

For Immediate Release

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

Opinions of the Board of Directors on the shareholder's proposal

Tokyo (Wednesday, May 15, 2019) --- Shinsei Bank, Limited (Chuo-ku, Tokyo; President and CEO: Hideyuki Kudo; hereinafter, "Shinsei Bank" or "the Bank") today announced that its Board of Directors approved opinions at the Board of Directors meeting held today to object the shareholder's proposal at the 19th Annual General Meeting of Shareholders (hereinafter, "General Meeting of Shareholders") scheduled for June 19, 2019.

1. Proposed Shareholder
DALTON KIZUNA (MASTER) FUND LP
2. Summary and Reason of Shareholder's Proposal
 - (1) Summary of Shareholder's Proposal
Election of One (1) Director
Please refer to the summary of shareholder's proposal in an appendix, which is from the original document.
 - (2) Reason for Shareholder's Proposal
Please refer to the reason for shareholder's proposal in the appendix, which is from the original document.
3. Opinions of the Board of Directors on the shareholder's proposal
The Board of Directors of the Bank objects to this Agenda item.
4. Reasons for Objection
After careful discussion and consideration, the Board of Directors of the Bank **objects** to this Agenda item for the following reasons:
 - Governance by independent directors is sufficient:
 - The Board of Directors of the Bank consists of two (2) executive directors and five (5) independent directors. As a result, independent directors constitute the majority of directors. In addition, at this Annual General Meeting of Shareholders, the Bank has requested approval for the election of seven (7) directors, i.e. two (2) executive directors and five (5) independent directors. Thus, the Bank has proposed that the majority of the Board of Directors continue to be comprised of independent directors, thereby maintaining the structure of the Board of Directors to fully ensure supervisory functions over the execution of business. Accordingly, the Board of Directors of the Bank believes that there is no need to increase the number of directors to add an outside director.
 - The directors proposed by the Bank are diverse and have relevant expertise:
 - Among the seven (7) candidates for election as directors under the Bank's proposal, six (6) candidates have experience in company management and five (5) candidates have expertise in finance. Therefore, the entire scope of Mr. Rosenwald's knowledge, as stated by Dalton, is significantly covered by candidates under the Bank's proposal. Accordingly, the election of an additional director is not meaningful.
 - The Bank's Revitalization Plan submitted pursuant to the Act on Emergency Measures for Early Strengthening of Financial Functions will accomplish the goal of repayment of public funds:
 - The Bank, as a bank with public funds, submitted a Revitalization Plan ("Plan") to the

Financial Services Agency ("FSA") pursuant to the Act on Emergency Measures for Early Strengthening of Financial Functions ("Early Strengthening Act"). As part of that Plan, the Bank set the number of directors at seven (7). The Board of Directors of the Bank must comply with the number of directors seven (7) set forth in the Plan, and, in addition, believes that seven (7) directors under the Bank's proposal represent the best portfolio of directors as described above. Therefore, there is no need to appoint Mr. Rosenwald as a director.

- Repayment of public funds is one of the most important management issues of the Bank. As part of the Bank's efforts to chart a new path for repayment, shareholder return has been significantly improved from the nominal dividend of only one (1) Yen, and the Bank has inserted a clause into the Plan, based on the discussion with the FSA, to the effect that the Bank will "aim to maintain and improve its shareholder return within the scope of general total return ratio of a domestic bank." Thus, the shareholder return has come closer to the level comparable to other financial institutions and, based on the intent of the Early Strengthening Act, under which steady accumulation of the fund for repayment is required, the Bank believes that it has already made best efforts to maximize the interests of shareholders from the perspective of shareholder return to the extent permitted under applicable laws and regulations. Dalton proposes to "implement a massive share repurchase and cancellation program of the Bank's shares," but considering Dalton's suggestions so far, its proposal is expected to deviate from the scope of the total return ratio permitted under the Plan pursuant to the Early Strengthening Act. The Board of Directors of the Bank believes that Dalton's proposal runs counter to the intent of the Early Strengthening Act, and therefore, should not be accepted.

■ The current director compensation structure is appropriate:

- Dalton also states in its proposal that Mr. Rosenwald will "insist that all Board members receive no more than one (1) Yen per annum compensation in cash until the Japanese taxpayers have been repaid in full." However, the Bank believes that, in order to secure qualified directors, director compensation should be paid in an amount commensurate with the duties of directors. This point is also important from the perspective of the shareholders' interests. The Board of Directors of the Bank believes that Dalton's proposal is incompatible with the necessity to secure qualified directors, including independent directors. The amount of director compensation will be appropriately determined through objective and transparent procedures with careful discussions in the Nomination and Compensation Committee of the Bank, which was established on March 20, 2019 and is comprised of independent directors.
- In order to better align the interests of directors with those of shareholders, the Bank introduced a restricted stock compensation plan for executive directors in 2018 with the approval of the Annual General Meeting of Shareholders. The Bank is now considering introduction of a similar plan for outside directors after solving the technical problems regarding nonresident directors.

■ Conclusion:

- Accordingly, after careful discussion in the Nomination and Compensation Committee of the Bank, the Bank requests approval for the election of its proposed candidates for directors. The Board of Directors of the Bank believes that the composition of the Board of Directors as proposed by the Bank's Board of Directors is ideal, and objects to this Agenda item.

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 <https://www.shinseibank.com/corporate/en/index.html>

[Contents and reason for the shareholder's proposal]

We have reproduced each proposal as it originally appears, as stated in the proposed letter without making any changes to the factual understanding of the proposer or omissions and errors. The biography and major roles of the proposed candidate is slightly different from what was stated in the Japanese proposal, but we have not made any changes of such differences.

1. Agenda Proposed

We propose an appointment of below candidate to serve as a Director of the Board².

- Name: James B. Rosenwald, III
- Date of birth: January 19, 1958
- Biography and major roles:
 - 2012 New York University, Adjunct Professor, Leonard N. Stern School of Business (present)
 - 1998 Dalton Investments LLC, Co-Founder, Managing Member (present)
 - 1992 Soros Group funds, Investment Adviser (through 1998)
 - 1986 Richmond Hill Savings Bank, Director (through 1988)
 - 1984 Rosenwald Capital Management, Inc, Chairman and President (present)
 - 1981 Sterling Grace & Co., Senior Investment Advisor/Portfolio Manager (through 1988)
- Number of Bank shares owned: None

2. Reasons for the Proposal

On behalf of the shareholder, Dalton Investments LLC has recommended a series of actions to Shinsei's management we believe will greatly accelerate repayment of public fund, an ultimate goal shared by all the stakeholders (i.e. government, management and shareholders). Management's progress in implementing these recommendations has been slow and therefore we now propose that shareholders approve the appointment of Mr. James B. Rosenwald to the Shinsei Board of Directors. Upon appointment, Mr. Rosenwald will pursue following agenda in the board meeting:

1. Insist that all Board members receive no more than one Yen per annum compensation in cash (excluding any forms of compensation related to stock compensation, any monetary claim or contribution made to trusts and etc. in relation to stock compensation) until the Japanese taxpayers have been repaid in full;
2. Implement a new compensation system for senior management emphasizing share ownership to align their interest with shareholders;
3. Implement a massive share repurchase and cancellation program of the Bank's shares.

End of document.

² If the above candidate were elected to the Board, Dalton and its clients would be restricted in the information available and ability to trade the stock during his tenure.