Y 1 M Member, Committee on Promotion of Active Participation for Women Accountants, The Japanese Institute of Certified Public Accountants (Current)
	2018 Y 8 M Director, TOP'S Inc. (Current)
	2019 Y 4 M Senior Researcher, Management Training and Consulting Division, Institute of Management, SANNO University (Current)

Reasons for nominating of the candidate for Audit & Supervisory Board Member

Ms. Ikuko Akamatsu is asked to stand as a candidate for Outside Audit & Supervisory Board Member in order to reflect in the Bank's audit operations her expertise in compliance and governance, etc. and extensive experience as a consultant based on the aforementioned expertise, as well as her professional knowledge and experience as a certified public accountant and a certified fraud examiner.

Even though Ms. Ikuko Akamatsu has not been involved in the management of company by means other than assuming the office of an Outside Director or Outside Audit & Supervisory Board Member, for the aforementioned reason, the Bank judges that she is expected to function appropriately as Outside Audit & Supervisory Board Member of the Bank.

Notes.

1. The positions or posts of the candidate for the Audit & Supervisory Board Member without "Current" in the "Personal History/Positions in the Bank and Important Concurrent Posts" section are positions or posts from which the candidate has already retired.
2. Ms. Ikuko Akamatsu, who is the candidate for Audit & Supervisory Board Member, has knowledge and experience to be able to carry out the audit of the execution of duties of directors of a bank appropriately, fairly and efficiently.
3. Special Interests between the Bank and a candidate:
No Special Interests exist between the candidate for Audit & Supervisory Board Member and the Bank.
4. Overview of the contents of the Agreement for Limitations on Liability concluded with Outside Audit & Supervisory Board Member
Once elected as Audit & Supervisory Board Member, Ms. Ikuko Akamatsu, the candidate for Outside Audit Supervisory Board Member is to conclude an Agreement for Limitations on Liability with the Bank under Article 427, Paragraph 1 of the Corporation Act. Under this agreement, her liability for any damage caused through neglect of her duties and responsibilities shall be limited. If the Bank suffers damage as a result of such neglect, she shall be liable up to the lowest maximum liability

provided for in Article 425, Paragraph 1 of the Corporation Act, provided that there should be no willful misconduct or gross negligence involved in her duties and responsibilities.

5. Ms. Ikuko Akamatsu is the candidate for Outside Audit & Supervisory Board Member.
6. If a candidate for Outside Audit & Supervisory Board Member had been a Statutory Executive Officer, a Director, or an Audit & Supervisory Board Member in other joint stock companies (kabushiki-kaisha) in the last five years, the fact (if any) of violation of laws or articles of incorporation or other unjust business execution by the relevant joint stock company during his/her term of office in the company, as well as actions actually taken by the relevant candidate to prevent a recurrence of this violation and subsequent countermeasures taken by him/her.
Not applicable.
7. The Bank will notify the Tokyo Stock Exchange, Inc. of Ms. Ikuko Akamatsu as “independent audit & supervisory board member” (*dokuritsu-yakuin*) once she is elected as Audit & Supervisory Board Member
The Bank judges the independence of the Outside Audit & Supervisory Board Member considering the independence standards presented by the Tokyo Stock Exchange, Inc.

■Candidate for an Audit & Supervisory Board Member's Skill Matrixes

Name	Finance	Financial Accounting	Legal Affairs
Ikuko Akamatsu		<input type="radio"/>	

**<Shareholder's Proposal (Agenda 3) Pages 14 through 16 >
This proposal has been made by certain shareholder.**

◆The Agenda 3 has been proposed by one (1) shareholder.
We have reproduced each proposal as it originally appears, without making any changes to the factual understanding of the proposer or omissions and errors.

◆What is a Shareholder's Proposal?

Under the Companies Act, a Shareholder's Right to Propose is recognized on condition that certain requirements are satisfied. When these proposals are made, the Company is required to insert the proposals in this convocation notice regardless of the content thereof, except for the case where there is any breach of laws and regulations or the Articles of Incorporation.

As a result, the Bank inserted in this convocation notice of the proposal made by one shareholder. The proposed Agenda 3 is for the Election of One (1) Director. The Board of Directors of the Bank **objects** to this Agenda item.

Please exercise your voting rights after reading the opinions of the Board of Directors of the Bank stated on the following pages.

Shareholder's Proposal

Agenda Item 3:

Election of One (1) Director

[The Board of Directors of the Bank objects to this Agenda item.]

[Agenda Proposed and Reasons for the Proposal]

We have reproduced each proposal as it originally appears, as stated in the proposed letter without making any changes to the factual understanding of the proposer or omissions and errors. The biography and major roles of the proposed candidate is slightly different from what was stated in the Japanese proposal, but we have not made any changes of such differences.

1. Agenda Proposed

We propose an appointment of below candidate to serve as a Director of the Board².

- Name: James B. Rosenwald, III

- Date of birth: January 19, 1958

- Biography and major roles:

2012	New York University, Adjunct Professor, Leonard N. Stern School of Business (present)
1998	Dalton Investments LLC, Co-Founder, Managing Member (present)
1992	Soros Group funds, Investment Adviser (through 1998)
1986	Richmond Hill Savings Bank, Director (through 1988)
1984	Rosenwald Capital Management, Inc, Chairman and President (present)
1981	Sterling Grace & Co., Senior Investment Advisor/Portfolio Manager (through 1988)

- Number of Bank shares owned: None

2. Reasons for the Proposal

On behalf of the shareholder, Dalton Investments LLC has recommended a series of actions to Shinsei's management we believe will greatly accelerate repayment of public fund, an ultimate goal shared by all the stakeholders (i.e. government, management and shareholders). Management's progress in implementing these recommendations has been slow and therefore we now propose that shareholders approve the appointment of Mr. James B. Rosenwald to the Shinsei Board of Directors. Upon appointment, Mr. Rosenwald will pursue following agenda in the board meeting:

1. Insist that all Board members receive no more than one Yen per annum compensation in cash (excluding any forms of compensation related to stock compensation, any monetary claim or contribution made to trusts and etc. in relation to stock compensation) until the Japanese taxpayers have been repaid in full;
2. Implement a new compensation system for senior management emphasizing share ownership to align their interest with shareholders;
3. Implement a massive share repurchase and cancellation program of the Bank's shares.

End of proposed letter

2. If the above candidate were elected to the Board, Dalton and its clients would be restricted in the information available and ability to trade the stock during his tenure.

(NOTES made by the Bank)

- We have reproduced the proposal as it originally appears, without making any changes to the factual understanding of the proposer or omissions and errors.

[The Opinions of the Board of Directors of the Bank]

The Board of Directors of the Bank **objects** to this Agenda item.

[Reasons for Objection]

After careful discussion and consideration, the Board of Directors of the Bank **objects** to this Agenda item for the following reasons:

- Governance by independent directors is sufficient:
 - The Board of Directors of the Bank consists of two (2) executive directors and five (5) independent directors. As a result, independent directors constitute the majority of directors. In addition, at this Annual General Meeting of Shareholders, the Bank has requested approval for the election of seven (7) directors, i.e. 2 executive directors and 5 independent directors. Thus, the Bank has proposed that the majority of the Board of Directors continue to be comprised of independent directors, thereby maintaining the structure of the Board of Directors to fully ensure supervisory functions over the execution of business. Accordingly, the Board of Directors of the Bank believes that there is no need to increase the number of directors to add an outside director.
- The directors proposed by the Bank are diverse and have relevant expertise:
 - Among the seven (7) candidates for election as directors under the Bank's proposal, 6 candidates have experience in company management and 5 candidates have expertise in finance. Therefore, the entire scope of Mr. Rosenwald's knowledge, as stated by Dalton, is significantly covered by candidates under the Bank's proposal. Accordingly, the election of an additional director is not meaningful.
- The Bank's Revitalization Plan submitted pursuant to the Act on Emergency Measures for Early Strengthening of Financial Functions will accomplish the goal of repayment of public funds:
 - The Bank, as a bank with public funds, submitted a Revitalization Plan ("Plan") to the Financial Services Agency ("FSA") pursuant to the Act on Emergency Measures for Early Strengthening of Financial Functions ("Early Strengthening Act"). As part of that Plan, the Bank set the number of directors at seven (7). The Board of Directors of the Bank must comply with the number of directors (7) set forth in the Plan, and, in addition, believes that seven (7) directors under the Bank's proposal represent the best portfolio of directors as described above. Therefore, there is no need to appoint Mr. Rosenwald as a director.
 - Repayment of public funds is one of the most important management issues of the Bank. As part of the Bank's efforts to chart a new path for repayment, shareholder return has been significantly improved from the nominal dividend of only one (1) Yen, and the Bank has inserted a clause into the Plan, based on the discussion with the FSA, to the effect that the Bank will "aim to maintain and improve its shareholder return within the scope of general total return ratio of a domestic bank." Thus, the shareholder return has come closer to the level comparable to other financial institutions and, based on the intent of the Early Strengthening Act, under which steady accumulation of the fund for repayment is required, the Bank believes that it has already made best efforts to maximize the interests of shareholders from the perspective of shareholder return to the extent permitted under applicable laws and regulations. Dalton proposes to "implement a massive share repurchase and cancellation program of the Bank's shares," but considering Dalton's suggestions so far, its proposal is expected to deviate from the scope of the total return ratio permitted under the Plan pursuant to the Early Strengthening Act. The Board of Directors of the Bank believes that Dalton's proposal runs counter to the intent of the Early Strengthening Act, and therefore, should not be accepted.
- The current director compensation structure is appropriate:
 - Dalton also states in its proposal that Mr. Rosenwald will "insist that all Board members receive no more than one (1) Yen per annum compensation in cash until the Japanese taxpayers have been repaid in full." However, the Bank believes that, in order to secure qualified directors, director compensation should be paid in an amount commensurate with the duties of directors. This point is also important from the perspective of the shareholders' interests. The Board of Directors of the Bank believes that Dalton's proposal is incompatible with the necessity to secure qualified directors, including independent directors. The amount of director compensation will be appropriately determined through objective and transparent procedures with careful discussions in the Nomination and Compensation Committee of the Bank, which was established on March 20, 2019 and is comprised of independent directors.

(Translation)

- In order to better align the interests of directors with those of shareholders, the Bank introduced a restricted stock compensation plan for executive directors in 2018 with the approval of the Annual General Meeting of Shareholders. The Bank is now considering introduction of a similar plan for outside directors after solving the technical problems regarding nonresident directors.
- Conclusion:
 - Accordingly, 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. The Board of Directors of the Bank believes that the composition of the Board of Directors as proposed by the Bank's Board of Directors is ideal, and objects to this Agenda item.

END

(Translation)

(Attachment)

Business Report for the 19th Fiscal Year (From April 1, 2018 to March 31, 2019)

1. Current State of the Bank

(1) Business Development and Performance of the Group

[Principal Business of the Group]

The Shinsei Group, which consists of Shinsei Bank, Limited, 179 subsidiaries (comprised of 83 consolidated companies including APLUS FINANCIAL Co., Ltd., Showa Leasing Co., Ltd., Shinsei Financial Co., Ltd., Shinsei Investment & Finance Ltd. and 96 unconsolidated subsidiaries) and 37 affiliated companies (comprised of 35 affiliates accounted for under the equity method including Jih Sun Financial Holding Company, Limited and 2 affiliates that are not accounted for under the equity method) as of March 31, 2019, provides a wide variety of financial products and services to customers through our Institutional Business, Global Markets Business and Individual Business. These groups consist of business segments which provide their respective financial products and services. Shinsei Bank, Limited, subsidiaries and affiliated companies are related to each segment as follows.

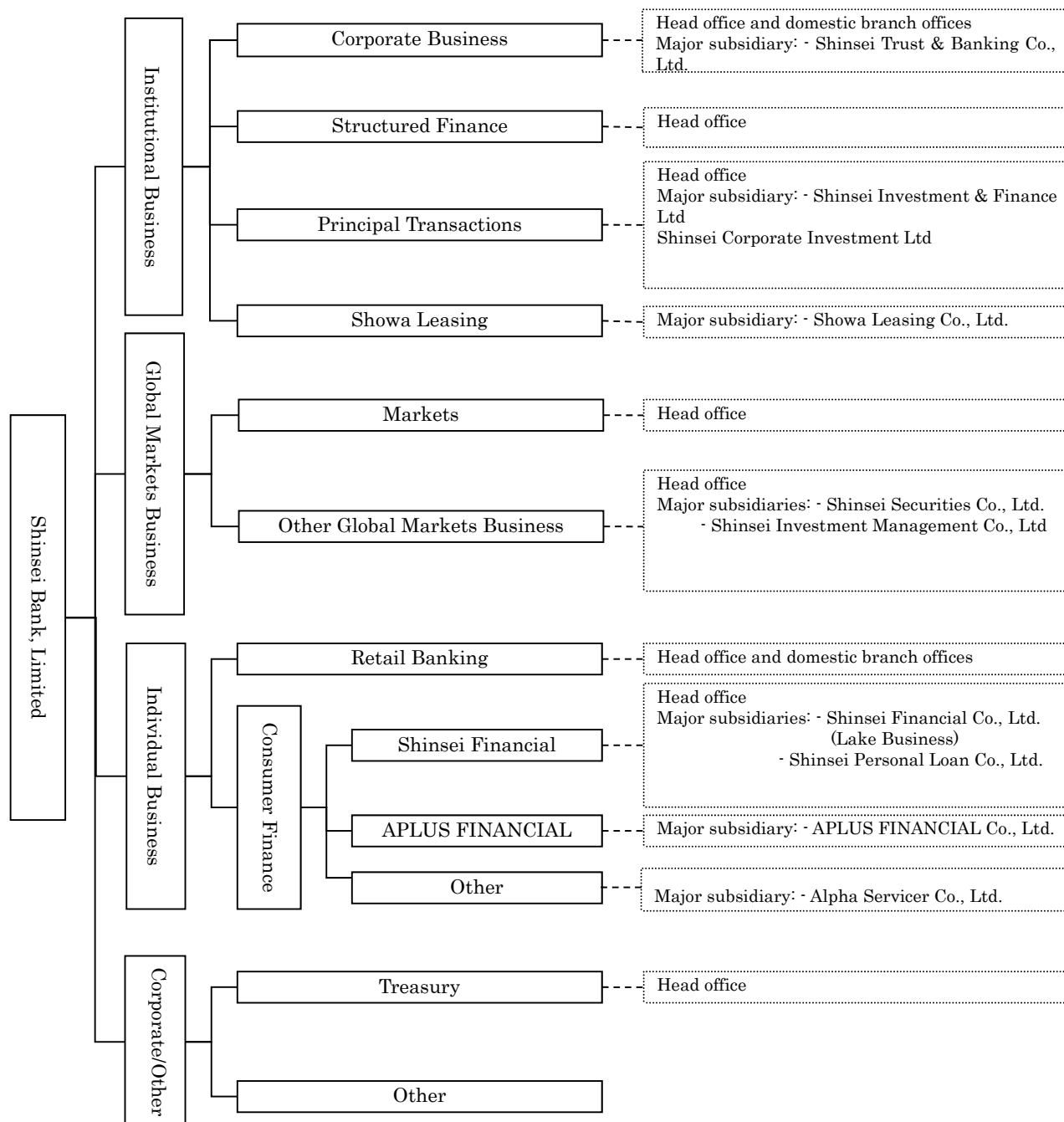
In the Institutional Business, the “Corporate Business” segment provides financial products and services, advisory services and trust business for corporate, public, and financial sectors. The “Structured Finance” segment provides real estate finance, such as non-recourse loans, financial products and services for the real estate and construction industries, and financial products and services related to project finance and specialty finance, such as M&A finance. The “Principal Transactions” segment provides financial products and services related to credit trading and private equity businesses. “Showa Leasing” segment primarily provides financial products and services related to leasing.

In the Global Markets Business, the “Markets” segment engages in foreign exchanges, derivatives, equity-related transactions and other capital markets transactions. The “Other Global Markets Business” segment consists of securities business provided by Shinsei Securities, asset management and wealth management businesses.

In the Individual Business, the “Retail Banking” segment provides financial products and services for retail customers, “Shinsei Financial” segment, which consists of Shinsei Financial Co., Ltd., Shinsei Personal Loan Co., Ltd. and unsecured card loan business in the Bank, etc., provides consumer finance business. Also, after reviewing the Shinsei Bank Group’s unsecured loan business strategy, in April 2018, Shinsei Financial launched a new card loan product, “Lake ALSA”, as a service to customers with consumer finance product needs, suspending applications and contracts from new customers of Shinsei Bank Card Loan—Lake in the Bank from April 2018. “APLUS FINANCIAL” segment provides installment sales credit, cards, loans and settlement services. The “Other” segment consists of profit and loss attributable to the Consumer Finance Headquarter and other subsidiaries.

In “Corporate / Other,” the “Treasury” segment engages in ALM operations and fund raising including capital instruments.

The aforementioned can be illustrated in a business organization chart as follows.



[Financial and Economic Environment]

In fiscal year 2018, the Japanese economy sputtered somewhat mainly due to a slowdown in the overseas economy. An increase in capital investments and improvement in employment observed from the previous fiscal year continued during the fiscal year. From the second half of the fiscal year, however, exports and production were weak, impacted by the China-U.S. trading friction and a slowdown in emerging countries' economies. Going forward, overseas demand is expected to recover by virtue of the easing monetary policy in Europe and the United States which underpinned the economy as well as economic measures in China. As a consumption tax increase is scheduled for October 2019 in Japan, attention should be given to domestic and overseas economic trends.

In April 2018, the Bank of Japan ("BOJ") deleted "around fiscal 2019," the description of the timing of achieving the 2% price stability target, from its "Outlook for Economic Activity and Prices." At the Monetary Policy Meeting held at the end of July 2018, the BOJ introduced forward guidance for policy rates that "the Bank intends to maintain the current extremely low levels of short- and long-term interest rates for an extended period of time". Further, it mentioned that the long-term interest rate "may move upward and downward to some extent mainly depending on developments in economic activity and prices."

Looking at overall financial markets, the long-term interest rate (10-year government bond yield) in Japan, which was around 0% in the first half of the fiscal year, rose to the level of approximately 0.15% and 0.16% in October 2018. This is partly because the BOJ's approval to widen the interest rate fluctuation range gathered attention. However, the long-term interest rate dropped to approximately -0.08% as of March 31, 2019 (approximately 0.04% as of March 31, 2018) as a result of growing concern over the economic outlook. This is because Chair Powell of the Federal Reserve Board ("FRB") expressed an intention to continue an interest rate increase in December 2018 in spite of deterioration in financial and economic environments, and also because the FRB presented a stance on the monetary policy which was significantly more accommodative than market expectations in March 2019.

Respecting foreign exchange rates, the exchange rate for one U.S. dollar increased to approximately 114 yen in October 2018 as depreciation of the yen against the U.S. dollar continued partly due to phased policy rate hikes by the Federal Open Market Committee ("FOMC") underpinned by the solid U.S. economy. However, partly because of deterioration in the economic outlook as stated above, the exchange rate for one U.S. dollar fell to approximately 111 yen as of March 31, 2019 (a depreciation of approximately 5 yen compared to March 31, 2018). The euro exchange rate, which fluctuated partly due to the financial problems in Europe and deterioration in the economic outlook, was approximately 124 yen as of March 31, 2019 (an appreciation of approximately 6 yen compared to March 31, 2018). Lastly, the Nikkei Stock Average declined to 21,205⁸¹ yen as of March 31, 2019 (a decrease of approximately 248 yen compared to March 31, 2018) partly due to deterioration in the economic outlook, although it had continued to increase up to then, backed by the weak yen, a high level of corporate earnings, the U.S. stock market which reached an all-time high, and other factors.

[Business Developments and Performances of the Group in Fiscal Year 2018]

The Bank formalized its "Third Medium-Term Management Plan" (hereinafter, the "3rd MTMP"), which runs from April 1, 2016 to March 31, 2019. The current fiscal year is the final year of the 3rd MTMP. The Bank has strived in its business undertakings to achieve the plan. Initiatives undertaken in each business area are as follows.

(Institutional Business)

The Bank has engaged in its business with corporate customers including "Institutional Business" through which the Bank provides financing and solutions to corporate, public and financial sectors, and "Global Markets Business" through which the Bank conducts market business for global markets.

(Translation)

In the current fiscal year, the Bank Group has strived for “business concentration in core competence” by injecting business resources into areas in which the Bank Group holds competitive strengths and businesses for which market growth is expected. The Bank Group has also made proactive efforts to expand each business by enhancing the provision of high value-added financial solutions which meet customer needs as well as improving operational productivity through the promotion of integrated management with Group member companies.

In the structured finance business as a growth area, the Bank is actively engaged in acquiring mega solar plants in operation and financing infrastructure funds, in addition to new transactions targeting blue-chip mega solar projects. The Bank has accumulated transactions by combining its assessment of the power generation business leveraging its expertise and its finance syndicating capability, as well as collaborating with regional financial institutions. The Bank will continue efforts to diversify energy sources, including solar, wind, and biomass, and is determined to contribute to the stable growth of renewable energy in Japan by meeting the diversified needs of operators. In overseas project finance, the Bank has focused on high-quality projects primarily in Asia and Europe. In real estate finance, the Bank has originated transactions which meet customer needs carefully taking into account not only the risks of individual transactions but also the risks and returns of the real estate market as a whole.

In the corporate business, the Bank has continued to expand its customer base under an efficient sales structure which strategically focuses on particular sectors and themes. In the financial institutions business, the Bank has provided a variety of investment products supported by its expertise as well as provided financial solutions on a Group-wide basis, through partnerships using various functions held by Group member companies, to meet the needs of customers including regional financial institutions.

To promote principal transactions, the Bank has taken the initiative in providing financial solutions such as investments and debt workout to mid-market and SME customers which have needs for business succession, business change and discontinuation services, making use of knowledge, expertise, and Group-wide resources acquired in the credit trading and private equity businesses. In the private equity business, the Bank and Shinsei Corporate Investment Limited have invested in venture companies which conduct child-care related businesses through jointly formed Japan Impact Investment I Limited Partnership (Child-care Support Fund) by making the most of its expertise and characteristics.

Showa Leasing, in addition to its core business of providing leasing services to mid-market and SME customers for industrial machinery and machine tools, has focused on developing its business in areas such as the buying and selling of secondhand machinery, property and debt secured lending, assisting in the adoption of environmentally friendly products and granting renewable energy-related financing, and the purchasing of long-term care fee receivables (medical caring and nursing remuneration factoring). Showa Leasing has also enhanced to provide financial services and solutions for SMEs as the strategic initiative area including the vendor leasing and auto leasing businesses by combining the credit function by APLUS and the property management and leasing functions by Showa Leasing.

In the global markets business, the Bank and Shinsei Securities launched a dual-hat system for their trading businesses in February 2019, to strengthen a unified trading business structure aiming to enhance financial services for their customers.

(Individual Business)

In the individual customer business, the Bank offers retail banking services and consumer finance services, and the latter also offered by its Group member companies. To continue expanding the customer base and improving profitability in this business, the Bank is endeavoring to fully utilize the Shinsei Bank Group's customer base of approximately 10 million customers.

(Translation)

For asset management in the retail banking business, the Bank sustained its effort to promote products and services that meet customers' needs and appropriate to their life stages such as investment trusts, insurance products, and structured bonds, in addition to deposits. In October 2018, the Bank revised its Shinsei Step-up Program and started charging ATM withdrawal fees to "Standard" customers, to improve profitability while maintaining customers' convenience. The Bank will further support customers' cashless transactions by adding the use of GAICA, its prepaid card, to the requirements for "Gold" customers. The Bank will continuously enhance to provide high-value products and services, and improve the convenience.

In the consumer finance business, the Shinsei Bank Group provides consumer financing products centered on Lake ALSA which was launched at Shinsei Financial in April 2018. Regarding bank card loans provided by the Bank, the Bank announced in October 2018 that it would provide lending services through collaboration with NTT Docomo. Furthermore, APLUS FINANCIAL has made efforts to improve customer convenience by providing cashless solutions including code settlements and by expanding its member merchant network

Regarding overseas business expansion, MB Shinsei Finance Limited Liability Company, which the Bank jointly invested with Military Commercial Joint Stock Bank, a major private commercial bank in Vietnam, has expanded its business since its business launch in December 2016 by increasing customers for cash loans and shopping credit loans to purchase bikes and home electric appliances.

In addition to the above, the Shinsei Bank Group started to build an ecosystem through collaborations with different sectors outside the Group. The Group is promoting development and provision of financial/non-financial products and services for underserved customers including freelancers and foreign residents in Japan, through business partnerships with LANCERS, INC., geechs inc., and Global Trust Networks Co., Ltd., as well as the aforementioned initiative with NTT Docomo.

(Financial Position)

At the end of fiscal year 2018, our consolidated Basel III (domestic standard) core capital adequacy ratio was 11.85 %, and has continued to be maintained at a sufficient level.

As a part of Shinsei Bank's efforts to identify the path to the repayment of public funds, the Bank had acquired 7,652,700 treasury shares until October 16, 2018, based on a resolution of acquiring treasury shares up to 13 billion yen approved through a meeting of its Board of Directors held on May 11, 2018. Assuming the maintenance of capital at sufficient levels, the Bank aims to increase the per share values through the implementation of an appropriate capital policy.

(Business Performance)

As a result of the above-mentioned business developments, in the fiscal year ended March 31, 2019, Shinsei Bank reported a consolidated ordinary income of 372.2 billion yen (decreased 11.6 billion yen compared to the previous fiscal year) and consolidated ordinary expenses of 316.8 billion yen (decreased 10.2 billion yen compared to the previous fiscal year). As a result, the Bank recorded a consolidated ordinary profit of 55.3 billion yen (decreased 1.4 billion yen compared to the previous fiscal year) and a profit attributable to owners of parent of 52.3 billion yen (increased 0.9 billion yen compared to the previous fiscal year). Segment profits of the Shinsei Bank Group on a management accounting basis totaled 55.6 billion yen (increased 3.4 billion yen compared to the previous fiscal year).

On a business segment level, the Institutional Business has started to deliver results from its initiatives for expanding its customer base and enhancing profitability. However, its revenues decreased due to the absence of gains on sale of securities which were recorded in the previous fiscal year. The Business decreased profits even though net credit recoveries were recorded resulting from calculation of general reserve for loan losses in accordance with portfolio growth including project finance business in the Institutional Business.

(Translation)

The Global Markets Business made efforts for developing and providing products in line with customer needs by collaborating with other business lines, as well as focusing on continuous initiatives for expanding its customer base. However, the Business' profits decreased compared to the previous fiscal year due to a decrease of revenue from derivative transactions.

In the Individual Business, Retail Banking performed better compared to the previous fiscal year. This was mainly due to a recovery of asset management product sales and the effect of the revision of Shinsei Step Up Program, charging ATM fees on Standard-stage customers, thanks to proactive business development.

Consumer Finance experienced not only an increase in interest income of the individual unsecured loan business and shopping credit revenues of APLUS Financial but also additional provisions related to delinquent loans in APLUS Financial and a decrease in revenue from investment in equity method affiliates of Bank. As a result, Consumer Finance decreased profits compared to the previous fiscal year.

Regarding reserves for losses associated with interest repayments (gray zone), it should be noted that the reversal of reserve of 2.3 billion yen was made in the current fiscal year based upon a recalculation of future grey zone risk.

The "Corporate/Other" segment increased profits compared to the previous fiscal year.

The business segments attained the following results for the fiscal year ended March 31, 2019.

(Millions of yen)

	Fiscal 2018 (19th Fiscal Period)						Total
	Institutional Business				Global Markets Business		
	Corporate Business	Structured Finance	Principal Transactions	Showa Leasing	Markets	Other Global Markets Business	
Revenue	16,780	17,644	9,391	14,202	7,109	2,311	
Net Interest Income(loss)	10,043	10,389	3,778	(65)	1,579	504	
Non-interest income(loss)	6,737	7,254	5,613	14,267	5,529	1,806	
Expense	11,827	7,796	4,039	9,838	3,759	3,334	
Net Credit costs (Recoveries)	865	(2,198)	12	(615)	11	8	
Segment Profit (loss)	4,087	12,046	5,339	4,979	3,338	(1,031)	
	Individual Business				Corporate/Other		Total
	Consumer Finance				Treasury	Other	
	Retail Banking	Shinsei Financial	APLUS FINANCIA L	Other			
Revenue	26,956	69,261	57,875	1,660	6,055	480	229,729
Net Interest Income(loss)	23,964	69,352	10,768	800	2,699	(0)	133,816
Non-interest income(loss)	2,991	(90)	47,107	859	3,355	480	95,913
Expense	27,680	32,445	38,175	1,767	1,698	1,335	144,735
Net Credit costs (Recoveries)	(24)	14,570	16,576	133	—	8	29,348
Segment Profit (loss)	(700)	21,208	3,123	(240)	4,357	(862)	55,645

Note

In the amount shown above, all figures have been truncated to the unit stated.

[Challenges Facing the Shinsei Bank Group]

The Shinsei Bank Group has clarified its “Medium to Long Term Vision” based on its management philosophy, in order to better pursue its goal of becoming a financial group which is truly needed by its customers. In its Medium to Long Term Vision the Bank recognizes that in order to establish a sustainable business model, it is essential that the Shinsei Bank Group fully utilizes its management resources. In order to accomplish this, the Bank Group will seek to develop and provide cutting edge products and services through our customers by truly integrating the customer bases, financial expertise and services of each Group company through “Group Integration” and pursue highly efficient operations by undertaking a periodic business review cycle at the Group level in order to achieve high productivity and efficiency.

1. Overall strategy of the Shinsei Bank Group

Shinsei Bank Group has established its “Medium-Term Strategies” targeting fiscal years from 2019 to 2021. The Strategy is a growth stories focusing more on qualitative strategic direction than quantitative values, with the Medium to Long Term Vision and medium-to long-term change in business environment as starting points. The Strategy has also re-defined the Group’s core strategies and focus areas based on the achievements made in the First, Second, and Third MTMP.

(1) Core strategies and focus areas

(Grow through Value Co-Creation)

One of the core strategies in the Medium-Term Strategies is “Grow through Value Co-Creation”, which will identify growth opportunities through the “Value-Co-Creation Model”. The Value-Co-Creation Model is to generate more customer-friendly businesses by identifying the strengths of the Shinsei Bank Group and integrate them with external services. This core strategy consists of the following three components:

- ① Integration with external services
Create and expand touchpoints with our customers by developing markets and more sophisticated services through building and participating in ecosystems with digital technology and data analysis
- ② Finance as a Service
Provide our functions and processes when our customers need us
- ③ Deeper understanding of our customers
Identify target markets and customers through data integration with external partners, and provide high added values based on deep understanding of our customers

(Enhance / Leverage our capability)

Another core strategy is “Enhance / Leverage our capability”, which will foster our advantages that will serve as the source of value creation, competitiveness, and differentiation, by strengthening and utilizing our organizational capability, the source of our corporate growth. This core strategy focuses on the following four components:

- ① Diverse people and flexible workstyle
Promote women's active participation at every level, acquire skilled senior and young employees, and hire and grow talented personnel with different abilities. Implement human resource policies to support this diversity.
- ② Customer-centric organization
Respond to customer needs with one-stop services by unifying business strategy planning functions for institutional and individual customers on a Group-wide basis. Further optimize and streamline our Group HQ corporate services.
- ③ Productive operations
Implement productive operations through accelerated productivity reforms including utilization of digital technologies, work-style reform, and more efficient sales channels. Continue initiatives for stable and safe management such as information system development and compliance measures, as well.

(Translation)

④ Optimal capital usage

While managing capital at an appropriate level, maximize returns against risk-taking through responsible capital usage including non-organic strategies.

(Four focus areas)

Our four focus areas consist of one area in the individual and institutional businesses respectively and two areas related to our management base.

① Small-Scale Finance (Individual Business)

Offer small amount and frequent financing (lending) and settlement services to individuals and small businesses. Small-scale finance has been strong at data analysis and its usage in marketing, credit decision-making, collection and robust operations, and in future it will work on upgrading services by utilizing digital technology and data analysis, in addition to integrating services with external services and offering functions to partners based on "Value Co-Creation".

② Institutional Investors (Institutional Business)

Aim for one-stop services related to alternative investments in real assets such as renewable energy, infrastructure, and real estate to a wide range of institutional investors, leveraging our network with the investors, trust-structuring capability, and knowledge of a broad range of assets.

③ Group Organization

Unify business strategy planning functions for institutional and individual customers on a Group-wide basis in order to further promote Group business integration. Work together as a single entity to provide best solutions for the needs and challenges of our customers.

④ Productivity Reforms

Further promote cost structure reform with no sanctuaries through optimization of branch channel and office space, and using digital technologies and through work style reform

(2) Initiatives for Sustainable Growth

By implementing the above two core strategies, we should be able to achieve sustainable growth. Shinsei Bank Group's priority materiality issues for sustainable growth are classified into the following three categories.

① Address social and environmental issues

Provide financial services tailored to the needs of customers who are not satisfied with traditional financial services. Create an appropriate flow of funds for society by providing financial solutions that promote the circulation of funds into sustainable social capital. Build and participate in ecosystems through integration with external services, and utilize digital technologies to solve a broader range of social issues.

② Fulfill our social responsibilities

Firmly provide fundamental financial functions (deposit, loan, payment, etc.) as a social infrastructure, as well as high-level efforts to secure cyber security, prevent money laundering and financing of terrorism. Provide customer-oriented services by placing customer benefit first and giving information that is accurate and easy to digest.

③ Foundation for meeting our goals/responsibilities

Be the base that supports the "roles for solving social issues" and the "fulfillment of social responsibilities." Key issues are "human resources," "organizations, which make the most of human resource", "highly productive operations," "capital," "expertise and execution," and "robust governance functions."

2. Strengthening Risk Management and Corporate Governance and Ensuring Highly Transparent Management

Shinsei Bank will establish balanced business operations through the smooth implementation of Basel III (capital adequacy requirements in accordance with the Banking Act; Shinsei Bank utilizes an internal ratings based approach) by the Bank and its Group companies, as well as by enhancing risk management and by using risk and return identified accurately for optimized allocation of management resources. Additionally, in regards to Basel III, while Shinsei Bank is considered a domestic bank from a regulatory standpoint, it engages in management that is mindful of international standards and is working to put into place necessary frameworks and systems in order to accommodate the new standards.

Shinsei Bank employs a “Company with Audit & Supervisory Board” board model. The purpose of this corporate governance framework is to ensure appropriate managerial decision-making and business execution and to establish a corporate governance framework with sufficient check and balance functions. The Bank achieves this through the following two key actions:

- 1) Establishing the broad direction of the Bank and creating an environment which supports appropriate risk-taking by senior management, by deciding the Bank’s important business execution matters including basic management policies such as the Medium-Term Management Plan and annual plan at the Board of Directors, the highest decision-making authority; and
- 2) Assignment of audit responsibilities, including the auditing and monitoring of the Board of Directors, to Audit & Supervisory Board Members and an Audit & Supervisory Board that are independent of business execution and the Board of Directors.

Shinsei Bank engages in management which emphasizes the oversight functions of Outside Directors, and in fiscal year 2018, had appointed two internal Directors as well as five Outside Directors who have extensive experiences and high specialist knowledges in financial business, a business targeting consumers, the information system and risk management in both inside and outside Japan to its Board of Directors, resulting in a Board of Directors with a majority composition of Outside Directors. Furthermore, including the Bank’s two Outside Audit & Supervisory Board members, Shinsei Bank has registered a total of seven executives with the Tokyo Stock Exchange as independent executives. Under such composition, members of the Board of Directors meeting decide the company policy through free and active discussions, and enhance to secure profits for various stakeholders including shareholders and customers and to increase the sustainable corporate value of the Group which is required by the “Corporate Governance Code.” In March 2019, the Bank established the Nomination and Compensation Committee voluntarily, aiming to further enhance the objectivity and transparency of the Board’s role related to appointing candidates for directors and deciding executive remuneration. The Bank periodically conducts the evaluation and analysis of the effectiveness of the Board as a whole and implements improvement measures toward issues and challenges being found from the evaluation every year in order to improve the functionality of the Board. As to the “Corporate Governance Code”, since FY2018 the Bank has been disclosing the entire text of its corporate governance policy, which is a voluntary disclosure matter in the corporate governance report. Please click the following link for the Bank’s Policies for Initiatives Concerning the “Corporate Governance Code”:

https://www.shinseibank.com/corporate/policy/governance/pdf/governance_code_j.pdf

Additionally, the Bank has adopted an Executive Officer system and placing the Chief Officers and Senior Officers at the Group Headquarters in order to ensure flexible day to day business execution. Under this system, as well as the leadership of executive directors including the President & CEO, executive officers entrusted by the Board of Directors will execute their operations in an efficient manner. Furthermore, with approval from the Board of Directors, the Bank established an Executive Committee consisting of executive directors, executive officers (at the level of the Heads of executive officers in charge), and others in order to enable swift and efficient business administration. Together with the establishment of the Group Headquarters in April 2017, the “Group Executive Committee” and “Group Important Committees” in which executive directors of the major Group companies will participate were set in to resolute important decisions regarding

the Group-wide management in order to enhance internal control of Group companies. Furthermore, a “Chief Officer” was assigned responsibility for the oversight of each relevant administrative function within the Group in order to consolidate authority and to realize efficient decision-making across the entire Group. It should be noted that APLUS FINANCIAL, our Group company listed on the Tokyo Stock Exchange, has its management independence and has established appropriate internal control systems.

The Shinsei Bank Group is fully compliant with J-SOX, and as a listed company, the Group will continue to endeavor to perform disclosure in a timely, appropriate, and highly transparent manner for the benefit of investors, as well as improving its internal control systems. In accordance with regulations such as the Financial Instruments and Exchange Law, the Group will also continue to strive to further ensure compliance, by reinforcing its compliance structure, with customer protection and appropriate business operations in mind.

Concerning the development of management infrastructure to support the execution of the next Medium-Term Management Strategy, Shinsei Bank recognizes that operating IT systems stably is necessary for a financial institution which plays a part in social infrastructure. The Bank therefore continues to undertake efforts to stabilize its IT systems, as one of its important management tasks. As part of such efforts, the Bank upgraded its core business system in January 2019, and will continue to stabilize its system infrastructure.

3. Achievement of the Revitalization Plan

Shinsei Bank submitted a “Plan for Restoring Sound Management” (the “Revitalization Plan”) to the Financial Services Agency in March 2018. Shinsei Bank has created a “Medium- to Long-Term Vision” in accordance with its management principles in order to better pursue its goal of becoming a Bank Group which is truly needed by its customers, and has been working on the execution of the 3rd MTMP, a three fiscal year business plan from fiscal year 2016 to fiscal year 2018.

In the fiscal year ended March 31, 2019, the Bank recorded a nonconsolidated net business profit of ¥ 37.3 billion and a nonconsolidated net income of ¥ 35.4 billion, both increased from the target established in the Business Revitalization Plan.

The Bank recognizes its expected role in fulfilling social responsibilities as a financial institution with public funds, and in addition to fulfilling these responsibilities, all employees of the Bank will work in a unified manner toward the achievement of business revitalization.

Going forward we hope to enjoy your continued understanding and support.

Note

The description of item 3. above does not include subsidiaries.

[Reference] Regarding the status of the evaluation and analysis of the effectiveness of the Board

The Bank periodically conducts the evaluation/analysis of the effectiveness of the Board as a whole in order to improve the functionality of the Board. The Bank conducted self-evaluation as follows in fiscal year 2018:

- (1) Purpose: Enhance the Board of Directors' function by evaluating whether the Board has fulfilled its roles and responsibilities and by running the PDCA cycle
- (2) Targets for the analysis and evaluation: Board of Directors' activities and operational and support systems for conducting the activities in an efficient and effective manner
- (3) Evaluators: All participants of the Board of Directors (11 members including Directors, Audit & Supervisory Board Members, and others). The evaluation includes questions targeting Audit & Supervisory Board Members only same as last year.
- (4) Analysis and evaluation items: Discussions at the Board of Directors meetings, Operation of Board of Directors meetings by the executive team, Composition and diversity, Provision of information to the Board of Directors from the executive team, Discussions at Strategy Sessions, Operation of the Strategy Sessions by the executive team, Communication, Necessity of Third party assessment on the effectiveness of the Board of Directors, and Evaluation from Audit & Supervisory Board Member, etc.
- (5) Method for analysis and evaluation: Questionnaire survey by the secretariat of the Board of Directors Meetings based on the direction of the Chairman of the Meetings (with multiple responses and open-ended responses)
- (6) Feedback of the survey results: Selected responses and open-ended responses were reported to the Board.

The results of the questionnaire survey have shown that discussions at the Board of Directors have contributed to increasing the Bank's corporate value and achieving sustainable growth to some extent through constructive discussions about the medium-to-long term business vision and business models for adding corporate value and achieving sustainable growth. Strategy Sessions of this fiscal year were beneficial in general, by mainly discussing themes related to the development of the Next Medium-term Strategies. As the Strategy Sessions have been evaluated as effective for examining business strategies, we will continue to hold the Strategy Sessions while deliberating their agenda, schedule and frequency.

As for the composition and diversity of the Board, we asked questions from the viewpoints of its roles and responsibilities, gender composition, and international background perspective, and have confirmed that gender will continue to be considered.

For the operation of the Board of Directors meetings and Strategy Sessions, the executive team has given priority to selecting agenda items that will not require explanations and providing simple explanations since we have been obtaining comments that deliberation time is too long. For this fiscal year, we reviewed the structure of meeting materials and accepted questions in advance, as well as enhancing the aforementioned efforts. As a result, all respondents have evaluated that the deliberation time is reasonable. We recognize that the aforementioned efforts led to more efficient and well-balanced meeting operation.

For information provision from the executive team to the Board of Directors, it has been evaluated that explanations at the Board of Directors meetings have improved, however, it has been confirmed that information provision regarding risk management, compliance and other topics still need improvement.

The utilization of effectiveness evaluation by a third party will be continuously considered based on the intention of the Board of Directors. We also conducted a survey using asking Audit & Supervisory Board Members and confirmed that they evaluated that Directors have generally executed their expected duties in an appropriate manner.

Based on the survey results, the Bank evaluates that operational streamlining allowed the Board to allocate more time to discussing important topics, such as the Group's medium-to long-term vision, in a limited meeting time. We will endeavor to maintain or improve items that were evaluated as appropriate or improved from fiscal year 2017, and examine and improve challenges in order to enhance the effectiveness and functions of the Board.

(Translation)

(2) Overview of Assets, Profit and Loss

i. Overview of Assets, Profit and Loss of the Group

(Hundred millions of yen)

	Fiscal 2015 (16th Fiscal Period)	Fiscal 2016 (17th Fiscal Period)	Fiscal 2017 (18th Fiscal Period)	Fiscal 2018 (19th Fiscal Period)
Ordinary income	3,757	3,804	3,838	3,722
Ordinary profit	620	475	568	553
Profit attributable to owners of the parent	609	507	514	523
Comprehensive income	526	506	474	494
Total equity	7,931	8,207	8,560	8,966
Total assets	89,287	92,583	94,566	95,711

Note

Figures have been truncated to the unit stated in all amounts shown above.

ii. Overview of Assets, Profit and Loss of the Bank

(Hundred millions of yen)

	Fiscal 2015 (16th Fiscal Period)	Fiscal 2016 (17th Fiscal Period)	Fiscal 2017 (18th Fiscal Period)	Fiscal 2018 (19th Fiscal Period)
Deposits	59,657	59,926	62,281	62,068
Time deposits	30,056	27,567	26,910	22,719
Other	29,601	32,358	35,371	39,348
Debentures (Long-Term Credit Bank Bond)	167	65	4	—
Corporate bonds (Excluding Long-Term Credit Bank Bond)	576	576	450	423
Loans and bills discounted	43,001	45,364	46,379	49,326
To individuals	14,694	15,929	15,601	14,575
To small- and medium-sized businesses	13,376	13,893	14,655	18,057
Other	14,930	15,541	16,122	16,692
Trading assets	3,118	2,276	1,998	2,002
Trading liabilities	2,913	2,100	1,813	1,797
Securities	16,038	13,693	14,523	14,459
Japanese national government bonds	7,480	4,935	5,025	4,995
Other	8,557	8,757	9,498	9,463
Total assets	78,576	80,517	82,074	83,285
Total equity	7,764	8,079	8,305	8,486
Domestic exchange transactions	237,472	236,208	238,298	243,521

(Translation)

	(Millions of dollars)	(Millions of dollars)	(Millions of dollars)	(Millions of dollars)
Foreign exchange transactions	8,710	10,322	12,260	10,866
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
Ordinary profits	49,366	32,858	36,586	38,630
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
Net income	41,566	43,425	40,510	35,443
	(yen)	(yen)	(yen)	(yen)
Net income per share	15.66	166.53	156.80	143.10

Notes

1. *Figures have been truncated to the unit stated in all amounts shown above.*
2. *Deposits and other deposits include negotiable certificates of deposits.*
3. *'Long-Term Credit Bank Bond' represents a long-term credit bank bond, as classified in Item 5, paragraph 2, Article 2 of the Deposit Insurance Act.*
4. *Shinsei Bank consolidated its shares with a rate of ten shares of common stock into one share on October 1, 2017. The above Net income per share data is calculated as if the consolidation of shares had occurred at the beginning of the FY2016.*

(3) Employees on consolidated basis

	<u>End of this fiscal year</u>	<u>End of the previous fiscal year</u>
	Number of employees	
Institutional Business		
Corporate Business	397	424
Structured Finance	145	149
Principal Transactions	150	158
Showa Leasing	468	500
Global Markets Business		
Markets	54	62
Other Global Markets	101	106
Individual Business		
Retail Banking	808	776
Consumer Finance		
Shinsei Financial	908	927
APLUS FINANCIAL	1,261	1,349
Other	96	95
Corporate / Other		
Treasury	31	29
Other	760	732
Total	5,179	5,307

Note

These numbers include overseas local employees.

(Translation)

(4) Status of Main Offices of the Group

i. The Bank

1) Number of business offices

	End of this fiscal year (Annex)	End of the previous fiscal year (Annex)
Hokkaido/Tohoku areas.....	2 (－)	2 (－)
Kanto area.....	16 (－)	17 (1)
(Tokyo).....	(11 (－))	(11 (－))
Chubu area.....	2 (1)	3 (1)
Kinki area.....	7 (2)	7 (2)
Chugoku/Shikoku/Kyushu areas.....	2 (－)	3 (－)
Domestic total.....	29 (3)	32 (4)
Overseas.....	－ (－)	－ (－)
Grand total.....	29 (3)	32 (4)

Note

Unmanned branches for Lake business were installed at 725 locations by the end of this fiscal year.

2) Newly established business offices in this fiscal year

None

3) List of agencies of the bank

None

4) Agent activities operated by the Bank

None

ii. Subsidiaries

1) Institutional Business

Main company name and main office location

Company name	Name of office	Address
Shinsei Trust & Banking Co., Ltd.	Head office	4-3, Nihonbashi-muromachi 2-chome, Chuo-ku, Tokyo
Shinsei Investment & Finance Limited	Head office	12-8 Sotokanda 3-chome, Chiyoda-ku, Tokyo
Shinsei Corporate Investment Limited	Head office	4-3, Nihonbashi-muromachi 2-chome, Chuo-ku, Tokyo
Showa Leasing Co., Ltd.	Head office	4-14, Koraku 1-chome, Bunkyo-ku, Tokyo

2) Global Markets Business

Main company name and main office location

Company name	Name of office	Address
Shinsei Securities Co., Ltd.	Head office	4-3, Nihonbashi-muromachi 2-chome, Chuo-ku, Tokyo
Shinsei Investment Management Co., Ltd.	Head office	4-3, Nihonbashi-muromachi 2-chome, Chuo-ku, Tokyo

(Translation)

3) Individual Business

Main company name and main office location

<u>Company name</u>	<u>Name of office</u>	<u>Address</u>
Shinsei Financial Co., Ltd.	Head office	12-8, Sotokanda 3-chome, Chiyoda-ku, Tokyo
Shinsei Personal Loan Co., Ltd.	Head office	12-8, Sotokanda 3-chome, Chiyoda-ku, Tokyo
APLUS FINANCIAL Co., Ltd.	Tokyo office	12-8, Sotokanda 3-chome, Chiyoda-ku, Tokyo
Alpha Servicer Co., Ltd	Head office	22-1, Nishi Shinjuku 6-chome, Shinjuku-ku, Tokyo

(5) Facility Investment of the Group

i. Total facility investment

(Millions of yen)

<u>Business segment</u>	<u>Amount</u>
Shinsei Bank (Note 2)	8,898
<u>Subsidiaries</u>	
Institutional Business	873
Global Markets Business	26
Individual Business	12,283
Corporate/Other	-
Total	22,082

Notes

1. Figures have been truncated to the unit stated in all amounts shown above.
2. This amount is the total amount invested in each business segment on a nonconsolidated basis.

ii. New establishment of important facilities

Developing more stable and robust IT infrastructures capable of supporting the management/business strategies, Shinsei Bank had been updating the core business systems, and they were completed in January 2019. The total investment was approximately 26 billion yen.

And, APLUS Co., Ltd had been developing the core business system for credit card, and it was completed in August 2018.

(Translation)

(6) Important Parent Company and Subsidiaries

i. Parent Company

None

ii. Subsidiaries

Company Name	Address	Major business	Establishment date	Capital (millions of yen)	Percentage of voting rights of subsidiaries, etc. held by Shinsei Bank (%)	Other
APLUS FINANCIAL Co., Ltd.	Osaka City Osaka	Consumer credit business	October 6, 1956	15,000	95.00 (92.83)	—
Showa Leasing Co., Ltd.	Bunkyo-ku, Tokyo	Leasing business	April 2, 1969	29,360	100.00	—
Shinsei Personal Loan Co., Ltd.	Chiyoda-ku, Tokyo	Consumer finance business	December 1, 1954	100	100.00 (100.00)	—
Shinsei Financial Co., Ltd.	Chiyoda-ku, Tokyo	Consumer finance business	June 3, 1991	100	100.00	—
Shinsei Trust & Banking Co., Ltd.	Chuo-ku, Tokyo	Trust business	November 27, 1996	5,000	100.00	—
Shinsei Securities Co., Ltd.	Chuo-ku, Tokyo	Securities business	August 11, 1997	8,750	100.00	—
Shinsei Investment & Finance Limited	Chiyoda-ku, Tokyo	Financial instruments business	April 11, 2006	100	100.00	—

Notes

1. Fractions of amounts shown less than one million yen have been truncated.
2. Numbers included in parentheses in the "Percentage of voting rights of subsidiaries, etc. held by Shinsei Bank" column indicate indirect holdings.
3. Shinsei has 83 consolidated subsidiaries, including the major subsidiaries listed above, as well as 35 affiliated companies that are accounted for under the equity method.

Summary of Important Business Alliances

1. Shinsei Bank offers automated cash withdrawal services through the mutual use of ATMs under alliance relationships with the following financial institutions:

Commercial banks:

MUFG Bank, Ltd.; Mizuho Bank, Ltd.; Sumitomo Mitsui Banking Corporation;
Resona Bank, Ltd.; Saitama Resona Bank, Ltd.

Trust and banking companies:

Sumitomo Mitsui Trust Bank, Ltd.; Mitsubishi UFJ Trust and Banking Corporation;
Mizuho Trust & Banking Co., Ltd.

Others:

The Shoko Chukin Bank, Ltd.; Aozora Bank, Ltd.

2. The Bank offers cash withdrawal and depository services through the mutual use of ATMs under an alliance with Japan Post Bank Co., Ltd.
3. The Bank offers cash withdrawal and depository services through ATMs operated by Seven Bank, Ltd., AEON Bank, Ltd., Lawson Bank, Inc., and E-net Co., Ltd. These ATMs are installed primarily in supermarkets and convenience stores.
4. The Bank offers ATM services through "VIEW ALTTE" ATMs which are located throughout East Japan Railway Company railway stations under a partnership agreement with Viewcard Co., Ltd. , and also "Patsat" ATMs installed in major stations in the Hankyu Railway and other railways under a partnership agreement with Station Network Kansai Co., Ltd. and The Senshu Ikeda Bank, Ltd.
5. The Bank is introducing financial products and services to members, who are the users of "T Points," "d Points," and "nanaco Points," each loyalty program provided by T point Japan Co., Ltd., NTT Docomo Inc. and Seven Card Service Co., Ltd. under a business alliance agreement with each company.
6. The Bank has an alliance with APLUS Co., Ltd., a consolidated subsidiary, and has been processing applications for the Luxury Card and the Shinsei APLUS Gold Card, a credit card issued by APLUS Co., Ltd.
7. The Bank has an alliance with MONEY DESIGN, Co., Ltd., and has provided the discretionary ETF (Exchange Trade Fund) investment service, "THEO Plus Shinsei Bank," using a robo-advisor developed by MONEY DESIGN, Co., Ltd.
8. The Bank entered into an agreement on consignment of guarantee with Shinsei Financial Co., Ltd., a consolidated subsidiary, which acts as a guarantor for "Shinsei Bank Card Loan – Lake," and "Shinsei Bank Smart Card Loan Plus, unsecured personal card loan services.
9. The Bank has signed a business alliance agreement on business cooperation regarding business matching and lending with Military Commercial Joint Stock Bank (MB Bank), a major commercial bank in Vietnam.
10. The Bank has signed a comprehensive business alliance with YES BANK, Limited, an Indian commercial bank. The alliance covers information-sharing, business matching, syndications, lending, investment

(Translation)

banking, trade finance, remittances, treasury operations and other business in collaboration with YES BANK, Limited.

11. The Bank has signed a memorandum of understanding on broad business cooperation in areas such as business matching, loans, trade finance, advisory, and provision of financial instruments with Jih Sun Financial Holdings Co., Ltd. a Taiwanese equity-method affiliate of the Bank.
12. The Bank has signed a memorandum of understanding on a business alliance concerning institutional business with RHB Bank Berhad, a major commercial bank in Malaysia as its strategic partner.
13. The Bank has signed a memorandum of understanding on a business alliance concerning institutional business with CIMB Bank Berhad, a major commercial bank in Malaysia, and CIMB Investment Bank Berhad.

(7) State of Business Transfer, etc.

i. Significant Business Transfer, Merger and Splitting, New Establishment and Splitting
None

ii. Significant Transfer of Business from Other Companies
None

iii. Significant Acquisition or Disposal of Stock, Other Equities or Stock Acquisition Rights of Other Companies
None

iv. Significant Succession of Rights and Obligations regarding Other Corporations' Business through Merger or Company Split
None

(8) Other Important Items Regarding the Current State of the Group

None

2. Matters Concerning Corporate Directors and Audit & Supervisory Board Members

(1) Corporate Directors and Audit & Supervisory Board Members

(As of March 31, 2019)

<u>Name</u>	<u>Position(s)/ Responsibility(ies)</u>	<u>Important Concurrent Post(s)</u>	<u>Other(s)</u>
Hideyuki Kudo	Representative Director, President and CEO	—	—
Yoshiaki Kozano	Director Chief Officer, Group Business Strategy	Director (Non-executive), APLUS FINANCIAL Co., Ltd.	—
J. Christopher Flowers	Director (Outside)	Managing Director and Chief Executive Officer, J. C. Flowers & Co. LLC Member of the Supervisory Board, NIBC Holding N.V. Member of the Supervisory Board, Hamburg Commercial Bank	—
Ernest M. Higa	Director (Outside)	Chairman President & Chief Executive Officer, Higa Industries Co., Ltd. Chairman & Representative Director, Wendy's Japan K.K. Director, JC Comsa Corporation Board of Trustees, Showa Women's University Board of Overseers, Columbia Business School Board Member, The Tokyo New Business Conference	—
Shigeru Kani	Director (Outside)	—	—
Jun Makihara	Director (Outside)	Outside Director, Monex Group, Inc. Outside Director, Philip Morris International Inc.	—
Ryuichi Tomimura	Director (Outside)	President, Representative Director, SIGMAXYZ Inc.	—
Shinya Nagata	Audit & Supervisory Board Member	—	Mr. Nagata has extensive experience in the operational area of financial control and accounting and has a considerable level of knowledge of matters of finance and accounting.

(Translation)

Name	Position(s)/ Responsibility(ies)	Important Concurrent Post(s)	Other(s)
Shiho Konno	Audit & Supervisory Board Member (Outside)	Lawyer Outside Director, Kakaku.com, Inc. Outside Director, Alfresa Holdings Corporation Outside Director, Monex Group, Inc.	—
Michio Shibuya	Audit & Supervisory Board Member (Outside)	Certified Public Accountant Member of Management Supervisory Committee, BDO Sanyu & CO.	Mr. Shibuya is qualified as a Certified Public Accountant and has a considerable level of knowledge of matters of finance and accounting.

Notes

1. *Outside Directors J. Christopher Flowers, Ernest M. Higa, Shigeru Kani, Jun Makihara and Ryuichi Tomimura and Outside Audit & Supervisory Board Members Shiho Konno and Michio Shibuya submitted an "independent director statement" (dokuritsu-yakuin todokede-sho) to the Tokyo Stock Exchange, Inc.*
2. *The Bank has adopted the Executive Officer system and Chief Officers and Senior Officers have been assigned to the Group Headquarters. As of March 31, 2019, there were 35 Executive Officers and Officers including those who also serve as Directors.*

(2) Compensation for Corporate Directors and Officers

Total Amount of Compensation, etc. for Corporate Directors and Officers for this Fiscal Year

Classification	Number of payees	Compensation, etc.	Remarks
Directors	8 (Of whom, 1 has already resigned)	189 million yen	
Audit & Supervisory Board members	4 (Of whom, 1 has already resigned)	48 million yen	
Total	12 (Of whom, 2 has already resigned)	237 million yen	

Notes

1. *Figures have been truncated to the unit stated in all amounts shown above.*
2. *In the above categories, 3 Directors also work as Executive Officer.*
3. *The 15th General Meeting of Shareholders held on June 17, 2015 adopted a resolution to set ceilings for the total amount of compensation, etc. paid to Directors at 180 million yen a year (including 60 million yen for outside Directors) and the 10th General Meeting of Shareholders held on June 23, 2011 adopted a resolution to set ceilings for the total amount of compensation, etc. paid to Audit & Supervisory Board members at 60 million yen a year. However, these amounts do not include salaries payable to Directors as the Bank's employees when they also work as the Bank's employees.*

4. The Bank resolved to abolish the retirement allowance plan for Officers and the introduction of equity remuneration type stock options to the Full-Time Directors was resolved at the 15th General Meeting of Shareholders held on June 17, 2015. Separately from the maximum remuneration stated above, the 15th General Meeting of Shareholders held on June 17, 2015 adopted a resolution to set ceilings for allotment the Subscription Warrants not exceeding 50 million yen annually to the Full-Time Directors as equity remuneration type stock options.
5. The Bank resolved at the 18th Ordinary General Meeting of Shareholders held on June 20, 2018, the introduction of a restricted stock remuneration system targeting full-time Directors. The amount of the compensation for each Director is up to 20 million yen per year, which is within the annual limit of 180 million yen per year as stated above in the note 3.
6. Equity remuneration type stock options of 22 million yen granted to the Full-Time Directors is included in 'Remuneration and Benefits' in the table above.
7. Individual amounts of the remuneration for the Bank's Directors are decided by the Board of Directors based on the contents of the Revitalization Plan and within the total remuneration amount resolved at the General Meeting of Shareholders. For full-time Directors, the Bank has implemented equity remuneration type stock options and restricted stock remuneration in order to give them a medium-to long-term incentive and a share in shareholder value. The Bank does not pay director bonuses to Directors in order to reduce the incentive for excessive risk-taking.
8. Based on the resolution passed at the 14th General meeting of Shareholders held on June 18, 2014, the Bank paid 33 million yen for retirement benefit to one Director and one Audit & Supervisory Board member, who retired at the close of the 18th General meeting of Shareholders held on June 20, 2018. The amount is included in 'Remuneration and Benefits' in the table above.

(3) Agreement for Limitation on Liability

Name	Overview of Contents of Agreement for Limitation on Liability
J. Christopher Flowers Ernest M. Higa Shigeru Kani Jun Makihara Ryuichi Tomimura Shiho Konno Michio Shibuya	The Outside Directors and the Outside Audit & Supervisory Board Members' liability for any damage caused through neglect of their duties and responsibilities shall be limited under Article 427, Paragraph 1 of the Corporation Act. If the Bank suffers damage as a result of such neglect, the Outside Directors and the Outside Audit & Supervisory Board Members shall be liable up to the lowest maximum liability provided for in Article 425, Paragraph 1 of the Corporation Act, provided that there should be no willful misconduct or gross negligence involved in their duties and responsibilities.

3. Matters concerning Outside Directors and Outside Audit & Supervisory Board Members

(1) Concurrent Posts and Other Details of Outside Directors and Outside Audit & Supervisory Board Members

Name	Concurrent Posts and Other Details	Relationship between the Bank and the company in question
J. Christopher Flowers	Managing Director and Chief Executive Officer (Executive Officer), J. C. Flowers & Co. LLC	Investors in private investment funds advised by J.C. Flowers & Co. LLC (JCF) are also investors in Shinsei through certain of the Bank's major shareholders that are also advised by JCF. The Bank has invested in private investment funds advised by JCF.
	Member of the Supervisory Board, NIBC Holding N.V.	The Bank invests in NIBC Holding N.V. indirectly.
	Member of the Supervisory Board, Hamburg Commercial Bank	The Bank has no particular transactions with Hamburg Commercial Bank including shareholdings, etc.
Ernest M. Higa	Chairman President & Chief Executive Officer (Executive Officer), Higa Industries Co., Ltd.	The Bank has no particular transactions with Higa Industries Co., Ltd. including shareholdings, etc.
	Chairman & Representative Director, (Executive Officer), Wendy's Japan K.K.	The Bank has no particular transactions with Wendy's Japan K.K. including shareholdings, etc.
	Director, JC Comsa Corporation	The Bank has no particular transactions with JC Comsa Corporation including shareholdings, etc.
	Board of Trustees, Showa Women's University	The Bank has no particular transactions with Showa Women's University including shareholdings, etc.
	Board of Overseers, Columbia Business School	The Bank has no particular transactions with Columbia Business School including shareholdings, etc.
	Board Member, The Tokyo New Business Conference	The Bank has no particular transactions with The Tokyo New Business Conference including shareholdings, etc.
Jun Makihara	Outside Director, Monex Group, Inc.	The Bank has no particular transactions with Monex Group, Inc. including shareholdings, etc.
	Outside Director, Philip Morris International Inc.	The Bank has no particular transactions with Philip Morris International Inc. including shareholdings, etc.

(Translation)

Ryuichi Tomimura	President, Representative Director (Executive Officer), SIGMAXYZ Inc.	The Bank has no particular transactions with SIGMAXYZ Inc. including shareholdings, etc.
Shiho Konno	Outside Director, Kakaku.com, Inc.	The Bank has no particular transactions with Kakaku.com, Inc. including shareholdings, etc.
	Outside Director, Alfresa Holdings Corporation	The Bank has no particular transactions with Alfresa Holdings Corporation including shareholdings, etc.
	Outside Director, Monex Group, Inc.	The Bank has no particular transactions with Monex Group, Inc. including shareholdings, etc.
Michio Shibuya	Member of Management Supervisory Committee, BDO Sanyu & Co.	The Bank has no particular transactions with BDO Sanyu & Co. including shareholdings, etc.

(2) Major Activities of Outside Directors and Outside Audit & Supervisory Board Members

Name	Term of Office	Participation in Meetings of Board of Directors etc.	Remarks at Meetings of Board of Directors etc. and Other Activities
J. Christopher Flowers	18 years as an Outside Director and 1 year as a Director (Non-executive)	Participated in all six meetings of the Board of Directors held during this fiscal year	Provided timely and necessary remarks and advice on general agenda items and deliberations based upon his wide-ranging financial knowledge.
Ernest M. Higa	5 years 9 months	Participated in five out of six meetings of the Board of Directors held during this fiscal year	Provided timely and necessary remarks and advice on agenda items and deliberation based upon his extensive knowledge regarding business for consumers and his experience as an executive officer.
Shigeru Kani	14 years 9 months	Participated in all six meetings of the Board of Directors held during this fiscal year	Provided timely and necessary remarks and advice on agenda items and deliberations in terms of risk management – his specialty.
Jun Makihara	7 years 9 months	Participated in all six meetings of the Board of Directors held during this fiscal year	Provided timely and necessary remarks and advice on general agenda items based upon his wide-ranging financial knowledge.
Ryuichi Tomimura	3 year 9 months as an Outside Director and	Participated in all six meetings of the Board of Directors held during this fiscal year	Provided necessary remarks and advice on general agenda items and deliberations with extensive experience and wide range of

(Translation)

	1 year as an Outside Audit & Supervisory Board Member		knowledge including information system as a management executive and a consultant.
Shiho Konno	9 months	Participated in all five meetings of the Board of Directors and all nine meetings of the Audit & Supervisory Board held during this fiscal year after assuming office in June 2018	Provided necessary remarks and advice on agenda items and deliberations mainly from her special viewpoint as a lawyer and experienced outside auditor and director of other companies.
Michio Shibuya	3 years 9 months	Participated in all six meetings of the Board of Directors and all twelve meetings of the Audit & Supervisory Board held during this fiscal year	Provided necessary remarks and advice on agenda items and deliberations mainly from his special viewpoint as a certified public accountant and experienced outside auditor of other companies.

(3) Compensation for Outside Directors and Outside Audit & Supervisory Board Members

	Number of payees	Compensation, etc. received from the Bank	Compensation, etc. received from the Bank's parent company
Total compensation, etc. for Outside Directors and Outside Audit & Supervisory Board Members	8 (Of whom, 1 has already resigned)	78 million yen	—

Notes

1. Figures have been truncated to the unit stated in all amounts shown above.
2. The Bank does not pay performance-linked compensation to its Directors.
3. Based on the resolution passed at the 14th General meeting of Shareholders held on June 18, 2014, the Bank paid 6 million yen for retirement benefit to one Audit & Supervisory Board member, who retired at the close of the 18th General meeting of Shareholders held on June 20, 2018. The amount is included in 'Compensation, etc. in the table above.

(4) Opinions from Outside Directors and Outside Audit & Supervisory Board Members

None

(Translation)

4. Matters concerning Shares of the Bank

(1) The Number of Shares

Aggregate number of shares authorized to be issued	400,000 (thousand shares)
Aggregate number of shares issued	259,034 (thousand shares)

Note

The number of shares shown has been rounded down to thousands of shares.

(2) The Number of Shareholders at the End of the Fiscal Year 27,437

(3) Major Shareholders

Shareholder's name	Investment in the Bank	
	Number of shares (thousand)	Shareholding percentage
SATURN IV SUB LP (JPMCB 380111)	32,368	13.19%
Deposit Insurance Corporation of Japan	26,912	10.97%
The Resolution and Collection Corporation	20,000	8.15%
The Master Trust Bank of Japan ,Ltd. (Trust Account)	12,680	5.16%
SATURN JAPAN III SUB C.V. (JPMCB 380113)	11,044	4.50%
SSBTC CLIENT OMNIBUS ACCOUNT	8,671	3.53%
Japan Trustee Services Bank, Ltd. (Trust Account 9)	8,483	3.45%
JAMES CHRISTOPHER FLOWERS	7,675	3.12%
Japan Trustee Services Bank, Ltd. (Trust Account)	6,238	2.54%
GOLDMAN,SACHS&CO.REG	4,750	1.93%

Notes

- 1. The above is listed by the substantial holdings as far as the Bank knows.*
- 2. The number of shares shown has been rounded down to thousands of shares.*
- 3. Shareholding percentages have been calculated by deducting treasury shares (13,760 thousand shares) from the denominator and rounding down to the second decimal place.*
- 4. Mr. J. Christopher Flowers is a director of the Bank.*

5. Stock Acquisition Rights of the Bank

Disclosed on the Bank's website (<https://www.shinseibank.com>).

6. Matters concerning the Bank's Independent Accounting Auditor

(1) The Bank's Independent Accounting Auditor

Name	Fees for This Fiscal Year (millions of yen)		Others
Deloitte Touche Tohmatsu LLC	Audit certification business	354	Business other than audit certification business includes 1. External review of Core Banking System replacement 2. Comfort letter for issuance corporate bonds 3. Research and reporting on internal control systems for capital adequacy ratios etc.
	Business other than audit certification business	59	
	Total fees	413	

Notes

- Fractions are rounded down.
- Kazutoshi Kogure, Hidetaka Hayakawa, and Akihiko Uchida are managing partners.
- The audit certification business is the business that falls under Article 2, Paragraph 1 of the Certified Public Accountant Law.
- The Audit & Supervisory Board gives consent, as set forth in Article 399, Paragraph 1 of the Corporation Act, to compensation for independent accounting auditors. The Board has judged that the audit plans of the accounting auditor are reasonable and match with the characteristics of the Shinsei Bank Group, and that the compensation is reasonable in light of ensuring the audit quality and governance framework of the accounting auditor after necessary examination of their execution status of accounting audit, communications with the executive side and Audit & Supervisory Board members, and the basis of calculation of compensation estimates.
- Compensation for independent accounting auditors of the Bank and the consolidated subsidiaries of the Bank for this fiscal year is as follows.

Fees for This Fiscal Year (millions of yen)	
Audit certification business	663
Business other than audit certification business	69
Total fees	732

(2) Agreement for Limitation on Liability

None

(3) Other Matters Concerning the Bank's Independent Accounting Auditor

Policy to determine dismissal or non-reassignment of independent accounting auditor

The Audit & Supervisory Board has a policy to discuss the dismissal or non-reassignment of the independent accounting auditor if it falls under any of the provisions in each item of Article 340, Paragraph 1 of the Corporation Act.

In addition, the Audit & Supervisory Board's determine the agenda regarding the dismissal or non-reassignment of the independent accounting auditor to the General Meeting of Shareholders, if it is certain that the independent accounting auditor cannot exercise its duties properly or as otherwise demanded necessary. And then the Board of Directors submits the Agenda to the General Meeting of Shareholders based on the Audit & Supervisory Boards' resolution.

7. Basic Policy for Persons Who Determine Financial and Business Policies

None

8. Contents of Resolutions Concerning the Organization of a System to Ensure Business Relevance and Operational Status of the Said System

8-1.Outline of resolutions concerning a system to ensure business Relevance

Disclosed on the Bank's website (<https://www.shinseibank.com>).

8-2.Outline of operational status of the system to ensure appropriate business operations

The major operational status in this fiscal year is as follows.

(1) Framework of the organization

As organizations in charge of the Second Line, specialized divisions are established in the Group Headquarters to take charge in risk management and compliance functions. Furthermore, the Group Internal Audit Division is established to take charge in the Third Line function.

(2) Status of activities to ensure that the Bank's directors and employees perform their duties and responsibilities in compliance with laws, regulations and the Articles of Incorporation

All officers and directors of the Bank including the Representative Director receive training (e-learning) on the "Shinsei Bank Group Code of Conduct" and pledge their compliance with the Code each year. In addition, an external legal counsel attends the Board of Directors meetings so that when it is necessary to make judgment concerning matters related to compliance with laws, regulations and so forth, the counsel can be consulted as needed and in an appropriate manner. Furthermore, the Audit & Supervisory Board Members audit business execution by directors from the viewpoint of compliance with laws, regulations, and so forth.

For compliance-related issues, we appoint a Chief Compliance Officer and Compliance Officer in all the Divisions, Departments, and Branches to conduct monitoring.

We have a whistle-blowing system as an independent system from business execution lines. In addition to the Group Legal and Compliance Division, full-time Audit & Supervisory Board Members and external lawyers work as contact persons and keep the full-time Audit & Supervisory Board Members informed of any reports made to them and the details of the investigations conducted.

(3) Status of activities for retaining and managing information related to the execution of duties and responsibilities of directors of the Bank

Pursuant to the Information Security Policy, we recognize information as our important assets and prepare and retain various types of information assets in a manner consistent with internal procedures stipulated in the Policy. We ensure that access to such information assets is controlled in accordance with their characteristics and manage them appropriately. Further, we conduct information security self-checks targeting all Divisions and Branches on a regular basis and make improvements on issues as needed. We are also working on measures and trainings to prevent damage caused by any cyberattack from extending to business applications and customer data.

(4) Status of activities for managing risk of losses for the Bank

We have established the Risk Management Policy and created a risk management system based on this Policy. Pursuant to the basic approach delineated in the Policy, we perform risk management

through the divisions responsible for each risk, the Group Risk Policy Committee, Transaction Committee, Doubtful Debt Committee, Group ALM Committee, Market Business Management Committee, and Group New Business and Product Committee.

(5) Status of activities to ensure that the Bank's directors efficiently perform their duties and responsibilities

Our Board of Directors consists of seven directors including five outside directors. Three Audit & Supervisory Board Members, two of whom are outside Audit & Supervisory Board Members, also attend the Board meetings. The Board of Directors deliberates agenda items and oversees the Bank's business execution status and other issues through six regular meetings held each year, special meetings convened as necessary, and a strategy session which focuses on business strategy and important management issues.

Executive Officers, Chief Officers and Senior Officers who are delegated authorities from the Board of Directors execute businesses for which they are responsible pursuant to the "Regulations of Business Execution" and under the directions given by the President and other "executive directors" (*gyoumu-shikkou-torishimariyaku*). In addition, the Group Executive Committee and the Executive Committee makes decisions when necessary.

Under this system, we set annual plans/budgets and important management indicators (KPI: Key Performance Indicator) for each fiscal year to make the Medium-Term Management Plan more specific. The Bank's management review the process and progress status for achieving the Plan at the PDCA Session conducted four times a year.

Furthermore, we have strengthened our group governance by pursuing more sophisticated functions and optimization of the Group as a whole under the Group Headquarters which substantially integrated the support functions held by the Bank and Group member companies. We have also improved productivity and efficiency by eliminating functional overlaps.

(6) Status of activities to ensure appropriate business operations of corporate groups consisting of the Bank and its parent company and subsidiaries

Pursuant to the Subsidiaries and Affiliates Policy, we have designated the Divisions in charge of each subsidiary and affiliate and have created a system where mainly the specialized divisions of the Group Headquarters generally give guidance and manage the management of the subsidiaries and affiliates, while the Group Corporate Planning Division oversees overall management of the subsidiaries and affiliates. The relevant Divisions in the Bank report to the Group Executive Committee the business activities of the subsidiaries and matters concerning their governance periodically and submit important matters concerning the management of the subsidiaries to the Group Executive Committee for its approval. The Group Corporate Planning Division and the specialized divisions in the Group Headquarters are in charge of operations related to providing managerial guidance and managing subsidiaries and affiliates, pursuant to Group Headquarters Organization Management Policy.

(7) Status of activities concerning employees, if any, who are appointed to assist the Audit & Supervisory Board Members of the Bank in performing their duties, and activities concerning independence of the said employees from directors

We have established the Office of Audit & Supervisory Board Members to assist the Audit & Supervisory Board Members of the Bank in the performance of audits. The Assistants who belong to the said Office report to the Audit & Supervisory Board Members the results of their work in accordance with the directions and orders given by the Audit & Supervisory Board Members.

- (8) **Status of activities concerning a system for the Bank's directors and employees to give reports to the Audit & Supervisory Board Members and other systems for giving reports to the Audit & Supervisory Board Members, and activities to ensure that audits by the Audit & Supervisory Board Members are performed effectively**

The Audit & Supervisory Board consists of three Audit & Supervisory Board Members including two outside Audit & Supervisory Board Members. As a general rule, the Audit & Supervisory Board holds a meeting every month where they receive reports on, discuss, and make resolutions for, important matters concerning audits. In addition, the Audit & Supervisory Board has regular meetings with accounting auditors to exchange opinions on the current status of compliance and internal controls.

Standing Audit & Supervisory Board Members attend various important committees including the Group Compliance Committee and the Compliance Committee, and conduct interviews on the relevant Divisions and Branches including the Group member companies in an attempt to improve the effectiveness of audits.

- (9) **Status of activities to eliminate antisocial forces**

We have established "Guidelines for Handling Antisocial Forces" and the Financial Crime Information Department in the Group Legal and Compliance Division oversees planning, promotion, and management concerning the measures to deal with antisocial forces, and liaises with external specialist organizations and mainly takes the measures described below in close collaboration with the Group General Services Division. As the measures to eliminate antisocial forces, we regularly perform screening checks to determine if our customers fall under antisocial forces before and after we start transactions with them. In addition, we include designated clauses on the elimination of relationships with antisocial forces in contracts, agreements and other documents we sign at the time of transactions.

9. Matters Concerning Wholly Owned Subsidiary Companies

None

10. Matters Concerning Transactions with the Parent Company, etc.

None

11. Matters Concerning Accountants

None

12. Others

Policy concerning exercise of authorities granted to the Board of Directors in accordance with the provisions of the Articles of Incorporation under the provision of Article 459, Paragraph 1 of the Corporation Act.

We plan to exercise the authorities granted to the Board of Directors in accordance with Article 36 of our Article of Incorporation under the provision of Article 459, Paragraph 1 of the Corporation Act from the viewpoint of flexible and agile capital policy implementation, taking into consideration the soundness, stability and efficiency of finance.

[Reference] ESG Management Policy

We announced our ESG Management Policy, which clarifies the basic concept and direction of the Shinsei Bank Group's efforts on environmental and social issues, on the bank's website on May 15, 2019. The full text is provided below for your reference information.

1. Objectives

The Shinsei Bank Group (hereinafter "the Group") has established the Charter of Shinsei Bank Group Corporate Behavior which articulates our commitment to earning the unwavering trust of society and providing solutions to societal issues in a sincere manner, in order to live up to our management principles. Based on this Charter, the Group has carried out management with environmental and societal issues in mind, and is aiming to pursue revenue-making opportunities that are predicated on a sustainable society, in accordance with the Group's social responsibilities.

The aim of this "Group ESG Management Policy" is to clearly stipulate the basic views and future direction of the Group's initiatives pertaining to environmental and societal issues, and present them to all of the Group's stakeholders, including members of the general public, shareholders, and employees, and to work on further enhancing our management through dialogue with these stakeholders.

2. Positioning

For the purpose of realizing our management principles, we have established "The Charter of Shinsei Bank Group Corporate Behavior," to set forth the conduct expected of us as a corporate group, and have also enacted "The Shinsei Bank Group Code of Conduct," to stipulate the minimum standards of conduct expected of all of the employees of the Group.

The "Group ESG Management Policy" has been positioned as a basic policy and the starting point for the formulation of our management strategies. We are aware that, in order to pursue the kinds of sustainable growth opportunities that are required for the realization of our management principles, it is essential, as part of our social responsibility as a corporate group, that we contribute to the building of a sustainable society.

3. Corporate Governance Framework

i) Establishment, Amendment, and Abolishment

Establishment, amendment, and abolishment of the "Group ESG Management Policy" shall be subject to approval by the Group Executive Committee, as it is a basic policy that provides the starting point for the formulation of our management strategies.

ii) Reporting and Deliberation

The status of business execution related to the ESG management of the Shinsei Bank Group and the status of ESG risk management, including corruption prevention, are regularly reported to and discussed by the Group Executive Committee. We summarize and regularly report the details based on discussions by the Group Executive Committee to the Board of Directors, revise our policies when needed, and make continuous efforts to enhance ESG management.

iii) Disclosure of Information

Among the matters deliberated on by the Board of Directors and the Group Executive Committee, those matters materially important to outside stakeholders shall be, as far as possible, disclosed in the Group's Integrated Report.

4. G: Basic views on corporate governance

i) Basic views of Shinsei Bank, Limited (hereinafter “the Bank”), as a listed company
Shinsei Bank, Limited (hereinafter “the Bank”) recognizes that enhancing corporate governance is one of the highest priorities to achieve our management principles, and has established a corporate governance framework as a “Company with an Audit & Supervisory Board”. This model aims to ensure appropriate managerial decision-making and business implementation in order to establish a corporate governance framework with sufficient organizational checking functions. We aim to achieve this through the following two key actions:

1) Setting the broad direction of corporate strategy and establishing an environment where appropriate risk-taking by the senior management is supported through decision-making by Board of Directors, the highest managerial decision-making body, on important corporate business execution matters, such as basic management policies including mid-term management plans and annual plans; and 2) Assigning Audit & Supervisory Board Members and an Audit & Supervisory Board those are independent of the Board of Directors auditing duties that include auditing of the Board of Directors.

The Bank approves of the “Corporate Governance Code” applicable to listed companies in Japan which came into effect in June 2015, in that we seek to adequately practice the Code for effective corporate governance in pursuit of sustainable growth and increasing corporate value over the mid- to long-term, and thereby contribute to the development and success of stakeholders and the Japanese economy as a whole. The Bank intends to enhance corporate governance in line with the basic policies outlined below for the respective general principles.

ii) The Bank’s guidelines on corporate governance as a listed company

(1) Shinsei Bank fully recognizes that without an appropriate cooperation with stakeholders including shareholders and investors, it would be difficult to achieve sustainable growth and shareholders are the primary starting point for corporate governance discipline. Shinsei Bank takes appropriate measures to fully secure shareholder rights and develop an environment in which shareholders can exercise their rights appropriately and effectively. In addition, Shinsei Bank enhances to secure effective equal treatment of shareholders.

(2) Shinsei Bank fully recognizes that our sustainable growth and the creation of mid- to long-term corporate value are brought about a result of the provision of resources and contributions made by a range of shareholders, including employees, customers and local communities. As such, Shinsei Bank endeavors to appropriately cooperate with these stakeholders.

(3) Shinsei Bank seeks actively disclose various information regarding its management in order to increase in transparency of management, to obtain accurate understanding on our management status and policies from customers, investors and stakeholders, and to widely receive an appropriate evaluation from society. Shinsei Bank aims to provide voluntary, timely and continuous disclosure in fair and effective manner in terms of information not only those in compliance with the relevant laws and regulations but also additional information that does not fall under the Timely Disclosure Rules in order to meet needs from customers, stakeholders and investors. Shinsei Bank endeavors to engage in constructive dialogue with shareholders even outside the general shareholder meeting and to work for developing a balanced understanding of the positions of shareholders and other stakeholders and acting accordingly.

iii) Internal Control

In addition to establishing a framework for business execution oversight and decision-making chiefly involving the board of directors, a basic policy, the “Internal Control Rules,” has been enacted by the board of directors to ensure an effective internal control system, for the sake of ensuring the appropriate functioning of corporate governance. That is to say, we have clearly stipulated in the “Internal Control Rules,” that we shall create an organizational framework consisting of the independent control function of the business execution line (the “First Line”); the oversight function independent from the on-site business execution line (the “Second Line”); and

the internal audit function independent from these other two functions (the “Third Line”), and that the Board of Directors shall receive timely and appropriate reports from each of these functions, and thereby ascertain material risks and issues in an appropriate manner while issuing necessary instructions and scrutinizing important policies and control-related matters on a regular basis.

In addition, the “Shinsei Bank Group Code of Conduct”, which was established based on the Group ESG Management Policy as a basic framework for ensuring that the performance of work duties and responsibilities by board members and employees of each member company of the Group shall be in compliance with relevant laws and regulations and the articles of incorporation, includes stipulations concerning the prevention of money laundering, terrorist financing and other financial crimes, and prohibition of any relations with antisocial forces, as well as anti-corruption and anti-bribery clauses. All directors, officers, and employees shall comply with this Code of Conduct. The board of directors shall confirm the status of enhancement and performance of these frameworks annually.

5. S: Basic views on Societal Issues

i) Basic views

We believe that human resources are the most important element for the Group as we engage in financial businesses. The Group’s human resources are the source of our innovation and the competitiveness we require to achieve sustainable growth amidst fiercely competitive market conditions. We provide our employees with our all-out support, fostering a working environment that facilitates flexible working styles in order to provide appealing workplaces and enable people of diversified backgrounds from gender, age, nationalities and all other aspects to fully demonstrate their potential and achieve sustainable Group growth.

We have established the “Group Human Rights Policy” in order to clarify the Group’s respect to the human rights of all people.

The Group is now able to meet the financial needs in society that conventional financial services have been unable to satisfy, by creating new opportunities for people to access financial services. The Group shall strive to provide easy-to-understand information to enable customers to ascertain their own financial needs in an appropriate manner.

When providing information, we vow to prioritize customers’ needs first and foremost and provide them with optimal financial products and services.

ii) Corporate Philanthropy

In order to act as a responsible corporate citizen in accordance with our “Policy for Corporate Philanthropic Initiatives,” the Group is actively committed to contributing to society and is aiming to become a banking group that earns the trust of society. Also, through societal contribution, the Group aims to nurture human resources able to contribute to the sustainable development of society through strengthening teamwork among employees that transcends the boundaries of Group companies and creating networks connecting the Group with communities.

6. E: Basic views on Environmental Issues

Global environmental issues such as climate change are very critical issues relating to the realization of a sustainable society, and we are aware that such issues are also important management issues for us in our pursuit of ESG management. From the perspective of ESG management, environmental issues represent business risks, while at the same time also provide significant business opportunities. The Group will therefore mobilize all of our capabilities as a financial services provider to help tackle environmental issues.

Furthermore, we will actively pursue investment and lending opportunities contributing to the expansion of renewable energy use.

7. Promotion of ESG Investment and Lending

When making investment and loans, the Group will actively involve itself in transactions where the recipients of our investments or loans, or the projects operated by these recipients, contribute to the solution of societal and environmental issues.

In pursuing ESG investment and lending, we aim to enhance the sustainability of the Group's revenue-growth opportunities through contributing to the creation of a sustainable society.

8. Views on Investment and Lending to Specific Segments

Based on our awareness that tackling environmental and social issues in a sincere manner will lead to the realization of our management principles, we deem it to be a managerial risk for Group companies to, in the course of their business activities, engage in business transactions with companies that do not respond to environmental and societal issues in an appropriate manner. Consequently, when conducting our business, we will assess cases based on considerations relating to environmental and societal issues as well as economic rationality in an appropriate manner.

The Group has identified transactions with businesses such as those listed below as representing serious environmental and societal risks and any further investment or lending transactions involving such businesses shall, in principle, be banned:

Types of transactions which shall be banned in principle:

- i) Investment and lending transactions connected with anti-social forces;
- ii) Investment and lending transactions connected with the violation of laws and regulations or aimed at illegal acts or evasion or circumvention of laws;
- iii) Investment and lending contrary to public order or morals;
- iv) Investment and lending to companies producing cluster bombs;
- v) Investment and lending to coal-fired thermal power plants

Note: Although further investment and lending to coal-fired thermal power plants shall not be made in principle, in the case of ultra-supercritical pressure coal-fired thermal power plants* or power plants with the same or higher levels of efficiency, a careful assessment shall be made of the power generation efficiency of the power plant concerned. In addition to technologies used to reduce greenhouse gas emissions, and other considerations pertaining to each individual power plant, with reference to guidelines such as OECD Arrangement on Officially Supported Export Credits and in full consideration of the situations in each country and international conditions relating to coal-fired thermal power plants.

(*) An ultra-supercritical pressure coal-fired thermal power plant is defined as falling into either of following power plant groups:

1. A power plant with a steam pressure of 240 bars or higher and a steam temperature of 593°C or higher.
2. A power plant with a CO₂ emission volume of below 750g per kWh.

END

(Translation)

Consolidated Balance Sheet

Shinsei Bank, Limited, and Consolidated Subsidiaries
As of March 31, 2019

	Millions of yen
ASSETS	
Cash and due from banks	¥1,355,966
Receivables under securities borrowing transactions	2,119
Other monetary claims purchased	30,994
Trading assets	204,415
Monetary assets held in trust	305,879
Securities	1,130,286
Loans and bills discounted	4,986,839
Foreign exchanges	29,546
Lease receivables and leased investment assets	176,553
Other assets	851,287
Premises and equipment	45,341
Buildings	11,805
Land	2,665
Tangible leased assets as lessor	24,479
Construction in progress	266
Other premises and equipment	6,125
Intangible assets	67,189
Software	54,499
Goodwill	10,989
Intangible leased assets as lessor	3
Intangible assets acquired in business combinations	690
Other intangible assets	1,007
Assets for retirement benefits	10,931
Deferred tax assets	15,096
Customers' liabilities for acceptances and guarantees	456,759
Reserve for credit losses	(98,034)
Total assets	¥9,571,172
LIABILITIES AND EQUITY	
Liabilities:	
Deposits	¥5,351,564
Negotiable certificates of deposit	570,580
Call money and bills sold	145,000
Payables under repurchase agreements	59,098
Payables under securities lending transactions	510,229
Trading liabilities	182,363
Borrowed money	684,077
Foreign exchanges	471
Short-term corporate bonds	191,000
Corporate bonds	92,335
Other liabilities	347,383
Accrued employees' bonuses	8,598
Accrued directors' bonuses	44
Liabilities for retirement benefits	8,232
Reserve for reimbursement of debentures	3,764
Reserve for losses on interest repayments	63,025
Acceptances and guarantees	456,759
Total liabilities	8,674,529
Equity:	
Common stock	512,204
Capital surplus	78,506
Retained earnings	346,562
Treasury stock, at cost	(37,729)
Total shareholders' equity	899,544
Unrealized gain (loss) on available-for-sale securities	10,041
Deferred gain (loss) on derivatives under hedge accounting	(16,391)
Foreign currency translation adjustments	(1,527)
Defined retirement benefit plans	378
Total accumulated other comprehensive income	(7,500)
Stock acquisition rights	99
Noncontrolling interests	4,498
Total equity	896,642
Total liabilities and equity	¥9,571,172

(Translation)

Consolidated Statement of Income

Shinsei Bank, Limited, and Consolidated Subsidiaries

For the fiscal year ended March 31, 2019

	Millions of yen
ORDINARY INCOME	¥372,243
Interest income	154,843
Interest on loans and bills discounted	140,176
Interest and dividends on securities	12,531
Interest on call loans and bills bought	0
Interest on receivables under securities borrowing transactions	0
Interest on deposits with banks	1,162
Other interest income	971
Fees and commissions income	55,332
Trading income	6,673
Other business income	134,051
Other ordinary income	21,341
Recoveries of written-off claims	6,658
Other	14,682
ORDINARY EXPENSES	316,846
Interest expenses	21,027
Interest on deposits	7,765
Interest on negotiable certificates of deposit	36
Interest on debentures	0
Interest on call money and bills sold	(13)
Interest on payables under repurchase agreements	419
Interest on payables under securities lending transactions	1,142
Interest on borrowings	3,369
Interest on short-term corporate bonds	108
Interest on corporate bonds	466
Other interest expenses	7,731
Fees and commissions expenses	23,981
Other business expenses	84,157
General and administrative expenses	148,545
Amortization of goodwill	2,211
Amortization of intangible assets acquired in business combinations	599
Other general and administrative expenses	145,734
Other ordinary expenses	39,134
Provision of reserve for credit losses	35,241
Other	3,892
ORDINARY PROFIT	55,397
Extraordinary gains	218
Gain on disposal of premises and equipment	0
Other extraordinary gains	218
Extraordinary losses	1,031
Loss on disposal of premises and equipment	68
Impairment losses	955
Other extraordinary losses	8
Income before income taxes	54,584
Income taxes (benefit) - current	3,810
Income taxes (benefit) - deferred	(1,306)
Total income taxes (benefit)	2,503
Profit	52,080
Loss attributable to noncontrolling interests	239
PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT	¥52,319

(Translation)

Consolidated Statement of Changes in Equity

Shinsei Bank, Limited, and Consolidated Subsidiaries

For the fiscal year ended March 31, 2019

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock at cost	Total shareholders' equity
Balance at beginning of the year (Millions of yen)	¥512,204	¥78,506	¥361,368	(¥89,540)	¥862,538
Cumulative effect of accounting change of certain foreign affiliates accounted for by the equity method			(311)		(311)
Restated balance	512,204	78,506	361,057	(89,540)	862,227
Changes during the year					
Dividends			(2,528)		(2,528)
Profit attributable to owners of the parent			52,319		52,319
Purchase of treasury stock				(12,999)	(12,999)
Disposal of treasury stock		(78)		178	100
Cancellation of treasury stock		(64,632)		64,632	–
Transfer to Capital surplus from retained earnings		64,710	(64,710)		–
Changes in ownership interest of the parent related to transactions with noncontrolling interests		(0)			(0)
Increase by forfeit of stock acquisition rights of consolidated subsidiaries			1		1
Decrease by exclusion of consolidated subsidiaries			(1)		(1)
Transfer to retained earnings from unrealized gain (loss) on available-for-sale securities			426		426
Net changes during the year excluding shareholders' equity					
Total changes during the year	–	(0)	(14,494)	51,811	37,317
Balance at end of the year (Millions of yen)	¥512,204	¥78,506	¥346,562	(¥37,729)	¥899,544

	Accumulated other comprehensive income					Stock acquisition rights	Noncontrolling interests	Total equity
	Unrealized gain (loss) on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Foreign currency translation adjustments	Defined retirement benefit plans	Total accumulated other comprehensive income			
Balance at beginning of the year (Millions of yen)	¥5,187	(¥14,457)	(¥1,573)	¥2,089	(¥8,754)	¥318	¥1,930	¥856,034
Cumulative effect of accounting change of certain foreign affiliates accounted for by the equity method	4,307				4,307			3,996
Restated balance	9,495	(14,457)	(1,573)	2,089	(4,446)	318	1,930	860,030
Changes during the year								
Dividends								(2,528)
Profit attributable to owners of the parent								52,319
Purchase of treasury stock								(12,999)
Disposal of treasury stock								100
Cancellation of treasury stock								–
Transfer to Capital surplus from retained earnings								–
Changes in ownership interest of the parent related to transactions with noncontrolling interests								(0)
Increase by forfeit of stock acquisition rights of consolidated subsidiaries								1
Decrease by exclusion of consolidated subsidiaries								(1)
Transfer to retained earnings from unrealized gain (loss) on available-for-sale securities								426
Net changes during the year excluding shareholders' equity	546	(1,933)	45	(1,711)	(3,053)	(219)	2,567	(705)
Total changes during the year	546	(1,933)	45	(1,711)	(3,053)	(219)	2,567	36,611
Balance at end of the year (Millions of yen)	¥10,041	(¥16,391)	(¥1,527)	¥378	(¥7,500)	¥99	¥4,498	¥896,642

(Translation)

Nonconsolidated Balance Sheet

Shinsei Bank, Limited

As of March 31, 2019

	Millions of yen
ASSETS	
Cash and due from banks	¥1,280,991
Cash	4,896
Due from banks	1,276,094
Other monetary claims purchased	10,809
Trading assets	200,276
Derivatives for securities held to hedge trading transactions	7,432
Trading-related financial derivatives	192,843
Monetary assets held in trust	198,717
Securities	1,445,927
Japanese national government bonds	499,550
Japanese corporate bonds	171,148
Equity securities	363,911
Other securities	411,317
Loans and bills discounted	4,932,610
Loans on bills	17,084
Loans on deeds	3,972,580
Overdrafts	942,945
Foreign exchanges	29,546
Due from foreign banks	28,487
Foreign bills receivable	1,059
Other assets	190,104
Prepaid expenses	2,967
Accrued income	9,716
Margin on futures transactions	4,852
Derivatives held in banking account	54,988
Cash collateral paid for financial instruments	40,606
Deferred issuance expenses for corporate bonds	145
Accounts receivable	2,946
Other	73,880
Premises and equipment	12,610
Buildings	8,239
Leased assets	46
Construction in progress	177
Other premises and equipment	4,147
Intangible assets	26,483
Software	24,773
Goodwill	703
Leased assets	992
Other intangible assets	13
Prepaid pension cost	6,849
Deferred tax assets	1,127
Customers' liabilities for acceptances and guarantees	18,060
Reserve for credit losses	(25,519)
Total assets	¥8,328,595

(Translation)

	Millions of yen
LIABILITIES AND EQUITY	
Liabilities :	
Deposits	¥5,636,286
Current accounts	77,173
Ordinary deposits	2,773,889
Notice deposits	13,897
Time deposits	2,271,980
Other deposits	499,344
Negotiable certificates of deposit	570,580
Call money	145,000
Payables under repurchase agreements	59,098
Payables under securities lending transactions	510,229
Trading liabilities	179,749
Derivatives for securities held to hedge trading transactions	4,536
Trading-related financial derivatives	175,212
Borrowed money	195,628
Borrowed money	195,628
Foreign exchanges	471
Foreign bills payable	471
Corporate bonds	42,335
Other liabilities	113,903
Income taxes payable	2,088
Accrued expenses	9,395
Unearned income	390
Suspense receipt on futures transactions	487
Derivatives held in banking account	64,296
Cash collateral received for financial instruments	15,519
Lease obligations	18
Asset retirement obligations	7,410
Other	14,296
Accrued employees' bonuses	4,847
Reserve for reimbursement of debentures	3,764
Acceptances and guarantees	18,060
Total liabilities	7,479,955
Equity:	
Common stock	512,204
Capital surplus	79,465
Additional paid-in capital	79,465
Retained earnings	307,855
Legal reserve	15,243
Other retained earnings	292,611
Unappropriated retained earnings	292,611
Treasury stock, at cost	(37,729)
Total shareholders' equity	861,796
Unrealized gain (loss) on available-for-sale securities	4,719
Deferred gain (loss) on derivatives under hedge accounting	(17,925)
Total net unrealized gain (loss) and translation adjustments	(13,205)
Stock acquisition rights	49
Total equity	848,640
Total liabilities and equity	¥8,328,595

(Translation)

Nonconsolidated Statement of Income

Shinsei Bank, Limited

For the fiscal year ended March 31, 2019

	Millions of yen
ORDINARY INCOME	¥164,135
Interest income	124,464
Interest on loans and bills discounted	101,292
Interest and dividends on securities	21,413
Interest on call loans	0
Interest on deposits with banks	1,113
Other interest income	644
Fees and commissions income	19,484
Domestic and foreign exchange commissions income	1,226
Other fees and commissions income	18,258
Trading income	4,194
Income from securities held to hedge trading transactions	275
Income from trading-related financial derivatives	3,918
Other business income	11,002
Gains on foreign exchange	5,741
Gains on sales of bonds	4,295
Other	965
Other ordinary income	4,989
Net reversal of reserve for credit losses	526
Recoveries of written-off claims	231
Gains on sales of equity securities and others	1,240
Gains on monetary assets held in trust	1,464
Other	1,526
ORDINARY EXPENSES	125,504
Interest expenses	18,002
Interest on deposits	7,770
Interest on negotiable certificates of deposit	36
Interest on debentures	0
Interest on call money	(13)
Interest on payables under repurchase agreements	419
Interest on payables under securities lending transactions	1,142
Interest on borrowings	602
Interest on corporate bonds	313
Interest on swaps	7,709
Other interest expenses	21
Fees and commissions expenses	29,660
Domestic and foreign exchange commissions expenses	1,308
Other fees and commissions expenses	28,352
Other business expenses	4,229
Losses on sales of bonds	1,191
Losses on write-down of bonds	449
Amortization of deferred issuance expenses for corporate bonds	56
Losses on derivatives held in banking account	516
Other	2,015
General and administrative expenses	72,498
Other ordinary expenses	1,113
Losses on write-off of loans	27
Losses on sales of equity securities and others	242
Losses on write-down of equity securities and others	386
Losses on monetary assets held in trust	0
Provision for reimbursement of debentures	122
Other	335
ORDINARY PROFIT	38,630
Extraordinary gains	218
Gain on disposal of premises and equipment	0
Other extraordinary gains	218
Extraordinary losses	2,817
Loss on disposal of premises and equipment	38
Impairment losses	676
Other extraordinary losses	2,101
Income before income taxes	36,032
Income taxes (benefit) - current	1,679
Income taxes (benefit) - deferred	(1,091)
Total income taxes (benefit)	588
NET INCOME	¥35,443

(Translation)

Nonconsolidated Statement of Changes in Equity

Shinsei Bank, Limited

For the fiscal year ended March 31, 2019

(Millions of yen)

	Shareholders' equity								
	Common stock	Capital surplus			Retained earnings			Treasury stock, at cost	Total shareholders' equity
		Additional paid-in capital	Other capital surplus	Total capital surplus	Legal reserve	Other retained earnings	Total retained earnings		
Balance at beginning of the year	¥512,204	¥79,465	—	¥79,465	¥14,738	¥324,912	¥339,650	(¥89,540)	¥841,780
Changes during the year									
Dividends					505	(3,034)	(2,528)		(2,528)
Net income						35,443	35,443		35,443
Purchase of treasury stock								(12,999)	(12,999)
Disposal of treasury stock				(78)	(78)			178	100
Cancellation of treasury stock				(64,632)	(64,632)			64,632	—
Transfer to capital surplus from retained earnings				64,710	64,710	(64,710)	(64,710)		—
Net changes during the year excluding shareholders' equity									
Total changes during the year	—	—	—	—	505	(32,301)	(31,795)	51,811	20,015
Balance at end of the year	¥512,204	¥79,465	—	¥79,465	¥15,243	¥292,611	¥307,855	(¥37,729)	¥861,796

	Net unrealized gain (loss) and translation adjustments			Stock acquisition rights	Total equity
	Unrealized gain (loss) on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Total net unrealized gain (loss) and translation adjustments		
Balance at beginning of the year	¥4,268	(¥15,759)	(¥11,490)	¥270	¥830,560
Changes during the year					
Dividends					(2,528)
Net income					35,443
Purchase of treasury stock					(12,999)
Disposal of treasury stock					100
Cancellation of treasury stock					—
Transfer to capital surplus from retained earnings					—
Net changes during the year excluding shareholders' equity	450	(2,166)	(1,715)	(220)	(1,936)
Total changes during the year	450	(2,166)	(1,715)	(220)	18,079
Balance at end of the year	¥4,719	(¥17,925)	(¥13,205)	¥49	¥848,640

INDEPENDENT AUDITOR'S REPORT

May 13, 2019

To the Board of Directors of
Shinsei Bank, Limited:

Deloitte Touche Tohmatsu LLC

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:

Kazutoshi Kogure

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:

Hidetaka Hayakawa

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:

Akihiko Uchida

Pursuant to the fourth paragraph of Article 444 of the Companies Act, we have audited the consolidated financial statements, namely, the consolidated balance sheet as of March 31, 2019 of Shinsei Bank, Limited (the "Bank") and its consolidated subsidiaries, and the related consolidated statements of income and changes in equity for the fiscal year from April 1, 2018 to March 31, 2019, and the related notes.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

(Translation)
(TRANSLATION)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Bank and its consolidated subsidiaries as of March 31, 2019, and the results of their operations for the year then ended in accordance with accounting principles generally accepted in Japan.

Interest

Our firm and the engagement partners do not have any interest in the Bank for which disclosure is required under the provisions of the Certified Public Accountants Act.

The above represents a translation, for convenience only, of the original report issued in the Japanese language.

INDEPENDENT AUDITOR'S REPORT

May 13, 2019

To the Board of Directors of
Shinsei Bank, Limited:

Deloitte Touche Tohmatsu LLC

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:

Kazutoshi Kogure

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:

Hidetaka Hayakawa

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:

Akihiko Uchida

Pursuant to the first item, second paragraph of Article 436 of the Companies Act, we have audited the financial statements, namely, the balance sheet as of March 31, 2019 of Shinsei Bank, Limited (the "Bank"), and the related statements of income and changes in equity for the 19th fiscal year from April 1, 2018 to March 31, 2019, and the related notes and the accompanying supplemental schedules.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements and the accompanying supplemental schedules in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of financial statements and the accompanying supplemental schedules that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements and the accompanying supplemental schedules based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the accompanying supplemental schedules are free from material misstatement.

(Translation)
(TRANSLATION)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the accompanying supplemental schedules. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements and the accompanying supplemental schedules, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements and the accompanying supplemental schedules in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the accompanying supplemental schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Opinion

In our opinion, the financial statements and the accompanying supplemental schedules referred to above present fairly, in all material respects, the financial position of the Bank as of March 31, 2019, and the results of its operations for the year then ended in accordance with accounting principles generally accepted in Japan.

Interest

Our firm and the engagement partners do not have any interest in the Bank for which disclosure is required under the provisions of the Certified Public Accountants Act.

The above represents a translation, for convenience only, of the original report issued in the Japanese language.

(Translation)

This translation is made for convenience only. The original report was issued in Japanese.

REPORT OF THE AUDIT & SUPERVISORY BOARD

The Audit & Supervisory Board of Shinsei Bank, Limited (hereinafter, the “Bank”) prepared this report, upon deliberation based on audit reports prepared by each Audit & Supervisory Board Member, in relation to the execution of duties by the Bank’s Directors during the 18th fiscal year (from April 1, 2018 to March 31, 2019).

1. Process and Details of Audits by Audit & Supervisory Board Members and the Audit & Supervisory Board
 - (1) The Audit & Supervisory Board determined the audit plan, the assignment of audit duties, and other matters under the audit basic policy of: serving as the supervising functions of the Bank in collaboration with the Board of Directors; creating the sound and sustainable growth and medium- to long-term corporate value of the Bank and its Group; and establishing a good corporate governance framework. The Audit & Supervisory Board received reports from each Audit & Supervisory Board Member on the status and results of audits. Moreover, we received reports from Directors and employees, etc. and the Accounting Auditor on the execution of their duties and requested explanations, as needed.
 - (2) In accordance with the audit policy, audit plan and assignment of audit duties, etc. determined by the Audit & Supervisory Board, each Audit & Supervisory Board Member made efforts to communicate with Directors, the internal audit section and other employees, etc., collect information and improve the audit environment, and conducted audits as follows:
 - A. At the same time, we investigated the status of the Bank’s business activities and assets by attending important meetings, including the Board of Directors meetings, receiving reports and requesting explanations, as needed, from Directors and employees, etc. on the execution of their duties, referring to important approval documents, etc. In addition, with respect to the Bank’s subsidiaries, we communicated and exchanged information with their Directors, Audit & Supervisory Board Members and so forth and received reports on their business, as needed.
 - B. With regard to the Board of Directors resolutions on the establishment of frameworks to ensure that the execution of duties by Directors mentioned in the business report complies with laws, ordinances and the Bank’s Articles of Incorporation as well as other frameworks that are necessary to ensure appropriate business activities by a corporate group consisting of a corporation and its subsidiaries as stipulated in Article 100, Paragraphs 1 and 3 of the Ordinance for Enforcement of the Corporation Act, and frameworks (internal control system) based on such resolutions, we received reports from Directors and employees, etc., on a regular basis, on the status of establishing and administering such frameworks and requested explanations and expressed opinions, as needed.

In relation to internal controls over financial reporting, we were provided reports on internal control assessments and audit status from Division in charge and from the Auditor – Deloitte Touche Tohmatsu LLC – and requested explanations, as needed.
 - C. We monitored and examined whether the Bank’s Accounting Auditor was maintaining its independence and conducting appropriate audits; received its reports on the status of the

execution of its duties; and requested explanations, as needed. Moreover, we received from the Accounting Auditor a notice stating that the “System for Ensuring the Appropriate Execution of Duties” (a matter listed in each item of Article 131 of the Corporate Calculation Rules) is in operation in line with the “Audit Quality Control Standards” (released on October 28, 2005 by the Business Accounting Council), etc. and requested explanations, as needed. We discussed an internal audit plan with the internal audit section prior to their audits, and received reports on the audit results and the status of improvements as needed.

Based on the above process, we examined the Bank’s business report and its attached schedules, financial statements (balance sheet, income statement, statements of changes in equity, notes), schedules attached thereto, and consolidated financial statements (consolidated balance sheet, consolidated income statement, consolidated statements of changes in equity, consolidated notes) for the relevant fiscal year.

2. Results of the Audit

(1) Results of the audit of the business report, etc.

- A. We acknowledge that the business report and its attached schedules fairly present the state of the Bank and its subsidiaries in accordance with laws, ordinances and its Articles of Incorporation.
- B. We acknowledge that nothing came to our attention which falls within the definition of misconduct or a material violation of laws, ordinances or the Bank’s Articles of Incorporation with respect to the execution of duties by Directors.
- C. We acknowledge that the contents of the Board of Directors resolutions concerning the system of internal controls were reasonable. In addition, we acknowledge that nothing came to our attention which should be pointed out concerning the contents of the business report and the execution of duties by Directors in relation to the said internal control system, including internal controls over financial reporting.

(2) Results of the audit of financial statements and attached schedules

We acknowledge that the process and results of the audit by the Bank’s Accounting Auditor, Deloitte Touche Tohmatsu LLC, are appropriate.

(3) Results of the audit of consolidated financial statements

We acknowledge that the process and results of the audit by the Bank’s Accounting Auditor, Deloitte Touche Tohmatsu LLC, are appropriate.

May 14, 2019

The Audit & Supervisory Board of Shinsei Bank, Limited
Shinya Nagata, Full-time Audit & Supervisory Board Member (Seal)
Michio Shibuya, Outside Audit & Supervisory Board Member (Seal)
Shiho Konno, Outside Audit & Supervisory Board Member (Seal)