

Shinsei Bank, the Annual General Meeting of Shareholders for the 21st Term
Questions received from Deposit Insurance Corporation of Japan and The
Resolution and Collection Corporation in advance
June 2021

<Question 1>

Please summarize the achievements and issues for repayment of public funds in fiscal 2020

<Answer 1>

In fiscal 2020, first, we recorded steady amount of profit, and second, we accumulated internal reserves, and third, we continued to acquire treasury shares as a way to repay public funds. As a result, we believe that we were able to maintain and improve shareholder returns.

Regarding "steady recording of profit," net income attributable to owners of the parent in the consolidated accounting was 45.1 billion yen, which was almost unchanged from the previous fiscal year. Regarding "the accumulation of internal reserves", as a result of the "steady recording of profits", we have increased consolidated retained earnings from 389.6 billion yen at the end of fiscal 2019 to 431.6 billion yen at the end of fiscal 2020 and, as a result, we have further accumulated internal reserves. With regard to "continued share buyback as a way to repay public funds " and "maintenance and improvement of shareholder returns", we have set a total payout ratio of up to 50% based on the fiscal 2020 earnings, and are working to increase value per share through appropriate share buyback. Due to share buyback, EPS increased by 6% and BPS increased by 9%.

However, at the current share price level, it is insufficient to repay public funds, and at the same time we are making progress in accumulating internal reserves, we will continue our efforts to improve value per share and raise the reputation of the market.

<Question 2>

Please explain your views on the public funds repayment schedule for fiscal 2021 and beyond, including specific measures.

<Answer 2>

The public funds injected with preferred stock have now been converted into common stock. Therefore, in addition to securing funds for repayment, we believe that establishing a sustainable and unique business model, as well as improving the value per share through appropriate capital policies, and improving the valuation of the stock market will lead to repayment of public funds.

While we are steadily implementing our medium-term strategies, we will further accelerate our efforts to repay public funds based on the "new normal" after the convergence of the Novel Coronavirus. Specifically, we will strengthen and upgrade sustainability management,

which aims to achieve sustainable growth for the Group through solving social and environmental issues, improving customer experience and productivity by promoting digital transformation, strengthening small-scale finance and institutional investors which are focus areas, and by working to make effective use of capital by capturing nonorganic growth opportunities, including overseas, and appropriately returning profits to shareholders.

<Question 3>

Please explain the process and judgments that have been made in the election of directors at the annual general meeting.

<Answer 3>

During the last fiscal year, seven members, including two executive directors, both me and Mr. Kozano, and five independent directors, were in good faith responsible for their responsibilities.

As in the past, the process of selecting candidates for directors involved all members, including the President, confirming the opinions of each director based on past performance and taking into account the status of attendance at meetings of the Board of Directors and comments. Based on the balance of knowledge, experience, and abilities of the Board of Directors as a whole, as well as the diversity of the Bank, including gender and generation, and the size of the Bank, the draft candidates were formulated and deliberated by the Nomination and Compensation Committee, which is composed of independent directors, and ultimately determined under the general decision of the Board of Directors.

Mr. Akira Hirasawa, a candidate for new director, has focused on strengthening the governance of Shinsei Group by leveraging his experience and achievements centered on the management sections of risk management, general planning, legal affairs and compliance. In addition, in recent years, as an officer in charge of organizational strategy, personnel affairs, and general affairs, he has been contributing to the enhancement of corporate value through the planning and promotion of productivity reforms and work style reforms. We have determined that he will be able to play a central role in the management of the Bank together with me as an executive director.

Ms. Hiroko Sasaki, a candidate for new director, was selected from among a number of candidates based on interviews with independent directors and others, considering her past performance and other factors, while being conscious of diversity from the perspective of generation at the Board of Directors. We have determined that Ms. Sasaki will be able to reflect her knowledge and experience in financial institutions, consulting companies, and business for the elderly, as well as her knowledge in managing a venture company, in the management of the Bank.

The Board of Directors has held active and constructive discussions on specific strategies

and measures relating to " Grow through Value Co-Creation" and " Enhance /Leverage our Capabilities" which are the basic strategies of the medium-term strategies, as well as on the efficient use of capital, including the improvement of the total payout ratio and nonorganic growth strategy. We recognize the importance of increasing the value per share and having the capital markets assess our business model to generate sustainable profits for the future as well as accumulating repayment funds in order to ensure the Bank's sustainable growth and pave the way for repayment of public funds in the future. We believe that the current candidates for director are appropriate members in deepening these discussions and further enhancing the effectiveness of the Board of Directors. The process and judgment of the election of candidates are as described above.

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