

For Immediate Release

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

**Issuance of the FY2018 - FY2021 “Japanese Economy Outlook”
(Twelfth Issue, Q2 2018 GDP (2nd Preliminary), September 26, 2018 edition)**
- “Emphasis on the improvement in employment” may trigger the “exit strategy
before achieving the price stability target” -

Tokyo (Wednesday, September 26, 2018) --- Shinsei Bank, Limited announced today its issuance of fiscal year 2018 to fiscal year 2021 “Japanese Economy Outlook” (Twelfth Issue, Q2 2018 GDP (2nd Preliminary), September 26, 2018 edition).

Highlights:

- Some market participants consider that the BOJ should start exiting from monetary easing even before the inflation reaches 2% of the price stability target.
- On September 14, Prime Minister Abe stated that we set the price stability target at 2% in order to improve the employment situation, and that the government would pave the way to start exiting from monetary easing by September 2021.
- While wages, the key for prices increase, are rising for non-regular employees corresponding to the increase in the number of employees, wages for regular employees have not raised much. The increase rates of wages and prices are paradoxically likely to be weaker if the ratio of regular employees increases through continued increase in the number of employees.
- We believe that the monetary easing from 2013 has had a significant impact on employment expansion, which is crucial for the maximization of economic welfare. However, if the government and the BOJ put too much emphasis on this achievement, market participants are very likely to have higher expectations of exiting from monetary easing before achieving the price stability target. This will weaken the effect of monetary easing.
- The Japanese economy is very likely to return to yen appreciation and deflation if it faces another recession with low expectation of inflation, because the BOJ will not be able to decrease the real interest rate sufficiently. In order for the Japanese economy to achieve sustainable growth in the long term, we consider that the government and the BOJ need to further enhance fiscal expansion and monetary easing aiming to achieve 2% of the price stability target, without being satisfied with the current increase in the number of employees.

Shinsei Bank is a leading diversified Japanese financial institution providing a full range of financial products and services to both institutional and individual customers. The Bank has a network of outlets throughout Japan and is committed in its pursuit of uncompromising levels of integrity and transparency in all of its activities in order to earn the trust of its customers, staff and shareholders. The Bank is committed to delivering long-term profit growth and increasing value for all its stakeholders. News and other information about Shinsei Bank is available at <http://www.shinseibank.com/corporate/en/index.html>