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[TRANSLATION]

Shinsei Bank, Limited

TSE Stock code: 8303

Notice of the Annual General Meeting of Shareholders for the 17th Term

Date and Time:

Wednesday, June 21, 2017 at 10:00 a.m.
(Doors Open at 9:00 a.m.)

Place:

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

Agenda Items:

1. Reverse Stock Split
2. Partial Amendment to the Article of Incorporation
3. Election of Seven (7) Directors

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

Instructions on Exercising Voting Rights

You are sincerely requested to exercise your voting rights in any of the following ways:

If you attend the Meeting in person

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

Date and Time: Wednesday, June 21, 2017 at 10:00 a.m.

(Doors Open at 9:00 a.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. No gifts to shareholders will be given on the meeting day.

Exercise of voting rights in writing via Voting Right Exercise Form

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

Deadline: Tuesday, June 20, 2017 by 5:00 p.m.

Exercise of voting rights by Internet Please see the next page for more details

Please access the website to exercise voting rights. (<http://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 20, 2017 by 5:00 p.m.

Image of
QR code

※You may access via QR code on the right if your cell phone scans bar-code.

("QR code" is a trademark owned by DENSO WAVE, Incorporated.)

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

Procedures for Exercising Voting Rights via Internet

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

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

Website for exercising voting rights: <http://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, 2017. 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.

System Environment for Exercising Voting Rights via the Internet

The following computer system environment is necessary in order to use the website for exercising voting rights.

1. Ability to access the website via the Internet.

2. In order to exercise voting rights using a personal computer, it is necessary to be able to use an Internet browser as well as software such as Internet Explorer 6.0 or higher from Microsoft®. It is necessary to have a hardware environment that allows for the use of the above internet browser and software.

3. In order to exercise voting rights via a cell phone, the cell phone must be a model that allows for 128bitSSL transmissions (encrypted transmissions). (For security purposes, the website is accessible only by models that allow for 128bitSSL transmissions (encrypted transmissions) so that some models, including smartphones, may not be able to access the website.)

(“Microsoft” is a trademark owned by the Microsoft Corporation in the United States and other countries.)

Inquiries concerning Exercising Voting Rights via the Internet

Please contact the following.

Shareholder List Administrator:

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

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

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

In case that you have an account at a securities company, please consult them directly.

Any shareholder who has agreed to receive the notice of convocation by electromagnetic means, and who wishes to request that the Form for Exercising Voting Rights, etc. be delivered in written form, will be sent these written forms and documents. If any shareholder wishes such treatment, please contact the Hotline above.

END

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[TRANSLATION]

TSE Stock code: 8303
June 01, 2017
4-3 Nihonbashi-muromachi 2-chome, Chuo-ku, Tokyo
Shinsei Bank, Limited

Notice of the Annual General Meeting of Shareholders for the 17th Term

Dear Shareholders,

We are pleased to invite you to the Annual General Meeting of Shareholders of Shinsei Bank, Limited (“the Bank”) for the 17th 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 20, 2017.

Yours faithfully,

Hideyuki Kudo
Representative Director and President

Description of the Meeting

- 1. Date and Time:*** *Wednesday, June 21, 2017 at 10:00 a.m.*
Doors Open at 9:00 a.m.
- 2. Place:*** *Grand Hall, Nomura Conference Plaza Nihonbashi,*
6th floor, Nihonbashi Nomura Building
4-3 Nihonbashi-muromachi 2-chome, Chuo-ku, Tokyo

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

Matters to be reported:

- 1. Report on the Business Report, Consolidated Financial Statements and the Results of the Audit of the Consolidated Financial Statements by the Accounting Auditor and the Audit & Supervisory Board for the 17th Term (from April 1, 2016 to March 31, 2017).***
- 2. Report on the Financial Statements for the 17th Term (from April 1, 2016 to March 31, 2017).***

Matters to be voted on:

- Item1 : Reverse Stock Split***
- Item2 : Partial Amendment of the Article of Incorporation***
- Item3 : Election of Seven (7) Directors***

END

Notes:

Among the documents to be provided in conjunction with this notice, 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.

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.

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 (<http://www.shinseibank.com>).

We are planning to disclose the Annual General Meeting of Shareholders for the 17th 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.

Material for Annual General Meeting of Shareholders Agenda

Agenda Item 1: Reverse Stock Split

1. Reason for reverse stock split

All domestic stock exchanges in Japan including the Tokyo Stock Exchange are engaged in initiatives for issuing companies to standardize the number of shares constituting a minimum trading unit to 100 shares by October 2018, in its “Action Plan for Consolidating Trading Units.”

Following this initiative, as Shinsei Bank is a company listed on the Tokyo Stock Exchange, it will reduce the number of the Bank’s shares constituting a minimum trading unit from 1,000 shares to 100 shares. The Tokyo Stock Exchange defines the ideal price range per investment unit as equal to or greater than 50,000 yen and less than 500,000 yen. In order to achieve this appropriate price level per a minimum trading unit of the Bank’s shares, the Bank will also undertake a 1-for-10 reverse stock split.

2. Details of reverse stock split

(1) Class of shares to be reversed: Common shares

(2) Reversal ratio: Shinsei Bank will undertake a 1-for-10 reverse stock split on October 1, 2017 based on the number of shares held by shareholders recorded in the Register of Shareholders as of the end of the day on September 30, 2017. If fractional shares of less than one share arise as a result of the reverse stock split, such shares shall be subject to a bulk sale in accordance with the Companies Act. The proceeds of the said sale will be distributed to the target shareholders in proportion to their respective fractional shares.

(3) The effective date of reverse stock split: October 1, 2017

(4) Aggregate number of shares authorized to be issued as of the effective date: 400 million shares

(Note) In accordance with the reversal ratio, the aggregate number of shares authorized to be issued shall be changed to one-tenth of the current number.

3. Others

The Reverse Stock Split to be made pursuant to this Agenda is subject to approval with respect to Agenda Item 2, “Partial Amendment of the Articles of Incorporation”.

Please refer to pages 5 to 7 for details of the Reverse Stock Split and the Partial Amendment of the Articles of Incorporation.

Agenda Item 2: Partial Amendment of the Article of Incorporation

1. Reason for amendment of the Articles of Incorporation

As stated in Agenda Item 1, Shinsei Bank will amend Article 6 of the Articles of Incorporation in order to implement a reverse stock split and to reduce the aggregate amount of authorized shares at the same rate of the reverse stock split. The Bank will also amend Article 7 of the Articles of Incorporation in order to change the number of shares constituting a minimum trading unit from 1,000 shares to 100 shares. Shinsei bank will set supplementary provisions whereby these amendments take effect on October 1, 2017. The supplementary provisions shall be deleted after the day the amendments have taken effect.

2. Details of amendments of the Articles of Incorporation

The details of the amendments are as follows:

Amended parts are underlined.

Current	Proposed Revision
<p>Article 6. (Aggregate Number of Shares Authorized to Be Issued)</p> <p>The aggregate number of shares which the Bank shall have the authority to issue shall be <u>four billion (4,000,000,000)</u> shares.</p>	<p>Article 6. (Aggregate Number of Shares Authorized to Be Issued)</p> <p>The aggregate number of shares which the Bank shall have the authority to issue shall be <u>four hundred million (400,000,000)</u> shares.</p>
<p>Article 7. (Number of Shares Constituting One Predetermined Minimum Unit of Shares (tan-gen kabu))</p> <p>1. One predetermined minimum unit of shares (tan-gen kabu) shall be <u>one thousand (1,000)</u> shares.</p> <p>2. (Omitted)</p>	<p>Article 7. (Number of Shares Constituting One Predetermined Minimum Unit of Shares (tan-gen kabu))</p> <p>1. One predetermined minimum unit of shares (tan-gen kabu) shall be <u>one hundred (100)</u> shares.</p> <p>2. (No Change)</p>
	<p><u>(Supplementary Provisions)</u></p> <p><u>The revisions to Article 6. (Aggregate Number of Shares Authorized to Be Issued) and Article 7. (Number of Shares Constituting One Predetermined Minimum Unit of Shares (tan-gen kabu)) shall take effect on October 1, 2017. These Supplementary Provisions shall be deleted after the day they have taken effect.</u></p>

3. Others

The Partial Amendment of the Article of Incorporation to be made pursuant to this Agenda is subject to approval with respect to Agenda Item 1, “Reverse Stock Split”.

[Reference related to Agenda 1 and Agenda 2]

Q&A regarding a reverse stock split and a change in the number of shares constituting a minimum trading unit

Q1: What is the purpose of the reverse stock split and the change in the number of shares constituting a minimum trading unit?

A1:

- For the greater convenience of investors and other market participants, all Japanese stock exchanges including Tokyo Stock Exchange are promoting an “Action Plan for Consolidating Trading Units”, under which trading units (the number of shares in share unit) of common shares of domestically listed companies are uniformly set at 100 shares. In light of the intent of this action plan, the Bank, as a company listed on the Tokyo Stock Exchange, decided to change the number of shares in share unit from 1,000 shares to 100 shares as of October 1, 2017.
- The Tokyo Stock Exchange defines the ideal price range per investment unit as equal to or greater than 50,000 yen and less than 500,000 yen. In order to achieve this appropriate price level per a minimum trading unit of the Bank’s shares, the Bank will also undertake a 1-for-10 reverse stock split.

Q2: How the investment unit will be affected?

A2:

- Shinsei Bank will implement a change in the number of shares constituting a minimum trading unit from 1,000 shares to 100 shares and a 1-for-10 reverse stock split at the same time. Therefore, a current investment unit won’t practically change because 100 shares after the reverse stock split will be worth to 1,000 shares before the reverse stock split, and the theoretical stock price after the reverse stock split will be ten times more than that before the reverse stock split.

Q3: How will the number of shares owned and voting rights be affected?

A3:

- The number of shares held by each shareholder after the reverse stock split will be the number of shares obtained by multiplying the number of shares recorded in the latest register of shareholders as of September 30, 2017 by one-tenth (rounded down to the nearest whole share). The number of voting rights will be one (1) per 100 shares.
- Specifically, the number of shares held and number of voting rights before and after the reverse stock split and change of the number of shares in share unit are as follows. Though the number of shares held by each shareholder will be reduced, there will be no change to the number of shareholders’ voting rights.

	Before reverse stock split		After reverse stock split		
	Number of shares held	Number of voting rights	Number of shares held	Number of voting rights	Resulting fractional shares
Ex. 1	5,000 shares	5 votes	500 shares	5 votes	None
Ex. 2	2,500 shares	2 votes	250 shares	2 votes	None
Ex. 3	505 shares	None	50 shares	None	0.5 shares
Ex. 4	1 share	None	None	None	0.1 shares

- In case that the shareholder’s share become fraction of shares after the reverse stock split (in the Example 3 and Example 4), Shinsei Bank will sell fractional shares that arise, and pay the proceeds to shareholders whose shares become fractions of shares in proportion to their respective fractions around December 2017.
- In case that the shareholder holds constituting less than ten share units before the changes come into effect (in the Example 4), the shareholder’s shares become fraction of shares after the reverse stock split, and therefore loses its status as a shareholder.
- Please note that such shareholders may request Shinsei Bank sell to them the number of shares needed to

make up one unit by adding to their shares that are less than one unit prior to the effective date of the reverse stock split. In addition, please also note that such shareholders may request that Shinsei Bank purchase from them their shares that are less than one unit prior to the effective date of the reverse stock split. For details, please contact your securities company or Shinsei Bank' shareholder registry administrator as hereinafter defined.

Q4: Will the reverse stock split have any impact on asset value?

A4:

- Because The Bank's assets and stated capital will remain unchanged after the reverse stock split, there will be a tenfold increase in the amount of net assets per share, although the number of shares held by a shareholder will be one-tenth of the original number.
- Therefore aside from share market trends and other factors, in theory, there will be no change to the asset value of shareholders' shares.

Q5: How will dividends be affected?

A5:

- Although the number of shares held by shareholders will be one-tenth after the reverse stock split, Shinsei Bank will set dividend per share taking the 1-for-10 ratio into account after the effective date of the reverse stock split. Thus, aside from change in performance results or other factors, total dividends of each shareholder after the reverse stock split will not be affected. However, dividends will not be paid on the fractional shares resulting from the reverse stock split.

Q6: Are there any procedures that shareholders must take?

A6:

- No special procedures are necessary.

Q7: What is the specific schedule going forward?

A7:

- The summary (planned) schedule for the change of the number of shares in share unit and reverse stock split is as follows;

June 21, 2017	Annual General Meeting of Shareholders
September 26, 2017	Last date of the trading unit of 1,000 shares
September 27, 2017	Change of the trading unit of shares to 100 shares
October 1, 2017	Effective date of the reverse stock split, the change in the number of shares constituting a minimum trading unit, and change in the aggregate number of shares authorized to be issued.

[Inquiries]

If you have any questions regarding the reverse stock split and the change in the number of shares constituting a minimum trading unit, please inquire with your securities company or the following registration agent with respect to the shares;

Registration agent:

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

2-8-4 Izumi, Suginami-ku, Tokyo,

Telephone number: 0120-782-031 (Toll-free for domestic phone calls only)

Telephone number from Overseas: Country Code+81 - 3 - 3323-7111

Reception hours: 9:00 a.m. to 5:00 p.m. (Excluding weekends and holidays) (Tokyo time)

Agenda Item 3 : Election of Seven (7) Directors

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

Career summary of the candidates is as follows.

	Name (Date of Birth)	Personal History/Positions and Responsibilities in the Bank and Important Concurrent Posts			Ownership (# of Shares)
1	Reappointed Hideyuki Kudo (September 1, 1963) <Attendance rate of BoD> 5/5 (100%)	1987 Y 4 M	2001 Y 5 M	2003 Y 8 M	Common Shares 63,144
				2005 Y 5 M	
				2006 Y 6 M	
				2007 Y 1 M	
				2007 Y 6 M	
				2010 Y 9 M	
				2011 Y 4 M	
				2013 Y 4 M	
				2015 Y 4 M	
				2015 Y 6 M	
2	Reappointed Yukio Nakamura (September 5, 1954) <Attendance rate of BoD> 5/5 (100%)	1978 Y 4 M	2000 Y 10 M	2007 Y 4 M	Common Shares 15,320
				2008 Y 6 M	
				2009 Y 10 M	
				2010 Y 6 M	
				2013 Y 4 M	
				2015 Y 4 M	
3	Reappointed Outside J. Christopher Flowers (October 27, 1957) <Attendance rate of BoD> 5/5 (100%)	1979 Y 3 M	1988 Y 12 M	2000 Y 3 M	Common Shares 76,753,748
				2002 Y 11 M	
				2007 Y 8 M	
				2012 Y 5 M	
4	Reappointed Outside Ernest M. Higa (October 15, 1952) <Attendance rate of BoD> 5/5 (100%)	1976 Y 4 M	1983 Y 4 M	2008 Y 4 M	Common Shares 20,959
				2009 Y 5 M	
				2010 Y 6 M	
				2011 Y 3 M	
				2013 Y 6 M	
				2015 Y 4 M	
				2016 Y 9 M	
				2017 Y 4 M	

	Name (Date of Birth)	Personal History/Positions and Responsibilities in the Bank and Important Concurrent Posts			Ownership (# of Shares)
5	Reappointed Outside Shigeru Kani (September 20, 1943) <Attendance rate of BoD> 5/5 (100%)	1966 Y	4 M	Joined The Bank of Japan	Common Shares 149,705
		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 (Current)	
6	Reappointed Outside Jun Makihara (January 15, 1958) <Attendance rate of BoD> 5/5 (100%)	1981 Y	9 M	Joined Goldman, Sachs & Co.	Common Shares 200,000
		1992 Y	11 M	Partner	
		1996 Y	11 M	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)	
7	Reappointed Outside Ryuichi Tomimura (February 17, 1959) <Attendance rate of BoD> 5/5 (100%)	1983 Y	10 M	Joined IBM Japan, Ltd.	Nil
		1991 Y	10 M	General Manager, Network Integration Division, Recruit Co. Ltd. (Predecessor of Recruit Holdings Co., Ltd.)	
		1994 Y	1 M	Managing Partner, Pricewaterhouse Consultant	
		2002 Y	10 M	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	12 M	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 32 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 2016, until April 30, 2017.
3. Those positions or posts of candidates for Directors written in their “Personal History/Positions and Responsibilities in the Bank and Important Concurrent Posts” section that do not contain the word “Current”, are positions the candidate has retired from and no longer occupies.
4. Candidates for Directors, namely, Mr. Hideyuki Kudo and Mr. Yukio Nakamura 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. Special interests between the Bank and a candidate:
 - (1) The Bank invests as a limited partner in J.C. Flowers II L.P. and J.C. Flowers III L.P. which are investment funds operated by JCF Associates II Ltd. and JCF Associates III 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. 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) The Bank has indirectly invested in The Kessler Group which Mr. J. Christopher Flowers serves as Member of the Advisory Board through J.C. Flowers II L.P. mentioned above. J.C. Flowers II L.P. commands 25.5% of voting rights of The Kessler Group.
 - (5) Mr. Ryuichi Tomimura served as a representative director of RHJ International Japan, Inc. until his retirement from that position in June 2012. For the duration of his tenure at RHJ International Japan, Inc. and up until the present, there has been no capital or transactional relationship between the Bank and RHJ International Japan, Inc.
No special interests exist between any of the other candidates for Directors and the Bank.
6. 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.

7. The following persons are candidates for Outside Directors:
Messrs. J. Christopher Flowers, Ernest M. Higa, Shigeru Kani, Jun Makihara and Ryuichi Tomimura
8. 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.**
- None
- (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.**
- None
- (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 sixteen 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 four years.
 - ③ As of the end of this General Meeting of Shareholders, Mr. Shigeru Kani will have been an Outside Director for thirteen years.
 - ④ As of the end of this General Meeting of Shareholders, Mr. Jun Makihara will have been an Outside Director for six 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 three years in total.
9. 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*).

END

(Translation)

(Attachment)

Business Report for the 17th Fiscal Year (From April 1, 2016 to March 31, 2017)

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, 221 subsidiaries (comprised of 124 consolidated companies including APLUS FINANCIAL Co., Ltd., Showa Leasing Co., Ltd., Shinsei Financial Co., Ltd., Shinsei Principal Investments Ltd. and 97 unconsolidated subsidiaries) and 20 affiliated companies (comprised of 20 affiliates accounted for under the equity method including Jih Sun Financial Holding Company, Limited) as of March 31, 2017, 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.

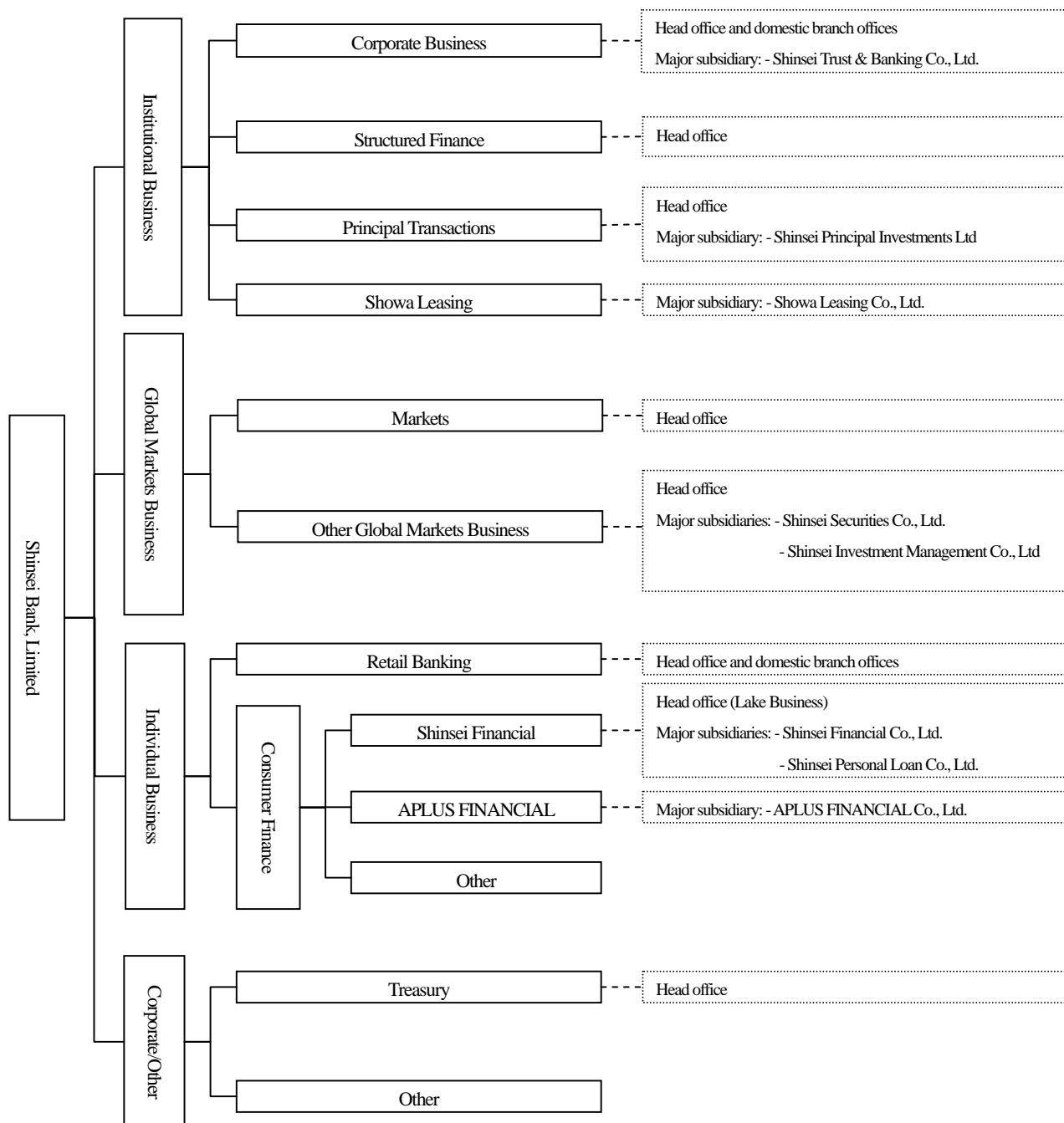
In the Global Markets Business, the “Markets” segment engages in foreign exchanges, derivatives, equity-related transactions and other capital markets transactions. The “Other Global Markets Business” segment consists of securities business provided by Shinsei Securities, asset management and wealth 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 Co., Ltd., Shinsei Personal Loan Co., Ltd. (The company name had changed to it from SHINKI Co. Ltd., as of August 4, 2016) 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)



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[Financial and Economic Environment]

In fiscal year 2016, while private consumption, industrial production, and exports remained generally flat in the first half, in the second half the movements of recovery were shown. 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 Cabinet approved in June 2016 revisions to the “Basic Policies on Economic and Fiscal Management and Reform” and “Japan Revitalization Strategy” to include the postponement of an increase in consumption tax rate to 10% and an implementation of economic policy. In August 2016, the Japanese government decided the second supplementary budget plan of fiscal year 2016 to promote the policies and strategy, and swiftly and steadily implemented the budget. In March 2017, the budget of fiscal year 2017 was approved, focusing on the “Working-Style Reform” with the improvement of corporate productivity as its pillar, in order to overcome a decrease of working population. An implementation plan for the Reform was coordinated. Additionally, the Bank of Japan (“BOJ”) continued its policy of extraordinary monetary easing measures including a Negative Interest Rate Policy (“NIRP”), which applies a rate of -0.1% to the portion of the BOJ current amount balances exceeding the historical average of each financial institution. In September 2016, based on the results of comprehensive verification of the extraordinary monetary easing, the BOJ decided to revise the framework of the financial policy by changing its focus from the quantity to interest rates. Further, the BOJ indicated a new policy for controlling long- and short-term interest rates to induce long-term interest rates (the yield of 10-year government bonds) of approximately 0%, maintaining short-term negative interest rate spreads. Going forward, it is expected that the economy will continue to recover as the employment and income environments continue to improve, supported by the effects of the implementation of various government policies. However, there remain downside risks such as the volatility in financial markets and the uncertainty of the overseas economy, such as the withdrawal of the United Kingdom (“UK”) from the European Union (“EU”) and the policy trends of the new U.S. administration. Attention should continue to be given to these future trends.

To provide an overview of the financial markets, interest rates in Japan started to decrease partly because there were moves to avert risks in the market in addition to the NIRP by the BOJ continued. While the long-term interest rate (10-year government bond yield) was approximately -0.05% as of March 31, 2016, it temporarily declined to the record lowest level of approximately -0.3%. Respecting foreign exchange rates and the Nikkei Stock Average, in reaction to the uncertainty of economic trends, including the UK’s withdrawal from the EU and the timing for the U.S. to increase policy interest rates, the yen temporarily strengthened and the exchange rate for one U.S. dollar was approximately 99 yen while the exchange rate for one euro was approximately 109 yen. The Nikkei Stock Average fell below 15,000 yen. Afterward, the market conditions reversed against a backdrop of a new target long-term interest rate (approximately 0%) and the expectations of an economic policy by the new U.S. administration. In December 2016, the U.S. resumed an increase of policy interest rates after an interval of approximately one year. With a global interest rate increase and the expectation of an economic recovery, long-term interest rates in Japan increased, the yen weakened, and the Nikkei Stock Average went up. After the beginning of 2017, due to uncertainty about the policy of the new U.S. administration, European politics and the reemergence of the Greek debt crisis among other factors, there was a trend for the yen to strengthen. As a result, the long-term interest rate in Japan increased to approximately 0.07% as of March 31, 2017. The exchange rate for one U.S. dollar was approximately 111 yen (an appreciation of approximately 1 yen compared to March 31, 2016), while the exchange rate for one euro was 119 yen (an appreciation of approximately 8 yen compared to March 31, 2016). The Nikkei Stock Average on March 31, 2017 closed at 18,909.26 (an increase of approximately 2,150 yen compared to March 31, 2016). On the other hand, short-term interest rates in Japan continued to remain at a low level.

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[Business Developments and Performances of the Group in Fiscal Year 2016]

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 “3rd 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 first year of the 3rd MTMP. The Bank has strived in its business undertakings to achieve the plan. Initiatives undertaken in each business area are as follows.

(Institutional Business)

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

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.

The Bank has accumulated renewable energy transactions in structured finance as a growth area by actively engaging in blue-chip mega solar projects sponsored by overseas project companies. 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 specialty finance, as there are a growing number of projects in which competitive businesses are strategically spun out mainly from major companies, the Bank has actively provided loans to such projects. In December 2016, the Bank granted a leveraged buyout (LBO) loan to a fund advised by Nippon Mirai Capital Co., Ltd. (Chiyoda-ku, Tokyo) for the acquisition of information system business from Hitachi Metals, Ltd. (Minato-ku, Tokyo) through a special purpose company (SPC) sponsored by the fund.

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 to meet the fund investment needs of regional financial institution customers, while providing financial solutions on a Group-wide basis, through partnerships in the unsecured loan guarantee for individual customers of such institution customers and those using other functions held by Group companies, to meet the needs of these institution customers for strengthening their core business.

To promote principal transactions, the Shinsei Principal Investments Group 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 Group has staked in the fund investing in bio-venture companies by making the most of its expertise and characteristics.

Showa Leasing Co., Ltd. (hereinafter, “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

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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). This has combined Showa Leasing's strengths in SME transactions and solutions making use of its expertise with Group member companies' various functions through integration with the Bank Group.

(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 yen deposits and foreign currency deposits and to strengthen sales of investment trusts and over-the-counter sales of insurance products. For housing loans, the Bank continued leveraging the unique, high-value-added characteristics of "PowerSmart Home Mortgage" to actively increase the loan balance. In October 2016 the Bank launched "T Point x Shinsei Bank PowerSmart Home Mortgage" which would provide customers 1,000 T points each month for ten years after signing up for a loan. Furthermore, the Bank introduced marketing activities using artificial intelligence (AI) in February 2017 on a full scale. This was made possible by models developed by SecondXight, Inc. (Chiyoda-ku, Tokyo; hereinafter, "SecondXight"), a fintech joint venture established in June 2016 by Shinsei Financial Co., Ltd. (hereinafter, "Shinsei Financial") to collect and analyze big data and utilize AI. The Bank will use the model to propose asset management products that better serve our customers' needs and to uncover the needs for housing loans based on customer behavior and purchase predictions.

Regarding the Bank's consumer finance business, in "Shinsei Bank Card Loan – Lake," the Bank's personal loan business, the loan balance and number of customers have increased and the Bank has further expanded its business. Shinsei Financial continued providing services to its existing customers, while focusing on expanding its credit guarantee business for personal loans in partnership with other financial institutions and providing its consumer finance systems. Going forward, Shinsei Financial aims to introduce AI developed by SecondXight to the credit guarantee screening process of regional financial institutions with which Shinsei Financial has a credit guarantee partnership and to the pre-credit screening model used before loan applications are made, in an attempt to improve the accuracy of credit screening. Furthermore, APLUS FINANCIAL Co., Ltd. (hereinafter, "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 Co. Ltd. (hereinafter, "APLUS") and through initiatives to improve customer convenience and operational efficiency. In April 2016, APLUS started a settlement agent service for WeChat Pay, a mobile settlement service for Chinese consumers, in Japan. WeChat Pay is now available at retail stores operated by Laox Co., Ltd., the AEON Group supermarkets, Nihon Kotsu Group taxis, and department stores.

Regarding overseas business expansion, the Bank will enter the unsecured loan business in Vietnam through its joint equity investment with Military Joint Stock Commercial Bank (hereinafter, "MB Bank"), a major private commercial bank in Vietnam. In November 2016, the Bank concluded an agreement to acquire a 49% stake in Financial One Member Limited Liability Company Military Commercial Joint Stock Bank (hereinafter, "MB Finance"), a wholly-owned subsidiary of MB Bank. MB Finance began its operations in December 2016, first offering loans to its customers to purchase mobile phones under a partnership with mobile phone outlets and electronics retail stores in Vietnam. Shinsei Financial plans to provide its information systems and system maintenance know-how to MB Finance as expansion of the unsecured loan business in the future.

In addition to the above, the Bank will further integrate the Shinsei Bank Group and fully utilize the knowledge, experience, and network of each Group member company in its new initiatives that transcend the frameworks of institutional and individual businesses, with the aim of gradually enhancing the provision of financial services and solutions to small- and

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medium-sized enterprises and small-scale enterprises. As the first step of such efforts, Showa Leasing and APLUS joined forces in October 2016 to begin a vendor leasing business. In this business, APLUS provides the credit assessment function utilizing the know-how it has developed in the installment sales credit business, while Showa Leasing provides the lease and property management functions. They will together propose leasing transactions to APLUS' partnership stores as a fundraising method for sole proprietors who plan to make purchases for their business. The Bank aims the initiative to strengthen its acquisition of a new customer base in the Shinsei Bank Group.

In December 2016, the Bank conducted a share exchange to change the status of Showa Leasing from the Bank's consolidated subsidiary to wholly-owned subsidiary. This has created an organizational structure that allows faster and more flexible decision-making as the Shinsei Bank Group.

As an initiative for the entire Shinsei Bank Group, the Bank established the Group Headquarters within the Bank in April 2017 in order to integrate and centralize practically the administrative functions of the Bank and its Group member companies. Through this, the Bank seeks to improve sophistication of its various administrative functions as well as pursue optimization as a Group, including in its nonbank functions, in order to strengthen Group governance and to improve productivity and efficiency through the consolidation of functions duplicated in multiple Group companies.

(Financial Position)

At the end of fiscal year 2016, our consolidated Basel III (domestic standard) core capital adequacy ratio was 13.06 %, 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 65,564,000 treasury shares until August 4, 2016, based on a resolution approved through a meeting of its Board of Directors held on May 11, 2016, and had acquired 10,000,000 treasury shares until March 7, 2017, based on a resolution approved through a meeting of its Board of Directors held on January 31, 2017. 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, 2017, Shinsei Bank reported a consolidated ordinary income of 380.4 billion yen (increased 4.7 billion yen compared to the previous fiscal year) and consolidated ordinary expenses of 332.9 billion yen (increased 19.2 billion yen compared to the previous fiscal year). As a result, the Bank recorded a consolidated ordinary profit of 47.5 billion yen (decreased 14.5 billion yen compared to the previous fiscal year) and a profit attributable to owners of parent of 50.7 billion yen (decreased 10.1 billion yen compared to the previous fiscal year). Segment profits of the Shinsei Bank Group on a management accounting basis totaled 54.1 billion yen (decreased 18.1 billion yen compared to the previous fiscal year).

On a business segment level, the Institutional Business decreased profits compared to the previous fiscal year due to the absence of the gains recorded in the previous fiscal year on the reversal of reserves for loan losses associated with the disposal of major nonperforming loans. Revenues increased from the previous fiscal year due to a fee income increase primarily associated with Structured Finance, the recording of large gains on sales of marketable securities and the absence of the losses recorded in the previous fiscal year associated with the reassessment of a fund investment, in addition to successes in initiatives aimed at increasing the customer base and enhancing profitability.

The Global Markets Business increased profits compared to the previous fiscal year. While 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, customer transactions, primarily derivatives transactions, were strong and losses recorded in the previous fiscal year associated with a major shift in market conditions were not recorded.

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, while having made active efforts to grow its various

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business lines.

The Consumer Finance increased profits compared to the previous fiscal year, while expenses increased due to the implementation of initiatives for smoothly executing the 3rd MTMP and net credit costs increased as a result of the increase in outstanding loans. Due to factors such as the Lake business continuing to produce favorable results and APLUS FINANCIAL recording increases in transactions in its businesses such as housing related loans and shopping credit, revenue increased compared to the previous fiscal year.

Regarding reserves for losses associated with interest repayments (grey zone), it should be noted that an additional provision of 5.1 billion yen was made in the current fiscal year based upon a recalculation of future grey zone risk.

The “Corporate/Other” segment continued to record stable profits due to the recording of strong earning 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, 2016.

(Millions of yen)

	Fiscal 2016 (17th Fiscal Period)						Total
	Institutional Business				Global Markets Business		
	Corporate Business	Structured Finance	Principal Transactions	Showa Leasing	Markets	Other Global Markets Business	
Revenue	17,058	21,896	9,991	13,230	8,393	2,621	
Net Interest Income(loss)	11,220	9,422	2,592	(1,255)	1,967	323	
Non-interest income(loss)	5,837	12,473	7,398	14,486	6,426	2,297	
Expense	10,583	4,959	4,322	8,802	3,311	3,668	
Net Credit costs (Recoveries)	371	3,590	130	(1,024)	(92)	1	
Segment Profit (loss)	6,104	13,346	5,539	5,452	5,175	(1,048)	
	Individual Business				Corporate/Other		Total
	Retail Banking	Consumer Finance			Treasury	Other	
		Shinsei Financial	APLUS FINANCIAL	Other			
Revenue	26,032	63,283	54,857	1,895	7,089	2,179	228,529
Net Interest Income(loss)	23,490	64,212	9,076	1,228	(50)	48	122,278
Non-interest income(loss)	2,541	(928)	45,781	666	7,140	2,130	106,251
Expense	33,564	32,499	37,042	812	1,704	1,207	142,479
Net Credit costs (Recoveries)	(679)	20,515	8,604	275	-	207	31,898
Segment Profit (loss)	(6,852)	10,267	9,211	807	5,385	764	54,151

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.

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.

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.

(Translation)

(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. 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
- 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.

Regarding the Bank’s corporate governance frameworks, in accordance with the “Corporate Governance Code” implemented by the Tokyo Stock Exchange in June 2015, the Bank is required to appoint at least two Outside Directors to a company’s Board of Directors. Shinsei Bank engages in management which emphasizes the oversight functions of Outside Directors, and in fiscal year 2016, had appointed two internal Directors as well as five Outside Directors 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. Additionally, the Bank has adopted an Executive Officer system 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.

(Translation)

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 February 2016. Taking into account the 3rd MTMP which was disclosed in January 2016, the Bank will work to implement measures aimed at establishing a sustainable business base, through which it seeks to further grow the financial Group. In the fiscal year ended March 31, 2016, the Bank recorded a nonconsolidated net business profit of ¥ 33.5 billion, slightly decreased from the target established in the Business Revitalization Plan, and a nonconsolidated net income of ¥ 43.4 billion, 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.

(2) Overview of Assets, Profit and Loss

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

	(Hundred millions of yen)			
	Fiscal 2013	Fiscal 2014	Fiscal 2015	Fiscal 2016
	(14th Fiscal Period)	(15th Fiscal Period)	(16th Fiscal Period)	(17th Fiscal Period)
Ordinary income	3,752	3,973	3,757	3,804
Ordinary profit	441	730	620	475
Profit attributable to owners of the parent	413	678	609	507
Comprehensive income	491	813	526	506
Total equity	7,225	7,537	7,931	8,207
Total assets	93,211	88,898	89,287	92,583

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 2013 (14th Fiscal Period)	Fiscal 2014 (15th Fiscal Period)	Fiscal 2015 (16th Fiscal Period)	Fiscal 2016 (17th Fiscal Period)
Deposits	61,942	56,002	59,657	59,926
Time deposits	35,821	29,541	30,056	27,567
Other	26,120	26,461	29,601	32,358
Debentures (Long-Term Credit Bank Bond)	417	323	167	65
Corporate bonds (Excluding Long-Term Credit Bank Bond)	2,218	1,484	576	576
Loans and bills discounted	42,357	42,229	43,001	45,364
To individuals	13,040	13,976	14,694	15,929
To small- and medium-sized businesses	15,187	13,380	13,376	13,893
Other	14,129	14,872	14,930	15,541
Trading assets	2,350	2,791	3,118	2,276
Trading liabilities	2,065	2,591	2,913	2,100
Securities	19,778	18,637	16,038	13,693
Japanese national government bonds	11,267	9,908	7,480	4,935
Other	8,510	8,729	8,557	8,757
Total assets	84,867	78,726	78,576	80,517
Total equity	6,994	7,367	7,764	8,079
Domestic exchange transactions	203,852	205,739	237,472	236,208
	<u>(Millions of dollars)</u>	<u>(Millions of dollars)</u>	<u>(Millions of dollars)</u>	<u>(Millions of dollars)</u>
Foreign exchange transactions	11,042	10,166	8,710	10,322
	<u>(Millions of yen)</u>	<u>(Millions of yen)</u>	<u>(Millions of yen)</u>	<u>(Millions of yen)</u>
Ordinary profits	37,667	47,851	49,366	32,858
	<u>(Millions of yen)</u>	<u>(Millions of yen)</u>	<u>(Millions of yen)</u>	<u>(Millions of yen)</u>
Net income	36,454	45,740	41,566	43,425
	<u>(yen)</u>	<u>(yen)</u>	<u>(yen)</u>	<u>(yen)</u>
Net income per share	13.73	17.23	15.66	16.65

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.

(Translation)

(3) Employees on consolidated basis

	End of this fiscal year	End of the previous fiscal year
	Number of employees	
Institutional Business		
Corporate Business	340	354
Structured Finance	133	121
Principal Transactions	131	152
Showa Leasing	496	517
Global Markets Business		
Markets	75	72
Other Global Markets	124	130
Individual Business		
Retail Banking	763	750
Consumer Finance		
Shinsei Financial	1,025	1,026
APLUS FINANCIAL	1,444	1,427
Other	56	59
Corporate / Other		
Treasury	19	22
Other	754	726
Total	5,360	5,356

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	18	(2)	18	(2)
(Tokyo)	(12	(1))	(12	(1))
Chubu area	3	(1)	3	(1)
Kinki area	9	(4)	9	(4)
Chugoku/Shikoku/Kyushu areas	3	(–)	3	(–)
Domestic total	35	(7)	35	(7)
Overseas	—	(–)	—	(–)
Grand total.....	35	(7)	35	(7)

Note

Unmanned branches for Lake business were installed at 767 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

(Translation)

4) Agent activities operated by the Bank
None

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 Principal Investments Ltd.	Head office	9-7, Otemachi 1-chome, Chiyoda-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

(5) Facility Investment of the Group

i. Total facility investment

<u>Business segment</u>	(Millions of yen) <u>Amount</u>
Shinsei Bank (Note 2).....	10,036
Subsidiaries	
Institutional Business	1,831
Global Markets Business	17
Individual Business	6,979
Corporate/Other	-
Total	18,864

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 3rd 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	95.04 (92.09)	—
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 Principal Investments Ltd.	Chiyoda-ku, Tokyo	Financial instruments business	April 11, 2006	100	100.00	—

Notes

- Fractions of amounts shown less than one million yen have been truncated.*
- Numbers included in parentheses in the "Percentage of voting rights of subsidiaries, etc. held by Shinsei Bank" column indicate indirect holdings.*
- Shinsei has 124 consolidated subsidiaries, including the major subsidiaries listed above, as well as 20 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:

The Bank of Tokyo-Mitsubishi UFJ, 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 Shinsei APLUS Card and the Shinsei APLUS Gold Card, a credit card issued by APLUS Co., Ltd.
8. The Bank entered into an agreement on consignment of guarantee with Shinsei Financial Co., Ltd., a consolidated subsidiary, which acts as a guarantor for “Shinsei Bank Card Loan – Lake,” and “Shinsei Bank Smart Card Loan Plus, unsecured personal card loan services.
9. The Bank has entered into a business partnership agreement with Shinkin Central Bank and Shinkin Capital Co., Ltd to provide business succession support for Shinkin Bank customers.

(Translation)

10. The Bank has signed a business alliance agreement on business cooperation regarding business matching and lending with Military Joint Stock Commercial Bank (MB Bank), a major commercial bank in Vietnam. The Bank and MB Bank concluded an agreement regarding an equity investment in Financial One Member Limited Liability Company Military Commercial Joint Stock Bank, 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, 2017)

<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 Advisory Board, The Kessler Group 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 Overseers, Columbia Business School Board Member, The Tokyo New Business Conference	—
Shigeru Kani	Director (Outside)	Specially Appointed Professor, Yokohama College of Commerce	—
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, Financial Brain Systems 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. As of March 31, 2017, there were 29 Executive 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	146 million yen	-
Audit & Supervisory Board Members	3	42 million yen	-
Total	10	188 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 15th General Meeting of Shareholders held on June 17, 2015 adopted a resolution to set ceilings for the total amount of compensation, etc. paid to Directors at 180 million yen a year (including 60 million yen for outside Directors) and the 10th General Meeting of Shareholders held on June 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 15th General Meeting of Shareholders held on June 17, 2015. Separately from the maximum remuneration stated above as 4, the 15th General Meeting of Shareholders held on June 17, 2015 adopted a resolution to set ceilings for allotment the Subscription Warrants not exceeding 50 million yen annually to the Full-Time Directors as equity remuneration type stock options.
6. Equity remuneration type stock options of 21million 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 Advisory Board, The Kessler Group	The Bank invests in Kessler Group indirectly.
	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 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	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, Financial Brain Systems Inc.	The Bank has no particular transactions with Financial Brain Systems Inc. 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 has no particular transactions with Kawasaki Kisen Kaisha, Ltd. 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	16 years as an Outside Director and 1 year as a Director (Non-executive)	Participated in all six meetings of the Board of Directors held during this fiscal year	Provided timely and necessary remarks and advice on general agenda items and deliberations based upon his wide-ranging financial knowledge.
Ernest M. Higa	3 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	12 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	5 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	1 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	1 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	6 years 9 months	Participated in five out of 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

4,000,000 (thousand shares)

- Aggregate number of shares issued

2,750,346 (thousand shares)

Note

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

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

33,256

(3) Major Shareholders

Shareholder's name	Investment in the Bank	
	Number of shares (thousand)	Shareholding percentage
SATURN IV SUB LP (JPMCB 380111)	323,680	12.50%
Deposit Insurance Corporation of Japan	269,128	10.39%
The Resolution and Collection Corporation	200,000	7.72%
The Master Trust Bank of Japan ,Ltd. (Trust Account)	132,535	5.12%
SATURN JAPAN III SUB C.V. (JPMCB 380113)	110,449	4.26%
Japan Trustee Services Bank, Ltd. (Trust Account)	95,012	3.67%
JAMES CHRISTOPHER FLOWERS 380603	76,742	2.96%
STATE STREET BANK AND TRUST COMPANY	67,372	2.60%
Japan Trustee Services Bank, Ltd. (Trust Account 9)	54,583	2.10%
ANBANG INVESTMENT HOLDINGS CO. LIMITED	42,898	1.65%

Notes

- 1. The number of shares shown has been rounded down to thousands of shares.*
- 2. Shareholding percentages have been calculated by deducting treasury shares (161,955 thousand shares) from the denominator and rounding down to the second decimal place.*
- 3. The Bank has been notified that the shares under the name "JAMES CHRISTOPHER FLOWERS 380603" are substantially held by Mr. J. Christopher Flowers, a director of the Bank.*

(Translation)

5. Stock Acquisition Rights of the Bank

(1) Stock acquisition rights of the Bank owned by the Directors, Outside Directors, and Audit & Supervisory Board Members of the Bank as of the end of the fiscal year ended March 31, 2017.

	17th Issuance of Stock Acquisition Rights	20th Issuance of Stock Acquisition Rights
Date of resolution at Board of Directors meeting	May 9, 2007	May 14, 2008
Issue date	May 25, 2007	May 30, 2008
Number of stock acquisition rights issued	3,306	2,830
Holdings by Directors (excluding Outside Directors)	-	-
Holdings by Outside Directors	20 / 2 persons	20 / 2 persons
Holdings by Audit & Supervisory Board Members	-	-
Class and number of shares that can be purchased through the exercise of stock acquisition rights	Common stock/ 1,224,000 shares (1,000 shares per stock acquisition right)	Common stock/ 1,139,000 shares (1,000 shares per stock acquisition right)
Per-share amount to be paid upon exercise of stock acquisition rights	555 yen	416 yen
Exercise period of stock acquisition rights	From June 1, 2009 to May 8, 2017	From June 1, 2010 to May 13, 2018
Conditions for exercising stock acquisition rights	<p>1) In case a Stock Acquisition Rights holder dies and his or her legal heir completes the succession procedures within a term fixed by the Bank, Stock Acquisition Rights may be inherited by the legal heir of the Stock Acquisition Rights holder.</p> <p>2) In principle, holders may exercise up to half of these rights between June 1, 2009 and May 31, 2011 (any amount less than one shall be rounded up). However, in certain cases as stipulated in the "Agreement on the granting of Stock Acquisition Rights," all stock acquisition rights may be exercised from the first day of the exercise period.</p> <p>3) Stock Acquisition Rights may not be pledged as collateral or disposed of in any other way.</p> <p>4) Other conditions shall be stipulated in the "Agreement on the granting of Stock Acquisition Rights" between the Bank and Stock Acquisition Rights holders based on resolutions of the annual general meeting of shareholders for the sixth term and the Board of Directors meeting held on the day shown above.</p>	<p>1) In case a Stock Acquisition Rights holder dies and his or her legal heir completes the succession procedures within a term fixed by the Bank, Stock Acquisition Rights may be inherited by the legal heir of the Stock Acquisition Rights holder.</p> <p>2) In principle, holders may exercise up to half of these rights between June 1, 2010 and May 31, 2012 (any amount less than one shall be rounded up). However, in certain cases as stipulated in the "Agreement on the granting of Stock Acquisition Rights," all stock acquisition rights may be exercised from the first day of the exercise period.</p> <p>3) Stock Acquisition Rights may not be pledged as collateral or disposed of in any other way.</p> <p>4) Other conditions shall be stipulated in the "Agreement on the granting of Stock Acquisition Rights" between the Bank and Stock Acquisition Rights holders based on resolutions of the annual general meeting of shareholders for the seventh term and the Board of Directors meeting held on the day shown above.</p>
Favorable terms	Stock Acquisition Rights that have been issued without charge.	

(Translation)

	Subscription Warrants Series 1 (The Equity Remuneration Type)
Date of resolution at Board of Directors meeting	May 11, 2016
Issue date	May 26, 2016
Number of stock acquisition rights issued	1343
Holdings by Directors (excluding Outside Directors)	1,343/ 2persons
Holdings by Outside Directors	-
Holdings by Audit & Supervisory Board Members	-
Class and number of shares that can be purchased through the exercise of stock acquisition rights	Common stock/ 134,300 shares (100 shares per stock acquisition right)
Per-share amount to be paid upon exercise of stock acquisition rights	1 yen
Exercise period of stock acquisition rights	From May 27, 2016 to May 26, 2046
Conditions for exercising stock acquisition rights	<p>1) The Subscription Warrant Holder may only exercise the Subscription Warrants in a lump until the day on which ten (10) days have elapsed from the day following the day on which it ceases to be a director of the Bank (if the tenth (10th) day falls on a holiday, the following business day).</p> <p>2) Notwithstanding the 1) above, if a proposal for approval of a merger agreement under which the Bank is to be dissolved, a proposal for approval of a split agreement or a split plan under which the Bank shall be split, or a proposal for approval of a share exchange agreement or a share transfer plan, under which the Bank will become a wholly-owned subsidiary is approved at a general meeting of shareholders of the Bank (or resolved by the board of directors of the Bank if a resolution at a general meeting of shareholders is not required), the Subscription Warrant Holder may exercise the Subscription Warrants within 30 days from the following day of the day on which such proposal for approval is approved.</p> <p>3) If any Subscription Warrant Holder dies, the successor thereof may only exercise the Subscription Warrants in a lump.</p> <p>4) Other conditions shall be stipulated in the "Agreement on the granting of Stock Acquisition Rights" between the Bank and Stock Acquisition Rights holders based on resolutions of the annual general meeting of shareholders for the 15th term and the Board of Directors meeting held on the day shown above.</p>
Favorable terms	-

(2) **Stock Acquisition Rights of the Bank issued to employees, etc. during the fiscal year ended March 31, 2016**
None

(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	340	Business other than audit certification business includes research and reporting on internal control systems for capital adequacy ratios.
	Business other than audit certification business	72	
	Total fees	413	

Notes

1. Kazutoshi Kogure, Hidetaka Hayakawa, and Akihiko Uchida are managing partners.
2. The audit certification business is the business that falls under Article 2, Paragraph 1 of the Certified Public Accountant Law.
3. 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.
4. 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	648
	Business other than audit certification business	74
Total fees		723

(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

To create a system for ensuring business relevance (internal control systems) as resolved by the Board of Directors pursuant to Article 362, Paragraph 4, Item 6 of the Companies Act and Article 100, Paragraphs 1 and 3 of the Ordinance for Enforcement of Companies Act, we prescribe detailed rules in the “Internal Control Rules” and their related rules, and make resolutions at the Board of Directors meetings. “Executive directors” (*gyoumu-shikkou-torishimariyaku*) and Executive Officers are required to establish and operate internal control systems for the business areas they are responsible for, and all “executive directors” (*gyoumu-shikkou-torishimariyaku*), Executive Officers and employees of the Bank are required to observe such internal control systems. Furthermore, the Board of Directors periodically verifies the status of internal control systems and the Bank’s basic policy for building internal control systems. An outline of these activities is described below.

- (1) System for ensuring that the Bank’s directors and employees perform their duties in compliance with laws, regulations and the Articles of Incorporation (Article 362, Paragraph 4, Item 6 of the Companies Act; Article 100, Paragraph 1, Item 4 of the Ordinance for Enforcement of Companies Act)

We have established the “Shinsei Bank Code of Conduct” (the “Code of Conduct”) as a basis of the system to ensure that the Bank’s directors and employees perform their duties in compliance with laws, regulations, and the Articles of Incorporation. All officers and employees of the Bank are required to comply with it.

The Code of Conduct requires the Bank officers and employees to comply with the letter and spirit of all laws, regulations, and rules applicable to their duties at the Bank, and to follow internal procedures. In addition, it stipulates their obligation to report violations. The Code of Conduct also prescribes rules for respecting human rights, sincere and fair business activities, and behavior as an individual.

- (2) System for retaining and managing information related to the execution of duties by directors of the Bank (Article 100, Paragraph 1, Item 1 of the Ordinance for Enforcement of Companies Act)

We endeavor to retain and manage information related to the performance of duties by the Bank’s directors with due care required for each type of storage media in order to prevent information leakage. We also provide such information to the Audit & Supervisory Board Members of the Bank from time to time upon their request. In addition, we manage information regarding the performance of duties by the Bank’s directors and employees pursuant to the Information Security Policy established by the Bank.

The Information Security Policy recognizes information as important assets and requires appropriate management and protection of information assets.

- (3) Regulations and other systems concerning the management of risk of losses for the Bank (Article 100, Paragraph 1, Item 2 of the Ordinance for Enforcement of Companies Act)

We have established the Risk Management Policy to manage the risk of losses for the Bank and created a risk management system based on this Policy.

The Risk Management Policy prescribes the basic policy for comprehending and actively managing the sum of risks assumed by the Bank and the Bank Group. The Bank manages its risks by integrating the “macro approach” (high level capital and resources allocation review) and the “specialized operating management framework” (a progressively decentralized approval process of taking risks). As the specific “specialized operating management framework”, the Policy provides for:

- 1) Risk classifications such as credit risk, market risk, liquidity risk, operational risk, and investment risk;
- 2) Composition, objectives, missions, and functions of various committee organizations corresponding to risks such as the Risk Policy Committee, Transaction Committee, Doubtful Debt Committee, ALM Committee, Market

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Business Management Committee, and New Business and Product Committee; and

- 3) Functions, roles and responsibilities of the Credit Risk Management section and the Integrated Risk Management section.

Moreover, we have established the Business Continuity Management Committee and various rules concerning the business continuity framework in order to continue important business operations and fulfill our responsibilities to customers and society as much as possible upon occurrence of large-scale disasters, accidents, or other events that disrupt our business activities.

- (4) System to ensure that the Bank's directors efficiently perform their duties and responsibilities (Article 100, Paragraph 1, Item 3 of the Ordinance for Enforcement of Companies Act)

We have adopted the Executive Officer system in order to ensure timely and efficient execution of daily business. Under the direction of "executive directors" (*gyoumu-shikkou-torishimariyaku*) headed by the Representative Director and the President, Executive Officers who are delegated authorities by the Board of Directors undertake operations for which they are responsible in accordance with the "Regulations of Business Execution."

The "Regulations of Business Execution" provide for basic matters for ensuring efficient execution of duties and responsibilities of directors and others. These include: standards for the election and dismissal of "executive directors" (*gyoumu-shikkou-torishimariyaku*) and Executive Officers, compliance with laws and regulations, duty of care as a prudent manager and fiduciary duty, non-competition obligation, prohibition of actions constituting a conflict of interest, duty of reporting to the Board of Directors, actions to be taken when there is a concern that significant damage may be incurred to the Bank, retention and management of information concerning the execution of duties, establishment of the Executive Committee (composed of executive officers, such as executive directors and executive officers (at the level of the Heads of Executive Officers in charge)) as a body for the President to make decisions on business execution, and the duties and authorities of "executive directors" (*gyoumu-shikkou-torishimariyaku*) and Executive Officers, among other things.

- (5) System to ensure business relevance of corporate groups consisting of the Bank and its parent company and subsidiaries (Article 362, Paragraph 4, Item 6 of the Companies Act; Article 100, Paragraph 1, Item 5 of the Ordinance for Enforcement of Companies Act)

To ensure our business operations are consistent with our overall management policies, business plans, risk management and compliance frameworks, we designate the Divisions in charge of each of our subsidiaries and affiliates and create a system for specialized sections to provide guidance on and manage overall management of the subsidiaries and affiliates with such Division. The Bank's subsidiaries and affiliates also receive guidance on their business management and are managed in accordance with the Subsidiaries and Affiliates Policy.

The purpose of the Subsidiaries and Affiliates Policy is to maximize our Group value by clarifying the following three responsibilities with respect to the management of our subsidiaries and affiliates:

- 1) Supporting the subsidiaries and affiliates to show their autonomy, while ensuring that their initiatives are consistent with the Bank's overall strategy and directions;
- 2) Instructing the subsidiaries and affiliates to manage risks, perform administrative operations, and achieve operational efficiency in accordance with the scale and nature of their businesses; and
- 3) Ensuring that the subsidiaries and affiliates comply with rules (including firewall rules), maintain their reputation, and establish appropriate internal controls.

To achieve this goal, the Policy stipulates issues concerning instructions to and management of subsidiaries and affiliates such as the roles and responsibilities of the Divisions in charge of them, specialized sections and other relevant divisions within the Bank, items requiring approval of the Executive Committee, responsibilities of the subsidiaries and affiliates, responsibilities of the Bank's officers and employees in relation to the Bank's subsidiaries and affiliates, and other responsibilities of the Bank's officers and employees. In March 2017, we have revised the Policy and, effective April 2017, will consolidate administrative functions of each Group member company into the Group Headquarters to be established within Shinsei Bank in order to achieve the

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Group's unified operation. By doing so, we will further strengthen the Group governance and improve operational efficiency.

- (6) Matters concerning employees who are required to assist the Audit & Supervisory Board Members of the Bank in fulfilling their duties and responsibilities and matters concerning ensuring the effectiveness of instructions given by the Audit & Supervisory Board Members of the Bank to the said employees (Article 100, Paragraph 3, Items 1 and 3 of the Ordinance for Enforcement of Companies Act)

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, and stipulate that the employees belonging to the Office of Audit & Supervisory Board Members are the employees who should assist the Audit & Supervisory Board Members in fulfilling their duties and responsibilities (the "Assistants"). The Assistants have an obligation to comply with the directions and orders the Audit & Supervisory Board Members give them and to report to the Audit & Supervisory Board Members the results of their work.

- (7) Matters concerning the independence of the employees defined in the preceding paragraph from the Bank's directors (Article 100, Paragraph 3, Item 2 of the Ordinance for Enforcement of Companies Act)

The Office of Audit & Supervisory Board Members directly reports to the Audit & Supervisory Board Members of the Bank, and is established as an organization independent from the Bank's directors and their business lines. As such, the Office of Audit & Supervisory Board seeks prior approval from the Audit & Supervisory Board concerning the appointment, dismissal, reassignment and transfer of the Assistants and other important matters concerning employment. Furthermore, the Office seeks prior approval of the Audit & Supervisory Board when revising wages and other remuneration of the Assistants.

- (8) Systems listed below and other systems concerning reporting to the Audit & Supervisory Board Members of the Bank (Article 100, Paragraph 3, Item 4 of the Ordinance for Enforcement of Companies Act)

① Directors and employees of the Bank are, when they have found any fact that could cause significant damage to the Bank, required to report without delay to the Audit & Supervisory Board Members of the Bank the matters concerning such a fact and other matters prescribed by the Bank's Board of Directors or Audit & Supervisory Board.

② Directors, Audit & Supervisory Board members, and employees of the Bank's subsidiary are, when they have found any fact that could cause significant damage to the subsidiary of the Bank, required to report without delay to the Audit & Supervisory Board Members of the Bank the matters concerning such a fact and other matters prescribed by the Bank's Board of Directors or Audit & Supervisory Board.

③ The directors and employees of the Bank and directors, Audit & Supervisory Board members, and employees of the subsidiary of the Bank who have received a report on matters prescribed in each of the preceding items are required to report such matters without delay to the Audit & Supervisory Board Members of the Bank.

④ In addition to the preceding items, the whistle-blowing system and reports made under the said system to the Audit & Supervisory Board Members of the Bank by directors and employees of the Bank, and directors, Audit & Supervisory Board members, and employees of the Bank's subsidiaries are handled appropriately pursuant to the "Compliance Hotline Procedure."

- (9) System to ensure that people who made a report under the preceding paragraph are not treated disadvantageously on the ground they made the said report (Article 100, Paragraph 3, Item 5 of the Ordinance for Enforcement of Companies Act)

We ensure that a person who makes a report that falls under the preceding paragraph is not treated disadvantageously in relation to his/her employment conditions and other matters on the ground that the said person made the said report.

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- (10) Procedures for advance payment or refund of expenses incurred for the execution of duties by the Audit & Supervisory Board Members of the Bank and matters concerning the policy for handling other expenses or obligations incurred in the execution of such duties (Article 100, Paragraph 3, Item 6 of the Ordinance for Enforcement of Companies Act)

When the Audit & Supervisory Board Members of the Bank have requested advance payment and so forth of expenses incurred in relation to the execution of their duties pursuant to each item of Article 388 of the Companies Act, we ensure that the Bank shall promptly process such expenses or obligations unless it is deemed that such expenses or obligations are unnecessary for the execution of the relevant duties by the Audit & Supervisory Board Members. Furthermore, the Audit & Supervisory Board Members of the Bank may, as necessary, hire outside experts at the expense of the Bank within the scope permitted by laws.

- (11) Other systems to ensure that audits by the Audit & Supervisory Board Members of the Bank are performed effectively (Article 100, Paragraph 3, Item 7 of the Ordinance for Enforcement of Companies Act)

Directors and employees of the Bank are required to cooperate with audits by the Audit & Supervisory Board Members and are not permitted to take actions that obstruct their audits.

- (12) Others

We declare in the “Charter of Corporate Ethics” resolved by the Board of Directors that we will take a firm and resolute stand against antisocial forces which threaten the order and security of our society, and that we will consistently prevent illegal interference by such antisocial forces and completely exclude and eliminate any relationships with antisocial forces.

In order to verify the effectiveness of the above-mentioned internal control systems, the Internal Audit Division conducts internal audits in accordance with the “Internal Audit Policy” determined by the Board of Directors with the approval of the Audit & Supervisory Board and President, and reports the audit results to the President and the Audit & Supervisory Board.

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

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

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

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

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

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

- (2) Status of activities for retaining and managing information related to the execution of duties and responsibilities of

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directors of the Bank

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

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

We have established the Risk Management Policy and created a risk management system based on this Policy. Pursuant to the basic approach delineated in the Policy, we perform risk management through the divisions responsible for each risk, the Risk Policy Committee, Transaction Committee, Doubtful Debt Committee, ALM Committee, Market Business Management Committee, and New Business and Product Committee.

(4) 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 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 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 3rd MTMP developed last fiscal year more specific. The Bank's management review the process and progress status for achieving the Plan at the Business Performance Review (BPR) conducted three times a year.

In April 2016, we appointed the presidents of APLUS FINANCIAL Co., Ltd., Showa Leasing Co., Ltd., and Shinsei Financial Co., Ltd. as the Bank's Executive Officers. At the same time, we established the Group Business Strategy Division in charge of promoting the Group-wide business operation structure, and the Group Organizational Strategy Division in charge of creating/improving organizational structures required to implement Group business strategies and reforming productivity. Through these initiatives, we are strengthening our Group management-based decisions-making structure.

(5) 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 each subsidiary and affiliate and have created a system where the Divisions in charge and specialized divisions generally give guidance and manage the management of the subsidiaries and affiliates, while the Corporate Planning Division oversees overall management of the subsidiaries and affiliates. The relevant Divisions in the Bank report to the Executive Committee the business activities of the subsidiaries and matters concerning their governance every quarter and submit important matters concerning the management of the subsidiaries to the Executive Committee for its approval.

(6) 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

(Translation)

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.

- (7) 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 Compliance Committee, and conduct interviews on the relevant Divisions and Branches including the Group member companies in an attempt to improve the effectiveness of audits.

- (8) Status of activities to eliminate antisocial forces

We have established "Guidelines for Handling Antisocial Forces" and the Financial Crime Information Department in the 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 General Services Division. As the measures to eliminate antisocial forces, we regularly perform screening checks to determine if our customers fall under antisocial forces before and after we start transactions with them. In addition, we include designated clauses on the elimination of relationships with antisocial forces in contracts, agreements and other documents we sign at the time of transactions.

9. Matters Concerning Wholly Owned Subsidiary Companies

None

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

None

11. Matters Concerning Accountants

None

12. Others

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

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

(Translation)

Consolidated Balance Sheet

Shinsei Bank, Limited, and Consolidated Subsidiaries

As of March 31, 2017

	Millions of yen
ASSETS	
Cash and due from banks	¥1,398,691
Call loans and bills bought	4,472
Receivables under securities borrowing transactions	1,625
Other monetary claims purchased	44,243
Trading assets	244,113
Monetary assets held in trust	241,681
Securities	1,014,635
Loans and bills discounted	4,833,452
Foreign exchanges	19,617
Lease receivables and leased investment assets	191,488
Other assets	895,158
Premises and equipment	47,980
Buildings	13,891
Land	3,180
Tangible leased assets as lessor	22,432
Construction in progress	258
Other premises and equipment	8,217
Intangible assets	52,020
Software	34,099
Goodwill	14,683
Intangible leased assets as lessor	0
Intangible assets acquired in business combinations	2,504
Other intangible assets	732
Assets for retirement benefits	7,075
Deferred issuance expenses for debentures	0
Deferred tax assets	15,542
Customers' liabilities for acceptances and guarantees	346,675
Reserve for credit losses	(100,154)
Total assets	¥9,258,324
LIABILITIES AND EQUITY	
Liabilities:	
Deposits	¥5,489,248
Negotiable certificates of deposit	373,673
Debentures	6,561
Call money and bills sold	53,600
Payables under repurchase agreements	36,467
Payables under securities lending transactions	337,952
Trading liabilities	212,241
Borrowed money	789,670
Foreign exchanges	102
Short-term corporate bonds	168,000
Corporate bonds	112,600
Other liabilities	388,307
Accrued employees' bonuses	8,519
Accrued directors' bonuses	75
Liabilities for retirement benefits	8,256
Reserve for reimbursement of debentures	3,737
Reserve for losses on interest repayments	101,846
Acceptances and guarantees	346,675
Total liabilities	8,437,537
Equity:	
Shareholders' equity:	
Common stock	512,204
Capital surplus	78,506
Retained earnings	312,538
Treasury stock, at cost	(79,539)
Total shareholders' equity	823,710
Accumulated other comprehensive income:	
Unrealized gain (loss) on available-for-sale securities	10,299
Deferred gain (loss) on derivatives under hedge accounting	(13,925)
Foreign currency translation adjustments	199
Defined retirement benefit plans	(1,344)
Total accumulated other comprehensive income	(4,770)
Stock acquisition rights	584
Noncontrolling interests	1,262
Total equity	820,786
Total liabilities and equity	¥9,258,324

(Translation)

Consolidated Statement of Income

Shinsei Bank, Limited, and Consolidated Subsidiaries
For the fiscal year ended March 31, 2017

	Millions of yen
ORDINARY INCOME	¥380,444
Interest income	138,488
Interest on loans and bills discounted	127,468
Interest and dividends on securities	8,991
Interest on call loans and bills bought	14
Interest on receivables under securities borrowing transactions	1
Interest on deposits with banks	1,092
Other interest income	921
Fees and commissions income	49,207
Trading income	7,373
Other business income	159,280
Other ordinary income	26,095
Recoveries of written-off claims	5,343
Other	20,751
ORDINARY EXPENSES	332,901
Interest expenses	16,209
Interest on deposits	7,761
Interest on negotiable certificates of deposit	52
Interest on debentures	10
Interest on call money and bills sold	(5)
Interest on payables under repurchase agreements	126
Interest on payables under securities lending transactions	362
Interest on borrowings	3,413
Interest on short-term corporate bonds	335
Interest on corporate bonds	1,126
Other interest expenses	3,026
Fees and commissions expenses	23,704
Other business expenses	96,463
General and administrative expenses	149,497
Amortization of goodwill	3,559
Amortization of intangible assets acquired in business combinations	1,684
Other general and administrative expenses	144,253
Other ordinary expenses	47,026
Provision of reserve for credit losses	34,828
Other	12,198
ORDINARY PROFIT	47,542
Extraordinary gains	5,756
Gain on disposal of premises and equipment	33
Other extraordinary gains	5,723
Extraordinary losses	1,544
Loss on disposal of premises and equipment	253
Impairment losses	450
Other extraordinary losses	840
Income before income taxes	51,755
Income taxes (benefit) - current	2,139
Income taxes (benefit) - deferred	(900)
Total income taxes (benefit)	1,238
Profit	50,517
Loss attributable to noncontrolling interests	242
PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT	¥50,759

(Translation)

Consolidated Statement of Changes in EquityShinsei Bank, Limited, and Consolidated Subsidiaries
For the fiscal year ended March 31, 2017

	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	¥79,461	¥267,716	(¥72,559)	¥786,823
Changes during the year					
Dividends			(2,653)		(2,653)
Profit attributable to owners of the parent			50,759		50,759
Purchase of treasury stock				(12,096)	(12,096)
Disposal of treasury stock		△ 3,258		5,115	1,856
Transfer to capital surplus from retained earnings		3,258	△ 3,258		—
Changes in ownership interest of the parent related to transactions with noncontrolling interests		(955)			(955)
Decrease by inclusion of consolidated subsidiaries			(2)		(2)
Increase by exclusion of consolidated subsidiaries			1		1
Decrease by exclusion of consolidated subsidiaries			(23)		(23)
Net changes during the year excluding shareholders' equity					
Total changes during the year	—	(955)	44,822	(6,980)	36,886
Balance at end of the year (Millions of yen)	¥512,204	¥78,506	¥312,538	(¥79,539)	¥823,710

	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)	¥11,911	(¥14,770)	¥362	(¥2,970)	(¥5,466)	¥512	¥11,254	¥793,124
Changes during the year								
Dividends								(2,653)
Profit attributable to owners of the parent								50,759
Purchase of treasury stock								(12,096)
Disposal of treasury stock								1,856
Transfer to capital surplus from retained earnings								—
Changes in ownership interest of the parent related to transactions with noncontrolling interests								(955)
Decrease by inclusion of consolidated subsidiaries								(2)
Increase by exclusion of consolidated subsidiaries								1
Decrease by exclusion of consolidated subsidiaries								(23)
Net changes during the year excluding shareholders' equity	(1,612)	845	(163)	1,625	696	71	(9,992)	(9,224)
Total changes during the year	(1,612)	845	(163)	1,625	696	71	(9,992)	27,662
Balance at end of the year (Millions of yen)	¥10,299	(¥13,925)	¥199	(¥1,344)	(¥4,770)	¥584	¥1,262	¥820,786

(Translation)

Nonconsolidated Balance Sheet

Shinsei Bank, Limited

As of March 31, 2017

	Millions of yen
ASSETS	
Cash and due from banks	¥1,313,376
Cash	5,514
Due from banks	1,307,861
Call loans	4,472
Other monetary claims purchased	133,245
Trading assets	227,608
Derivatives for securities held to hedge trading transactions	23,329
Trading-related financial derivatives	204,278
Monetary assets held in trust	118,872
Securities	1,369,326
Japanese national government bonds	493,562
Japanese corporate bonds	117,869
Equity securities	387,729
Other securities	370,164
Loans and bills discounted	4,536,434
Bills discounted	391
Loans on bills	20,836
Loans on deeds	3,837,177
Overdrafts	678,029
Foreign exchanges	19,617
Due from foreign banks	16,589
Foreign bills receivable	3,028
Other assets	270,648
Prepaid expenses	2,533
Accrued income	8,197
Margin on futures transactions	3,831
Suspense payment on futures transactions	1,084
Derivatives held in banking account	81,951
Cash collateral paid for financial instruments	47,438
Deferred issuance expenses for corporate bonds	149
Accounts receivable	85,272
Other	40,190
Premises and equipment	16,550
Buildings	10,690
Construction in progress	3
Other premises and equipment	5,856
Intangible assets	17,414
Software	15,246
Goodwill	1,035
Leased assets	691
Other intangible assets	440
Prepaid pension cost	3,887
Deferred issuance expenses for debentures	0
Deferred expenses for issuance of debentures	0
Deferred tax assets	1,134
Customers' liabilities for acceptances and guarantees	48,526
Reserve for credit losses	(29,335)
Total assets	¥8,051,781

(Translation)

	Millions of yen
LIABILITIES AND EQUITY	
Liabilities:	
Deposits	¥5,618,935
Current accounts	37,103
Ordinary deposits	2,330,162
Notice deposits	17,629
Time deposits	2,756,729
Other deposits	477,309
Negotiable certificates of deposit	373,673
Debentures	6,561
Issuance of debentures	6,561
Call money	53,600
Payables under repurchase agreements	36,467
Payables under securities lending transactions	337,952
Trading liabilities	210,031
Derivatives for securities held to hedge trading transactions	17,281
Trading-related financial derivatives	192,750
Borrowed money	336,519
Borrowed money	336,519
Foreign exchanges	102
Foreign bills payable	102
Corporate bonds	57,600
Other liabilities	155,454
Income taxes payable	1,580
Accrued expenses	25,005
Unearned income	557
Suspense receipt on futures transactions	13
Derivatives held in banking account	73,331
Cash collateral received for financial instruments	34,940
Asset retirement obligations	7,492
Other	12,533
Accrued employees' bonuses	4,674
Reserve for reimbursement of debentures	3,737
Acceptances and guarantees	48,526
Total liabilities	7,243,837
Equity:	
Shareholders' equity:	
Common stock	512,204
Capital surplus	79,465
Additional paid-in capital	79,465
Retained earnings	301,729
Legal reserve	14,220
Other retained earnings	287,508
Unappropriated retained earnings	287,508
Treasury stock, at cost	(79,539)
Total shareholders' equity	813,860
Unrealized gain (loss) on available-for-sale securities	9,444
Deferred gain (loss) on derivatives under hedge accounting	(15,894)
Total net unrealized gain (loss) and translation adjustments	(6,450)
Stock acquisition rights	534
Total equity	807,944
Total liabilities and equity	¥8,051,781

(Translation)

Nonconsolidated Statement of Income

Shinsei Bank, Limited

For the fiscal year ended March 31, 2017

	Millions of yen
ORDINARY INCOME	¥165,977
Interest income	103,802
Interest on loans and bills discounted	85,332
Interest and dividends on securities	16,352
Interest on call loans	14
Interest on deposits with banks	1,023
Other interest income	1,080
Fees and commissions income	18,944
Domestic and foreign exchange commissions income	1,284
Other fees and commissions income	17,660
Trading income	4,103
Income from securities held to hedge trading transactions	86
Income from trading-related financial derivatives	4,016
Other business income	26,052
Gains on foreign exchange	9,895
Gains on sales of bonds	14,590
Gains on redemption of bonds	1,133
Other	432
Other ordinary income	13,074
Recoveries of written-off claims	290
Gains on sales of equity securities and others	3,836
Gains on monetary assets held in trust	4,475
Other	4,471
ORDINARY EXPENSES	133,119
Interest expenses	13,020
Interest on deposits	7,765
Interest on negotiable certificates of deposit	52
Interest on debentures	10
Interest on call money	(5)
Interest on payables under repurchase agreements	126
Interest on payables under securities lending transactions	361
Interest on borrowings	654
Interest on corporate bonds	1,028
Interest on swaps	3,007
Other interest expenses	18
Fees and commissions expenses	26,417
Domestic and foreign exchange commissions expenses	1,316
Other fees and commissions expenses	25,100
Trading losses	33
Other trading losses	33
Other business expenses	6,945
Losses on sales of bonds	5,458
Amortization of deferred issuance expenses for debentures	2
Amortization of deferred issuance expenses for corporate bonds	76
Losses on derivatives held in banking account	186
Other	1,220
General and administrative expenses	79,036
Other ordinary expenses	7,667
Provision of reserve for credit losses	2,345
Losses on write-off of loans	1,878
Losses on sales of equity securities and others	1,082
Losses on monetary assets held in trust	1
Provision for reimbursement of debentures	1,083
Other	1,276
ORDINARY PROFIT	32,858
Extraordinary gains	9,300
Gain on disposal of premises and equipment	0
Gain on liquidation of subsidiaries and affiliates	1,199
Other extraordinary gains	8,100
Extraordinary losses	1,313
Loss on disposal of premises and equipment	110
Impairment losses	120
Other extraordinary losses	1,082
Income before income taxes	40,845
Income taxes (benefit) - current	(1)
Income taxes (benefit) - deferred	(2,578)
Total income taxes (benefit)	(2,579)
NET INCOME	¥43,425

(Translation)
Nonconsolidated Statement of Changes in Equity
Shinsei Bank, Limited
For the fiscal year ended March 31, 2017

(Millions of yen)

	Shareholders' equity								
	Common stock	Capital surplus			Legal reserve	Retained earnings		Treasury stock, at cost	Total shareholders' equity
		Additional paid-in capital	Other capital surplus	Total capital surplus		Other retained earnings	Total retained earnings		
Balance at beginning of the year	¥512,204	¥79,465	-	¥79,465	¥13,689	¥250,526	¥264,216	(¥72,559)	¥783,327
Changes during the year									
Dividends					530	(3,184)	(2,653)		(2,653)
Net income						43,425	43,425		43,425
Purchase of treasury stock								(12,096)	(12,096)
Disposal of treasury stock			(3,258)	(3,258)				5,115	1,856
Transfer to capital surplus from retained earnings			3,258	3,258		(3,258)	(3,258)		-
Net changes during the year excluding shareholders' equity									
Total changes during the year	-	-	-	-	530	36,982	37,513	(6,980)	30,532
Balance at end of the year	¥512,204	¥79,465	-	¥79,465	¥14,220	¥287,508	¥301,729	(¥79,539)	¥813,860

	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	¥10,777	(¥18,166)	(¥7,389)	¥512	¥776,450
Changes during the year					
Dividends					(2,653)
Net income					43,425
Purchase of treasury stock					(12,096)
Disposal of treasury stock					1,856
Transfer to capital surplus from retained earnings					-
Net changes during the year excluding shareholders' equity	(1,332)	2,271	939	21	960
Total changes during the year	(1,332)	2,271	939	21	31,493
Balance at end of the year	¥9,444	(¥15,894)	(¥6,450)	¥534	¥807,944

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT

May 8, 2017

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, 2017 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, 2016 to March 31, 2017, 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, 2017, 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 8, 2017

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, 2017 of Shinsei Bank, Limited (the "Bank"), and the related statements of income and changes in equity for the 17th fiscal year from April 1, 2016 to March 31, 2017, 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, 2017, 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 17th fiscal year (from April 1, 2016 to March 31, 2017).

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 9, 2017

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)