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[TRANSLATION]

## Shinsei Bank, Limited

TSE Stock code: 8303

### Notice of the Annual General Meeting of Shareholders for the 18th Term

***Date and Time:***

Wednesday, June 20, 2018 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

***Index:***

Notice of the Annual General Meeting of  
Shareholders for the 18th Term..... p.1  
Reference Materials..... p.4  
Business Report..... p.22  
Consolidated Financial Statements..... p.52  
Nonconsolidated Financial Statements... p.55  
Auditor's Report..... p.59

***Agenda Items:***

Proposals made by the Board of Directors  
Company's Proposals (Items 1 to 5)

1. Partial Amendment to the Articles of Incorporation
2. Election of Seven (7) Directors
3. Election of One (1) Audit & Supervisory Board Member
4. Election of One (1) Substitute Audit & Supervisory Board Member
5. Matters Concerning Compensation for Granting Restricted Stock to the Directors Other Than the Outside Directors

Proposal made by certain shareholder  
Shareholder's Proposal (Item 6)

6. Determination of the amount of remuneration in the Restricted Stock Compensation System for Directors of the Board

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

***Please exercise your voting right by mail or via internet in case you do not attend the meeting by deadline: Tuesday, June 19, 2018 by 5:00 p.m.***

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[TRANSLATION]

TSE Stock code: 8303  
May 30, 2018  
4-3 Nihonbashi-muromachi 2-chome, Chuo-ku, Tokyo  
Shinsei Bank, Limited

### **Notice of the Annual General Meeting of Shareholders for the 18th Term**

Dear Shareholders,

We are pleased to invite you to the Annual General Meeting of Shareholders of Shinsei Bank, Limited ("the Bank") for the 18th 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, etc." carefully and exercise your voting right, using either method, so that your vote is received by 5:00 p.m. on Tuesday, June 19, 2018.**

Yours faithfully,

Hideyuki Kudo  
Representative Director and President

#### **If you attend the Meeting in person**

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**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**

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**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 19, 2018 by 5:00 p.m.**

#### **Exercise of voting rights by Internet**

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**Please refer page 3 and vote by: Tuesday, June 19, 2018 by 5:00 p.m.**

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.

(Translation)

**Description of the Meeting**

1. **Date and Time:** Wednesday, June 20, 2018 at 10:00 a.m.  
Doors Open at 9:00 a.m.
2. **Place:** Grand Hall, Nomura Conference Plaza Nihonbashi,  
6<sup>th</sup> 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 and supervisory Board for the 18th Term (from April 1, 2017 to March 31, 2018).**
2. **Report on the Financial Statements for the 18th Term (from April 1, 2017 to March 31, 2018).**

**Matters to be voted on:**

Proposals made by the Board of Directors  
Company's Proposals (Items 1 to 5)

**Item1 : Partial Amendment of the Articles of Incorporation**

**Item2 : Election of Seven ( 7 ) Directors**

**Item3 : Election of One ( 1 ) Audit & Supervisory Board Member**

**Item4 : Election of One ( 1 ) Substitute Audit & Supervisory Board Member**

**Item5 : Matters Concerning Compensation for Granting Restricted Stock to the Directors Other Than the Outside Directors**

Proposal made by certain shareholder  
Shareholder's Proposal (Item 6)

**Item6 : Determination of the amount of remuneration in the Restricted Stock Compensation System for Directors of the Board**

END

- *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 (<http://www.shinseibank.com>) 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 Annual General Meeting of Shareholders for the 18th 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.*

<http://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.*

(Translation)

## **Instructions on Exercising Voting Rights**

### **Exercise of voting rights by Internet**

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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 19, 2018 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.

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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 20, 2018. 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.

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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.

END

(Translation)

**Material for Annual General Meeting of Shareholders Agenda  
Company's Proposals are from Item 1 to Item 5, page 4-17.**

**Company's Proposal**

**Agenda Item 1:**

**Partial Amendment of the Articles of Incorporation**

**1. Reason for amendment of the Articles of Incorporation**

Supplementary Principle 1.2.5 of the Corporate Governance Code stipulates as follows: "In order to prepare for cases where institutional investors who hold shares in street name express an interest in advance of the general shareholder meeting in attending the general shareholder meeting or exercising voting rights, companies should work with the trust bank (*shintaku ginko*) and/or custodial institutions to consider such possibility."

As part of our initiatives concerning the Corporate Governance Code, we intend to take measures to allow institutional investors holding shares of Shinsei Bank indirectly through other legal entities (the so-called "actual shareholders") exercise their rights as shareholders when they express a desire to do so. To this end, we will establish an additional provision in Article 16 of the Bank's Articles of Incorporation, whereby an institutional investor that owns shares in the name of a trust bank, etc. and does not own shares in their own name may attend a shareholders meeting and exercise voting rights as a proxy.

Other details, such as the scope of "actual shareholders" that will be allowed attend a shareholders meeting and exercise voting rights as a proxy, the requirements, and related procedures will be set forth in the Bank's Share Handling Regulations.

The amendment of the Articles of Incorporation shall take effect at the conclusion of this Annual General Meeting of Shareholders.

**2. Details of amendments of the Articles of Incorporation**

The details of the amendments are as follows:

(Amended parts are underlined.)

Current	Proposed Revision
Article 16 (Voting by Proxies) 1. A shareholder may vote at a meeting of shareholders of the Bank through a proxy who is himself or herself a shareholder of the Bank and is entitled to vote at the relevant meeting of shareholders. 2. (New paragraph)	Article 16 (Voting by Proxies) 1. A shareholder may vote at a meeting of shareholders of the Bank through a proxy who is himself or herself a shareholder of the Bank and is entitled to vote at the relevant meeting of shareholders. 2. <u>Notwithstanding the first paragraph of this article, an institutional investor that owns shares in the name of a trust bank, etc. and does not own shares in their own name may attend a shareholders meeting and exercise voting rights as a proxy in accordance with the share handling regulations as established by the Board of Directors.</u>
3. (New paragraph)	3. <u>Each such shareholder or proxy shall submit a document evidencing their proxy power to the Bank at each shareholders meeting.</u>

(Translation)

**Company's Proposal**  
**Agenda Item 2:**  
**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.

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Name	Positions and Responsibilities in the Bank	Reappointed	Outside
<b>1 Hideyuki Kudo</b>	Representative Director, President and CEO	Reappointed	
<b>2 Yoshiaki Kozano</b>	Chief Officer, Group Business Strategy (Equivalent to Senior Managing Executive Officer)	Newly appointed	
<b>3 J. Christopher Flowers</b>	Director	Reappointed	Outside
<b>4 Ernest M. Higa</b>	Director	Reappointed	Outside
<b>5 Shigeru Kani</b>	Director	Reappointed	Outside
<b>6 Jun Makihara</b>	Director	Reappointed	Outside
<b>7 Ryuichi Tomimura</b>	Director	Reappointed	Outside

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(Translation)

1

Name (Date of Birth)

**Hideyuki Kudo** (September 1, 1963)

Ownership ..... Common Shares 6,380

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)

2

Name (Date of Birth)

**Yoshiaki Kozano** (November 1, 1962)

Ownership ..... Nil

Newly appointed

[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) (Current)

(Translation)

3

Name (Date of Birth)

**J. Christopher Flowers** (October 27, 1957)

Ownership ..... Common Shares 7,675,374

Attendance rate of BoD ..... 4/5 (80%)

Reappointed

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

Outside

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)

4

Name (Date of Birth)

**Ernest M. Higa** (October 15, 1952)

Ownership ..... Common Shares 2,762

Attendance rate of BoD ..... 5/5 (100%)

Reappointed

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

Outside

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)



(Translation)

5

Name (Date of Birth)

**Shigeru Kani** (September 20, 1943)

Ownership ..... Common Shares 16,971

Attendance rate of BoD ..... 5/5 (100%)

Reappointed

Outside

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

1966 Y 4 M Joined The Bank of Japan  
1992 Y 5 M Executive Auditor and Senior Advisor to the Chairman, The Tokyo International  
Financial Futures Exchange (Predecessor of Tokyo Financial Exchange Inc.)  
1996 Y 5 M Director, Administration Department, The Bank of Japan  
1999 Y 5 M Executive Managing Director, Tokyo Stock Exchange, Inc.  
2002 Y 4 M Advisor, NEC Corporation  
2004 Y 6 M Director, Shinsei Bank, Limited (Current)  
2006 Y 4 M Professor, Yokohama College of Commerce  
2014 Y 4 M Specially Appointed Professor

6

Name (Date of Birth)

**Jun Makihara** (January 15, 1958)

Ownership ..... Common Shares 20,000

Attendance rate of BoD ..... 5/5 (100%)

Reappointed

Outside

**[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 Japan, 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)

(Translation)

7

Name (Date of Birth)

**Ryuichi Tomimura** (February 17, 1959)

Ownership ..... Nil

Attendance rate of BoD ..... 5/5 (100%)

Reappointed

Outside

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

1983 Y 10M Joined IBM Japan, Ltd.  
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. (Current)  
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. (Current)

Notes.

1. The responsibilities in Shinsei Bank, Limited (hereinafter, "the Bank") of the candidates for Directors who are currently Directors are described on page 43 of the Business Report.
2. 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 2017, until April 30, 2018.
3. 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.
4. 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.
5. 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).

(Translation)

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) 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, Shigeru Kani, 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 five candidates are re-elected as Directors, the Bank will continue the said Agreement for Limitations on Liability with them.

8. The following persons are candidates for Outside Directors:

Messrs. J. Christopher Flowers, Ernest M. Higa, Shigeru Kani, Jun Makihara and Ryuichi Tomimura

(Translation)

9. Matters concerning candidates for Outside Directors:

**(1) Reasons for nominating each of the candidates for Outside Director**

- ① 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.
- ② 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.
- ③ Mr. Shigeru Kani is asked to stand as a candidate for Outside Director in order to reflect in the Bank's management his discernment in the risk management area and his wide range of knowledge concerning banking operations.
- ④ 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.
- ⑤ 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.

**(2) 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.

**(3) 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.

**(4) 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 seventeen 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 five years.
- ③ As of the end of this General Meeting of Shareholders, Mr. Shigeru Kani will have been an Outside Director for fourteen years.
- ④ As of the end of this General Meeting of Shareholders, Mr. Jun Makihara will have been an Outside Director for seven years.
- ⑤ 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 four years in total.

10. The Bank has submitted to the Tokyo Stock Exchange, Inc. an "independent director statement" (*dokuritsu-yakuin todokede-sho*) that Messrs. Ernest M. Higa, Shigeru Kani, Jun Makihara and Ryuichi Tomimura are independent directors (*dokuritsu-yakuin*). In addition, the Bank will notify the Tokyo Stock Exchange, Inc. of Mr. J. Christopher Flowers as "independent director" (*dokuritsu-yakuin*) once he is elected as Director.

The Bank judges the independence of the Outside Directors considering the independence standards presented by the Tokyo Stock Exchange.

(Translation)

## Company's Proposal

### Agenda Item 3:

#### Election of One (1) Audit & Supervisory Board Member

We would like to seek approval to elect one person as Audit & Supervisory Board Member, since Ms. Kozue Shiga will have completed her 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)	
<b>Shiho Konno</b>	(June 28, 1963) Ownership ..... Nil

[Personal History/Positions in the Bank and Important Concurrent Post]	
<b>Newly appointed</b>	1991 Y 4 M Registered Daiichi Tokyo Bar Association
<b>Outside</b>	2005 Y 6 M Audit & Supervisory Board Member, Yahoo Japan Corporation
	2008 Y 3 M Audit & Supervisory Board Member, Advanced Softmaterials Inc.
	2009 Y 4 M Professor, Waseda Law School, Waseda University
	2014 Y 4 M Member, Committee on Realization of a Gender-Equal Society of Japan Federation of Bar Associations (Current)
	2014 Y 8 M Auditor, Japan Corporate Governance Network (Current)
	2015 Y 3 M Established Shiho Konno Habataki Law Office (Current)
	2015 Y 6 M Director, Watami Co., Ltd.
	2016 Y 6 M Director, Kakaku.com, Inc. (Current)
	2017 Y 6 M Director, Alfresa Holdings Corporation (Current)

#### 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. Shiho Konno, 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. Shiho Konno, 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. Shiho Konno is the candidate for Outside Audit & Supervisory Board Member.

(Translation)

6. Matters concerning a candidate for Outside Audit & Supervisory Board Member:

**(1) Reasons for nominating the candidate for Outside Audit & Supervisory Board Member**

Ms. Shiho Konno is asked to stand as a candidate for Outside Audit & Supervisory Board Member in order to reflect in the Bank's audit operations her knowledge of corporate governance based on her experience as Outside Director and Outside Audit & Supervisory Board Member at listed companies, as well as her expertise and extensive experience as a lawyer.

**(2) 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.

**(3) The ground on which the Bank judges that a candidate for Outside Audit & Supervisor Board Member can appropriately implement his/her duties, in the case where the relevant candidate has not been involved in the management of a company by means other than by assuming the office of an Outside Director or Outside Audit & Supervisory Board Member.**

Given that Ms. Shiho Konno has distinguished track records in corporate legal affairs from her technical viewpoints as a lawyer and has extensive experience as Outside Director and Outside Audit & Supervisory Board Member at other companies, she is expected to function appropriately as Outside Audit & Supervisory Board Member of the Bank.

7. The Bank will notify the Tokyo Stock Exchange, Inc. of Ms. Shiho Konno 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.

(Translation)

**Company's Proposal**

**Agenda Item 4:**

**Election of One (1) Substitute Audit & Supervisory Board Member**

The resolution for the election of Ms. Makiko Yasuda as Substitute Outside Audit & Supervisory Board Member will expire at the opening of this Annual General Meeting of Shareholders.

We would therefore like to seek approval to elect one person as Substitute Audit & Supervisory Board Member, pursuant to Article 329, Paragraph 3 of the Corporation Act, in order to prepare for the event that the number of Audit & Supervisory Board Member falls short of the number stipulated by law. Ms. Makiko Yasuda is the candidate for Substitute Audit & Supervisory Board Member as a substitute for Outside Audit & Supervisory Board Member. Until and prior to actually assuming office, the above election as Substitute Audit & Supervisory Board Member may be cancelled by the resolution of the Board of Directors and with a consent of the Audit & Supervisory Board. The Audit & Supervisory Board's consent has been obtained.

Career summary of the candidate is as follows.

<b>Name (Date of Birth)</b>	<b>Makiko Yasuda</b> (March 10, 1944)	Ownership .....	Nil
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**[Personal History and Important Concurrent Posts]**

- 1973 Y 4 M Registered Daiichi Tokyo Bar Association
- 1980 Y 5 M Established Yasuda Patent Law Office (Predecessor of Yasuda Law Office) (Current)
- 1997 Y 4 M Vice Chairman, Daiichi Tokyo Bar Association
- 2000 Y 3 M Audit & Supervisory Board Member, Shinsei Bank, Limited
- 2006 Y 6 M Audit & Supervisory Board Member, Shinsei Trust & Banking Co., Ltd. (Current)
- 2015 Y 12M Audit & Supervisory Board Member, T.HASEGAWA CO., LTD. (Current)

**Notes.**

1. Ms. Makiko Yasuda, who is the candidate for Substitute 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.
2. Special Interests between the Bank and candidate:  
No Special Interests exist between the candidate for Substitute Audit & Supervisory Board Member and the Bank.
3. Overview of the contents of the Agreement for Limitations on Liability concluded with Substitute Outside Audit & Supervisory Board Member  
Once assuming Audit & Supervisory Board Member, Ms. Makiko Yasuda, the candidate for Substitute 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.
4. Ms. Makiko Yasuda is the candidate for Substitute Outside Audit & Supervisory Board Member.

(Translation)

5. Matters concerning a candidate for Substitute Outside Audit & Supervisory Board Member:

**(1) Reasons for nominating the candidate for Substitute Outside Audit & Supervisory Board Member**

Ms. Makiko Yasuda is asked to stand as a candidate for Substitute Outside Audit & Supervisory Board Member in order to reflect in the Bank's audit operations her expertise as a lawyer and extensive experience of auditing the banking business in the Bank's audit operation.

**(2) If a candidate for Substitute 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.

**(3) The ground on which the Bank judges that a candidate for Substitute Outside Audit & Supervisory Board Member can appropriately implement his/her duties, in the case where the relevant candidate has not been involved in the management of a company by means other than by assuming the office of an Outside Director or Outside Audit & Supervisory Board Member.**

Given that Ms. Makiko Yasuda has distinguished track records in corporate legal affairs and audit of the banking business from her technical viewpoints as a lawyer and has extensive experience, she is expected to function appropriately as Outside Audit & Supervisory Board Member of the Bank.

(4) Shinsei Trust & Banking Co., Ltd. is a business entity in a special relationship with the Bank (the Bank's subsidiary). Ms. Makiko Yasuda's position at Shinsei Trust & Banking Co., Ltd. in the last five years is mentioned in her personal history.

6. The Bank will notify the Tokyo Stock Exchange, Inc. of Ms. Makiko Yasuda as "independent audit & supervisory board member" (*dokuritsu-yakuin*) once she assumes 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.



(Translation)

## **Company's Proposal**

### **Agenda Item 5:**

#### **Matters Concerning Compensation for Granting Restricted Stock to the Directors Other Than the Outside Directors**

##### **1. Reason for Compensation for Granting Restricted Stock**

With the objectives of offering incentives to the Bank's full-time Directors (excluding the Outside Directors; hereinafter the "Eligible Directors") to achieve sustained improvement of the corporate value of the Bank and of sharing more of that value with our shareholders, the Bank requests approval for the payment of remuneration at an amount of 20 million yen or less per year for granting restricted stock to the Eligible Directors, within the scope of the existing limit of compensation for the Directors of the Bank.

##### **2. Details of Compensation for Granting Restricted Stock**

In the 15th Ordinary General Meeting of Shareholders held on June 17, 2015, approval was received for an amount of basic remuneration, etc. for the Directors of the Bank of 180 million yen or less per year (including 60 million yen or less per year for the Outside Directors).

As part of the recent revision of the Director and Executive Officer compensation plan, the Bank requests approval for the payment of remuneration for granting restricted stock to the Eligible Directors, within the scope of the said existing limit of compensation for the Directors of the Bank. Furthermore, the Equity Remuneration Type Stock Options for the Bank's full-time Directors (excluding the Outside Directors) was approved at an amount of 50 million yen or less per year in the 15th Ordinary General Meeting of Shareholders held on June 17, 2015.

The compensation paid in order to grant restricted stock to the Eligible Directors (based on this Item for discussion) shall be a monetary compensation claim, and its total amount shall be 20 million yen or less per year, the amount to be appropriate based on the above objectives. Furthermore, the specific payment timing and allocation for each of the Eligible Directors shall be decided in a Meeting of the Board of Directors. However, compensation in order to grant restricted stock shall not be paid to the Outside Directors.

Currently, there are seven (7) Directors (including five (5) Outside Directors), and there are two (2) Directors who are the Eligible Directors. If Item 2 for Discussion is passed as proposed, the Eligible Directors will remain unchanged at two (2).

Furthermore, based on resolution of the Board of Directors of the Bank related to issuance or disposal of the stocks, the Eligible Directors shall make in-kind contributions of all monetary compensation claims paid under this Item for Discussion and shall, in return, receive the issuance or disposal of the common shares of the Bank. The total number of common shares of the Bank to be issued or disposed of through this process shall be 24,000 shares or less per year. (However, in the event of unavoidable circumstances for adjustment of the total number of shares, such as stock splits or consolidations of the shares of common stock of the Bank which are effective on or after the date of the approval of this Item for Discussion, the total number of shares should be adjusted as necessary within a reasonable range, in accordance with the split ratio or consolidation ratio, etc., from the effective date onward.)

Note that the amount paid in per share shall be determined by the Board of Directors within a range that is not particularly advantageous to the Eligible Directors who underwrite said common shares, based on the closing price of the common shares of the Bank in the Tokyo Stock Exchange on the business day immediately prior to the date of each resolution of the Board of Directors (in the case that the transaction has not been established on that day, the closing price on the most recent trading day preceding that day). Furthermore, when issuing or disposing of the common shares of the Bank through this process, a contract for the allocation of restricted stock (hereinafter the "Allocation Contract") which contains the overview and the following contents shall be concluded between the Bank and the Eligible Directors.

(Translation)

(1) Transfer Restriction Period

The Eligible Directors shall not transfer, create a security interest in, nor otherwise dispose of the common shares of the Bank (hereinafter the "Allocated Shares") for which allocation is received under the Allocation Contract (hereinafter the "Transfer Restrictions") during the period stipulated in advance by the Board of Directors of the Bank that is between three and five years after the allotment date of the Allocated Shares (hereinafter the "Transfer Restriction Period").

(2) Treatment in the Event that a Director Leaves His/Her Post or Retires

In the case that Eligible Directors leave their posts as Directors, Audit & Supervisory Board Members, Executive Officers (including Group Headquarters Officers), or employee of the Bank or the Bank's subsidiaries before the end of the Transfer Restriction Period, the Bank shall acquire the Allocated Shares at no cost except in the case of the expiration of the term of office, death, or any other reason that the Board of Directors of the Bank recognizes to be a legitimate reason for the Eligible Directors to leave their posts.

(3) Cancellation of the Transfer Restrictions

The Bank shall cancel the Transfer Restrictions for all of the Allocated Shares as of the time when the Transfer Restriction Period expires, on the condition that the Eligible Directors have maintained their status of Directors, Audit & Supervisory Board Members, Executive Officers (including Group Headquarters Officers), or employee of the Bank or the Bank's subsidiaries continuously during the Transfer Restriction Period. However, in the case that said Eligible Directors leave their posts as stipulated in (2) above before the Transfer Restriction Period expires for any of the reasons that the Board of Directors of the Bank recognizes to be legitimate as stipulated in (2) above, the number of the Allocated Shares for which the Transfer Restrictions are cancelled and the timing of the cancellation of the Transfer Restrictions shall be reasonably adjusted as necessary.

(4) Treatment in the Event of Organizational Restructuring, etc.

Notwithstanding the provision in (1) above, in the case that matters regarding merger contracts under which the Bank becomes a disappearing company, share exchange agreements or can transfer plans under which the Bank becomes a wholly owned subsidiary of another company, or any other organizational restructuring, etc. are approved at the General Meeting of Shareholders of the Bank (or at a Meeting of the Board of Directors of the Bank in the case that approval by the General Meeting of Shareholders of the Bank is not required regarding the said organizational restructuring, etc.) during the Transfer Restriction Period, the Bank shall cancel, based on the resolution of the Board of Directors of the Bank, the Transfer Restrictions before the effective date of the said organizational restructuring, etc. with regard to all or some of the Allocated Shares. Furthermore, in the case provided for above, the Bank shall acquire at no cost the Allocated Shares for which the Transfer Restrictions have not been cancelled at the time immediately after the said cancellation of Transfer Restrictions.

(5) Other Matters Determined by the Board of Directors

In addition to the above, the method of manifestation of intention and notification in the Allocation Contract, the method of revision of the Allocation Contract, and any other matters determined by the Board of Directors shall be included in the contents of the Allocation Contract.

(Translation)

**<Shareholder's Proposal (Agenda 6) Pages 19 through 21 >  
This proposal has been made by certain shareholder.**

**◆The Agenda 6 has been proposed by one shareholder.**

We have reproduced each proposal as it originally appears, without making any changes to the factual understanding of the proposer(s) 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 certain shareholder. The proposed Agenda 6 is for Determination of the amount of remuneration in the Restricted Stock Compensation System for Directors of the Board, thus the Board of Directors of the Bank supports only the Bank's proposal of the Agenda 5: Matters Concerning Compensation for Granting Restricted Stock to the Directors Other Than the Outside Directors regarding an introduction of the restricted stock compensation plan.

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

(Translation)

## Shareholder's Proposal

### Agenda Item 6:

#### Determination of the amount of remuneration in the Restricted Stock Compensation System for Directors of the Board

**The Board of Directors of the Bank supports only the Bank's proposal of the Agenda 5: Matters Concerning Compensation for Granting Restricted Stock to the Directors Other Than the Outside Directors Regarding the Introduction of the Restricted Stock Compensation Plan.**

#### **[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(s) or omissions and errors.

#### **1. Agenda Proposed**

The Bank shall grant to each of the Directors of the Board excluding Outside Directors (collectively the "Eligible Directors") as the remuneration for their service, in addition to existing remuneration, monetary compensation receivables for the allocation of restricted stock, provided that:

- the Eligible Directors shall make contribution in kind using the monetary compensation receivables as contributed assets for the allocation of restricted stock;
- The total amount of monetary compensation receivables to be provided to Eligible Directors shall be no greater than ¥200,000,000; and
- Other details regarding the monetary compensation including the actual timing of grant, number of shares to be issued as the restricted stock, and allocation of the restricted stock among the Eligible Directors shall be determined by the Board.

#### **2. Reasons for the Proposal**

We suggest that the management persons of our portfolio companies positively consider introducing remuneration in a form of shares. Our desire is that the Directors of the Board shall have significant ownership (i.e. over 5x of base salary over time), and alignment of interest on long-term survival and prosperity of the companies from business owner's perspective. We expect that the long-term benefit of improving performance and shareholder value will well exceed the cost of the compensation.

Among the various forms of share remuneration, we recommend the restricted stock system. This is the system which has been substantially lifted by revision of tax regulation on 2016 as the "officer remuneration system to encourage aggressive management" under the initiative of Ministry of Economy, Trade and Industry (METI). As opposed to the stock option which is a synthetic form of holding the shares, the restricted stock will grant the voting rights and rights to receive dividends from the date of the subscription. We believe this aspect of restricted stock is extremely desirable in term of fostering the sense of ownership.

End of proposed letter

*(NOTEs made by the Bank)*

- We have reproduced each proposal as it originally appears, without making any changes to the factual understanding of the proposer(s) or omissions and errors.
- **The Board of Directors of the Bank supports only the Bank's proposal of the Agenda 5: Matters Concerning Compensation for Granting Restricted Stock to the Directors Other Than the Outside Directors.**
- Please refer our opinions of the Board of Directors of the Bank stated on the following pages.

(Translation)

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

The Board of Directors of the Bank supports only the Bank's proposal of the Agenda 5: Matters Concerning Compensation for Granting Restricted Stock to the Directors Other Than the Outside Directors.

**(Summary of the Opinion of the Board of Directors)**

After careful discussions and considerations, the Bank recommend the proposed agenda submitted by the Bank (Agenda 5) instead of the shareholder's proposal due to the following reasons;

- Although both of the Bank's proposal (Agenda 5) and the shareholder's proposal (Agenda 6) have the same purpose of introduction, the shareholder's proposal (Agenda 6) differs from the Bank's proposal (Agenda 5) in terms of i) an introduction of the restricted stock compensation is proposed as an addition of the current amount of remuneration, and ii) the total amount of monetary compensation receivables to be provided to eligible Directors shall be no greater than 200 million yen per year.

- Recognizing to fulfill its social responsibilities as a financial institution with public funds, Shinsei Bank believes that remuneration amount requested in the Bank's proposal (Agenda 5) is more appropriate.

- Furthermore, even if the shareholder's proposal (Agenda 6) is approved, the actual execution of the restricted stock compensation plan will be within the compensation amount approved at the 15th General Meeting of Shareholders as stated in the the Bank's proposal (Agenda 5) because Shinsei Bank has stated the planed amount of compensation and remuneration for directors and executive officers in its newly revised "Plan for Restoring Sound Management" issued in March 2018.

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Shinsei Bank considers that a restricted stock compensation plan is an effective system in order to provide an incentive for eligible Directors to strive for the sustainable enhancement of the Bank's corporate value by having them hold the Bank's shares through allotment of restricted stock, in addition to sharing more of that value between eligible Directors and shareholders. As stated in the shareholder's proposal (Agenda 6), this system has been substantially lifted by revision of tax regulation in 2016 in which the allotment of shares with conditions to restrict to transfer during a certain period has become available for companies to introduce in exchange for rewards for services provided by directors and executive officers by the tax treatment regarding a tax period of their income tax and deduction of expenses for services provided by them.

As a result, as announced on April 23, 2018, Shinsei Bank requests approval for payment of remuneration for granting the restricted stock to the eligible Directors within the scope of the said existing limit of compensation for the Directors of the Bank.

Both of shareholder's proposal (Agenda 6) and the proposed agenda submitted by the Bank (Agenda 5) have the same purpose of providing an incentive for eligible Directors to strive for the sustainable enhancement of the Bank's corporate value by having them hold the Bank's shares. The shareholder's proposal (Agenda 6) differs from the proposed agenda by the Bank (Agenda 5) in terms of i) an introduction of the restricted stock compensation is proposed as an addition of the current amount of remuneration, and ii) the total amount of monetary compensation receivables to be provided to eligible Directors shall be no greater than 200 million yen per year.

(Translation)

Recognizing to fulfill its social responsibilities as a financial institution with public funds, Shinsei Bank believes that remuneration amount requested in the agenda submitted by the Bank (Agenda 5) is more appropriate. Subject to receiving the shareholders' approval for the introduction of the Plan at the General Meeting of Shareholders, the Bank also plans to introduce a restricted stock compensation plan, which will have content similar to that of the Plan, for Executive Officers and Group Headquarters Chief Officers and Senior Officers of the Bank in order to strengthen the commitment to improve the corporate value.

Furthermore, even if the shareholder's proposal (Agenda 6) is approved, the actual execution of the restricted stock compensation plan will be within the compensation amount approved at the 15<sup>th</sup> General Meeting of Shareholders because Shinsei Bank has stated the planed amount of compensation and remuneration for directors and executive officer in its newly revised "Plan for Restoring Sound Management" issued in March 2018.

As a result, the Board of Directors of Shinsei Bank decides to recommend the agenda submitted by the Bank (Agenda 5) instead of the proposed agenda by the shareholder (Agenda 6) regarding the introduction of the restricted stock compensation plan.

Finally, since the shareholder's proposal (Agenda 6) is considered as an additional proposal to the proposed agenda submitted by the Bank (Agenda 5), in case a shareholder votes for both proposals, both votes are valid.

END

(Translation)

(Attachment)

**Business Report for the 18<sup>th</sup> Fiscal Year**  
(From April 1, 2017 to March 31, 2018)

**1. Current State of the Bank**

**(1) Business Development and Performance of the Group**

***[Principal Businesses of the Group]***

The Shinsei Group, which consists of Shinsei Bank, Limited, 187 subsidiaries (comprised of 83 consolidated companies including APLUS FINANCIAL Co., Ltd. (hereinafter, "APLUS FINANCIAL"), Showa Leasing Co., Ltd. (hereinafter, "Showa Leasing"), Shinsei Financial Co., Ltd. (hereinafter, "Shinsei Financial"), Shinsei Investment & Finance Ltd. and 104 unconsolidated subsidiaries) and 30 affiliated companies (comprised of 30 affiliates accounted for under the equity method including Jih Sun Financial Holding Company, Limited) as of March 31, 2018, provides a wide variety of financial products and services to institutional and individual 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.

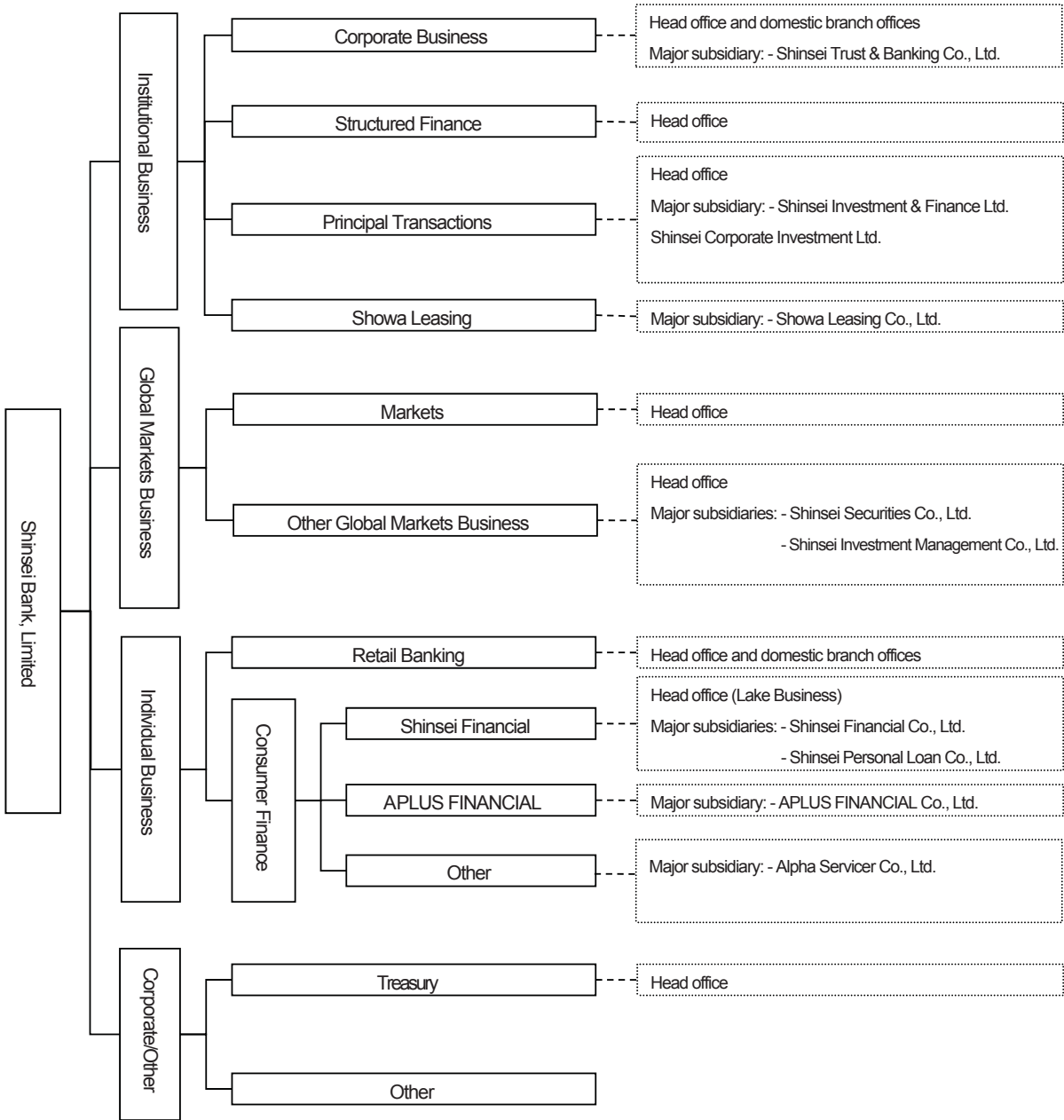
In the Institutional Business, the "Corporate Business" segment provides financial products and services, advisory services and trust business for corporate, public, and financial sectors. The "Structured Finance" segment provides real estate finance, such as non-recourse loans, financial products and services for the real estate and construction industries, 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, Shinsei Personal Loan Co., Ltd. (hereinafter, "Shinsei Personal Loan"), and Shinsei Bank Card Loan – Lake in the Bank, etc., provides consumer finance business, and "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.





(Translation)

**[Financial and Economic Environment]**

In fiscal year 2017, while private consumption and exports picked up and industrial production expanded, overall the Japanese economy continued to experience a moderate recovery, with corporate profits maintaining a high level and steady improvement in the employment situation.

Under such circumstances, the Government decided in June 2017 the “Working Style Reform,” “Basic Policies on Economic and Fiscal Management and Reform,” and “Growth Strategy” in order to achieve economic revitalization, and steadily implemented the plans. In December 2017, the Government formulated the “New Economic Policy Package” to specify the initiatives for the improvement of corporate productivity. In March 2018, the FY2018 budget was approved, focusing on the “Supply System Innovation” and so forth. Additionally, the Bank of Japan (“BOJ”) continued its policy of large-scale monetary easing measures including a Negative Interest Rate Policy (“NIRP”). Going forward, the economy is expected to recover, supported by the effects of the government policies, while employment and income situation improve. However, there remain downside risks caused by geopolitical risks such as the North Korean situation, in addition to the uncertainty of the overseas economy, such as economic fluctuation risks associated with the exit strategy for normalizing the financial markets in Europe and the United States, the policy trends of the U.S. government, and the withdrawal of the United Kingdom (“UK”) from the European Union (“EU”). Attention should continue to be given to the trends.

To provide an overview of the financial markets, both long- and short-term interest rates in Japan remained low. Specifically, the long-term interest rate (10-year government bond yield) was around 0% due to the impact of BOJ’s large-scale monetary easing measures and came to approximately 0.04% as of March 31, 2018 (approximately 0.07% as of March 31, 2017).

Respecting foreign exchange rates, in reaction to the growing tension in the North Korean and Middle East situations and the political uncertainty of Europe, the yen strengthened and the exchange rate for one U.S. dollar was approximately 108 yen while the exchange rate for one euro was below 115 yen in April 2017. However, the market conditions reversed due to the victory of a pro-EU candidate for France’s presidential election, and the yen remained weak. After the autumn of 2017, the yen surged rapidly against the dollar because of an increasing tension over the North Korean situation and the concerns about the damage caused by the hurricane in the U.S. However, the dollar was bought back, stimulated by the expectation of the tax cut bill proposed by the U.S. government and the demand for post-hurricane reconstruction. Regarding the euro exchange rate, the euro remained strong partly because of the favorable European economy as well as a difference in the financial policy between the BOJ, which continued large-scale monetary easing measures, and the European Central Bank (“ECB”) which decided to mitigate monetary easing. After the beginning of 2018, the appreciation of the yen against the U.S. dollar and the euro developed due to i) risk aversion strengthened in reaction to the global stock sell-off that started in the U.S. and the worsening of the U.S.-China trading friction and ii) concerns about the mitigation of BOJ’s monetary easing. The exchange rate for one U.S. dollar as of March 31, 2018 was approximately 106 yen (an appreciation of approximately 6 yen compared to March 31, 2017) while the exchange rate for one euro was approximately 130 yen (a depreciation of approximately 11 yen compared to March 31, 2017). Lastly, the Nikkei Stock Average on March 31, 2018 closed at 21,454.30 yen (an increase of approximately 2,500 yen compared to March 31, 2017), reflecting the steadily expanding global economy and favorable corporate performance overall, although the Average repeatedly fluctuated under the influence of the overseas economy and political climate in addition to fluctuations in foreign exchange rates.

(Translation)

***[Business Developments and Performances of the Group in Fiscal Year 2017]***

Based on its medium- to long-term vision aiming to “provide innovative financial services through Group integration and achieve outstanding productivity and efficiency through optimized operations,” the Bank formalized its “Third Medium-Term Management Plan” (hereinafter, the “3<sup>rd</sup> MTMP”), which runs from April 1, 2016 to March 31, 2019. The Bank identifies “business concentration in core competence and the creation of value through Group integration” and “the creation of synergy through the integration of business management functions” as its overall strategies. The current fiscal year is the second year of the 3<sup>rd</sup> 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.

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 through the promotion of integrated management with Group member companies.

In the structured finance business as a growth area, the Bank has accumulated renewable energy transactions by actively engaging in blue-chip mega solar projects sponsored by overseas project companies as well as in acquiring project of mega solar plants in operation based on the ability to evaluate business of power producers leveraging extensive experience and knowledge and the ability to structure the finance scheme. In October 2017, the Bank arranged a syndicated loan to Canadian Solar Infrastructure Fund, Inc., listed on the Tokyo Stock Exchange, in order to acquire a total of 13 large-scale mega solar power facilities for investment purpose with participation of 12 financial institutions in which three banks including Shinsei Bank have arranged. The Bank is continuing efforts to diversify energy sources, including solar, wind, and biomass power generation, and is determined to contribute to the stable growth of renewable energy in Japan by meeting the financing needs of various companies. In overseas project finance, the Bank has focused on high-quality projects primarily in Asia, Oceania, 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 business with corporations, the Bank has continued endeavoring to expand its customer base, such as by continuously promoting the acquisition of new customers and developing derivatives-related businesses. In financial institutions business, the Bank has provided a variety of investment products such as structured finance supported by the expertise of the Bank as well as provided financial solutions on a Group-wide basis, through partnerships using various functions held by Group companies, to meet the needs of the institution customers for strengthening their core business.

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.

(Translation)

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). Furthermore, it has also enhanced to provide financial services and solutions SME companies as the strategic initiative area including the vendor leasing business by combining the credit function by APLUS Co., Ltd. (hereinafter, "APLUS") and the property management and leasing functions by Showa Leasing. As the second initiative, Showa Leasing and APLUS have launched the auto leasing business for individual customers exploiting the credit function to car dealers by APLUS and the leasing function by Showa Leasing based on knowhow of the integrated functions cultivated through the vender leasing business.

(Translation)

**(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.

For asset management products 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 deposit products including yen deposits, foreign currency deposits and structured deposits, as well as investment trusts, insurance products and structured bonds. In November 2017, based on its partnership with MONEY DESIGN, Co., Ltd. (hereinafter, "MONEY DESIGN") the Bank commenced the discretionary ETF (exchange trade fund) investment service, "THEO Plus Shinsei Bank" using a robo-advisor developed by MONEY DESIGN. In December 2017, with Shinsei Trust & Banking Co., Ltd. as a trustee, the Bank started to offer the "Shinsei Power Trust (cash in trust)," which is an achievement dividend style cash in trust designed for the investment and management of assets to customers who expect a stable return on investment while focusing on safety. For housing loans, the Bank continued providing the unique, high-value-added characteristics of "PowerSmart Home Mortgage" including "PowerSmart Home Mortgage Anshin Pack W," which provides coupons to use housing care and cleaning services and sick care service, and "PowerSmart Home Mortgage Anshin Pack S" with a special agreement on debt forgiveness in case of natural disasters. The Bank will continuously enhance to provide high-value products and services, and improve the convenience.

Regarding the Bank's consumer finance business, the Bank decided to realign its product in accordance with the needs of its customers in December 2017 based on the review of its strategy for the unsecured personal card loan business in the Shinsei Bank Group. Shinsei Bank offers "Shinsei Bank Smart Card Loan Plus" as the Bank's card loan product to customers who have the needs of the bank card loan service, and ceased to accept applications from and to make contracts with new customers of "Shinsei Bank Card Loan – Lake" from April 2018. For customers who prefer to use a money lending product, Shinsei Financial launched a new unsecured card loan, "Lake ALSA," from April 2018, and Shinsei Personal Loan, a subsidiary of Shinsei Financial, has continuously provided "No Loan." In Lake ALSA, Shinsei Financial intends to expand the services to the young customers with a high digital literacy by enhancing the digital functionality in addition to customers who are in the similar category of the "Shinsei Bank Card Loan – Lake" customers. Furthermore, APLUS FINANCIAL made efforts to expand each business line and to improve profitability through the point service including the T points and new settlement solutions offered by the business companies under its umbrella including APLUS and through initiatives to improve customer convenience and operational efficiency. Regarding a settlement agent service for WeChat Pay, a mobile settlement service for Chinese consumers, started in April 2016, APLUS has actively expanded retail stores where WeChat Pay are available.

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 by increasing customers for cash loans and shopping credit loans to purchase bikes and home electric appliances since its commencement of business in December 2016.

In addition to the above, the Bank announced in March 2017 regarding building the "YUI Platform," the Shinsei Bank Group integrated customer database, which will centrally manage customer data of the Group member companies in order to identify true needs of the Group's individual customers and provide credit accurately. The Bank has jointly developed the YUI Platform with SecondXight, Inc., a venture company to collect and analyze the big data by utilizing the Artificial Intelligence, and plans to use at the Bank, APLUS and Shinsei Financial from July 2018 starting from the consumer finance business. In the future, the Bank will consider utilizing the YUI Platform for corporate lending targeting sole proprietors and small-sized companies based on the data and models accumulated in the Group as well as entering into an alliance with companies outside the Group.

(Translation)

**(Financial Position)**

At the end of fiscal year 2017, our consolidated Basel III (domestic standard) core capital adequacy ratio was 12.83 %, 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 as one of its goals in its 3rd MTMP, the Bank had acquired 5,969,700 treasury shares until March 22, 2018, based on a resolution of acquiring treasury shares up to 10 billion yen approved through a meeting of its Board of Directors held on January 31, 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, 2018, Shinsei Bank reported a consolidated ordinary income of 383.8 billion yen (increased 3.4 billion yen compared to the previous fiscal year) and consolidated ordinary expenses of 327.0 billion yen (decreased 5.8 billion yen compared to the previous fiscal year). As a result, the Bank recorded a consolidated ordinary profit of 56.8 billion yen (increased 9.2 billion yen compared to the previous fiscal year) and a profit attributable to owners of parent of 51.4 billion yen (increased 0.6 billion yen compared to the previous fiscal year). Segment profits of the Shinsei Bank Group on a management accounting basis totaled 52.1 billion yen (decreased 1.9 billion yen compared to the previous fiscal year).

On a business segment level, the Institutional Business increased profits compared to the previous fiscal year due to, delivering results in initiatives to expand the customer base and to enhance the profitability, the recording of the gains on sales of equities in the Corporate Business and Showa Leasing, the increase in the equity method investment earnings from the Principle Transactions Businesses and the increase in fee income from the Corporate Business, despite of the absence of the large gains on the sale of marketable securities and the recording of the provision of specific reserves for loan losses in Showa Leasing.

The Global Markets Business increased profits compared to the previous fiscal year as a result of focusing on on-going initiatives aimed at increasing the customer base and making efforts for developing and providing products in line with customer needs by cooperating with other business lines.

In the Individual Business, the Retail Banking decreased profits compared to the previous fiscal year because revenues decreased due to sluggish sales of asset management products and housing loans, while having made active efforts to grow its various business lines.

The Consumer Finance increased profits compared to the previous fiscal year due to the fact that the Lake business performance was satisfactory and APLUS FINANCIAL also increased both the number and value of housing related loans.

Regarding reserves for losses associated with interest repayments (grey zone), it should be noted that the reversal of reserve of 6.0 billion yen was made in the current fiscal year based upon a recalculation of future grey zone risk.

The "Corporate/Other" segment decreased profits due to the decrease in earnings on the sale of bonds such as Japanese government bonds in the ALM operations of the Treasury.

Each segment attained the following business results for the fiscal year ended March 31, 2018.

(Translation)

(Millions of yen)

Fiscal 2017 (18th Fiscal Period)						
Institutional Business				Global Markets Business		
Corporate Business	Structured Finance	Principal Transactions	Showa Leasing	Markets	Other Global Markets Business	
Revenue	18,781	17,050	12,853	15,985	8,581	2,839
Net Interest Income(loss)	10,005	9,584	5,022	(147)	1,684	509
Non-interest income(loss)	8,776	7,465	7,831	16,132	6,897	2,329
Expense	11,944	6,863	4,713	8,984	3,759	3,338
Net Credit costs (Recoveries)	293	1,754	(1,207)	2,793	(35)	57
Segment Profit (loss)	6,543	8,432	9,347	4,207	4,857	(556)

Individual Business				Corporate/Other		Total	
Consumer Finance				Treasury	Other		
Retail Banking	Shinsei Financial	APLUS FINANCIAL	Other				
Revenue	23,506	68,929	56,446	3,421	2,871	761	232,030
Net Interest Income(loss)	22,414	69,049	11,361	638	(1,340)	(6)	128,775
Non-interest income(loss)	1,092	(119)	45,084	2,783	4,212	767	103,254
Expense	29,157	32,445	36,670	1,343	1,792	1,570	142,584
Net Credit costs (Recoveries)	170	22,766	10,614	68	—	(5)	37,270
Segment Profit (loss)	(5,821)	13,717	9,161	2,009	1,079	(803)	52,175

Note

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

(Translation)

***[Challenges Facing the Shinsei Bank Group]***

The Shinsei Bank Group formalized its 3rd MTMP, a business plan which runs from April 1, 2016 to March 31, 2019, and identifies its business strategy going forward. As part of the creation of this plan, in accordance with its management principals, the Bank also clarified its “Medium to Long Term Vision,” 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. Through such efforts, the Shinsei Bank Group seeks to establish a unique positioning for itself with in the financial industry. The 3rd MTMP is the business plan that the Shinsei Bank Group will execute over the next three years in order to achieve the Bank’s Medium to Long Term Vision as early as possible, and the following measures and initiatives will be undertaken as part of the Plan.

Since it is the final year of the 3rd MTMP, Shinsei Bank will start creating its next management plan in fiscal year 2018.

***1. Overall Strategy of the Shinsei Bank Group***

The overall strategy of the Shinsei Bank Group during the 3rd MTMP will focus on the undertaking of a “selection and concentration” of businesses in order to undertake an efficient allocation of management resources as well as establish Group management infrastructure which enables the Bank to flexibly respond to changes in order to facilitate the pursuit of efficiency and flexible business management.

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

In order to meet the financial needs of underserved customers, the Shinsei Bank Group will undertake a reorganization of its businesses, products and services in order to provide to our customers optimized products and services which leverage the competitive advantages of the Bank and are optimized for their needs. In order to determine the priority of its businesses the Bank has classified each business into one of the following four categories and will allocated management resources into areas with the highest growth expectations. Additionally, the Bank seeks to proactively engage in the creation of value for its customers through Group Integration.

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

Regarding individual businesses, the Shinsei Bank Group holds competitive strengths in unsecured personal loans and structured finance, a business area which includes real estate finance and project finance, and has designated these two business areas as growth areas. Going forward the Bank will proactively allocated even greater management resources than in the past in these two business areas. Regarding the consumer finance business, As a result of realignment of its product in accordance with the needs of its customers, the Bank ceased to accept applications from new customers of “Shinsei Bank Card Loan — Lake” from April 2018, and Shinsei Financial launched a new unsecured card loan, “Lake ALSA,” from the same month.

(Translation)

The area of asset management consulting for individual customers, while only expected to be moderate, has been classified as a stable revenue area due to its importance to the Bank from its expected ability to deliver growth. The provision of markets solutions to institutional clients and the shopping credit business of APLUS FINANCIAL are also classified as stable revenue areas. Lending to institutional customers, while expected to continue generating stable revenues, is seeing a tightening of spreads and a continuation of high levels of competition, and going forward the Bank will selectively evaluate and engage in loans taking into account factors such as geographic regions and the businesses.

Regarding strategic initiative areas which are expected to deliver future growth, businesses the Bank will engage in include business with regional financial institutions, the settlements business and the provision of solutions to SMEs, in addition to the business succession, business change and discontinuation services which utilize the expertise the Bank has accumulated in credit trading. The Bank views the realization of synergies as essential for the success of each of these businesses, and will proactively work to successfully realize Group Integration.

(Creation of Synergies through the Integration of Management Functions)

An integral part of the 3rd MTMP is the creation of a Group management framework which is capable of facilitating efforts by the entire Shinsei Bank Group to achieve flexible business management which is responsive to external business conditions and lean operations. In order to realize the creation of value through the "Selection and Concentration" of business, it is essential that the business infrastructure which serves as the foundation of the undertaking be well maintained and in addition to pursuing improvements in productivity and functionality and expense reductions, the Shinsei Bank Group will work to create infrastructure which naturally encourages collaboration as well as foster a cohesive corporate culture.

In order to facilitate the implementation of such efforts on a Group-wide basis, the Bank established the virtual "Group Headquarters" within the Bank in April 2017. In fiscal year 2017, it has gone into full-scale operation by moving the Group company employees to the headquarters and placing the functions required by the internal control and regulations into each of the Group member companies. Through the practical integration and centralization of the administrative functions of the Bank and the Group member companies, the Bank seeks to improve the sophistication of its various administrative functions as well as pursue optimization as a Group in order to strengthen Group governance and to improve productivity and efficiency.

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

Shinsei Bank will optimally allocate management resources and establish a balanced management of our 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 accurately identifying risk and return. 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 organizational checks and balances functions. The Bank achieves this through the following two key actions:

- 1) Consolidation of business execution authorities and responsibilities in the Board of Directors, the highest decision-making authority, and while being subject to oversight by Outside Directors, establishing the broad direction of corporate strategy in meetings of the Board of Directors and creating an organizational environment which supports appropriate risk-taking by senior management; and



(Translation)

- 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 2017, 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 six 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." 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. 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 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 and executive officers (at the level of the Heads of executive officers in charge) in order to enable swift and efficient business administration. Following an 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 the Group governance. Furthermore, a "Chief Officer" was assigned responsibility for the oversights of each relevant administrative function within the Group in order to consolidate authority and to realize optimize efficient decision-making across the entire Group. It should be noted that the Group member company APLUS FINANCIAL, which is listed on the Tokyo Stock Exchange, will maintain its independence of management, while continuing to establish appropriate internal control systems.

The Shinsei Bank Group intends to further enhance its legal compliance by strengthening its compliance system while giving ample consideration to customer protection in accordance with the Financial Instruments and Exchange Law (also known as J-SOX). While the Group is fully compliant with J-SOX, the Group will continue to improve its internal control systems and reinforce its audit functions. Additionally, 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.

Of the management infrastructure development initiatives necessary for the successful execution of the 3rd MTMP, Shinsei Bank recognizes that establishing a robust and stable IT system that operates smoothly is necessary for a financial institution which plays a role in social infrastructure and is recognized as an important management issue. The Bank is continuing efforts to ensure the smooth operation of its existing system through measures such as upgrading its backup center and hardware. Additionally, the Bank continues to undertake efforts to stabilize its systems and as part of such efforts will upgrade its core business systems during the 3rd MTMP as part of efforts to ensure the stable operation of the Bank's systems.

### *3. Achievement of the Revitalization Plan*

Shinsei Bank submitted a new "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 is working on the execution of the 3rd MTMP, a three fiscal year business plan from fiscal year 2016 to fiscal year 2018.

(Translation)

In the fiscal year ended March 31, 2018, the Bank recorded a nonconsolidated net business profit of 31.8 billion yen and a nonconsolidated net income of 40.5 billion yen, 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 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. 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 and 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 2017:

(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.

(4) Analysis and evaluation items: Discussions at the Board of Directors meetings, Agenda items and operation of Board of Directors meetings by the executive team, Composition and members of the Board of Directors, Provision of information to the Board of Directors from the executive team, Discussions at Strategy Sessions, Operation of the Sessions by the executive team, Communication, 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 the Board of Directors and discussions at Strategy Sessions have contributed to increasing the Bank's corporate value and achieving sustainable growth to some extent, discussing the medium-to-long term business vision and business models for increasing corporate value and achieving sustainable growth. The effectiveness of Strategy Sessions was also confirmed and agreed to be continued in fiscal year 2016 evaluation, and it has been evaluated in fiscal year 2017 evaluation as well that the Sessions remain effective for considering business strategies. It has been confirmed that further consideration about the composition and membership of the Board of Directors Meeting is needed for the diversity and the balance of the members. It has been evaluated that priority at the operation of the Board of Directors Meetings and Strategy Sessions by the executive team is mostly given to selecting agenda items and allocating time for discussion. Although improvements from 2016 are seen, some respondents have evaluated that discussion time is too long. It has been confirmed that more efficient and focused operation is needed by selecting agenda items that do not need explanations, and by striving to provide simple explanations. Mostly positive responses have been made for provision of information from the executive team to the Board of Directors including the contents of the meeting materials, however, it has been confirmed that explanations at the Board still need improvement.

(Translation)

The necessity of conducting an effectiveness evaluation by a third party, which was included in the questions for the first time in fiscal year 2017, will be considered including its use based on the intention of the Board of Directors.

Questions for Audit & Supervisory Board Members have confirmed that Audit & Supervisory Board Members have evaluated that, overall, Directors have executed their expected responsibilities in an appropriate manner.

**(2) Overview of Assets, Profit and Loss**

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

	(Hundred millions of yen)			
	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017
	(15th Fiscal Period)	(16th Fiscal Period)	(17th Fiscal Period)	(18th Fiscal Period)
Ordinary income	3,973	3,757	3,804	3,838
Ordinary profit	730	620	475	568
Profit attributable to owners of the parent	678	609	507	514
Comprehensive income	813	526	506	474
Total equity	7,537	7,931	8,207	8,560
Total assets	88,898	89,287	92,583	94,566

*Note*

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

(Translation)

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

	(Hundred millions of yen)			
	Fiscal 2014 (15th Fiscal Period)	Fiscal 2015 (16th Fiscal Period)	Fiscal 2016 (17th Fiscal Period)	Fiscal 2017 (18th Fiscal Period)
Deposits	56,002	59,657	59,926	62,281
Time deposits	29,541	30,056	27,567	26,910
Other	26,461	29,601	32,358	35,371
Debentures (Long-Term Credit Bank Bond)	323	167	65	4
Corporate bonds (Excluding Long-Term Credit Bank Bond)	1,484	576	576	450
Loans and bills discounted	42,229	43,001	45,364	46,379
To individuals	13,976	14,694	15,929	15,601
To small- and medium-sized businesses	13,380	13,376	13,893	14,655
Other	14,872	14,930	15,541	16,122
Trading assets	2,791	3,118	2,276	1,998
Trading liabilities	2,591	2,913	2,100	1,813
Securities	18,637	16,038	13,693	14,523
Japanese national government bonds	9,908	7,480	4,935	5,025
Other	8,729	8,557	8,757	9,498
Total assets	78,726	78,576	80,517	82,074
Total equity	7,367	7,764	8,079	8,305
Domestic exchange transactions	205,739	237,472	236,208	238,298
	<u>(Millions of dollars)</u>	<u>(Millions of dollars)</u>	<u>(Millions of dollars)</u>	<u>(Millions of dollars)</u>
Foreign exchange transactions	10,166	8,710	10,322	12,260
	<u>(Millions of yen)</u>	<u>(Millions of yen)</u>	<u>(Millions of yen)</u>	<u>(Millions of yen)</u>
Ordinary profits	47,851	49,366	32,858	36,586
	<u>(Millions of yen)</u>	<u>(Millions of yen)</u>	<u>(Millions of yen)</u>	<u>(Millions of yen)</u>
Net income	45,740	41,566	43,425	40,510
	<u>(yen)</u>	<u>(yen)</u>	<u>(yen)</u>	<u>(yen)</u>
Net income per share	17.23	15.66	166.53	156.80

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.

(Translation)

**(3) Employees on consolidated basis**

	End of this fiscal year	End of the previous fiscal year
<b>Number of employees</b>		
<b>Institutional Business</b>		
Corporate Business	424	441
Structured Finance	149	133
Principal Transactions	158	164
Showa Leasing	500	482
<b>Global Markets Business</b>		
Markets	62	75
Other Global Markets	106	124
<b>Individual Business</b>		
Retail Banking	776	784
Consumer Finance		
Shinsei Financial	927	959
APLUS FINANCIAL	1,349	1,370
Other	95	62
<b>Corporate / Other</b>		
Treasury	29	30
Other	732	736
<b>Total</b>	5,307	5,360

Note

These numbers include overseas local employees.

**(4) Status of Main Offices of the Group**

i. The Bank

1) Number of business offices

	End of this fiscal year	End of the previous fiscal year
	(Annex)	(Annex)
Hokkaido/Tohoku areas .....	2 (—)	2 (—)
Kanto area .....	17 (1)	18 (2)
(Tokyo) .....	( 11 (—))	( 12 (1))
Chubu area .....	3 (1)	3 (1)
Kinki area .....	7 (2)	9 (4)
Chugoku/Shikoku/Kyushu areas .....	3 (—)	3 (—)
Domestic total .....	32 (4)	35 (7)
Overseas .....	— (—)	— (—)
Grand total .....	32 (4)	35 (7)

Note

Unmanned branches for Lake business were installed at 740 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

(Translation)

ii. Subsidiaries

1) Institutional Business

Main company name and main office location

<u>Company name</u>	<u>Name of office</u>	<u>Address</u>
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

<u>Company name</u>	<u>Name of office</u>	<u>Address</u>
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

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

<u>Business segment</u>	(Millions of yen) <u>Amount</u>
Shinsei Bank (Note 2) .....	10,816
Subsidiaries	
Institutional Business .....	1,720
Global Markets Business .....	14
Individual Business .....	11,631
Corporate/Other .....	—
Total .....	24,183

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 is updating the core business systems. The total investment is expected to be approximately 25 billion yen and they are scheduled to be completed during the 3<sup>rd</sup> MTMP.

In addition, its subsidiaries promote appropriately to implement their systems necessary on business.

(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	95.02 (92.39)	—
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 30 affiliated companies that are accounted for under the equity method.

(Translation)

**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 ATM Networks, 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 offers automated local currency cash withdrawal services through overseas ATMs in the PLUS network under alliance relationships with Visa Worldwide.
6. The Bank is introducing financial products and services to "T Members," who are the users of "T Points," a loyalty program provided by Culture Convenience Club Co., Ltd., under a business alliance agreement with Culture Convenience Club Co., Ltd.
7. 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.
8. 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.
9. The Bank entered into an agreement on consignment of guarantee with Shinsei Financial, 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.



(Translation)

10. 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. The Bank and MB Bank concluded an agreement regarding an investment in MB Shinsei Finance Limited Liability Company, a wholly owned subsidiary of MB Bank.
11. 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 banking, trade finance, remittances, treasury operations and other business in collaboration with YES BANK, Limited.
12. 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.
13. 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.
14. 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

(Translation)

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

### (1) Corporate Directors and Audit & Supervisory Board Members

(As of March 31, 2018)

<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	—	—
Yukio Nakamura	Representative Director, Deputy President	—	—
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.	—
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 Trustess, Showa Women's University Board of Overseers, Columbia Business School Board Member, The Tokyo New Business Conference	—
Shigeru Kani	Director (Outside)	Specially Appointed Professor, Yokohama College of Commerce (Resigned on March 31, 2018)	—
Jun Makihara	Director (Outside)	Outside Director, Monex Group, Inc. Outside Director, Philip Morris International Inc.	—
Ryuichi Tomimura	Director (Outside)	Executive Vice President, Representative Director, SIGMAXYZ Inc. Outside Director, Plan·Do·See 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.
Michio Shibuya	Audit & Supervisory Board Member (Outside)	Certified Public Accountant Outside Audit & Supervisory Board Member, GIFT Inc.	Mr. Shibuya is qualified as a Certified Public Accountant and has a considerable level of knowledge of matters of finance and accounting.
Kozue Shiga	Audit & Supervisory Board Member (Outside)	Lawyer Outside Director, Toyoko Inn Co., Ltd. Outside Director, Ricoh Leasing Company, Ltd. Outside Audit & Supervisory Board Member, Kawasaki Kisen Kaisha, Ltd.	—

#### Notes

1. Outside Directors Ernest M. Higa, Shigeru Kani, Jun Makihara and Ryuichi Tomimura and Outside Audit & Supervisory Board Members Michio Shibuya and Kozue Shiga 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, 2018, there were 38 Executive Officers and Officers including those who also serve as Directors.

(Translation)

## (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	7	154 million yen	-
Audit & Supervisory Board Members	3	42 million yen	-
Total	10	196 million yen	-

### Notes

1. Figures have been truncated to the unit stated in all amounts shown above.
2. In the above categories, 2 Directors also work as Executive Officer.
3. The Bank does not pay performance-linked compensation to its Directors.
4. The 15<sup>th</sup> 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 10<sup>th</sup> General Meeting of Shareholders held on June 22, 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.
5. The Bank resolved at its Board of Directors meeting held on May 12, 2015 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 15<sup>th</sup> General Meeting of Shareholders held on June 17, 2015. Separately from the maximum remuneration stated above as 4, the 15<sup>th</sup> 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.
6. Equity remuneration type stock options of 29million yen granted to the Full-Time Directors is included in Directors' 'Compensation, etc.' 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 Michio Shibuya Kozue Shiga	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.

(Translation)

### 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.
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.
Shigeru Kani	Specially Appointed Professor, Yokohama College of Commerce (Resigned on March 31, 2018)	The Bank has no particular transactions with Yokohama College of Commerce 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.
Ryuichi Tomimura	Executive Vice President, Representative Director (Executive Officer), SIGMAXYZ Inc.	The Bank has no particular transactions with SIGMAXYZ Inc. including shareholdings, etc.
	Outside Director, Plan·Do·See Inc.	The Bank has no particular transactions with Plan·Do·See Inc. including shareholdings, etc.
Michio Shibuya	Outside Audit & Supervisory Board Member, GIFT Inc.	The Bank extends loans to GIFT Inc. The Bank has no other relationship including shareholdings, etc.
Kozue Shiga	Outside Director, Toyoko Inn Co., Ltd.	The Bank has no particular transactions with Toyoko Inn Co., Ltd. including shareholdings, etc.
	Outside Director, Ricoh Leasing Company, Ltd.	The Bank has no particular transactions with Ricoh Leasing Company, Ltd. including shareholdings, etc.
	Outside Audit & Supervisory Board Member, Kawasaki Kisen Kaisha, Ltd.	The Bank extends loans to Kawasaki Kisen Kaisha, Ltd. The Bank has no other relationship including shareholdings, etc.

(Translation)

**(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	17 years as an Outside Director and 1 year as a Director (Non-executive)	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 general agenda items and deliberations based upon his wide-ranging financial knowledge.
Ernest M. Higa	4 years 9 months	Participated all 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	13 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	6 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	2 year 9 months as an Outside Director and 1 year as an Outside Audit & Supervisory Board Member	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 knowledge including information system as a management executive and a consultant.
Michio Shibuya	2 year 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.
Kozue Shiga	7 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 her special viewpoint as a lawyer and experienced outside auditor and director 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	7	72 million yen	—

Note

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.

**(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	275,034 (thousand shares)

Note

1. The number of shares shown has been rounded down to thousands of shares.
2. The Bank consolidated its shares with a rate of ten shares of common stock into one share on October 1, 2017.

##### (2) The Number of Shareholders at the End of the Fiscal Year

30,482

##### (3) Major Shareholders

Shareholder's name	Investment in the Bank	
	Number of shares (thousand)	Shareholding percentage
SATURN IV SUB LP	32,368	12.80%
Deposit Insurance Corporation of Japan	26,912	10.64%
The Resolution and Collection Corporation	20,000	7.90%
The Master Trust Bank of Japan ,Ltd. (Trust Account)	13,508	5.34%
SATURN JAPAN III SUB C.V.	11,044	4.36%
STATE STREET BANK AND TRUST COMPANY	7,886	3.11%
Japan Trustee Services Bank, Ltd. (Trust Account 9)	7,687	3.04%
JAMES CHRISTOPHER FLOWERS 380603	7,675	3.03%
Japan Trustee Services Bank, Ltd. (Trust Account)	7,223	2.85%
GOLDMAN SACHS INTERNATIONAL	4,518	1.78%

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 (22,166 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. The number of shares for "SATURN IV SUB LP" is the total under the name of "SATURN IV SUB LP (JPMCB 380111)" (20,441 thousand shares) and under the name of "CITIBANK N.A.HONG KONG - A T AS AGENT (SATURN IV SUB LP)" (11,926 thousand shares.)
6. The number of shares(thousand) of "SATURN JAPAN III SUB C.V." is the total under the name of "SATURN III SUB C.V. (JPMCB 380113)" (6,975 thousand shares) and under the name of "CITIBANK N.A.HONG KONG - A T AS AGENT (SATURN III SUB CV)" (4,069 thousand shares.)

#### 5. Stock Acquisition Rights of the Bank

Provided through the Bank's website (<http://www.shinseibank.com>) pursuant to the laws and Article 13 of the Company's Articles of Incorporation.

(Translation)

## 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	Business other than audit certification business includes research and reporting on internal control systems for capital adequacy ratios.
	Business other than audit certification business	
	Total fees	

#### Notes

1. Fractions are rounded down.
2. Kazutoshi Kogure, Hidetaka Hayakawa, and Akihiko Uchida are managing partners.
3. The audit certification business is the business that falls under Article 2, Paragraph 1 of the Certified Public Accountant Law.
4. The Audit & Supervisory Board gives consent, as set forth in Article 399, Paragraph 1 of the Corporation Act, to compensation for independent accounting auditors, judging that the compensation is reasonable in light of ensuring the audit quality and governance framework of the accounting auditor after necessary examination of the details of their audit plans, execution of their duties of accounting audit, and the basis of calculation of compensation estimates.
5. 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	645
Business other than audit certification business	42
Total fees	687

### (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

(Translation)

## **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**

Provided through the Bank's website (<http://www.shinseibank.com>) pursuant to the laws and Article 13 of the Company's Articles of Incorporation..

### **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.

- |  |  |
|--|--|
| <b>(1) Framework of the organization</b>   | Specialized divisions are established in the Group Headquarters to take charge in risk management and compliance functions as organizations in charge of the Second Line. Furthermore, the Group Internal Audit Division is established to take charge in the Third Line function.   |
| <b>(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</b> | <p>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 &amp; Supervisory Board Members audit business execution by directors from the viewpoint of compliance with laws, regulations, and so forth.</p> <p>For compliance-related issues, we appoint a Chief Compliance Officer and Compliance Officer in all the Divisions, Departments, and Branches to conduct monitoring.</p> <p>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 &amp; Supervisory Board Members and external lawyers work as contact persons and keep the full-time Audit &amp; Supervisory Board Members informed of any reports made to them and the details of the investigations conducted.</p> |
| <b>(3) Status of activities for retaining and managing information related to the execution of duties and responsibilities of directors of the Bank</b>  | Pursuant to the Group 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.   |
| <b>(4) Status of activities for managing risk of losses for the Bank</b>   | 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.   |



(Translation)

**(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, the Group Headquarters was established in the Bank in April 2017, which in essence integrated the support functions in Shinsei Bank and its Group member companies. By seeking enhanced functions and Group optimization, the establishment of the Group Headquarters aims to strengthen Group governance and improve productivity and efficiency with consolidated overlapping functions.

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

Pursuant to the Subsidiaries and Affiliates Policy, we have designated the Divisions in charge of administering the overall business operation of each subsidiary and affiliate. We have also created a structure where the Divisions in charge, in collaboration mainly with the specialized divisions of the Group Headquarters, give guidance and manage the overall business of the subsidiaries and affiliates, such as the development of their business plans and the control of their progress in the plans, while the Group Corporate Planning Division oversees overall management of the subsidiaries and affiliates in addition to determining the Divisions in charge. Under this structure, the Divisions in charge and other relevant Divisions in the Bank periodically report to the Group Executive Committee the business activities of the subsidiaries and matters concerning their governance and submit important matters concerning the management of the subsidiaries to the Group Executive Committee for its approval. The Group Corporate Planning Division not only performs the function as one of the Divisions in charge for main subsidiaries, but also provides support and advice to the Divisions in charge to carry out operations such as drawing up a business plan for each subsidiary and taking procedures for supervisory authorities. Further, the specialized divisions of the Group Headquarters work to build a cross-Group internal control framework for providing guidance and management to each area including compliance and risk management.

Under the above structure, the Group Headquarters and the subsidiaries and affiliates perform unified and efficient business management to the maximum extent pursuant to the concept of the Group Headquarters Organization Management Policy.

(Translation)

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- (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 the Bank's 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 Group Risk Policy Committee, and conduct interviews on the relevant Divisions and Branches including the Group member companies in an attempt to improve the effectiveness of audits.
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(Translation)

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<b>(9) Status of activities to eliminate antisocial forces</b>	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.
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**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.

(Translation)

### Consolidated Balance Sheet

Shinsei Bank, Limited, and Consolidated Subsidiaries  
As of March 31, 2018

	Millions of yen
<b>ASSETS</b>	
Cash and due from banks	¥1,465,663
Receivables under securities borrowing transactions	2,629
Other monetary claims purchased	36,332
Trading assets	205,295
Monetary assets held in trust	234,924
Securities	1,123,522
Loans and bills discounted	4,895,963
Foreign exchanges	32,511
Lease receivables and leased investment assets	171,429
Other assets	856,213
Premises and equipment	50,261
Buildings	11,747
Land	2,680
Tangible leased assets as lessor	27,998
Construction in progress	215
Other premises and equipment	7,619
Intangible assets	59,484
Software	45,298
Goodwill	11,910
Intangible leased assets as lessor	0
Intangible assets acquired in business combinations	1,290
Other intangible assets	985
Assets for retirement benefits	13,261
Deferred tax assets	14,705
Customers' liabilities for acceptances and guarantees	395,301
Reserve for credit losses	(100,840)
<b>Total assets</b>	<b>¥9,456,660</b>
<b>LIABILITIES AND EQUITY</b>	
<b>Liabilities:</b>	
Deposits	¥5,628,169
Negotiable certificates of deposit	438,927
Debentures	423
Payables under repurchase agreements	55,919
Payables under securities lending transactions	433,462
Trading liabilities	184,582
Borrowed money	739,578
Foreign exchanges	102
Short-term corporate bonds	175,700
Corporate bonds	85,000
Other liabilities	367,734
Accrued employees' bonuses	8,489
Accrued directors' bonuses	51
Liabilities for retirement benefits	8,366
Reserve for reimbursement of debentures	4,130
Reserve for losses on interest repayments	74,687
Acceptances and guarantees	395,301
<b>Total liabilities</b>	<b>8,600,625</b>
<b>Equity:</b>	
<b>Shareholders' equity:</b>	
Common stock	512,204
Capital surplus	78,506
Retained earnings	361,368
Treasury stock, at cost	(89,540)
<b>Total shareholders' equity</b>	<b>862,538</b>
<b>Accumulated other comprehensive income:</b>	
Unrealized gain (loss) on available-for-sale securities	5,187
Deferred gain (loss) on derivatives under hedge accounting	(14,457)
Foreign currency translation adjustments	(1,573)
Defined retirement benefit plans	2,089
<b>Total accumulated other comprehensive income</b>	<b>(8,754)</b>
Stock acquisition rights	318
Noncontrolling interests	1,930
<b>Total equity</b>	<b>856,034</b>
<b>Total liabilities and equity</b>	<b>¥9,456,660</b>

(Translation)

## Consolidated Statement of Income

Shinsei Bank, Limited, and Consolidated Subsidiaries  
For the fiscal year ended March 31, 2018

	Millions of yen
<b>ORDINARY INCOME</b>	¥383,869
Interest income	148,504
Interest on loans and bills discounted	134,857
Interest and dividends on securities	11,705
Interest on call loans and bills bought	1
Interest on receivables under securities borrowing transactions	0
Interest on deposits with banks	1,069
Other interest income	870
Fees and commissions income	50,129
Trading income	8,542
Other business income	141,370
Other ordinary income	35,321
Recoveries of written-off claims	6,946
Other	28,375
<b>ORDINARY EXPENSES</b>	327,057
Interest expenses	19,728
Interest on deposits	8,998
Interest on negotiable certificates of deposit	23
Interest on debentures	3
Interest on call money and bills sold	(39)
Interest on payables under repurchase agreements	209
Interest on payables under securities lending transactions	668
Interest on borrowings	3,471
Interest on short-term corporate bonds	171
Interest on corporate bonds	952
Other interest expenses	5,269
Fees and commissions expenses	25,059
Other business expenses	87,820
General and administrative expenses	146,969
Amortization of goodwill	2,773
Amortization of intangible assets acquired in business combinations	1,213
Other general and administrative expenses	142,981
Other ordinary expenses	47,480
Provision of reserve for credit losses	43,030
Other	4,450
<b>ORDINARY PROFIT</b>	56,811
Extraordinary gains	917
Gain on disposal of premises and equipment	623
Other extraordinary gains	293
Extraordinary losses	2,317
Loss on disposal of premises and equipment	79
Impairment losses	1,834
Other extraordinary losses	403
Income before income taxes	55,411
Income taxes (benefit) - current	1,266
Income taxes (benefit) - deferred	2,574
Total income taxes (benefit)	3,841
<b>Profit</b>	51,570
Profit attributable to noncontrolling interests	156
<b>PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT</b>	¥51,414

## (Translation)

**Consolidated Statement of Changes in Equity**Shinsei Bank, Limited, and Consolidated Subsidiaries  
For the fiscal year ended March 31, 2016

	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	¥312,538	(¥79,539)	¥823,710
Changes during the year					
Dividends			(2,588)		(2,588)
Profit attributable to owners of the parent			51,414		51,414
Purchase of treasury stock				(10,001)	(10,001)
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			4		4
Decrease by inclusion of consolidated subsidiaries			(0)		(0)
Net changes during the year excluding shareholders' equity					
Total changes during the year	—	(0)	48,829	(10,001)	38,828
Balance at end of the year (Millions of yen)	¥512,204	¥78,506	¥361,368	(¥89,540)	¥862,538

	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)	¥10,299	(¥13,925)	¥199	(¥1,344)	(¥4,770)	¥584	¥1,262	¥820,786
Changes during the year								
Dividends								(2,588)
Profit attributable to owners of the parent								51,414
Purchase of treasury stock								(10,001)
Changes in ownership interest of the parent related to transactions with noncontrolling interests								(0)
Increase by forfeit of stock acquisition rights of consolidated subsidiaries								4
Decrease by inclusion of consolidated subsidiaries								(0)
Net changes during the year excluding shareholders' equity	(5,112)	(532)	(1,772)	3,433	(3,983)	(265)	668	(3,580)
Total changes during the year	(5,112)	(532)	(1,772)	3,433	(3,983)	(265)	668	35,248
Balance at end of the year (Millions of yen)	¥5,187	(¥14,457)	(¥1,573)	¥2,089	(¥8,754)	¥318	¥1,930	¥856,034

(Translation)

## Nonconsolidated Balance Sheet

Shinsei Bank, Limited  
As of March 31, 2018

	Millions of yen
<b>ASSETS</b>	
Cash and due from banks	¥1,391,303
Cash	5,412
Due from banks	1,385,890
Other monetary claims purchased	115,458
Trading assets	199,866
Derivatives for securities held to hedge trading transactions	15,061
Trading-related financial derivatives	184,805
Monetary assets held in trust	117,756
Securities	1,452,342
Japanese national government bonds	502,509
Japanese local government bonds	2,315
Japanese corporate bonds	157,433
Equity securities	382,209
Other securities	407,875
Loans and bills discounted	4,637,953
Bills discounted	1
Loans on bills	15,963
Loans on deeds	3,866,974
Overdrafts	755,014
Foreign exchanges	32,511
Due from foreign banks	30,734
Foreign bills receivable	1,777
Other assets	223,082
Prepaid expenses	2,459
Accrued income	9,169
Margin on futures transactions	4,579
Suspense payment on futures transactions	957
Derivatives held in banking account	74,443
Cash collateral paid for financial instruments	49,144
Deferred issuance expenses for corporate bonds	78
Accounts receivable	3,675
Other	78,574
Premises and equipment	14,031
Buildings	8,927
Construction in progress	10
Other premises and equipment	5,093
Intangible assets	23,139
Software	21,245
Goodwill	869
Leased assets	869
Other intangible assets	155
Prepaid pension cost	6,362
Deferred tax assets	573
Customers' liabilities for acceptances and guarantees	19,810
Reserve for credit losses	(26,721)
<b>Total assets</b>	<b>¥8,207,471</b>

(Translation)

	Millions of yen
<b>LIABILITIES AND EQUITY</b>	
<b>Liabilities :</b>	
Deposits	¥5,789,256
Current accounts	78,982
Ordinary deposits	2,482,689
Notice deposits	15,712
Time deposits	2,691,014
Other deposits	520,857
Negotiable certificates of deposit	438,927
Debentures	423
Issuance of debentures	423
Payables under repurchase agreements	55,919
Payables under securities lending transactions	433,462
Trading liabilities	181,337
Derivatives for securities held to hedge trading transactions	10,836
Trading-related financial derivatives	170,501
Borrowed money	263,114
Borrowed money	263,114
Foreign exchanges	102
Foreign bills sold	80
Foreign bills payable	22
Corporate bonds	45,000
Other liabilities	140,685
Income taxes payable	930
Accrued expenses	24,779
Unearned income	446
Suspense receipt on futures transactions	2
Derivatives held in banking account	74,580
Cash collateral received for financial instruments	22,078
Lease obligations	24
Asset retirement obligations	7,471
Other	10,370
Accrued employees' bonuses	4,740
Reserve for reimbursement of debentures	4,130
Acceptances and guarantees	19,810
<b>Total liabilities</b>	<b>7,376,910</b>
<b>Equity :</b>	
Shareholders' equity:	
Common stock	512,204
Capital surplus	79,465
Additional paid-in capital	79,465
Retained earnings	339,650
Legal reserve	14,738
Other retained earnings	324,912
Unappropriated retained earnings	324,912
Treasury stock, at cost	(89,540)
<b>Total shareholders' equity</b>	<b>841,780</b>
Unrealized gain (loss) on available-for-sale securities	4,268
Deferred gain (loss) on derivatives under hedge accounting	(15,759)
<b>Total net unrealized gain (loss) and translation adjustments</b>	<b>(11,490)</b>
Stock acquisition rights	270
<b>Total equity</b>	<b>830,560</b>
<b>Total liabilities and equity</b>	<b>¥8,207,471</b>



(Translation)

## Nonconsolidated Statement of Income

Shinsei Bank, Limited

For the fiscal year ended March 31, 2018

	Millions of yen
<b>ORDINARY INCOME</b>	¥169,324
Interest income	121,833
Interest on loans and bills discounted	94,303
Interest and dividends on securities	25,441
Interest on call loans	1
Interest on deposits with banks	1,036
Other interest income	1,051
Fees and commissions income	17,227
Domestic and foreign exchange commissions income	1,277
Other fees and commissions income	15,950
Trading income	4,575
Income from securities held to hedge trading transactions	45
Income from trading-related financial derivatives	4,530
Other business income	13,288
Gains on foreign exchange	8,213
Gains on sales of bonds	3,763
Gains on redemption of bonds	15
Income from derivatives held in banking account	100
Other	1,194
Other ordinary income	12,398
Recoveries of written-off claims	1,356
Gains on sales of equity securities and others	4,980
Gains on monetary assets held in trust	2,029
Other	4,032
<b>ORDINARY EXPENSES</b>	132,737
Interest expenses	16,483
Interest on deposits	9,001
Interest on negotiable certificates of deposit	23
Interest on debentures	3
Interest on call money	(39)
Interest on payables under repurchase agreements	209
Interest on payables under securities lending transactions	668
Interest on borrowings	586
Interest on corporate bonds	761
Interest on swaps	5,247
Other interest expenses	20
Fees and commissions expenses	29,698
Domestic and foreign exchange commissions expenses	1,356
Other fees and commissions expenses	28,341
Other business expenses	2,055
Losses on sales of bonds	1,107
Amortization of deferred issuance expenses for debentures	0
Amortization of deferred issuance expenses for corporate bonds	71
Other	875
General and administrative expenses	79,453
Other ordinary expenses	5,047
Provision of reserve for credit losses	2,537
Losses on write-off of loans	114
Losses on sales of equity securities and others	444
Losses on write-down of equity securities and others	164
Losses on monetary assets held in trust	2
Provision for reimbursement of debentures	1,211
Other	571
<b>ORDINARY PROFIT</b>	36,586
Extraordinary gains	6,581
Gain on disposal of premises and equipment	0
Gain on liquidation of subsidiaries and affiliates	21
Other extraordinary gains	6,558
Extraordinary losses	2,178
Loss on disposal of premises and equipment	48
Impairment losses	1,138
Other extraordinary losses	991
<b>Income before income taxes</b>	40,989
Income taxes (benefit) - current	(2,656)
Income taxes (benefit) - deferred	3,136
Total income taxes (benefit)	479
<b>NET INCOME</b>	¥40,510

## (Translation)

**Nonconsolidated Statement of Changes in Equity**  
 Shinsei Bank, Limited  
 For the fiscal year ended March 31, 2018

(Millions of yen)

	Shareholders' equity							
	Common stock	Capital surplus		Legal reserve	Retained earnings		Treasury stock, at cost	Total shareholders' equity
		Additional paid-in capital	Total capital surplus		Other retained earnings	Total retained earnings		
					Unappropriated retained earnings			
Balance at beginning of the year	¥512,204	¥79,465	¥79,465	¥14,220	¥287,508	¥301,729	(¥79,539)	¥813,860
Changes during the year								
Dividends				517	(3,106)	(2,588)		(2,588)
Net income					40,510	40,510		40,510
Purchase of treasury stock							(10,001)	(10,001)
Net changes during the year excluding shareholders' equity								
Total changes during the year	—	—	—	517	37,403	37,921	(10,001)	27,920
Balance at end of the year	¥512,204	¥79,465	¥79,465	¥14,738	¥324,912	¥339,650	(¥89,540)	¥841,780

	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	¥9,444	(¥15,894)	(¥6,450)	¥534	¥807,944
Changes during the year					
Dividends					(2,588)
Net income					40,510
Purchase of treasury stock					(10,001)
Net changes during the year excluding shareholders' equity	(5,175)	135	(5,039)	(264)	(5,304)
Total changes during the year	(5,175)	135	(5,039)	(264)	22,616
Balance at end of the year	¥4,268	(¥15,759)	(¥11,490)	¥270	¥830,560

(TRANSLATION)

**INDEPENDENT AUDITOR'S REPORT**

May 9, 2018

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, 2018 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, 2017 to March 31, 2018, 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)

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, 2018, 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.

(TRANSLATION)

**INDEPENDENT AUDITOR'S REPORT**

May 9, 2018

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, 2018 of Shinsei Bank, Limited (the "Bank"), and the related statements of income and changes in equity for the 18th fiscal year from April 1, 2017 to March 31, 2018, 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)**

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, 2018, 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 18<sup>th</sup> fiscal year (from April 1, 2017 to March 31, 2018).

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 the Accounting Auditor, etc. 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 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 10, 2018

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)  
Kozue Shiga, Outside Audit & Supervisory Board Member (Seal)