

December 7, 2012

For Immediate Release

Company Name: Shinsei Bank, Limited
Name of Representative: Shigeki Toma
President and CEO
(Code: 8303, TSE First Section)

**Regarding a Recommendation by the Securities and Exchange Surveillance
Commission with respect to a Subsidiary of Shinsei Bank**

On December 7, 2012, Japan's Securities and Exchange Surveillance Commission ("SESC") issued a recommendation to the Prime Minister and Commissioner of the Financial Services Agency ("FSA") to take administrative action against Shinsei Investment Management Co., Ltd. ("SIM; "the company"), a subsidiary of Shinsei Bank, Limited ("Shinsei Bank") based on findings that the company's due diligence framework with regard to purchase prices for investment assets in its discretionary asset management business was insufficient, and as such the company has breached the duty of care of a good manager.

Shinsei Bank expresses its deep regret and hereby apologizes to customers and all related parties for the concerns and inconveniences caused in connection with this incident.

Shinsei Bank takes the contents of this recommendation very seriously, and will strive to further strengthen compliance and internal control systems throughout the Shinsei Bank Group in order to prevent a recurrence of such incidents.

(Attachment) Press release issued by Shinsei Investment Management Co., Ltd.

Attention

This is an unofficial translation of the press release issued on December 7, 2012 by Shinsei Investment Management Co., Ltd. The original press release is in Japanese.

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Shinsei Investment Management Co., Ltd.

Regarding a Recommendation by the Securities and Exchange Surveillance Commission

On December 7, 2012, Japan's Securities and Exchange Surveillance Commission ("SESC") issued a recommendation to the Prime Minister and Commissioner of the Financial Services Agency ("FSA") to request administrative action be taken against Shinsei Investment Management Co., Ltd. ("SIM; "the company"), based on findings that the company's due diligence framework with regard to purchase prices for investment assets in its discretionary asset management business was insufficient, and as such the company has breached the duty of care of a good manager.

SIM expresses its deep regret and hereby apologizes to customers and all related parties for the concerns and inconveniences we have caused in connection with this incident.

SIM takes this recommendation very seriously, and will strive to strengthen its due diligence framework going forward.

The facts relating to this SESC recommendation are as follows.

1) Contents of Recommendation

Pursuant to Article 20, paragraph 1 of the Act for Establishment of the Financial Service Agency ("FSA"), today, on December 7, the Securities and Exchange Surveillance Commission ("SESC") issued a recommendation that the Prime Minister and the Commissioner of the FSA take administrative action against Shinsei Investment Management Co., Ltd. This recommendation is based on the findings of an inspection, whereby the following breaches of laws by the company were identified.

*Location: Chuo-Ku, Tokyo; President & CEO: Yoshio Inoue; Capital: JPY 495 million; Number of officers and employees: 26; Investment trusts and discretionary investment advisory, agency)

2) Related Facts

- Regarding breach of duty of care of good manager in discretionary asset management business

Upon inspecting Shinsei Investment Management Co., Ltd.'s ("SIM") due diligence framework for making investment decisions in its discretionary asset management business, it was found that SIM had not made sufficient checks with regard to the purchase price for marketable investment assets for which pricing information is readily available.

1. Background regarding conclusion of discretionary investment contracts with corporate pension funds and other customers

In response to requests from corporate pension funds and other customers, SIM has concluded discretionary investment contracts and purchased preferred securities and other securities from securities companies.

However, based on the fact that there had been negotiations between the corporate pensions funds (and other such customers) and the securities company regarding these preferred securities and the related purchase price, prior to conclusion of the discretionary investment contracts, SIM did not get sufficiently involved in the pricing negotiations and received price quotations from securities companies without verifying the appropriateness of those prices.

2. Insufficient checks into purchase price of preferred securities A

On June 16 and July 2, 2010, SIM received pricing information quoted to corporate pension funds X and Y ("the two companies") by the same securities company for preferred securities A. Based on discretionary investment contracts concluded with the two companies on June 30 and June 17, 2010 respectively, SIM purchased the aforementioned preferred securities on June 30 and July 13, 2010.

While SIM did conduct due diligence on the aforementioned preferred securities based on reports from an advisory company, SIM made the decision to invest in the securities at the prices quoted to the two companies by the securities company, without any discussion of the appropriateness of the purchase price at an investment policy committee.

Despite the fact that these purchases based on discretionary investment contracts with the two

companies were made at almost exactly the same time from the same securities company, for the same delivery date, there was a discrepancy between the purchase prices. However, as explained above, SIM proceeded to execute buy orders at the prices quoted by the securities company, while the reason for the discrepancy was not explained.

SIM did not verify the cause of the discrepancy in the purchase prices for the two transactions outlined above by, for example, seeking confirmation from the securities company, nor did it confirm whether the purchase might have been executed at a better price by, for example, checking the prices with another securities company.

3. Insufficient checks into purchase price of repackaged bonds collateralized with preferred securities B

On September 5, 2011, SIM received the conditions quoted to corporate pension fund Z from a securities company, regarding the yield for certain repackaged bonds. Based on a discretionary investment contract concluded on October 25, 2011 with corporate pension fund Z, SIM proceeded to purchase the aforementioned repackaged bonds on the same day.

However, SIM did not verify whether the yield and other conditions of the repackaged securities quoted by the securities company were appropriate by comparing them with the price and other details of the collateralized assets.

Subsequently, the customer requested an improvement in the yield. In response to this request, SIM did negotiate with the securities company to improve the yield. Thereafter, however, despite being aware that the price of the collateral assets had declined drastically, SIM deemed that it had fulfilled the customer's demand, simply accepting the price quoted by the securities company, and not taking sufficient steps to confirm the scope for yield improvement with the securities company.

In addition, despite the fact that SIM conducted due diligence of the aforementioned repackaged bonds by referring to reports prepared by the advisory company mentioned above, and also discussed this in its investment policy committee, there was no explanation or discussion of the appropriateness of the purchase price. Furthermore, although a discrepancy was discernible between the yield quoted in the advisory company's report and the actual yield of the repackaged bonds, the decision to purchase was made without any discussion of this fact.

(4) Insufficient checks into purchase price of other investment assets

In addition to the cases listed in (2) and (3) above, despite the fact that SIM undertakes investments in investment assets that are marketable and whose prices may differ depending on the securities company handling them, SIM has made investment decisions without engaging in negotiations on price or discussing the appropriateness of purchase prices at an investment policy committee, and has executed transactions unquestioningly accepting the price quoted by securities companies.

The circumstances described in points (2) – (4) above constitute a breach of the duty of care of a good manager as prescribed in Paragraph 2 of Article 42 of the Financial Instruments and Exchange Act

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