

(Translation)

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[TRANSLATION]

## **Shinsei Bank, Limited**

TSE Stock code: 8303

### **Notice of the Annual General Meeting of Shareholders for the 21st Term**

**Date and Time:**

Wednesday, June 23, 2021 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. Election of Seven (7) Directors
2. The Continuation of Stock Options Compensation Plan for Full-Time Directors and the Decisions on Specific Matters regarding the Plan
3. The Continuation of Restricted Stock Compensation Plan for Directors and the Decisions on Specific Matters regarding the Plan

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*Please exercise your voting right by mail or via internet by the deadline in case you do not attend the meeting in person: Tuesday, June 22, 2021 by 5:00 p.m.*

[No gifts to shareholders will be given on the meeting day.](#)

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[TRANSLATION]

TSE Stock code: 8303  
June 2, 2021  
4-3 Nihonbashi-muromachi 2-chome, Chuo-ku, Tokyo  
Shinsei Bank, Limited

### Notice of the Annual General Meeting of Shareholders for the 21st Term

Dear Shareholders,

We are pleased to invite you to the Annual General Meeting of Shareholders of Shinsei Bank, Limited ("the Bank") for the 21st Term, which will be held as shown below.

We kindly ask you to exercise your voting right in advance, by returning the Voting Right Exercise Form to the Bank or by an electromagnetic method using the Internet, etc., and refrain from attending the meeting in person, from the viewpoint of preventing the spread of the Novel Coronavirus.

We encourage you to examine the accompanying reference materials below and exercise your voting right by using a method that is convenient to you. Please refer 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 22, 2021.

Yours faithfully,

Hideyuki Kudo  
Representative Director and President

#### Exercise of voting rights in writing via Voting Right Exercise Form



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

Deadline: Tuesday, June 22, 2021 by 5:00 p.m.

#### Exercise of voting rights by Internet



Please refer page 3 and vote by: Tuesday, June 22, 2021 by 5:00 p.m.

#### 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.

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

Description of the Meeting

1. Date and Time: Wednesday, June 23, 2021 at 10:00 a.m.  
Doors Open at 9:00 a.m.
2. Place: Grand Hall, Nomura Conference Plaza Nihonbashi,  
6<sup>th</sup> floor, Nihonbashi Nomura Building  
4-3 Nihonbashi-muromachi 2-chome, Chuo-ku, Tokyo

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

3. Purposes:  
Matters to be reported:
  1. Report on the Business Report, Consolidated Financial Statements and the Results of the Audit of the Consolidated Financial Statements by the Accounting Auditor and the Audit and Supervisory Board for the 21st Term (from April 1, 2020 to March 31, 2021).
  2. Report on the Financial Statements for the 21st Term (from April 1, 2020 to March 31, 2021).

Matters to be voted on:

- Item1 : Election of Seven ( 7 ) Directors*
- Item2 : The Continuation of Stock Options Compensation Plan for Full-Time Directors and the Decisions on Specific Matters regarding the Plan*
- Item3 : The Continuation of Restricted Stock Compensation Plan for Directors and the Decisions on Specific Matters regarding the Plan*

END

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- Among the documents to be provided in conjunction with this notice, Stock Acquisition Rights of the Bank, Contents of Resolutions Concerning the Organization of a System to Ensure Business Relevance and Operational Status of the said system (Outline of resolutions concerning a system to ensure business Relevance), and the notes to the financial statements as well as the notes to the consolidated financial statements are provided through the Bank's website pursuant to the laws and Article 13 of the Company's Articles of Incorporation, and they are not stated in the documents accompanying this notice. The financial statements and the consolidated financial statements audited by the Audit & Supervisory Board Members or the Independent Accounting Auditors include the notes to the financial statements and the notes to the consolidated financial statements provided through the Bank's website described above.
  - If it becomes necessary for the Bank to make corrections to the Reference Materials for the General Meeting of Shareholders, business report, financial statements (keisan-shorui) or consolidated financial statements (renketsu-keisan-shorui), the Bank will post these corrections on its website.
  - We are planning to broadcast the Business Report Presentations with narration for the Annual General Meeting of Shareholders for the 21st Term via the Internet from 9 a.m., Wednesday, June 9<sup>th</sup>, 2021 for your convenience. <https://bit.ly/3ffLQHR>
  - We are planning to disclose the Annual General Meeting of Shareholders for the 21st Term by posting media file(s) on the Bank's website in order to enable shareholders who are unable to attend the meeting to view the images of the meeting. Images of individual shareholders who attend the meeting will not be shown.



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

To Institutional Investors;  
If you have applied in advance to use the electronic voting platform for institutional investors operated by ICJ Inc., you can exercise your voting rights from that platform.

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

## Instructions on Exercising Voting Rights

### Exercise of voting rights by Internet

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

**Deadline: Tuesday, June 22, 2021 by 5:00 p.m.**



※You may access the website via this bar-code if your cell phone is able to scan it. (Japanese Only)

### Procedures for Exercising Voting Rights via Internet

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

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

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

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

3. Shareholders may exercise their voting rights via the Internet **until 5:00 p.m. on Tuesday, June 22, 2021**. However, we urge shareholders to exercise their voting rights at their earliest convenience for the purpose of tallying all voting rights.

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

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

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

### Inquiries concerning Exercising Voting Rights via the Internet

Please contact the following.

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Shareholder List Administrator:

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

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

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

**inquires**

- In case that you have an account at a securities company, please consult with them directly.
- Any shareholder who had originally agreed to receive the notice of convocation by electromagnetic means, however, now wishes to request that the Form for Exercising Voting Rights, etc., including other written forms and documents, be delivered to him or her. In that case, please contact the Hotline above.

Material for Annual General Meeting of Shareholders Agenda  
Items 1 through 3, page 4-17

**Agenda Item 1:  
Election of Seven (7) Directors**

All seven (7) Directors, two (2) executive directors and five (5) independent directors, will have completed their terms of office at the end of this Annual General Meeting of Shareholders. We would like to seek an approval to elect seven (7) persons as Directors.

Career summary of the candidates is as follows.

Name	Positions and Responsibilities in the Bank	Attendance rate of the Board of Directors
1 Hideyuki Kudo	Representative Director, President and CEO Chief Officer, Group Corporate Planning and Finance	6/6 (100%)
2 Akira Hirasawa	Senior Managing Executive Officer, Overseeing Group Organizational Strategy, Group Human Resources, Group General Services and Group IT, Chief Officer, Group Legal and Compliance, Head of Operations Management	—
3 Ernest M. Higa	Director	6/6 (100%)
4 Jun Makihara	Director	5/6 (83%)
5 Rie Murayama	Director	6/6 (100%)
6 Hiroko Sasaki		—
7 Ryuichi Tomimura	Director	6/6 (100%)

**Reappointed**

Candidate for reappointed director

**Newly appointed**

Candidate for newly appointed director

**Outside**

Candidate for outside director

**Independent**

Candidate for independent director

**[ Nominating policy of the candidates for Directors ]**

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

1

Name (Date of Birth)

**Hideyuki Kudo** (September 1, 1963)  
57 years old

Ownership ..... Common Shares 32,307

Tenure ..... 6 years

Attendance rate of BoD ..... 6/6 (100%)

Reappointed

[Personal History/Positions and Responsibilities in the Bank]

1987 Y 4 M Joined The Dai-ichi Kangyo Bank, Ltd. (Predecessor of Mizuho Bank, Ltd.)  
 2001 Y 5 M General Manager, Advisory Department No.II, Investment Banking Division,  
 Mizuho Securities Co., Ltd.  
 2003 Y 8 M Director, Acquisition Group, Aetos Japan, LLC  
 2005 Y 5 M Managing Director  
 2006 Y 6 M Representative Director, President, MID Urban Development Co., Ltd.  
 (Predecessor of Kanden Realty & Development Co., Ltd.)  
 2007 Y 1 M Vice Chairman  
 2007 Y 6 M Managing Director, Investments Division, Aetos Japan, LLC  
 2010 Y 9 M Managing Executive Officer, Deputy Head of Institutional Group, Shinsei Bank, Limited  
 2011 Y 4 M Managing Executive Officer, Head of Structured Finance Sub-Group  
 2013 Y 4 M Managing Executive Officer, Chief Risk Officer, Head of Risk Management Group  
 2015 Y 4 M Managing Executive Officer  
 2015 Y 6 M Representative Director, President, CEO  
 2021 Y 4 M Representative Director, President, CEO, Chief Officer, Group Corporate Planning and Finance  
 (Current)

#### **Reasons for nominating each of the candidates for Director**

Mr. Hideyuki Kudo, who served as Deputy Head of Institutional Group, Head of Structured Finance Sub-Group, and Head of Risk Management Group, etc. since he assumed the office of Executive Officer of the Bank, has extensive experience and expertise. Since assuming the office of President and CEO, he has contributed to enhancing our corporate value through steadily implementing the Second and Third Medium-Term Management Plans, developing and implementing various initiatives with “Growth through Value Co-Creation” and “Enhance/Leverage our Capabilities” as basic strategies in the Medium-Term Strategies started from FY2019 and through Group-wide sustainability management. He is asked to stand as a candidate for Director since the Bank judges that he is well qualified for the position for the aforementioned reasons.

2

Name (Date of Birth)

Akira Hirasawa

(May 29, 1963)  
58 years old

Ownership ..... Common Shares 11,558

Newly  
Appointed

[Personal History/Positions and Responsibilities in the Bank]

1987 Y 4 M Joined The Long-Term Credit Bank of Japan, Ltd. (Predecessor of Shinsei Bank, Limited)

2008 Y 6 M General Manager, Portfolio and Risk Management Division

2012 Y 4 M Executive Officer, General Manager, Portfolio and Risk Management Division and General Manager, Market Risk Management Division

2015 Y 2 M Executive Officer, General Manager, Corporate Planning Division

2015 Y 4 M Managing Executive Officer, Head of Corporate Staff Group and General Manager, Corporate Planning Division

2016 Y 4 M Managing Executive Officer, Head of Corporate Service, Deputy Head of Group Organizational Strategy, General Manager, Human Resources Division and Group Chief Risk Officer, Head of Integrated Risk Management

2016 Y 11M Managing Executive Officer, Head of Corporate Service, Head of Group Organizational Strategy, General Manager, Human Resources Division

2017 Y 4 M Chief Officer, Group Organizational Strategy, Group Human Resources, Managing Executive Officer, Head of Corporate Service

2018 Y 4 M Chief Officer, Group Organizational Strategy, Group Human Resources, Senior Managing Executive Officer, Head of Operations Management

2020 Y 4 M Senior Managing Executive Officer, Overseeing Group Organizational Strategy, Group Human Resources, Group General Services and Group IT, Chief Officer, Group Legal and Compliance, Head of Operations Management (Current)

**Reasons for nominating each of the candidates for Director**

Mr. Akira Hirasawa has extensive experience and track records mainly at management sections such as Risk Management, Corporate Planning and Legal and Compliance. He has contributed to enhancing our corporate value as Executive Officer overseeing organizational strategy, human resources and general services through planning and promoting productivity and workstyle reforms, as well as focusing on enhancing governance of the Shinsei Bank Group at the aforementioned sections. He is asked to stand as a candidate for Director since the Bank judges that he is well qualified for the position for the aforementioned reasons.

3

Name (Date of Birth)

Ernest M. Higa (October 15, 1952)  
68 years oldOwnership ..... Common Shares 7,272  
Tenure ..... 8 years  
Attendance rate of BoD ..... 6/6 (100%)

Reappointed

Outside

Independent

[Personal History/Positions and Responsibilities in the Bank]

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

**Important status in other companies**

Chairman President &amp; Chief Executive Officer, Higa Industries Co., Ltd.

Chairman &amp; Representative Director, Wendy's Japan K.K.

Director, Delsole Corporation

Board of Overseers, Columbia Business School

Board of Trustees, Showa Women's University

Board Member, The Tokyo New Business Conference

**Reasons for nominating each of the candidates for Director and summary of his/her expected roles**

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. After being elected, Mr. Higa is expected to provide appropriate supervision and advice, etc. to the executive team on corporate culture, human resource strategies including diversity and individual business strategies based on his management experience and from an international viewpoint.



4

Name (Date of Birth)

**Jun Makihara** (January 15, 1958)  
63 years old

Ownership ..... Common Shares 22,111  
Tenure ..... 10 years  
Attendance rate of BoD ..... 5/6 (83%)

Reappointed

[Personal History/Positions and Responsibilities in the Bank]

Outside

1981 Y 9 M Joined Goldman, Sachs &amp; Co.

1992 Y 11M Partner

Independent

1996 Y 11M Co-Branch Manager, Goldman Sachs Tokyo Branch  
(Predecessor of Goldman Sachs Japan Co., Ltd.)

2000 Y 7 M Chairman of the Board, Neoteny Co., Ltd.

2006 Y 6 M Director, Monex Group, Inc. (Current)

2011 Y 6 M Director, Shinsei Bank, Limited (Current)

2014 Y 9 M Director, Philip Morris International Inc. (Current)

**Important status in other companies**

Outside Director, Monex Group, Inc.

Outside Director, Philip Morris International Inc.

**Reasons for nominating each of the candidates for Director and summary of his/her expected roles**

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. After being elected, Mr. Makihara is expected to provide appropriate supervision and advice, etc. to the executive team based on his knowledge and experience and from an international viewpoint and is expected to continue to demonstrate leadership as the chair of the Nomination and Compensation Committee.

5

Name (Date of Birth)

Rie Murayama (May 1, 1960)  
61 years old

Ownership ..... Common Shares 2,111  
Tenure ..... 2 year  
Attendance rate of BoD ..... 6/6 (100%)

- Reappointed
- Outside
- Independent

[Personal History/Positions and Responsibilities in the Bank]

- 1988 Y 11M Joined CS First Boston Securities
- 1993 Y 3 M Joined Goldman Sachs Tokyo Branch (Predecessor of Goldman Sachs Japan Co., Ltd.)
- 2001 Y 11M Managing Director
- 2016 Y 6 M Director, RENOVA, Inc.
- 2017 Y 4 M Chairman & Representative Director, ComTech, Ltd.
- 2017 Y 6 M Director, KATITAS Co., Ltd.
- 2019 Y 6 M Director, Shinsei Bank, Limited (Current)
- 2020 Y 6 M Director, MAEDA CORPORATION (Current)

**Important status in other company**

Outside Director, MAEDA CORPORATION

**Reasons for nominating each of the candidates for Director and summary of his/her expected roles**

Ms. Rie Murayama is asked to stand as a candidate for Outside Director in order to reflect in the Bank's management her wide range of expertise based on her experience as Outside Director at other companies, as well as her knowledge based on the extensive experience at an investment bank, in particular in businesses and risk analysis of the real estate, residential, construction and related sectors. After being elected, Ms. Murayama is expected to provide appropriate supervision and advice, etc. to the executive team on diversity centered on the promotion of active participation of women, in addition to business strategies and communication, etc. with investors.

6

Name (Date of Birth)

Hiroko Sasaki

(October 29, 1973)  
47 years old

Ownership ..... Common Shares Nil

Newly Appointed
Outside
Independent

[Personal History/Positions and Responsibilities in the Bank]

1996 Y 4 M Joined the Bank of Japan  
2001 Y 4 M Joined McKinsey & Company, Inc.  
2006 Y 7 M Associate Principal, McKinsey & Company, Inc., tokyo office  
2009 Y 10 M Transformation Designer, Sony Corporation  
2010 Y 10 M President & CEO, ChangeWAVE Inc. (Current)  
2016 Y 9 M President and CEO, Lyxis Co., Ltd. (Current)

**Important status in other companies**

President and CEO, Lyxis Co., Ltd.  
President & CEO, ChangeWAVE Inc.

**Reasons for nominating each of the candidates for Director and summary of his/her expected roles**

Ms. Hiroko Sasaki is asked to stand as a candidate for Outside Director in order to reflect in the Bank's management her knowledge and experience at a financial institution, consulting firm and in the elderly business, as well as her expertise as a venture company manager, and to add gender and generation diversity to the Board of Directors. After being elected, Ms. Sasaki is expected to contribute to the Bank's sustainability management by providing appropriate supervision and advice, etc. to the executive team from a viewpoint of a venture company manager and from the perspectives of solving social issues and gender and generation diversity.

7

Name (Date of Birth)

Ryuichi Tomimura (February 17, 1959)  
62 years old

Ownership ..... Common Shares 2,111

Tenure (Total) ..... 7 years

Attendance rate of BoD ..... 6/6 (100%)

Reappointed

Outside

Independent

[Personal History/Positions and Responsibilities in the Bank]

1983 Y 10 M Joined IBM Japan, Ltd.

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.

2014 Y 6 M Audit & Supervisory Board Member, Shinsei Bank, Limited

2015 Y 6 M Director (Current)

2016 Y 6 M Executive Vice President, Representative Director, SIGMAXYZ Inc.

2018 Y 6 M President, Representative Director (Current)

2020 Y 5 M Director, Vector, Inc. (Current)

**Important status in other companies**

President, Representative Director, SIGMAXYZ Inc.

Outside Director, Vector, Inc.

**Reasons for nominating each of the candidates for Director and summary of his/her expected roles**

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. After being elected, Mr. Tomimura is expected to provide appropriate supervision and advice, etc. to the executive team on the Shinsei Bank Group's IT and digital strategies, etc. based on his knowledge and experience including those of information systems.

## Notes.

1. The responsibilities in Shinsei Bank, Limited (hereinafter, "the Bank") of the candidates for Directors who are currently Directors are described on page 38 of the Business Report.
2. The attendance rate to Board of Directors Meetings indicates the attendance rate to Meetings held during the period from April 1, 2020 to March 31, 2021.
3. Those positions or posts of candidates for Directors without "Current" in their "Personal History/Positions and Responsibilities in the Bank" section are positions or posts from which the candidate has already retired.
4. Candidates for Directors, namely, Mr. Hideyuki Kudo and Mr. Akira Hirasawa 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. Candidates for Directors, namely, Mr. Hideyuki Kudo and Mr. Jun Makihara concurrently serve as Directors (Non-Executive) of UDC Finance Limited. UDC Finance Limited is a business entity in a special relationship with the Bank (i.e. a subsidiary of the Bank).  
Candidate for Director, namely, Mr. Akira Hirasawa concurrently serves as Director (Non-Executive) of APLUS FINANCIAL Co., Ltd., Showa Leasing Co., Ltd. and Shinsei Financial Co., Ltd. All of companies are business entities in a special relationship with the Bank (i.e. a subsidiary of the Bank)

6. Special interests between the Bank and a candidate:
- ① Ms. Rie Murayama assumed the office of Senior Advisor of the Bank as of January 30, 2019, but the Bank judges that she is not an “employee” stipulated in the Article 2, Item 15-A of the Corporation Act because she provided advice for the Bank’s management under an advisory agreement. Moreover, the agreement does not have any impact on her independence since it is terminated prior to the end of General Meeting of Shareholders for the 19<sup>th</sup> Term and annualized total compensation during the agreement period is less than 10 million yen.
  - ② Ms. Hiroko Sasaki assumed the office of Senior Advisor of the Bank as of April 15, 2021, but the Bank judges that she is not an “employee” stipulated in the Article 2, Item 15-A of the Corporation Act because she provided advice for the Bank’s management under an advisory agreement. Moreover, the agreement does not have any impact on her independence since it is terminated prior to the end of this General Meeting of Shareholders and annualized total compensation during the agreement period is less than 10 million yen.
- No special interests exist between any of the other candidates for Directors and the Bank.
7. Overview of the contents of the Agreement for Limitations on Liability concluded with Directors:  
Messrs. Ernest M. Higa, Jun Makihara, Ryuichi Tomimura and Ms. Rie Murayama among candidates for Directors have concluded an Agreement for Limitations on Liability with the Bank under Article 427, Paragraph 1 of the Corporation Act. Under this agreement, liability of each of the Directors for any damage caused through neglect of their duties and responsibilities shall be limited. If the Bank suffers damage as a result of such neglect, the Outside Directors shall be liable up to the lowest maximum liability provided for in Article 425, Paragraph 1 of the Corporation Act, provided that there should be no willful misconduct or gross negligence involved in their duties and responsibilities. If the above-mentioned four candidates are re-elected as Directors, the Bank will continue the said Agreement for Limitations on Liability with them.  
The candidate for new Outside Director, Ms. Hiroko Sasaki, once elected as Director, will conclude with the Bank an Agreement for Limitations on Liability with the same conditions as mentioned above.
8. The Bank has concluded a directors and officers liability insurance contract with all Director candidates that are current Directors as insureds. If the election of the candidates is approved, all elected Directors will be the insureds of the insurance contract. See page 42 of the Business Report for the summary, etc. of the insurance contract.
9. The following persons are candidates for Outside Directors:  
Messrs. Ernest M. Higa, Jun Makihara, Ryuichi Tomimura, Ms. Rie Murayama and Ms. Hiroko Sasaki
10. The registered name of Ms. Rie Murayama is “Rie Shiga”.
11. Matters concerning candidates for Outside Directors:
- (1) ***Violation of laws or articles of incorporation or other unjust business execution by the relevant joint stock company (kabushiki-kaisha) during the most recent term of office of the Outside Director candidate in the joint stock company, as well as actions actually taken by the Outside Director candidate to prevent recurrence of such violation and subsequent countermeasures taken by him/her.***  
Not applicable.
  - (2) ***If a candidate for Outside Director had been a Statutory Executive Officer, a Director, or an Auditor in other joint stock companies (kabushiki-kaisha) in the last five years, the fact (if any) of violation of laws or articles of incorporation or other unjust business execution by the relevant joint stock company during his/her term of office in the company, as well as actions actually taken by the relevant candidate to prevent a recurrence of this violation and subsequent countermeasures taken by him/her.***  
Not applicable.
  - (3) ***The number of years since candidates for Outside Directors who are currently Outside Directors became Outside Directors and Audit Supervisory Board Members:***
    - ① As of the end of this General Meeting of Shareholders, Mr. Ernest M. Higa will have been an Outside Director for eight years.
    - ② As of the end of this General Meeting of Shareholders, Mr. Jun Makihara will have been an Outside

- Director for ten years.
- ③ As of the end of this General Meeting of Shareholders, Ms. Rie Murayama will have been an Outside Director for two years.
- ④ As of the end of this General Meeting of Shareholders, Mr. Ryuichi Tomimura will have been an Audit & Supervisory Board Member and Outside Director for seven years in total.

12. The Bank has submitted to the Tokyo Stock Exchange, Inc. an “independent director statement” (*dokuritsu-yakuin todokede-sho*) that Messrs. Ernest M. Higa, Jun Makihara, Ryuichi Tomimura and Ms. Rie Murayama are independent directors (*dokuritsu-yakuin*). In addition, the Bank will notify the Tokyo Stock Exchange, Inc. of Ms. Hiroko Sasaki as “independent director” (*dokuritsu-yakuin*) once she is elected as Director.

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

## Skill Matrix of Candidate for Directors

Candidate for Director	Management Experience			Financial Experience			Other Necessary Experience			Comprehensive Knowledge on Management, Finance, and IT/Digital	
	Corporate Management	Outside Director	Venture Management	Debt Finance	Equity Investment	Risk Management	Consumer Business	Real Estate Business	Health Care Business, Business for the Elderly	IT/Digital	Consulting, Academia, Administration Bureau Experience
Hideyuki Kudo	●			●	●	●					
Akira Hirasawa				●		●					
Ernest M. Higa	●	●					●				
Jun Makihara		●		●	●						
Rie Murayama		●		●	●	●		●			
Hiroko Sasaki			●						●		●
Ryuichi Tomimura	●	●			●					●	●

## Agenda Item 2:

### The Continuation of Stock Options Compensation Plan for Directors and the Decisions on Specific Matters regarding the Plan

The Bank has introduced an Equity Compensation Type Stock Options for the Bank's full-time Directors (excluding outside directors; hereinafter, "Eligible Directors") by the resolution at the 15th Ordinary General Meeting of Shareholders held on June 17, 2015, to allot the Subscription Warrants not exceeding 50 million yen annually separate from the maximum compensation, etc. to be paid to the Directors of the Bank of 180 million yen (out of which 60 million yen is for Outside Directors) annually (excluding employee-directors' salaries as employees, and Outside Directors shall not be eligible for such allotment). In accordance with the amendment of Article 361(1)(v)(b) of the Companies Act (Amendment of Act No. 86 of 2005) as revised by the Act Partially Amending the Companies Act (Act No. 70 of 2019) and Article 98-4(2)(v) of the Regulation for Enforcement of the Companies Act (Ministry of Justice Order No. 12 of 2006) as revised by the Order of the Ministry of Justice Partially Amending the Regulation for Enforcement of the Companies Act (Ministry of Justice Order No. 52 of 2020), the matters to be resolved at the general meeting of shareholders for allocating subscription warrants as a compensation have been decided. In order to continue granting subscription warrants to the Eligible Directors in the future, in lieu of the compensation limit based on the resolution of the 15th Ordinary General Meeting of Shareholders, the Bank requests approval at the General Meeting of Shareholders.

The introduction of the Equity Compensation Type Stock Options aims the Eligible Directors to share the risks and benefits of stock price movements with the shareholders and to further motivate the Eligible Directors to enhance the corporate value and stock price of the Bank from both a mid-term and a long-term perspective. The amount of the Equity Compensation Type Stock Options for full-time directors shall be determined by calculation using a formula that takes into account the Bank's stock price fluctuation rate, the performance of the Bank's stock price in comparison with the stock price of the banking industry and the Bank's net asset fluctuation rate during the previous fiscal year, in accordance with the internal regulations determined by the Board of Directors. Directors who received allotment of the Subscription Warrants will be granted compensation in the same amount as their paid-in amounts, and are entitled to acquire the Subscription Warrants by offsetting their compensation claims with the amounts to be paid in for such Subscription Warrants. The Bank requests that the determination of specifics regarding the allowances, namely, timing of reward and method of payment, be left to the discretion of the Board of Directors.

If Item 1 "Election of Seven (7) Directors" is approved as drafted, we will have 7 directors (out of which 2 will be Full-Time Directors).

#### Details of Subscription Warrants Proposed as Equity Compensation Type Stock Options

##### (1) Class and Number of Shares to be Delivered upon Exercise of Subscription Warrants

The Class of shares to be delivered upon the exercise of the Subscription Warrants shall be common shares of the Bank, and the number of shares to be delivered per unit of the Subscription Warrants (the "Number of Underlying Shares") shall be 10.

Provided that, if the Bank implements a stock split (including an allotment of common shares of the Bank without contribution; hereinafter the same with respect to the descriptions regarding a stock split) or consolidation of stocks with respect to its common shares after the date on which the Subscription Warrants are allotted (the "Allotment Date"), the Bank shall make an adjustment to the Number of Underlying Shares in regard to the Subscription Warrants that have not yet been exercised at the time of such a stock split or consolidation of stocks by the following formula:

$$\begin{aligned} & \text{Number of Underlying Shares after adjustment} \\ & = \text{Number of Underlying Shares before adjustment} \times \text{Ratio of split or consolidation} \end{aligned}$$

If, in addition to the above, unavoidable circumstances that require adjustment of the Number of Underlying Shares arise, the Bank may make an adjustment to the Number of Underlying Shares that the Board of Directors of the Bank deems necessary.

Any fraction less than one share arising as a result of the above adjustment shall be rounded off.

##### (2) Aggregate Number of Subscription Warrants

The number of the Subscription Warrants to be allotted within one year from the date of the annual general meeting of shareholders for each business year shall not be more than 6,000.

##### (3) Amount to be Paid in for Subscription Warrant

The amount to be paid in for each Subscription Warrant shall be the amount determined by the Board of Directors of the Bank on the basis of the fair value of the Subscription Warrants calculated at the time of allotment of the Subscription Warrants by applying a fair calculation method such as the Black-Sholes model.

Persons who are allotted the Subscription Warrants (the "Subscription Warrant Holder") shall offset the payment of the amount to be paid in with the compensation claims against the Bank and accordingly shall not be required to make any monetary payment.

##### (4) Amount of Assets to be Paid upon Exercise of Subscription Warrants

The amount of the assets to be paid upon the exercise of the Subscription Warrants shall be calculated by multiplying the price of one yen per share to be delivered through the exercise of the Subscription Warrants by the number of shares granted.

##### (5) Time Period during which Subscription Warrants are Exercisable

The time period during which the Subscription Warrants are exercisable shall be determined by resolution of the Board of Directors within the scope of thirty (30) years from the date following the date of allotment of the Subscription Warrants.

(6) Conditions for Exercise of Subscription Warrants

(i) 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 director of the Bank (if the tenth (10th) day falls on a holiday, the following business day).

(ii) Notwithstanding the (i) 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, except where subscription warrants of a restructured company are to be issued to the Subscription Warrant Holder.

(iii) If any Subscription Warrant Holder dies, the successor thereof may only exercise the Subscription Warrants in a lump.

(iv) Other conditions for the exercise of the Subscription Warrants shall be determined at the meeting of the Board of Directors of the Bank where the offering memorandum of the Subscription Warrants is decided.

(7) Restrictions on Acquisition of Subscription Warrants by Assignment

Acquisition of the Subscription Warrants by assignment shall be subject to the approval of the Board of Directors of the Bank.

(8) Conditions of the Bank's Acquisition of the Subscription Warrants

(i) If any of the agendas set forth in (a), (b), (c), (d) and (e) below is approved at a general meeting of shareholders of the Bank (or, if a resolution of a general meeting of shareholders is not required, is resolved at the board of directors of the Bank), the Bank may acquire the Subscription Warrants without consideration on the date to be separately determined by the board of directors of the Bank:

(a) Agenda for approval of a merger agreement under which the Bank shall become a dissolving company;

(b) Agenda for approval of a split agreement or split plan under which the Bank shall be split;

(c) Agenda for approval of a stock exchange agreement or stock transfer plan under which the Bank shall become a wholly-owned subsidiary;

(d) Agenda for approval of an amendment to the Articles of Incorporation in order to establish the provision, with respect to all the shares of the Bank, that an acquisition by way of transfer of a share to be issued by the Bank shall require the approval of the Bank; and

(e) Agenda for approval of an amendment to the Articles of Incorporation in order to establish the provision that an acquisition by way of transfer of a class of shares to be issued or transferred upon exercise of the Subscription Warrants shall require the approval of the Bank or that the Bank may acquire all of such class of shares upon a resolution of a general meeting of shareholders.

(ii) In case that the Subscription Warrant Holder may not exercise the Subscription Warrants in accordance with item (6) above or the agreement for the allotment of Subscription Warrants, the Bank may acquire the Subscription Warrants without consideration on the date to be separately determined by the board of directors of the Bank.

(9) Other Details of Subscription Warrants

Other details of the Subscription Warrants shall be determined at the meeting of the Board of Directors of the Bank where the offering memorandum of the Subscription Warrants is determined.



### **Agenda Item 3 :**

## **The Continuation of Restricted Stock Compensation Plan for Directors and the Decisions on Specific Matters regarding the Plan**

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

With the objectives of offering incentives to the Bank's Directors to achieve sustained improvement of the corporate value of the Bank and of sharing more of that value with our shareholders, the introduction of restricted stock compensation plan for full-time Directors (excluding the Outside Directors) was resolved at the 18th Ordinary General Meeting of Shareholders held on June 20, 2018 (hereinafter, "the resolution of 2018"), and the introduction of restricted stock compensation plan for Outside Directors was resolved at the 20th Ordinary General Meeting of Shareholders held on June 17, 2020 (hereinafter, "the resolution of 2020").(hereinafter, the full-time directors of "resolution of 2018" and the outside directors "resolution of 2020" are collectively referred to as "Eligible Directors"). In accordance with the amendment of Article 361(1)(v)(a) of the Companies Act (Amendment of Act No. 86 of 2005) as revised by the Act Partially Amending the Companies Act (Act No. 70 of 2019) and Article 98-4(1) of the Regulation for Enforcement of the Companies Act (Ministry of Justice Order No. 12 of 2006) as revised by the Order of the Ministry of Justice Partially Amending the Regulation for Enforcement of the Companies Act (Ministry of Justice Order No. 52 of 2020), the matters to be resolved at the general meeting of shareholders for the granting the restricted stock compensation to the Eligible Directors have been decided. In order to grant restricted stock compensation to the Eligible Directors in the future, in lieu of the compensation limit based on the resolution of 2018 and the resolution of 2020, the Bank requests approval at the General Meeting of Shareholders.

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

At the 15th Ordinary General Meeting of Shareholders held on June 17, 2015, approval was received for an amount of basic compensation, etc. for the Directors of the Bank of 180 million yen or less per year (including 60 million yen or less per year for the Outside Directors) (however, this does not include the portion which represents an employee salary for Directors who concurrently serve as employees). In addition, by the resolution of 2018, introduction of the restricted stock compensation for full-time Directors, the amount of which is to be not more than 20 million yen per year within the scope of the existing limit of basic compensation, etc. for the Directors of the Bank as mentioned above, was approved. Furthermore, by the resolution of 2020, introduction of the restricted stock compensation plan for Outside Directors, the amount of which is to be not more than 15 million yen per year within the scope of the existing limit of basic compensation, etc. for the Directors of the Bank as mentioned above, was approved.

The Equity Compensation Type Stock Options for the Bank's full-time Directors (excluding outside directors) was approved at an amount of 50 million yen or less per year in the 15th Ordinary General Meeting of Shareholders held on June 17, 2015, in addition.

The Bank requests approval for the restricted stock compensation plan for the Eligible Directors, of which plan with restricted stock for full-time Directors, the amount of which is to be not more than 20 million yen per year within the scope of the existing limit of basic compensation, etc. as well as the resolution of 2018 and plan with restricted stock for Outside Directors, the amount of which is to be not more than 15 million yen per year within the scope of the existing limit of basic compensation, etc. as well as the resolution of 2020 (hereinafter collectively, the "Plan"). The amount of the compensation is determined corresponding to his/her positions and job responsibilities.

If this Item for Discussion is approved, the Bank's Directors and Executive Officer compensation structure continues to be as follows: The compensation of full-time Directors will be comprised of the following three elements: fixed compensation as the "basic compensation", Equity Compensation Type Stock Options as the "med- to long-term incentive compensation" and restricted stock compensation based on the Plan. The short-term incentive compensation will continue not to be paid.

The compensation of Outside Directors will consist of non-performance-based compensation with restricted stock compensation based on the plan and the fixed compensation as the "basic compensation".

The compensation of Executive Officers and Group Headquarters Chief Officers and Senior Officers will be comprised of the following three elements: fixed compensation as the "basic compensation", a performance-based bonus to be determined by the business performance in a single year as the "short-term incentive compensation" and the restricted stock compensation as the "med- to long-term incentive compensation."

If Item 1 "Election of Seven (7) Directors" is approved as drafted, we will have 7 directors (out of which 2 will be Full-Time Directors).

Furthermore, based on resolution of the Board of Directors of the Bank related to issuance or disposal of the stocks, the Eligible Directors shall make in-kind contributions of all monetary compensation claims paid under this Item for Discussion and shall, in return, receive the issuance or disposal of the common shares of the Bank. The total number of common shares of the Bank to be issued or disposed of through this process shall be 24,000 shares or less per year for full-time Directors and 18,000 shares for Outside Directors. (However, in the event of unavoidable circumstances for adjustment of the total number of shares, such as stock splits or consolidations of the shares of common stock

of the Bank which are effective on or after the date of the approval of this Item for Discussion, the total number of shares should be adjusted as necessary within a reasonable range, in accordance with the split ratio or consolidation ratio, etc., from the effective date onward.)

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

(1) Transfer Restriction Period

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

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

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

(3) Cancellation of the Transfer Restrictions

Notwithstanding the provision in (1) above, the Bank shall cancel the Transfer Restrictions for all of the Allocated Shares as of the time when the Transfer Restriction Period expires, on the condition that the Eligible Directors have maintained their status of Directors, Audit & Supervisory Board Members, Executive Officers, or employee of the Bank or the Bank's subsidiaries continuously during the Transfer Restriction Period. However, in the case that said Eligible Directors leave their posts in the case of the expiration of the term of office, death, or any other legitimate reasons as stipulated in (2) above before the Transfer Restriction Period expires, the number of the Allocated Shares for which the Transfer Restrictions are cancelled and the timing of the cancellation of the Transfer Restrictions shall be reasonably adjusted as necessary.

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

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

(5) The Bank's Acquisition without consideration

If the Eligible Director falls under any of the following items during the Transfer Restriction Period, the Bank shall automatically acquire, without consideration, all the Shares at the time when the Eligible Director falls under such item (or, in the case of item (c), at the time when the Bank gives written notice to the Eligible Director, stating that the Bank will acquire all of the Shares without consideration)

- (a) If the board of directors of the Bank finds that the Eligible Director of a full-time Director engages in any business activities competing against the business of the Bank Group or he/she assumes an executive position in a competing corporation or other group (unless he/she obtains prior written consent from the Bank).
- (b) If the Eligible Director resigns or retires from the position of Director, Auditor, Executive Officer and/or employee of the Bank Group, for any reason other than those set forth in the paragraph (2), including for his/her own convenience (except in the case of his/her assumption or re-assumption of any of the positions above simultaneously with his/her resignation or retirement, or other due reasons including his/her death, maturity of the term of office or retirement age).
- (c) If the board of directors of the Bank finds that the Eligible Director is in breach of laws, regulations, internal regulations or rules in a material respect (including an accounting fraud that may cause large losses) and gives notice to the Eligible Director that the Bank will acquire the Shares allotted to him/her without consideration.

(6) Other Matters Determined by the Board of Directors

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

End

## [Reference]

### Regarding the status of the evaluation and analysis of the effectiveness of the Board

- The Bank periodically conducts the evaluation/analysis of the effectiveness of the Board as a whole in order to improve the functionality of the Board. The Bank conducted self-evaluation as follows in fiscal year 2020:
  - (1) **Purpose:** Enhance the Board of Directors' function by evaluating whether the Board has fulfilled its roles and responsibilities and by running the PDCA cycle
  - (2) **Targets for the analysis and evaluation:** Board of Directors' activities and operational and support systems for conducting the activities in an efficient and effective manner
  - (3) **Evaluators:** All participants of the Board of Directors (11 members including Directors, Audit & Supervisory Board Members, and others). The evaluation includes questions targeting Audit & Supervisory Board Members only, the same as every year.
  - (4) **Analysis and evaluation items:** Discussions at the Board of Directors meetings, Operation of Board of Directors meetings by the executive team, Composition and diversity, Provision of information to the Board of Directors from the executive team, Discussions at Strategy Sessions, Operation of the Strategy Sessions by the executive team, Communication, Nomination and Compensation Committee, Necessity of Third party assessment on the effectiveness of the Board of Directors, and Evaluation from Audit & Supervisory Board Member, etc.
  - (5) **Method for analysis and evaluation:** Questionnaire survey by the secretariat of the Board of Directors Meetings based on the direction of the Chairman of the Meetings (with multiple responses and open-ended responses)
  - (6) **Feedback of the survey results:** Selected responses and open-ended responses were reported to the Board.

The survey results are as follows.

#### 1) **Discussions at the Board of Directors meetings**

Continuing for last year, it was recognized to a degree that discussions about medium-to long-term vision and business models for increasing corporate value and sustainable growth are made in a constructive manner, and that these have contributed to increasing corporate value and sustainable growth.

#### 2) **Discussions and effectiveness at Strategy Sessions**

Discussions at this year's Strategy Sessions covered strategies principally on the three areas of human resources, productivity improvements and business. It was recognized to a degree that these themes were appropriate and focused on managerial issues and business models for sustainable growth. As the Sessions have been evaluated as being effective in examining the medium- to long-term business strategies of the Shinsei Bank Group, we will continue to configure appropriate themes in the future and will endeavor to make these Sessions forums of useful discussion.

#### 3) **Composition and diversity of the Board of Directors meetings**

Regarding the diversity of the Board, including the gender and international background of its members, although diversity was recognized as being "appropriate" or "generally appropriate," the evaluation has confirmed that examination needs to be continued from a viewpoint of diversity in a broad sense, including skills and experience.

#### 4) **Operation of the Board of Directors meetings and Strategy Sessions, the executive team**

Focus continued to be placed on improving the efficiency of the meetings through means such as selecting agenda items that do not require explanations and accepting questions about the

materials before the meetings. As a result, it was recognized in this year's questionnaire results as well that the meetings had covered important agenda items and were operated in a balanced manner as exemplified by the sufficient time allocated to important reviews of agenda.

**5) Provision of information to the Board of Directors from the executive team**

It was confirmed through last year's questionnaire that there was room for further improvement with respect to the composition and volume of materials and explanations of agenda by the executive team. As such, following initiatives taken with those areas especially borne in mind, it was conformed that there were visible improvements in all of those areas. Additionally, as a result of also making a point of sharing information through Board of Directors meetings, Strategy Sessions and other forums, it was recognized that necessary information was shared. In addition, this year, two lectures were held with two external guest lecturers. Through this and other such forums, we intend to work toward continue endeavoring towards providing information that the Board of Directors finds highly satisfactory and useful.

**6) Communication**

We have confirmed that the environment surrounding the sharing of information, etc. among Outside Directors and Outside Audit & Supervisory Board Members is generally favorable. We have also confirmed the effectiveness of Executive Sessions which are comprised only of Outside Directors and Outside Audit & Supervisory Board Members. Meanwhile, while the supply of information to the Board of Directors regarding main stakeholders (shareholders, employees, etc.) was recognized as being generally adequate, we intend to work towards enhancing the content of that information, among other endeavors.

**7) Nomination and Compensation Committee**

The Nomination and Compensation Committee held five meetings by the end of January 2021. We have confirmed that the composition of Committee members and the frequency of the Committee meetings are appropriate and that the meetings were generally beneficial for discussing nomination and compensation related matters. We also held interviews with executive members separate of the Committee, which were highly recognized as providing good opportunities to become familiar with human resources. It is ideal to continue these interviews in the future as well.

**8) Third-party evaluation on the effectiveness of Board of Directors**

Responses on third-party evaluations of effectiveness generally consisted of "Considered in medium to long term" and "No need." We were able to reconfirm that current effectiveness evaluations are functioning. Note that we recognized that this item is one that we will continue to examine, though it is not one that we strongly feel necessitates implementation right away.

**9) Evaluation from Audit & Supervisory Board Members**

We have confirmed that Audit & Supervisory Board Members acknowledge that Directors are performing their expected responsibilities appropriately as a whole.

Based on the survey results, the overall evaluation was not very different from last year, but it was successfully confirmed that scores in general were on the high side and that the degree of satisfaction for items that were cited as requiring review and improvement in the prior evaluation also increased. We therefore have concluded that efficient meeting operation led to securing time for important discussions. We have also received suggestions and opinions on meetings and their operation and intend to examine and will address those areas while simultaneously verifying the intentions of the Board of Directors and examine and respond to challenges in order to enhance the effectiveness and functions of the Board.

## [Reference]

### The List of the Directors and the Audit & Supervisory Board Members in case of the Approvals for Agenda Item

#### ■ Directors:

Hideyuki Kudo	Representative Director, President and Chief Executive Officer, Chief Officer, Group Corporate Planning and Finance
Akira Hirasawa	Director Senior Managing Executive Officer, Overseeing Group Organizational Strategy, Group Human Resources, Group General Services and Group IT, Chief Officer, Group Legal and Compliance, Head of Operations Management
Ernest M. Higa	Director
Jun Makihara	Director
Rie Murayama	Director
Hiroko Sasaki	Director
Ryuichi Tomimura	Director

#### ■ Audit & Supervisory Board Members:

Shinya Nagata	Full-time Audit & Supervisory Board Member
Ikuko Akamatsu	Audit & Supervisory Board Member
Shiho Konno	Audit & Supervisory Board Member

## [Reference]

### Regarding the Standards for Independent Outside Directors and Outside Audit & Supervisory Board Members

#### 1. Policies and procedures in the nomination of candidates for Directors and Audit & Supervisory Board Members

The Bank's Board makes final decisions on the appointment/dismissal of the senior management and the nomination of the candidates for Directors and the Audit & Supervisory Board Members based on the Bank Rules.

- The Bank adopts the procedure with a high level of transparency to decide the Executive Officers and Group Headquarters Officers from among candidates based on their evaluations and performance.
- The appointment of Board of Director is deliberated by the Nomination and Compensation Committee and determined by the Board of Directors meeting with a consideration of a balance among knowledge, experience and skills, diversity and appropriate size.
- Candidates for the Audit & Supervisory Board member are decided with the consent of the Audit & Supervisory Board, considering the candidates' knowledge and experience in order to accurately, fairly and effectively audit business execution by the Bank's Directors.

#### 2. Independence Standards for Independent Directors

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

Outside Directors are eventually selected by the Board of Directors, through sufficient discussions at the Nomination and Compensation Committee, from candidates who are expected to contribute to frank, active and constructive discussions at Board meetings.

(Translation)

(Attachment)

**Business Report for the 21st Fiscal Year  
(From April 1, 2020 to March 31, 2021)**

**1. Current State of the Bank**

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

*[Principal Business of the Group]*

The Shinsei Bank Group, which consists of Shinsei Bank, Limited, 161 subsidiaries (comprised of 88 consolidated companies including APLUS FINANCIAL Co., Ltd., Showa Leasing Co., Ltd., Shinsei Financial Co., Ltd., Shinsei Investment & Finance Ltd. UDC Finance Limited and 73 unconsolidated subsidiaries) and 39 affiliated companies (comprised of 39 affiliates accounted for under the equity method including MB Shinsei Finance Limited Liability Company) as of March 31, 2021, provides a wide variety of financial products and services to customers through our Institutional 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.

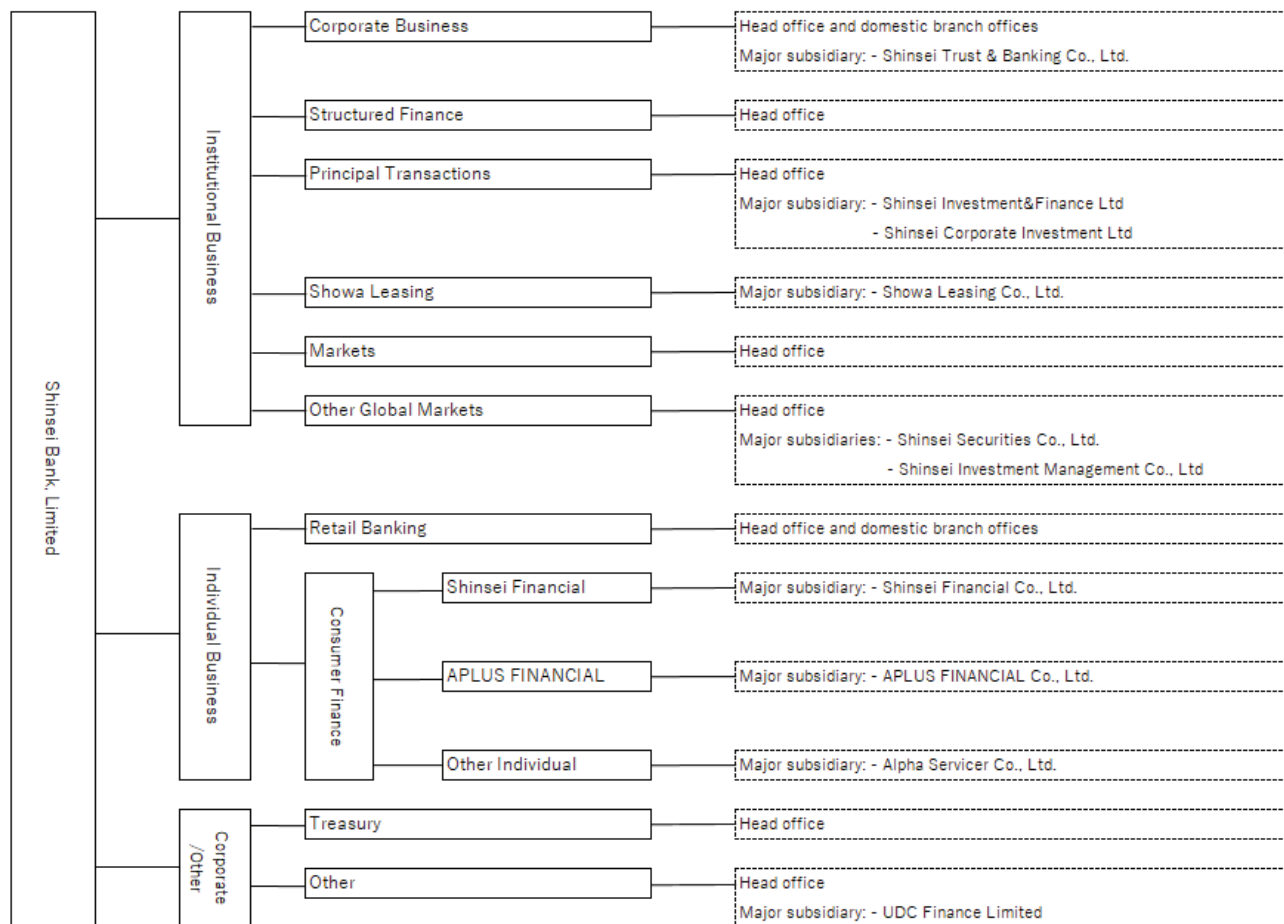
In the Institutional Business, the “Corporate Business” segment provides financial products and services, advisory services, and trust business for corporate, public, and financial sectors. The “Structured Finance” segment provides real estate finance such as nonrecourse loans, financial products and services for real estate and construction industries, and financial products and services related to project finance and specialty finance, such as M&A finance. The “Principal Transactions” segment provides financial products and services related to private equity, business succession finance and credit trading. “Showa Leasing” segment primarily provides financial products and services related to leasing. The “Markets” segment engages in foreign exchanges, derivatives, equity-related transactions and other capital markets transactions. The “Other Global Markets” segment consists of securities business provided by Shinsei Securities Co., Ltd., 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 provides consumer finance products and services and guarantee services (Shinsei Financial, Shinsei Bank Card Loan L (Former Shinsei Bank Lake), Lake ALSA). “APLUS FINANCIAL” segment provides installment sales credit, credit cards, loans and payment services. The “Other Individual” segment in the Individual Business consists of profit and loss attributable to other subsidiaries.

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

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

(Translation)





***[Financial and Economic Environment]***

In the fiscal year under review, domestic and overseas economies fell sharply in the April-June quarter of 2020 due to forced restriction of activities to prevent the spread of the Novel Coronavirus, and recovered sharply in the July-September quarter following the lifting of restriction of activities. From the fourth quarter onwards, the spread of infections again began to spread. However, in addition to the large-scale fiscal and monetary policies of each country to date, the economies of each country are expected to recover moderately in the future in response to additional fiscal policies and progress in vaccination in the United States.

In Japan as well, the Bank of Japan implemented large-scale liquidity provision and monetary easing since March 2020, and the government also enacted three supplementary budgets, including benefits for households and corporations, and implemented large-scale economic stimulus measures. These fiscal and monetary policies and liquidity provision measures seem to have restrained the emergence of domestic unemployment and bankruptcies.

Looking at financial markets, domestic interest rates remained in a narrow range of generally positive territory until December 2020 for long-term interest rates (10-year JGB yields). Since January 2021, domestic long-term interest rates temporarily rose to around 0.17% in the second half of February, reflecting a rise in the U.S. long-term interest rates and speculation about the Bank of Japan's policy assessment. At the Monetary Policy Meeting in March, the Bank of Japan announced the results of its policy assessment and decided to clarify the range of fluctuations in long-term interest rates by  $\pm 0.25\%$ . Long-term interest rates declined slightly toward the end of the month, to around 0.10% at the end of March (around 0.03% at the end of March 2020).

Regarding foreign exchange rates, the U.S. dollar and the yen appreciated to the 102 yen level toward the beginning of January 2021, as the yen generally strengthened and the U.S. dollar depreciated against the U.S. dollar against the backdrop of large-scale monetary easing by the Federal Reserve Board (FRB). However, as long-term interest rates rose in the U.S., the yen fell and the U.S. dollar rose, reaching the ¥110 level at the end of March 2021 (a yen depreciation and U.S. dollar appreciation of approximately ¥2 compared with the end of March 2020). On the other hand, the euro-yen remained generally on a weak yen and strong euro on the back of expectations that the 750 billion-euro Reconstruction Fund would underpin the euro zone economy, progress in vaccination in the euro area and the waning of political uncertainty in Italy. As a result, the yen depreciated to the 129 yen level at the end of March 2021 (a depreciation of approximately 11 yen against the euro).

Lastly, the Nikkei Stock Average was generally on an upward trend due to the effects of various policies and expectations for the spread of vaccines. In February 2021, it reached the ¥30,000 level for the first time in about 30 and half years. Thereafter, the closing price remained generally unchanged, and at the end of March, the price was around ¥29,178 (an increase of approximately ¥10,261 from the end of March 2020).



(Translation)

***[Business Developments and Performances of the Group in Fiscal Year 2020]***

The Shinsei Bank Group formalized its “Medium-Term Strategies”, which runs from April 1, 2019 to March 31, 2022. Fiscal Year 2020 is the second year of the Medium-Term Strategies. Initiatives undertaken in each business area are as follows.

(Institutional Business)

[Business strategy]

In Institutional Business, the Shinsei Bank Group has set "Partnership-style business" and "Business for Institutional Investors". The Shinsei Bank Group will realize the core strategies of the Medium-Term Strategies, "Growth through Value Co-Creation," mainly in the following fields.

1. Institutional Investors  
Capture customer needs in the alternative investment space
  - Service offerings for investments in renewable energy, real estate, domestic private equity etc.
  - Expand networks with institutional investors, provide investment opportunities

The field of structured finance, such as project finance and real estate finance, is where the Bank has a comparative advantage, and the Bank will pursue initiatives that leverage its expertise and new growth opportunities.

In Fiscal Year 2020, as for project finance, the Bank focused on structuring various renewable energy projects such as solar power, large-scale development projects for onshore wind power and biomass energy in Japan. The Bank is also working on overseas project finance, such as large-scale offshore wind power projects in Europe. In real estate finance, while assessing the impact of the Novel Coronavirus, the Bank has originated transactions which meet customer needs carefully while taking into account not only the risks of individual transactions but also the risks and returns of the real estate market as a whole.

In the past, business activities centered on senior loans, utilizing the knowledge, analytical capabilities, and finance structuring capabilities the Bank has cultivated to date, while paying attention to market conditions. The Bank will take a cautious stance on risk and return in order to promptly and flexibly originate new deals. The Bank has also actively pursued financing syndications with banks and insurance companies.

Furthermore, for new growth, the Bank has been working on developing a framework for institutional investors to arrange and provide investment products such as real estate and infrastructure that are highly compatible with structured finance. In Fiscal Year 2020, in collaboration with Daiwa Energy & Infrastructure Co., Ltd., the Bank newly launched offering of mezzanine finance related to renewable energy.

Through expansion of investor channels and diversification of sales methods, including the use of the functions of Shinsei Bank Group companies, the Group will continue to improve asset efficiency and expand profit opportunities.

2. Non-financial Corporations  
Deploy partnership-style business
  - Deploy solutions that merge financial to non-financial service
  - Strengthen value proposition for existing financial services
  - Strengthen asset business for core areas such as construction machinery

In the business for non-financial corporations, in addition to the traditional lending business, the Bank has also pursued initiatives aimed at collaborating with the functions of outside companies as an opportunity to grow further. Furthermore, the Bank has pursued business partner-oriented businesses that provide solutions that go beyond the financial domain by helping customers resolve their management issues and create new businesses.

In Fiscal Year 2020, the Bank responded appropriately to customer needs associated with the spread of the Novel Coronavirus and continued its activities for new value co-creation in anticipation of the end of the Novel Coronavirus. In addition, a financial business company in collaboration with USEN-NEXT HOLDINGS Co., Ltd., has begun offering new leasing products to USEN-NEXT GROUP's small businesses customers.

In the traditional lending business, while continuing to promote qualitative expansion of the customer base with an awareness of transaction profitability, the Bank has strengthened its ability to offer solutions that combine financial services, such as providing derivatives, M&A, balance sheet solutions by purchasing fixed receivables and non-core assets from Financial Institutions and institutional business customers, financing for real estate investments, debt investments for customers suffering from sluggish business

(Translation)

conditions, and private equity investments to meet growth levels, in order to respond flexibly to customer needs. In addition, the Bank has further strengthened its asset business, in which its subsidiary Showa Leasing Co., Ltd. has strengths, while pursuing synergies within its businesses.

### 3. Financial Institutions

Partner with regional financial institutions

- Provide Shinsei Bank Group's services to regional customers
- Support regional financial institutions to solve their own issues by utilizing Shinsei Bank Group's functions

In the business for Financial Institutions, in addition to selling structured products and other investment products and providing investment opportunities through syndicated loans and loan receivables sales, the Shinsei Bank Group has promoted the establishment of strong partnerships by providing functions and services both inside and outside the Shinsei Bank Group to address management issues faced by regional financial institutions.

In Fiscal Year 2020, the Bank established Regional Revitalization Partners Co., Ltd. jointly with SBI Holdings, Inc., Concordia Financial Group, Ltd., Development Bank of Japan, and Yamaguchi Financial Group, Inc. as implementing entities to promote regional revitalization.

The Bank will also contribute to the revitalization of regional economies by providing various functions and services both inside and outside the Shinsei Bank Group to customers of regional financial institutions in cooperation with regional financial institutions.

### 4. Initiatives to differentiate Institutional Business

In addition to emphasizing sustainability ESG/SDGs and social impact, which have been attracting attention in recent years, the Bank has actively promoted differentiated initiatives that have positive impact on society by integrating these initiatives with the entire Institutional Business, including the institutional investors business, which is our focus area.

In Fiscal Year 2020, the Bank newly established a Green/Social/Sustainability Finance Framework in May 2020, and by making use of evaluation based on these frameworks, the Bank is actively engaged in investment and financing for businesses that address specific social issues and bring about social impact, or projects that have clear environmental improvement effects. The Bank will continue to address environmental and social challenges through financial solutions that facilitate the circulation of sustainable social capital.

In September 2020, Shinsei Business Succession Co., Ltd., which was established in March 2020 as an investment specialist subsidiary to support business succession as an initiative to address growing social needs related to business succession, and AKTIO Corporation. have jointly entered into an agreement to acquire all the shares held by the founder of World Kaihatsu Kogyo Co., Ltd., located in Nagano Prefecture. It meant that the Shinsei Bank Group provides appropriate solutions to the long-standing management issues relating to shortage of successors at World Kaihatsu Kogyo Co., Ltd., with a multilateral combination of the functions within the Group, such as M&A and business succession, and the business management functions of business partners as functions outside the Group,

(Individual Business)

[Business strategy]

In Individual Business, the Shinsei Bank Group has set "Data analysis to capture customer needs" and "personalized solutions" as business strategy, and promotes the core strategies of the Medium-Term Strategies "Growth through Value Co-Creation" mainly in the following fields.

#### 1. Small-scale finance

Build / participate in ecosystems, use data to enhance services

- Collaboration with external parties which own customer base, data etc.
- Enhance strengths in credit assessment and collection by using payment / credit data, AI and digital technology

The Shinsei Bank Group recognizes that small-scale finance is an area in which it has a competitive advantage not only in the unsecured loans, which has been particularly strengthened up to the present time, but also in shopping credit, credit cards, payments and other businesses, in terms of data analysis and marketing, credit assessment, and collection, as well as stable operations. By utilizing the know-how the Shinsei Bank Group has accumulated in various business, the Group has been working to provide a variety of financing products not only to individual business customers but also to a wide range of customers, including individual business owners, small and medium-sized enterprises, and non-Japanese customers. In addition, by providing the financial functions and platforms of the Shinsei Bank Group to companies that have strengths in customer bases and data, and creating new value and services, the Bank will continue to deepen customer understanding and promote collaboration with other services, with the aim of building and participating in ecosystems

(Translation)

(economic ecosystems) and enhancing services.

In Fiscal Year 2020, the Bank launched Shinsei Bank Smart Card Loan Plus for Nissen, a new loan service for Nissen Group customers, and its subsidiary Shinsei Financial Co., Ltd. has begun collaborating on FamiPay Loan, a new loan service to be provided by FamilyMart's subsidiary Famima Digital One Co., Ltd. In September 2020, the Bank acquired the shares of UDC Finance, the largest non-bank entity in New Zealand. In this way, the Bank is working to make effective use of its capital by leveraging its strengths.

## 2. Retail asset management

Improve customer experience, and use alliances to uncover new customer opportunities

- Personalize communication and product offerings by using digital technology and customer data
- Use alliances with brokerage / insurance companies to uncover new customer opportunities

In retail asset management business, the Bank has been providing personalized solutions utilizing digital technologies and customer data, thereby realizing consulting tailored to individual needs and enhancing customer experience value. The Bank also has expanded its approach to new customer segments with diverse needs through alliances with external companies.

In Fiscal Year 2020, the Bank formed an alliance with WeWork Japan and established the "Shinsei Satellite Lounge", an unmanned outlet. The Bank has also reached an agreement with Monex Inc. on a comprehensive business partnership for the Group's financial instruments intermediary business. In this way, the Bank continues to make progress in line with the Medium-Term Strategies.

The Bank has formulated and announced the "Policy on Customer-Oriented Operational Management" and the "Action Plan" to ensure the realization of this policy as guidelines for conducting business operations that prioritize the "best interests" of the Bank's customers. The Bank will contribute to the sustainable growth and development of society and the economy by thoroughly implementing customer-oriented business management based on a renewed recognition of the importance of "adhering to a customer-oriented approach to business management and helping customers build valuable assets."

## 3. Housing-related loans

Broaden customer segment via partnerships and new products

- Collaboration with housing-related companies and other financial institutions
- Capture customer needs for securing post-retirement cashflows and financing home renovations

In housing-related loans business, the Bank has worked to develop new products and expand sales channels through collaboration with real estate companies and other financial institutions as the business environment due to the continued decline in the number of condominium units sold from the previous year. In Fiscal Year 2020, the Bank began handling reverse mortgage-type residential mortgage loans. In addition, the Bank considered outsourcing brokerage services to subsidiaries, and began outsourcing services with Financial Japan Co., Ltd., in November 2020 and with APLUS Co., Ltd. in April 2021. In addition, as the 100-year-life is approaching, customers have been changing their consumption behavior against a backdrop of the diversification of their lifestyles and the sense of value on their houses. The Bank aims to expand its customer base by offering products that meet the needs of customers who are not satisfied with existing products.

### ***(Financial Position)***

At the end of fiscal year 2020, our consolidated Basel III (domestic standard) core capital adequacy ratio was 11.39%, and has been continually maintained at a sufficient level.

As a part of the Shinsei Bank's efforts to identify the path to repay the public funds, the Bank had acquired 15,514,400 treasury shares until March 12, 2021, based on a resolution on acquiring treasury shares up to 20.5 billion yen as approved at a meeting of its Board of Directors held on May 13, 2020. Assuming that the capital is maintained 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, 2021, Shinsei Bank reported a consolidated ordinary income of 374.2 billion yen (decreased of 25.2 billion yen compared to the previous fiscal year), ordinary expenses were 329.8 billion yen (decreased of 18.6 billion yen compared to the previous fiscal year). As a result, the Bank recorded a consolidated ordinary profit of 44.3 billion yen (decreased of 6.6 billion yen compared to the previous fiscal year), and profit attributable to owners of parent was 45.1 billion yen (decrease of 0.4 billion yen compared to the previous fiscal year). Segment profits of the Shinsei Bank Group on a management accounting basis totaled 43.8 billion (decreased of 7.3 billion year compared to the previous fiscal year).

On the business segment level, the Institutional Business decreased segment profit compared to the previous fiscal year due to the absence of the gain on sales of equities held recorded in the previous fiscal year, a decrease in derivative-related revenue, and a loss on equity investment in Limited Partnership held by a consolidated subsidiary in Principal Transactions.

(Translation)

In Individual Business, Retail Banking decreased segment profit compared to the previous fiscal year due to a decrease in sales-related revenues from asset management products, and an additional expense from the newly consolidated subsidiaries in the previous fiscal year.

Consumer Finance experienced not only an increase in the volume of APLUS FINANCIAL shopping credits but also a decrease in interest income from the Lake Business. Credit costs decreased due to a decrease in the balance of loans outstanding in the personal unsecured card loan business and the improvement of asset quality. As a result, segment profit increased compared to the previous fiscal year.

The “Corporate/Other” decreased its segment profit compared to the previous fiscal year.

The business segments attained the following results for the fiscal year ended March 31, 2021.

	(Millions of yen)						
	Fiscal 2020 (21st Fiscal Period)						
	Institutional Business						
	Corporate Business	Structured Finance	Principal Transactions	Showa Leasing	Markets	Other Global Markets	
Revenue	14,862	21,056	7,900	14,521	5,827	2,405	
Net Interest Income(loss)	11,133	12,667	2,546	116	1,007	407	
Noninterest income(loss)	3,728	8,388	5,353	14,405	4,819	1,998	
Expense	11,831	9,064	4,419	11,191	3,159	2,852	
Net Credit costs (Recoveries)	(1,202)	7,519	66	190	-	(44)	
Segment Profit (loss)	4,233	4,472	3,413	3,139	2,668	(401)	
	Individual Business				Corporate/Other		
	Retail Banking	Consumer Finance			Treasury	Other	Total
		Shinsei Financial	APLUS FINANCIAL	Other Individuals			
Revenue	28,322	66,010	58,480	2,005	(2,322)	2,850	221,921
Net Interest Income(loss)	24,743	65,996	8,558	1,067	(6,706)	495	122,035
Noninterest income(loss)	3,579	13	49,922	938	4,383	2,354	99,886
Expense	28,702	33,909	38,570	2,525	1,548	1,864	149,638
Net Credit costs (Recoveries)	361	9,639	12,572	(641)	-	(70)	28,390
Segment Profit (loss)	(740)	22,461	7,337	121	(3,870)	1,056	43,892

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

#### *1. Overall strategy of the Shinsei Bank Group*

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

##### (1) Core strategies and focus areas

(Grow through Value Co-Creation)

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

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

(Enhance / Leverage our capability)

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

- ① Diverse people and flexible workstyle  
Promote women's active participation at every level, acquire skilled senior and young employees, and hire and grow talented personnel with different abilities. Implement human resource policies to support this diversity.
- ② Customer-centric organization  
Respond to customer needs with one-stop services by unifying business strategy planning functions for institutional and individual customers on a Group-wide basis. Further optimize and streamline our Group HQ corporate services.
- ③ Productive operations  
Implement productive operations through accelerated productivity reforms including utilization of digital technologies, work-style reform, and more efficient sales channels. Continue initiatives for stable and safe management such as information system development and compliance measures, as well.
- ④ Optimal capital usage  
While managing capital at an appropriate level, maximize returns against risk-taking through responsible capital usage including non-organic strategies.

(Four focus areas)

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

(Translation)

① Small-Scale Finance (Individual Business)

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

② Institutional Investors (Institutional Business)

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

③ Group Organization

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

④ Productivity Reforms

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

(2) Initiatives for Sustainable Growth

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

① Address social and environmental issues

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

② Fulfill our social responsibilities

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

③ Foundation for meeting our goals/responsibilities

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

The Shinsei Bank Group will place importance on fulfilling its social responsibilities as well as its social roles. It continues to provide social infrastructure services, such as deposits, loans, and settlements as the basic functions of its banking business. It also focuses on addressing systemic risks and ensuring access to newly emerging settlement methods being developed by new technologies. In addition, the Shinsei Bank Group, as a part of the social infrastructure ensures that its businesses, comply with compliance, and laws and regulations, as well as thoroughly providing services through customer-oriented business operations, and striving to prevent money laundering and financing of terrorism. At the same time, it protects the assets and information of its customers and strive to ensure cyber security protection. It will further strengthen its capabilities including human capital, organizational structure, and operations as the foundation for continuing to fulfill its social roles and responsibilities.



(Translation)

## *2. Response to the Novel Coronavirus*

Even after the outbreak of the Novel Coronavirus is over, the direction of the Medium-Term Strategies of Shinsei Bank Group remains unchanged, and we believe it is necessary to further accelerate various strategic initiatives. Specifically, we will continue to strengthen our sustainable revenues capabilities over a medium-to-long-term perspective based on the following principles.

First of all, as a defense against risks, we will prioritize the protection of the lives of all our stakeholders, while at the same time fulfilling our responsibilities as a financial institution as a part of the social infrastructure to contribute to our customers and society.

On that basis, we are considering the implementation of initiatives based on the following concepts as an opportunity-based offence.

### (1) Response to New Normal

As the world changes in various ways due to the recent crisis, businesses based on new values and needs are expected to be born, and some businesses will be lost in the medium to long term. In this context, we believe it will become increasingly important to provide financial services to newly emerging Underserved Customers.

### (2) Making New Normal a sustainable form

It is important to promote remote and virtual business with customers. In addition to aiming to stabilize business operations and processes and improve security through digitalization, we will promote the establishment of changed business content and work styles, and further review of physical facilities.

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

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

In addition, Shinsei Bank has a concept of business management framework based on the consistency of risk appetite and financial plan. Starting Fiscal Year 2020, Shinsei Bank has documented the risk appetite of the Group by establishing a “risk appetite policy”. At the same time, we have identified risk culture, appropriate business execution based on risk appetite and risk management as fundamental elements and have established the Group Risk Governance Policy as a basic concept and basic policy regarding these elements.

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

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

Shinsei Bank engages in management which emphasizes the oversight functions of Outside Directors, and in Fiscal Year 2020, had appointed two internal Directors as well as five Outside Directors who have extensive experiences and highly specialist knowledges in financial business, a business targeting consumers, management consulting the information system and risk management in both inside and outside Japan to its Board of Directors. As a result, most of Board of Directors are composed of Outside Directors. Furthermore, including the Bank’s two Outside Audit & Supervisory Board members, Shinsei Bank has registered a total of seven executives (six executives after August 27) with the Tokyo Stock Exchange as independent executives. Under such composition, members of the Board of Directors meeting decide the company policy through free and active discussions, and enhance to secure profits for various stakeholders including shareholders and customers and to increase the sustainable corporate value of the Group which is required by the “Corporate Governance Code.” In March 2019, the Bank established the Nomination and Compensation Committee voluntarily, aiming to further enhance the objectivity and transparency of the Board’s role related to appointing candidates for directors and deciding executive remuneration. The Bank periodically conducts the evaluation and analysis of the effectiveness of the Board as a whole and implements improvement measures toward issues and challenges being found from the evaluation every year in order to improve the functionality of the Board. As to the “Corporate Governance Code”, since Fiscal Year 2019 the Bank has been disclosing the entire text of its corporate governance policy, which is a voluntary disclosure matter in the corporate governance report. Please click the following link for the Bank’s Policies for Initiatives Concerning the “Corporate Governance Code”:

[https://www.shinseibank.com/corporate/en/policy/governance/pdf/governance\\_code\\_e.pdf](https://www.shinseibank.com/corporate/en/policy/governance/pdf/governance_code_e.pdf)

(Translation)

Additionally, the Bank has adopted an Executive Officer system and placing the Chief Officers and Senior Officers at the Group Headquarters in order to ensure flexible day to day business execution. Under this system, as well as the leadership of the President & CEO, executive officers entrusted by the Board of Directors will execute their operations in an efficient manner. Furthermore, with approval from the Board of Directors, the Bank established an Executive Committee consisting of executive directors, executive officers (at the level of the Heads of executive officers in charge), and others in order to enable swift and efficient business administration. The “Group Executive Committee” and “Group Important Committees” in which executive directors of the major Group companies participate to resolute important decisions regarding the Group-wide management in order to enhance internal control of Group companies. Furthermore, a “Chief Officer” was assigned responsibility for the 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. In January 2021, the Group Sustainability Committee was newly established as a Group Important Committee with the purpose of strengthening and upgrading the system for promoting sustainability management. APLUS FINANCIAL, a group company listed on the Tokyo Stock Exchange, was delisted on November 27, 2020 due to requests for the sale of shares by the Bank, and became a wholly owned subsidiary of the Bank on December 1, 2020. As a result, we will optimize resources and optimize decision-making on a group basis to further promote the Medium-Term Strategies and realize more sophisticated group governance through the Group Head Office established at the Bank in 2017.

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

Concerning of the development of management infrastructure to support the execution of the next Medium-Term Strategies, Shinsei Bank recognizes that operating IT systems stably is necessary for a financial institution which plays a part in social infrastructure. The Bank therefore continues to undertake efforts to stabilize its IT systems, as one of its important management tasks. In addition, to deal with cyber-attacks that are becoming increasingly serious and sophisticated, we established the Shinsei Bank Group C-SIRT (Computer Security Incident Response Team) as a dedicated team. It has been in operation since Fiscal Year 2021.

#### 4. Achievement of the Revitalization Plan

Shinsei Bank submitted a “Plan for Restoring Sound Management” (the “Revitalization Plan”) to the Financial Services Agency in March 2020. Shinsei Bank has created a “Medium- to Long-Term Vision” in accordance with its management principles in order to better pursue its goal of becoming a Bank Group which is truly needed by its customers, and have started a new approach to the Medium-Term Strategies, a three fiscal year business plan from fiscal year 2019 to fiscal year 2021.

In the fiscal year ended March 31, 2020, the Bank recorded a nonconsolidated net business profit of 34.5 billion yen and a nonconsolidated net income of 42.3 billion yen, both achieved the target established in the Business Revitalization Plan.

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

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

*Note*

*The description of item 4. does not include subsidiaries.*

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

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

	(Millions of yen)			
	Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020
	(18th Fiscal Period)	(19th Fiscal Period)	(20th Fiscal Period)	(21st Fiscal Period)
Ordinary income	383,869	372,243	399,503	374,247
Ordinary profit	56,811	55,397	51,036	44,398
Profit attributable to owners of the parent	51,414	52,319	45,575	45,109
Comprehensive income	47,474	49,492	36,307	47,483
Total equity	856,034	896,642	910,485	930,742
Total assets	9,456,660	9,571,172	10,226,571	10,740,174

*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

(Millions of yen)

	Fiscal 2017 (18th Fiscal Period)	Fiscal 2018 (19th Fiscal Period)	Fiscal 2019 (20th Fiscal Period)	Fiscal 2020 (21th Fiscal Period)
Deposits	6,228,183	6,206,867	6,451,032	6,727,974
Time deposits	2,691,014	2,271,980	2,652,189	2,646,869
Other	3,537,169	3,934,886	3,798,843	4,081,105
Debentures (Long-Term Credit Bank Bond)	423	—	—	—
Corporate bonds (Excluding Long-Term Credit Bank Bond)	45,000	42,335	116,500	180,000
Loans and bills discounted	4,637,953	4,932,610	5,040,819	5,160,932
To individuals	1,560,132	1,457,556	1,393,447	1,344,185
To small- and medium-sized businesses	1,465,593	1,805,796	1,968,210	1,865,063
Other	1,612,228	1,669,257	1,679,161	1,951,683
Trading assets	199,866	200,276	206,547	164,194
Trading liabilities	181,337	179,749	182,969	142,966
Securities	1,452,342	1,445,927	1,265,800	1,352,522
Japanese national government bonds	502,509	499,550	358,567	348,922
Other	949,833	946,377	907,233	1,003,599
Total assets	8,207,471	8,328,595	8,686,696	9,090,890
Total equity	830,560	848,640	853,629	857,845
Domestic exchange transactions	23,829,839	24,352,190	26,989,971	24,768,102
Foreign exchange transactions	(Millions of dollars) 12,260	(Millions of dollars) 10,866	(Millions of dollars) 10,361	(Millions of dollars) 8,234
Ordinary profits	36,586	38,630	33,938	37,154
Net income	40,510	35,443	33,180	34,506
Net income per share	(Yen) 156.80	(Yen) 143.10	(Yen) 138.75	(Yen) 154.64

Note

1. Figures have been truncated to the unit stated in all amounts shown above.
2. Deposits and other deposits include negotiable certificates of deposits.
3. 'Long-Term Credit Bank Bond' represents a long-term credit bank bond, as classified in Item 5, paragraph 2, Article 2 of the Deposit Insurance Act.
4. Shinsei Bank consolidated its shares with a rate of ten shares of common stock into one share on October 1, 2017. The above Net income per share data is calculated as if the consolidation of shares had occurred at the beginning of the FY2017.

(Translation)

**(3) Employees on consolidated basis**

	<b>End of this fiscal year Number of employees</b>
<b>Institutional Business</b>	
Corporate Business	409
Structured Finance	158
Principal Transactions	145
Showa Leasing	561
Markets	40
Other Global Markets	82
<b>Individual Business</b>	
Retail Banking	867
Consumer Finance	
Shinsei Financial	973
APLUS FINANCIAL	1,228
Other	127
<b>Corporate / Other</b>	
Treasury	20
Other	995
<b>Total</b>	<b>5,605</b>

*Note*

*These numbers include overseas local employees.*

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

i. The Bank

1) Number of business offices

	<b>End of this fiscal year (Annex)</b>	
Hokkaido/Tohoku areas.....	1	(－)
Kanto area .....	15	(－)
(Tokyo).....	( 10	(－))
Chubu area .....	2	(1)
Kinki area .....	7	(2)
Chugoku/Shikoku/Kyushu areas .....	1	(－)
Domestic total .....	26	(3)
Overseas .....	－	(－)
Grand total.....	26	(3)

*Note*

*Unmanned branches for Shinsei Bank Card Loan L business were installed at 694 locations by the end of this fiscal year.*

*Also, the number of business offices where bank agents, for which Shinsei Bank serves as a principal bank, operate bank agency services, are not included in the above lists.*

2) Newly established business offices in this fiscal year

None

3) List of agencies of the bank

<b>Company name</b>	<b>Address</b>	<b>Main business except bank agent</b>
JAPAN POST BANK Co., Ltd.	7-2, Marunouchi 2-chome, Chiyoda-ku, Tokyo	Banking
FINANCIAL JAPAN Co., Ltd.	12-8 Sotokanda 3-chome, Chiyoda-ku, Tokyo	Life insurance business

(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 Investment & Finance Limited	Head office	12-8 Sotokanda 3-chome, Chiyoda-ku, Tokyo
Shinsei Corporate Investment Limited	Head office	4-3, Nihonbashi-muromachi 2-chome, Chuo-ku, Tokyo
Showa Leasing Co., Ltd.	Head office	4-3, Nihonbashi-muromachi 2-chome, Chuo-ku, Tokyo
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

2) 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
APLUS FINANCIAL Co., Ltd.	Tokyo office	12-8, Sotokanda 3-chome, Chiyoda-ku, Tokyo
Alpha Servicer Co., Ltd	Head office	12-8, Sotokanda 3-chome, Chiyoda-ku, Tokyo

3) Corporate/Other

Main company name and main office location

<u>Company name</u>	<u>Name of office</u>	<u>Address</u>
UDC Finance Limited	Head office	Ground Floor Anz Centre, 23-29 Albert Street, Auckland, 1010, New Zealand

(Translation)

**(5) Facility Investment of the Group**

i. Total facility investment

(Millions of yen)

<u>Business segment</u>	<u>Amount</u>
Shinsei Bank (Note 2) .....	5,159
Subsidiaries	
Institutional Business .....	1,105
Individual Business .....	5,667
Corporate/Other .....	21
Total .....	11,954

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

None

**(6) Important Parent Company and Subsidiaries**

i. Parent Company

None

ii. Subsidiaries

<u>Company Name</u>	<u>Address</u>	<u>Major business</u>	<u>Establishment date</u>	<u>Capital (in millions)</u>	<u>Percentage of voting rights of subsidiaries, etc. held by Shinsei Bank (%)</u>	<u>Other</u>
APLUS FINANCIAL Co., Ltd.	Osaka City, Osaka	Consumer credit business	October 6, 1956	¥15,000	100.00	—
Showa Leasing Co., Ltd.	Chuo-ku, Tokyo	Leasing business	April 2, 1969	29,360	100.00	—
Shinsei Financial Co., Ltd.	Chiyoda-ku, Tokyo	Consumer finance business	June 3, 1991	100	100.00	—
Shinsei Trust & Banking Co., Ltd.	Chuo-ku, Tokyo	Trust business	November 27, 1996	5,000	100.00	—
Shinsei Securities Co., Ltd.	Chuo-ku, Tokyo	Securities business	August 11, 1997	8,750	100.00	—
Shinsei Investment & Finance Limited	Chiyoda-ku, Tokyo	Financial instruments business	April 11, 2006	100	100.00	—
UDC Finance Limited	Auckland, New Zealand	Finance business	April 1, 1938	NZ\$52	100.00	—

Notes

1. Fractions of amounts shown less than one million have been truncated.
2. Shinsei has 88 consolidated subsidiaries, including the major subsidiaries listed above, as well as 39 affiliated companies that are accounted for under the equity method.

(Translation)

**Summary of Important Business Alliances**

1. Shinsei Bank offers automated cash withdrawal services under alliance relationships with the following financial institutions:

Commercial banks:

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

Trust and banking companies:

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

Others:

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

2. The Bank offers cash withdrawal and depository services under an alliance with Japan Post Bank Co., Ltd., and has signed a bank agency service contract for handling Shinsei Bank's housing loan.
3. The Bank offers cash withdrawal and depository services through ATMs operated by Seven Bank, Ltd., AEON Bank, Ltd., Lawson Bank, Inc., and E-net Co., Ltd. These ATMs are installed primarily in supermarkets and convenience stores.
4. The Bank offers ATM services through "VIEW ALTTE" ATMs which are located throughout East Japan Railway Company railway stations under a partnership agreement with Viewcard Co., Ltd., and also through "Patsat" ATMs installed in major stations in the Hankyu Railway and other railways under a partnership agreement with Station Network Kansai Co., Ltd. and The Senshu Ikeda Bank, Ltd.
5. The Bank is introducing financial products and services to members, who are the users of "T Points," "d Points," and "nanaco Points," each loyalty program provided by T point Japan Co., Ltd., NTT Docomo Inc. and Seven Card Service Co., Ltd. under a business alliance agreement with each company.
6. The Bank has an alliance with APLUS Co., Ltd., a consolidated subsidiary, and has been processing applications for the Luxury Card and the Shinsei APLUS Gold Card, a credit card issued by APLUS Co., Ltd.
7. The Bank has an alliance with MONEY DESIGN, Co., Ltd., and has provided the discretionary ETF (Exchange Traded Fund) investment service, "THEO Plus Shinsei Bank," using a robo-advisor developed by MONEY DESIGN, Co., Ltd.
8. The Bank entered into an agreement on consignment of guarantee with Shinsei Financial Co., Ltd., a consolidated subsidiary, which acts as a guarantor for "Shinsei Bank Card Loan – L," and "Shinsei Bank Smart Card Loan Plus, unsecured personal card loan services.
9. The Bank has an alliance with NTT DOCOMO, INC., and has provided "Shinsei Bank Smart Money Lending" to its customers with NTT DOCOMO, INC. as the guarantee company and Shinsei Financial Co., Ltd., a consolidated subsidiary of the Bank, as the reinsurance company.
10. The Bank has an alliance with Nissen Credit Service Co., Ltd., an equity method affiliate of the Bank, and provides "Shinsei Bank Smart Card Loan Plus for Nissen" with Nissen Credit Service Co., Ltd. as the guarantee company.
11. The Bank and Shinsei Securities Co., Ltd., a consolidated subsidiary of the Bank, entered into a comprehensive business partnership agreement with Monex, Inc. in the financial instruments intermediary business, and are scheduled to provide services from around January 2022, subject to obtaining licenses and approvals from relevant government authorities.
12. The Bank has signed a business alliance agreement on business cooperation regarding business matching and lending with Military Commercial Joint Stock Bank (MB Bank), a major commercial bank in Vietnam.
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.

(Translation)

**(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  
The Bank purchased the whole shares of UDC Finance Limited, the former subsidiary of ANZ Bank New Zealand Limited, on September 1, 2020 as the settlement date. As a result, the Bank obtained control of UDC Finance Limited.
  
- 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, 2021)

<u>Name</u>	<u>Position(s)/ Responsibility(ies)</u>	<u>Important Concurrent Post(s)</u>	<u>Other(s)</u>
Hideyuki Kudo	Representative Director, President and CEO	—	—
Yoshiaki Kozano	Director Chief Officer, Group Business Strategy	—	—
Ernest M. Higa	Director (Outside)	Chairman President & Chief Executive Officer, Higa Industries Co., Ltd. Chairman & Representative Director, Wendy's Japan K.K. Director, Delsole Corporation Board of Trustees, Showa Women's University Board of Overseers, Columbia Business School Board Member, The Tokyo New Business Conference	—
Yuko Kawamoto	Director (Outside)	Professor, Waseda Graduate School of Business and Finance Outside Director, SoftBank Group Corp. Outside Director, Panasonic Corporation	—
Jun Makihara	Director (Outside)	Outside Director, Monex Group, Inc. Outside Director, Philip Morris International Inc.	—
Rie Murayama	Director (Outside)	Outside Director, MAEDA CORPORATION	—
Ryuichi Tomimura	Director (Outside)	President, Representative Director, SIGMAXYZ Inc. Outside Director, VECTOR 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.
Ikuko Akamatsu	Audit & Supervisory Board Member (Outside)	Certified Public Accountant, Certified Fraud Examiner Board of Directors, The Japanese Institute of Certified Public Accountants Outside Audit & Supervisory Board Member, Toyo Seikan Group Holdings, Ltd. Outside Director, TOP'S Inc. Outside Director, CAWACHI LTD.	Ms. Akamatsu is qualified as a Certified Public Accountant and has a considerable level of knowledge of matters of finance and accounting.
Shiho Konno	Audit & Supervisory Board Member (Outside)	Lawyer Outside Director, Monex Group, Inc.	—

(Notes) 1. Outside Directors Ernest M. Higa, Yuko Kawamoto, Jun Makihara, Rie Murayama and Ryuichi Tomimura and Outside Audit & Supervisory Board Members Ikuko Akamatsu and Shiho Konno submitted an “independent director statement” (*dokuritsu-yakuin todokede-sho*) to the Tokyo Stock Exchange, Inc.

2. The Bank has adopted the Executive Officer system and Chief Officers and Senior Officers have been assigned to the Group Headquarters. As of March 31, 2021, there were 35 Executive Officers and Officers including those who also serve as Directors.

(Translation)

## (2) Compensation for Corporate Directors and Officers

Total Amount of Compensation, etc. for Corporate Directors and Audit & Supervisory Board members for this Fiscal Year

Classification	Number of payees	Compensation, etc. received from the Bank by type			Total	Remarks
		Base Remuneration	Performance-linked Remuneration, etc.	Non-monetary Remuneration, etc.		
Directors	7	110 million yen	25 million yen	60 million yen	171 million yen	
Audit & Supervisory Board members	3	43 million yen	-	-	43 million yen	
Total	10	154 million yen	25 million yen	60 million yen	214 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 15<sup>th</sup> General Meeting of Shareholders held on June 17, 2015 adopted a resolution to set ceilings for the total amount of compensation, etc. paid to Directors (seven Directors at that time) at 180 million yen a year (including 60 million yen for outside Directors, five outside Directors at that time) and the 10<sup>th</sup> General Meeting of Shareholders held on June 23, 2010 adopted a resolution to set ceilings for the total amount of compensation, etc. paid to Audit & Supervisory Board members (three Audit & Supervisory Board members at that time) at 60 million yen a year. However, these amounts do not include salaries payable to Directors as the Bank's employees when they also work as the Bank's employees.
4. The Bank resolved 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 (two Full-Time Directors at that time) was resolved at the 15<sup>th</sup> General Meeting of Shareholders held on June 17, 2015. Separately from the maximum remuneration stated above in the note 3, the 15<sup>th</sup> General Meeting of Shareholders held on June 17, 2015 adopted a resolution to set ceilings for allotment the Subscription Warrants not exceeding 50 million yen annually to the Full-Time Directors (two Full-Time Directors at that time) as equity remuneration type stock options.
5. The Bank resolved at the 18th Ordinary General Meeting of Shareholders held on June 20, 2018, the introduction of a restricted stock remuneration system targeting Full-Time Directors (two Full-Time Directors at that time). The amount of the compensation for Full-Time Directors (two Full-Time Directors at that time) is up to 20 million yen per year, which is within the annual limit of 180 million yen per year as stated above in the note 3.
6. The Bank resolved at the 20th Ordinary General Meeting of Shareholders held on June 17, 2020, the introduction of a restricted stock remuneration system targeting outside Directors (five outside Directors at that time). The amount of the compensation for outside Directors (five outside Directors at that time) is up to 15 million yen per year, which is within the annual limit of 60 million yen per year as stated above in the note 3.
7. Equity remuneration type stock options of 25 million yen granted to the Full-Time Directors is included both in 'Performance-linked Remuneration, etc.' and 'Non-monetary Remuneration, etc.' in the table above, so that the sum of Compensation, etc. received from the Bank by type does not match the total column.
8. Restricted Stock Remuneration of 34 million yen granted to the Directors is included in Non-monetary Remuneration, etc. in the table above.
9. Individual amounts of the remuneration for the Bank's Directors are decided by the Board of Directors based on the contents of the Revitalization Plan and within the total remuneration amount resolved at the General Meeting of Shareholders following a Policy on decisions on the content of remuneration, etc. for individual directors resolved at the Board of Directors meeting.

The base remuneration shall be the fixed remuneration corresponding to their full-time or part-time status, positions and responsibilities, to be determined after deliberation by the Nomination and Compensation Committee on the appropriate level of remuneration as a public fund injection bank with reference to the level of other companies in the same industry.

The amount of the Equity Remuneration Type Stock Options for full-time directors shall be determined at a Board of Directors meeting, after deliberation by the Nomination and Compensation Committee, by calculation using a formula that takes into account the Bank's stock price fluctuation rate, the performance of the Bank's stock price in comparison with the stock price of



(Translation)

the banking industry and the Bank's net asset fluctuation rate during the previous fiscal year (i.e., Monthly base remuneration  $\times 4 \times \sqrt{(\text{Bank's stock price fluctuation} \times \text{Performance ratio of the Bank's stock price fluctuation to TOPIX} \times \text{Bank's net asset fluctuation rate})}$ ), provided, however, that the amount of the Equity Remuneration Type Stock Options shall be within a range of 1 to 12 times of monthly base remuneration, in order for directors to share the risks and benefits of stock price fluctuations with shareholders and to increase their motivation to contribute to medium- to long-term increases in corporate value and stock prices, based on internal rules determined by the Board of Directors, and it is provided that upon the occurrence of a certain event to a director, all stock options granted to such director shall be waived. The actual ratios used in the formula are as follows: Bank's stock price fluctuation is 0.85, Performance ratio of the Bank's stock price fluctuation to TOPIX is 1.14 and Bank's net asset fluctuation rate is 1.01 (Truncate to the second decimal place).

A restricted stock compensation plan has been introduced for full-time directors (meaning directors excluding outside directors) and outside directors with the objective of providing them with incentives to continuously improve our corporate value and further promoting value sharing with shareholders and, after deliberation by the Nomination and Compensation Committee, the amount to be granted to each full-time and part-time director is determined corresponding to his/her positions and job responsibilities and common shares are granted to each director at a certain percentage of the total amount of remuneration for such director that is authorized by the General Meeting of Shareholders. It is provided that upon the occurrence of a certain event to a director, all shares granted to such director shall be acquired by the bank without consideration.

The ratio of the base remuneration to the total remuneration for full-time directors (meaning directors other than outside directors) and outside directors shall be determined specifically at a Board of Directors meeting, after deliberation by the Nomination and Compensation Committee, generally on the basis that the base remuneration shall be 60% of the total remuneration, the restricted stock compensation shall be 15-20% of the total remuneration and the Equity Remuneration Type Stock Options shall be 20-25% of the total remuneration with regard to full-time directors, and the base remuneration shall be 80% of the total remuneration and the restricted stock compensation shall be 20% of the total remuneration with regard to outside directors.

The Bank does not delegate the determination of the amount of remuneration. The Bank does not pay director bonuses to Directors in order to reduce the incentive for excessive risk-taking.

(Translation)

**(3) Agreement for Limitation on Liability**

Name	Overview of Contents of Agreement for Limitation on Liability
Ernest M. Higa Yuko Kawamoto Jun Makihara Rie Murayama Ryuichi Tomimura Ikuko Akamatsu Shiho Konno	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.

**(4) Contract of Indemnity**

None

**(5) Summary of Directors and Officers Liability Insurance Policy**

Coverage of Insured	Summary of the Directors and Officers Liability Insurance Policy
The Directors and Audit & Supervisory Board Members of the Bank and all its subsidiaries	<ul style="list-style-type: none"><li>• The Bank has concluded with an insurance company a directors and officers liability insurance contract stipulated in Article 430-3, Paragraph 1 of the Corporation Act, with the persons shown on the left as insureds, to enable the Bank to hire excellent human resources as well as to facilitate the Bank's directors and officers to fully perform their expected roles in executing their duties.</li><li>• The insurance contract compensates for damages and litigation costs that may be incurred when the insureds are liable for the performance of their duties or are charged related to the liability. The insurance premium is not paid by the insureds but is fully paid by the Bank.</li><li>• The insurance contract has certain exemptions including damages caused by an action taken when aware that the action is against laws and regulations to avoid reducing the appropriateness of the duties executed. In addition, an appropriate limit is established to the insurance payment.</li></ul>

(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
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, Delsole Corporation	The Bank has no particular transactions with Delsole Corporation including shareholdings, etc.
	Board of Trustees, Showa Women's University	The Bank has no particular transactions with Showa Women's University including shareholdings, etc.
	Board of Overseers, Columbia Business School	The Bank has no particular transactions with Columbia Business School including shareholdings, etc.
	Board Member, The Tokyo New Business Conference	The Bank has no particular transactions with The Tokyo New Business Conference including shareholdings, etc.
Yuko Kawamoto	Professor, Waseda Graduate School of Business and Finance	The Bank has no particular transactions with Waseda Graduate School of Business and Finance including shareholdings, etc.
	Outside Director, SoftBank Group Corp.	The Bank has loan transactions with SoftBank Group Corp. but has no other relationship that should be noted including shareholdings, etc.
	Outside Director, Panasonic Corporation	The Bank has no particular transactions with Panasonic Corporation including shareholdings, etc.
Jun Makihara	Outside Director, Monex Group, Inc.	The Bank has no capital relationship or transactions with Monex Group, Inc. However, the Bank has concluded a comprehensive business partnership in the financial instruments intermediary transactions with Monex, Inc., the Group's subsidiary, and has concluded an absorption-type corporate split agreement with Monex, Inc.
	Outside Director, Philip Morris International Inc.	The Bank has no particular transactions with Philip Morris International Inc. including shareholdings, etc.
Rie Murayama	Outside Director, MAEDA CORPORATION	The Bank has no particular transactions with MAEDA CORPORATION including shareholdings, etc.
Ryuichi Tomimura	President, Representative Director (Executive Officer), SIGMAXYZ Inc.	The Bank has no particular transactions with SIGMAXYZ Inc. including shareholdings, etc.
	Outside Director, VECTOR INC.	The Bank has no particular transactions with VECTOR INC. including shareholdings, etc.
Ikuko Akamatsu	Board of Directors, The Japanese Institute of Certified Public Accountants	The Bank has no particular transactions with The Japanese Institute of Certified Public Accountants including shareholdings, etc.
	Outside Audit & Supervisory Board Member, Toyo Seikan Group Holdings, Ltd.	The Bank has no particular transactions with Toyo Seikan Group Holdings, Ltd. including shareholdings, etc.
	Outside Director, TOP'S Inc.	The Bank has no particular transactions with TOP'S, Inc. including shareholdings, etc.

(Translation)

	Outside Director, CAWACHI LTD.	The Bank has no particular transactions with CAWACHI LTD. including shareholdings, etc.
Shiho Konno	Outside Director, Monex Group, Inc.	The Bank has no capital relationship or transactions with Monex Group, Inc. However, the Bank has concluded a comprehensive business partnership in the financial instruments intermediary transactions with Monex, Inc., the Group's subsidiary, and has concluded an absorption-type corporate split agreement with Monex, Inc.

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

<b>Name</b>	<b>Term of Office</b>	<b>Participation in Meetings of Board of Directors etc.</b>	<b>Remarks at Meetings of Board of Directors etc. and Other Activities and Summary of Outside Directors' performance of expected roles</b>
Ernest M. Higa	7 years 9 months	Participated in all six meetings of the Board of Directors held during this fiscal year	Provided timely and necessary remarks and advice on agenda items and deliberation based upon his extensive knowledge regarding business for consumers and his experience as an executive officer. Also asked and raised questions capturing the essence of the problem and made suggestions about human resource strategies including corporate culture and diversity and productivity reform based on his management experience and international viewpoint.
Yuko Kawamoto	9 months	Participated in all five meetings of the Board of Directors held during this fiscal year after assuming office in June 2020	Provided timely and necessary remarks and advice on general agenda items based upon her wide-ranging financial knowledge and her extensive experience as management consultant, outside director and university professor. Asked and raised questions capturing the essence of the problem and made suggestions about corporate governance including risk governance and sustainability management based on her experience and wide-ranging financial knowledge.
Jun Makihara	9 years 9 months	Participated in five of 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. Asked questions on various agenda items from a global viewpoint based on his knowledge and experience in domestic and international finance and raised questions for the activation of the meeting of the Board of Directors.
Rie Murayama	1 year 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 her wide-ranging financial knowledge. Asked questions and provided useful advice regarding communications with investors from a market-player viewpoint based on her knowledge and experience at an investment bank and provided various suggestions and advice and activities for promoting diversity and active participation of females.

(Translation)

Ryuichi Tomimura	5 years 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. Provided useful and accurate suggestions and advice for the Group's medium-to-long-term IT strategy and new businesses based on his knowledge and experience of information systems and others.
Ikuko Akamatsu	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 her special viewpoint and extensive experience as a certified public accountant and a certified fraud examiner.
Shiho Konno	2 years 9 months	Participated in all six meetings of the Board of Directors and all twelve meetings of the Audit & Supervisory Board held during this fiscal year	Provided necessary remarks and advice on agenda items and deliberations mainly from her special viewpoint as a lawyer and experienced outside auditor and director of other companies.

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

Number of payees	Compensation, etc. received from the Bank by type			Total	Compensation, etc. received from the Bank's parent company, etc.
	Base Remuneration	Performance-linked Remuneration, etc.	Non-monetary Remuneration, etc.		
7	67 million yen	-	14 million yen	82 million yen	-

#### Notes

- Figures have been truncated to the unit stated in all amounts shown above.
- Restricted Stock Remuneration of 14 million yen granted to the Directors is included in Non-monetary Remuneration, etc. in the table above.

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

None

(Translation)

#### 4. Matters concerning Shares of the Bank

##### (1) The Number of Shares

Aggregate number of shares authorized to be issued	400,000,000
Aggregate number of shares issued	259,034,689

*Note*

*The aggregate number of shares issued includes treasury shares (43,743,170 shares).*

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

22,388

##### (3) Major Shareholders

Shareholder's name	Investment in the Bank	
	Number of shares	Shareholding percentage
SBI Holdings, Inc.	42,737,800	19.85%
Deposit Insurance Corporation of Japan	26,912,888	12.50%
The Resolution and Collection Corporation	20,000,000	9.28%
The Master Trust Bank of Japan, Ltd. (Trust Account)	14,511,000	6.74%
SSBTC CLIENT OMNIBUS ACOOUNT	7,606,662	3.53%
Custody Bank of Japan, Ltd. (Trust Account)	7,262,800	3.37%
BNYM AS AGT/CLTS NON TREATY JASDEC	3,011,420	1.39%
STATE STREET BANK AND TRUST COMPANY 505103	2,819,725	1.30%
MSCO CUSTOMET SECURITIES	2,543,441	1.18%
STATE STREET BANKWEST CLIENT- TREATY 505234	2,479,810	1.15%

*Note*

*Shareholding percentages have been calculated by deducting treasury shares (43,743,170) from the denominator and rounding down to the second decimal place.*

##### (4) The Shares of the Bank held by the Directors and Audit & Supervisory Board Members of the Bank

	The number of Directors and Audit & Supervisory Board Members of the Bank	The classes and number of shares
Full-time directors (meaning directors excluding outside directors)	2 persons	Common Stock of the Bank 14,074 shares
Outside directors	5 persons	Common Stock of the Bank 10,555 shares
Audit & Supervisory Board Members	None	-

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

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

(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	342	Business other than audit certification business includes 1. Comfort letter for issuance corporate bonds, etc. 2. Advisory service for introduction of the accounting standards for fair value measurement, etc. 3. Research and reporting on internal control systems for capital adequacy ratios etc.
	Business other than audit certification business	35	
	Total fees	377	

#### Notes

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

Fees for This Fiscal Year (millions of yen)		
	Audit certification business	679
	Business other than audit certification business	41
Total fees		721

### (2) Agreement for Limitation on Liability

None

### (3) Contract of Indemnity

None

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

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

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

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

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

None

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

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

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

(Translation)

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

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

### **(1) Framework of the organization**

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

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

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

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

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

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

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

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

The Group Risk Governance Policy has defined management of risk of losses (risk management) as a key component of risk governance. We have established the Group Risk Management Policy and created a risk management system based on this Policy. Pursuant to the basic approach delineated in the Policy, we perform risk management through the divisions responsible for each risk, the Group Risk Policy Committee, Transaction Committee, Doubtful Debt Committee, Group ALM Committee, Market Business Management Committee, and Group New Business and Product Committee. In addition, we are operating by focusing on stable continuation of important operations, our customers and society including countermeasures against coronavirus expansion.

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

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

Under this system, we set annual plans/budgets and important management indicators (KPI: Key Performance Indicator) for each fiscal year to make the Medium-Term Strategies more specific. The Bank's management review the process and progress status for achieving the Plan at the PDCA Session conducted four times a year. The Bank's management also reviews the progress of new businesses and strategic capital partnerships at quarterly monitoring sessions.

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

As for business functions, we have assigned Business Unit Heads and Executive Officers in charge of business Divisions among Executive Officers to have the Executive Officers and the Head of Executive Officer in charge promote transactions with our customers under the Group business strategies and management resource allocation planned by the Business Unit Heads.

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

Pursuant to the Subsidiaries and Affiliates Policy, we have designated the Divisions in charge of each subsidiary and affiliate and have created a system where mainly the specialized divisions of the Group Headquarters generally give guidance and manage the management of the subsidiaries and affiliates, while the Group Corporate Planning Division oversees overall management of the subsidiaries and affiliates. The relevant Divisions in the Bank report to the Group Executive Committee the business activities of the subsidiaries and



(Translation)

matters concerning their governance periodically and submit important matters concerning the management of the subsidiaries to the Group Executive Committee for its approval. The Group Corporate Planning Division and the specialized divisions in the Group Headquarters are in charge of operations related to providing managerial guidance and managing subsidiaries and affiliates, pursuant to Group Headquarters Organization Management Policy.

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

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

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

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

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

**(9) Status of initiatives for eliminating anti-social forces and preventing money laundering and terrorism financing**

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

**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.

**Consolidated Balance Sheet**

Shinsei Bank, Limited, and Consolidated Subsidiaries  
As of March 31, 2021

	Millions of yen
<b>ASSETS</b>	
Cash and due from banks	¥1,919,075
Other monetary claims purchased	46,187
Trading assets	170,376
Monetary assets held in trust	393,949
Securities	929,717
Loans and bills discounted	5,233,605
Foreign exchanges	83,730
Lease receivables and leased investment assets	192,147
Other assets	1,154,474
Premises and equipment	63,878
Buildings	12,454
Land	2,475
Tangible leased assets as lessor	43,228
Construction in progress	87
Other premises and equipment	5,632
Intangible assets	68,685
Software	49,608
Goodwill	13,460
Intangible leased assets as lessor	50
Intangible assets acquired in business combinations	4,191
Other intangible assets	1,374
Assets for retirement benefits	19,482
Deferred tax assets	9,985
Customers' liabilities for acceptances and guarantees	567,777
Reserve for credit losses	(112,897)
<b>Total assets</b>	<b>¥10,740,174</b>
<b>LIABILITIES AND EQUITY</b>	
<b>Liabilities:</b>	
Deposits	¥6,056,191
Negotiable certificates of deposit	515,140
Call money and bills sold	30,000
Payables under repurchase agreements	47,712
Payables under securities lending transactions	395,449
Trading liabilities	148,393
Borrowed money	1,026,679
Foreign exchanges	889
Short-term corporate bonds	218,800
Corporate bonds	367,534
Other liabilities	374,978
Accrued employees' bonuses	8,504
Accrued directors' bonuses	41
Liabilities for retirement benefits	8,084
Reserve for directors' retirement benefits	19
Reserve for reimbursement of deposits	391
Reserve for reimbursement of debentures	3,355
Reserve for losses on interest repayments	39,096
Deferred tax liabilities	393
Acceptances and guarantees	567,777
<b>Total liabilities</b>	<b>9,809,431</b>
<b>Equity:</b>	
Common stock	512,204
Capital surplus	72,961
Retained earnings	431,623
Treasury stock, at cost	(81,464)
<b>Total shareholders' equity</b>	<b>935,324</b>
Unrealized gain (loss) on available-for-sale securities	(593)
Deferred gain (loss) on derivatives under hedge accounting	(16,799)
Foreign currency translation adjustments	(1,133)
Defined retirement benefit plans	5,495
<b>Total accumulated other comprehensive income</b>	<b>(13,031)</b>
Stock acquisition rights	149
Noncontrolling interests	8,300
<b>Total equity</b>	<b>930,742</b>
<b>Total liabilities and equity</b>	<b>¥10,740,174</b>

**Consolidated Statement of Income**

Shinsei Bank, Limited, and Consolidated Subsidiaries

For the fiscal year ended March 31, 2021

	Millions of yen
<b>ORDINARY INCOME</b>	¥374,247
Interest income	135,036
Interest on loans and bills discounted	127,299
Interest and dividends on securities	5,490
Interest on receivables under securities borrowing transactions	0
Interest on deposits with banks	1,214
Other interest income	1,030
Fees and commissions income	56,140
Trading income	4,110
Other business income	155,300
Other ordinary income	23,659
Recoveries of written-off claims	7,438
Other	16,221
<b>ORDINARY EXPENSES</b>	329,849
Interest expenses	13,000
Interest on deposits	4,159
Interest on negotiable certificates of deposit	113
Interest on call money and bills sold	4
Interest on payables under repurchase agreements	(30)
Interest on payables under securities lending transactions	71
Interest on borrowings	2,754
Interest on short-term corporate bonds	199
Interest on corporate bonds	1,219
Other interest expenses	4,510
Fees and commissions expenses	25,978
Trading losses	234
Other business expenses	99,792
General and administrative expenses	151,860
Amortization of goodwill	2,349
Amortization of intangible assets acquired in business combinations	383
Other general and administrative expenses	149,127
Other ordinary expenses	38,982
Provision of reserve for credit losses	33,467
Other	5,514
<b>ORDINARY PROFIT</b>	44,398
Extraordinary gains	12,075
Gain on disposal of premises and equipment	202
Other extraordinary gains	11,872
Extraordinary losses	1,136
Loss on disposal of premises and equipment	124
Impairment losses	1,009
Other extraordinary losses	2
Income before income taxes	55,336
Income taxes (benefit) - current	7,168
Income taxes (benefit) - deferred	3,945
Total income taxes (benefit)	11,113
<b>Profit</b>	44,223
Profit (loss) attributable to noncontrolling interests	(886)
<b>PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT</b>	¥45,109

## Consolidated Statement of Changes in Equity

Shinsei Bank, Limited, and Consolidated Subsidiaries

For the fiscal year ended March 31, 2021

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock at cost	Total shareholders' equity
Balance at beginning of the year (Millions of yen)	¥512,204	¥78,506	¥389,600	(¥61,097)	¥919,214
Changes during the year					
Dividends			(2,307)		(2,307)
Profit attributable to owners of the parent			45,109		45,109
Purchase of treasury stock				(20,499)	(20,499)
Disposal of treasury stock		(40)		132	91
Transfer to Capital surplus from retained earnings		40	(40)		–
Changes in ownership interest of the parent related to transactions with noncontrolling interests		(5,545)			(5,545)
Increase by forfeit of stock acquisition rights of consolidated subsidiaries			1		1
Decrease by inclusion of consolidated subsidiaries			(0)		(0)
Increase by exclusion of consolidated subsidiaries			0		0
Decrease by exclusion of consolidated subsidiaries			(2)		(2)
Transfer to retained earnings from unrealized gain (loss) on available-for-sale securities			(737)		(737)
Net changes during the year excluding shareholders' equity					
Total changes during the year	–	(5,545)	42,023	(20,367)	16,110
Balance at end of the year (Millions of yen)	¥512,204	¥72,961	¥431,623	(¥81,464)	¥935,324

	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)	¥4,755	(¥15,719)	(¥1,670)	(¥3,585)	(¥16,219)	¥125	¥7,364	¥910,485
Changes during the year								
Dividends								(2,307)
Profit attributable to owners of the parent								45,109
Purchase of treasury stock								(20,499)
Disposal of treasury stock								91
Transfer to Capital surplus from retained earnings								–
Changes in ownership interest of the parent related to transactions with noncontrolling interests								(5,545)
Increase by forfeit of stock acquisition rights of consolidated subsidiaries								1
Decrease by inclusion of consolidated subsidiaries								(0)
Increase by exclusion of consolidated subsidiaries								0
Decrease by exclusion of consolidated subsidiaries								(2)
Transfer to retained earnings from unrealized gain (loss) on available-for-sale securities								(737)
Net changes during the year excluding shareholders' equity	(5,349)	(1,079)	536	9,080	3,187	23	936	4,147
Total changes during the year	(5,349)	(1,079)	536	9,080	3,187	23	936	20,257
Balance at end of the year (Millions of yen)	(¥593)	(¥16,799)	(¥1,133)	¥5,495	(¥13,031)	¥149	¥8,300	¥930,742

**Nonconsolidated Balance Sheet**

Shinsei Bank, Limited

**As of March 31, 2021**

	Millions of yen
<b>ASSETS</b>	
Cash and due from banks	¥1,765,612
Cash	5,404
Due from banks	1,760,207
Other monetary claims purchased	26,392
Trading assets	164,194
Derivatives for securities held to hedge trading transactions	47
Trading-related financial derivatives	164,147
Monetary assets held in trust	286,427
Securities	1,352,522
Japanese national government bonds	348,922
Japanese corporate bonds	172,127
Equity securities	354,095
Other securities	477,376
Loans and bills discounted	5,160,932
Loans on bills	24,739
Loans on deeds	4,176,606
Overdrafts	959,586
Foreign exchanges	83,730
Due from foreign banks	83,730
Other assets	218,898
Income taxes receivable	772
Prepaid expenses	3,326
Accrued income	7,051
Margin on futures transactions	2,978
Derivatives held in banking account	57,842
Cash collateral paid for financial instruments	68,489
Deferred issuance expenses for corporate bonds	440
Accounts receivable	4,331
Other	73,664
Premises and equipment	10,947
Buildings	8,053
Leased assets	29
Construction in progress	38
Other premises and equipment	2,826
Intangible assets	24,376
Software	22,632
Goodwill	372
Leased assets	1,358
Other intangible assets	13
Prepaid pension cost	8,060
Deferred tax assets	5,269
Customers' liabilities for acceptances and guarantees	19,885
Reserve for credit losses	(36,358)
<b>Total assets</b>	<b>¥9,090,890</b>

	Millions of yen
<b>LIABILITIES AND EQUITY</b>	
<b>Liabilities :</b>	
Deposits	¥6,212,834
Current accounts	65,069
Ordinary deposits	2,883,989
Notice deposits	3,233
Time deposits	2,646,869
Other deposits	613,672
Negotiable certificates of deposit	515,140
Call money	30,000
Payables under repurchase agreements	47,712
Payables under securities lending transactions	390,404
Trading liabilities	142,966
Derivatives for securities held to hedge trading transactions	35
Trading-related financial derivatives	142,930
Borrowed money	534,810
Borrowed money	534,810
Foreign exchanges	23,029
Foreign bills payable	23,029
Corporate bonds	180,000
Other liabilities	127,831
Accrued expenses	8,616
Unearned income	994
Suspense receipt on futures transactions	33
Derivatives held in banking account	88,302
Cash collateral received for financial instruments	9,620
Lease obligations	6
Asset retirement obligations	7,242
Other	13,015
Accrued employees' bonuses	4,684
Reserve for reimbursement of deposits	391
Reserve for reimbursement of debentures	3,355
Acceptances and guarantees	19,885
Total liabilities	8,233,044
<b>Equity:</b>	
Common stock	512,204
Capital surplus	79,465
Additional paid-in capital	79,465
Retained earnings	370,688
Legal reserve	16,195
Other retained earnings	354,492
Unappropriated retained earnings	354,492
Treasury stock, at cost	(81,464)
Total shareholders' equity	880,893
Unrealized gain (loss) on available-for-sale securities	(1,717)
Deferred gain (loss) on derivatives under hedge accounting	(21,432)
Total net unrealized gain (loss) and translation adjustments	(23,150)
Stock acquisition rights	101
Total equity	857,845
Total liabilities and equity	¥9,090,890

**Nonconsolidated Statement of Income**

Shinsei Bank, Limited

**For the fiscal year ended March 31, 2021**

	Millions of yen
<b>ORDINARY INCOME</b>	¥152,988
Interest income	118,255
Interest on loans and bills discounted	83,708
Interest and dividends on securities	32,800
Interest on deposits with banks	1,180
Other interest income	567
Fees and commissions income	15,430
Domestic and foreign exchange commissions income	1,010
Other fees and commissions income	14,420
Trading income	2,212
Income from trading-related financial derivatives	2,212
Other business income	12,530
Gains on foreign exchange	7,507
Gains on sales of bonds	4,511
Gains on redemption of bonds	33
Income from derivatives held in banking	280
Other	196
Other ordinary income	4,558
Recoveries of written-off claims	631
Gains on sales of equity securities and others	936
Gains on monetary assets held in trust	2,430
Other	559
<b>ORDINARY EXPENSES</b>	115,834
Interest expenses	9,866
Interest on deposits	4,163
Interest on negotiable certificates of deposit	113
Interest on call money	4
Interest on payables under repurchase agreements	(30)
Interest on payables under securities lending transactions	71
Interest on borrowings	367
Interest on corporate bonds	387
Interest on swaps	4,759
Other interest expenses	31
Fees and commissions expenses	24,644
Domestic and foreign exchange commissions expenses	1,240
Other fees and commissions expenses	23,404
Trading losses	234
Losses on securities held to hedge trading transactions	234
Other business expenses	4,158
Losses on sales of bonds	1,490
Losses on write-down of bonds	151
Amortization of deferred issuance expenses for corporate bonds	151
Other	2,365
General and administrative expenses	69,161
Other ordinary expenses	7,769
Provision of reserve for credit losses	5,711
Losses on write-off of loans	1,415
Losses on sales of equity securities and others	0
Losses on write-down of equity securities and others	208
Losses on monetary assets held in trust	21
Other	412
<b>ORDINARY PROFIT</b>	37,154
Extraordinary gains	32
Gain on disposal of premises and equipment	32
Extraordinary losses	2,654
Loss on disposal of premises and equipment	56
Impairment losses	720
Other extraordinary losses	1,877
<b>Income before income taxes</b>	34,532
Income taxes (benefit) - current	1,421
Income taxes (benefit) - deferred	(1,395)
Total income taxes (benefit)	26
<b>NET INCOME</b>	¥34,506

**Nonconsolidated Statement of Changes in Equity**

Shinsei Bank, Limited

For the fiscal year ended March 31, 2021

(Millions of yen)

	Shareholders' equity								
	Common stock	Capital surplus			Retained earnings			Treasury stock, at cost	Total shareholders' equity
		Additional paid-in capital	Other capital surplus	Total capital surplus	Legal reserve	Other retained earnings	Total retained earnings		
Balance at beginning of the year	¥512,204	¥79,465	—	¥79,465	¥15,734	¥322,795	¥338,529	¥(61,097)	¥869,102
Changes during the year									
Dividends					461	(2,768)	(2,307)		(2,307)
Net income						34,506	34,506		34,506
Purchase of treasury stock								(20,499)	(20,499)
Disposal of treasury stock			(40)	(40)				132	91
Transfer to capital surplus from retained earnings			40	40		(40)	(40)		—
Net changes during the year excluding shareholders' equity									
Total changes during the year	—	—	—	—	461	31,697	32,158	(20,367)	11,791
Balance at end of the year	¥512,204	¥79,465	—	¥79,465	¥16,195	¥354,492	¥370,688	¥(81,464)	¥880,893

	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	¥624	¥(16,174)	¥(15,549)	¥76	¥853,629
Changes during the year					
Dividends					(2,307)
Net income					34,506
Purchase of treasury stock					(20,499)
Disposal of treasury stock					91
Transfer to capital surplus from retained earnings					—
Net changes during the year excluding shareholders' equity	(2,342)	(5,258)	(7,601)	25	(7,575)
Total changes during the year	(2,342)	(5,258)	(7,601)	25	4,215
Balance at end of the year	¥(1,717)	¥(21,432)	¥(23,150)	¥101	¥857,845



(TRANSLATION)

## INDEPENDENT AUDITOR'S REPORT

May 11, 2021

To the Board of Directors of  
Shinsei Bank, Limited:

Deloitte Touche Tohmatsu LLC  
Tokyo office

Designated Engagement Partner,  
Certified Public Accountant:

\_\_\_\_\_  
Yoshio Sato

Designated Engagement Partner,  
Certified Public Accountant:

\_\_\_\_\_  
Akihiko Uchida

Designated Engagement Partner,  
Certified Public Accountant:

\_\_\_\_\_  
Kyoko Nosaka

### Opinion

Pursuant to the fourth paragraph of Article 444 of the Companies Act, we have audited the consolidated financial statements of Shinsei Bank, Limited and its consolidated subsidiaries (the "Group"), namely, the consolidated balance sheet as of March 31, 2021, and the consolidated statement of income and consolidated statement of changes in equity for the fiscal year from April 1, 2020 to March 31, 2021, and the related notes.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2021, and its consolidated financial performance for the year then ended in accordance with accounting principles generally accepted in Japan.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

(TRANSLATION)

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

(TRANSLATION)

**Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan**

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes to the Readers of Independent Auditor's Report

This is an English translation of the independent auditor's report as required by the Companies Act of Japan for the conveniences of the reader.

(TRANSLATION)

## INDEPENDENT AUDITOR'S REPORT

May 11, 2021

To the Board of Directors of  
Shinsei Bank, Limited:

Deloitte Touche Tohmatsu LLC  
Tokyo office

Designated Engagement Partner,  
Certified Public Accountant:

\_\_\_\_\_  
Yoshio Sato

Designated Engagement Partner,  
Certified Public Accountant:

\_\_\_\_\_  
Akihiko Uchida

Designated Engagement Partner,  
Certified Public Accountant:

\_\_\_\_\_  
Kyoko Nosaka

### Opinion

Pursuant to the first item, second paragraph of Article 436 of the Companies Act, we have audited the nonconsolidated financial statements of Shinsei Bank, Limited (the "Bank"), namely, the nonconsolidated balance sheet as of March 31, 2021, and the nonconsolidated statement of income and nonconsolidated statement of changes in equity for the 21st fiscal year from April 1, 2020 to March 31, 2021, and the related notes and the accompanying supplemental schedules.

In our opinion, the accompanying nonconsolidated financial statements present fairly, in all material respects, the financial position of the Bank as of March 31, 2021, and its financial performance for the year then ended in accordance with accounting principles generally accepted in Japan.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Nonconsolidated Financial Statements section of our report. We are independent of the Bank in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Nonconsolidated Financial Statements

Management is responsible for the preparation and fair presentation of the nonconsolidated 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 nonconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

(TRANSLATION)

In preparing the nonconsolidated financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Bank's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Nonconsolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the nonconsolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these nonconsolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the nonconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit 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 Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the nonconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate whether the overall presentation and disclosures of the nonconsolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the nonconsolidated financial statements, including the disclosures, and whether the nonconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

(TRANSLATION)

**Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan**

Our firm and its designated engagement partners do not have any interest in the Bank which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes to the Readers of Independent Auditor's Report

This is an English translation of the independent auditor's report as required by the Companies Act of Japan for the conveniences of the reader.

*(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 21<sup>st</sup> fiscal year (from April 1, 2020 to March 31, 2021).

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

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

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

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

## 2. Results of the Audit

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

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

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

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

### (3) Results of the audit of consolidated financial statements

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

May 12, 2021

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