

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 13, 2020) --- 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 to the shareholder's proposal at the 20th Annual General Meeting of Shareholders (hereinafter, "General Meeting of Shareholders") scheduled for June 17, 2020.

1. Proposed Shareholder
DALTON KIZUNA (MASTER) FUND LP
2. Summary and Reason of Shareholder's Proposal
 - (1) Summary of Shareholder's Proposal
Appointment of a Director of the Board
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 four (4) 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 including one (1) additional independent director. Thus, the Bank has proposed the higher ratio of independent directors at the Board of 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 add Mr. Rosenwald as an additional outside director.
 - The directors proposed by the Bank have relevant expertise and are diverse:
 - Among the seven (7) candidates for election as directors under the Bank's proposal, four (4) 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.
 - Among the seven (7) candidates for election as directors under the Bank's proposal, two (2) are female candidates. In terms of promoting gender diversification, we believe that the additional election of Mr. Rosenwald's is not meaningful.

- The current director compensation structure is appropriate:
 - In order to better align the interests of directors with those of shareholders, the Bank introduced a restricted stock compensation plan for executive directors with the approval of the Annual General Meeting of Shareholders held on June 20th, 2018. The Bank has also introduced a restricted stock compensation plan for its executive officers.
 - In addition to the above plans, the Bank has proposed the introduction of a restricted stock compensation plan for outside directors at the Annual General Meeting of Shareholders to be held on June 17th, 2020. We have decided to implement the initiatives regarding “Implement an additional compensation system for senior management emphasizing share ownership to align their interest with shareholders” mentioned in the shareholder’s proposal within the Bank’s Revitalization Plan below.

- 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 at 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.

- ESG:
 - We believe that it is expected of the Bank to provide its functions keeping in mind social infrastructure. Therefore, it is quite important for us to provide our customers with appropriate finance functions from the S (Social) perspective of ESG Management.
 - Under the current situation of COVID-19 (what is called novel coronavirus), we believe that it is even more strongly required for private financial institutions to protect customers who are affected and to provide them with smooth finance functions. Generally speaking, it is not necessarily a wrong opinion asking to “eliminate marginally profitable lending divisions and shrink the balance sheet”, which Mr. Rosenwald will pursue in the board meeting. However, we do not think that it is an appropriate company behavior to take such short-term profit enhancing measures for ourselves at least under the current situation.

- 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>

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[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 an Independent Outside Director of the Board².

- Name: James B. Rosenwald, III
- Date of birth: January 19, 1958
- Biography and major roles:
 - 2020 Rising Sun Management Limited, Chief Investment Officer (present)
 - 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

Our case is simple – the goal of both shareholders and management of Shinsei Bank must be the repayment of the funds provided by the Government to rescue the Bank in 1998. As a shareholder, we have recommended a series of actions to Shinsei's management we believe will greatly accelerate repayment of the public fund, an ultimate goal shared by all stakeholders (i.e. government, management and shareholders). While management has shown some progress in implementing these recommendations, we propose that shareholders approve the appointment of Mr. James B. Rosenwald to the Independent Outside Board of Directors of Shinsei Bank to accelerate the initiative. Upon appointment, Mr. Rosenwald will pursue following agenda in the board meeting.

1. Implement an additional compensation system for senior management emphasizing share ownership to align their interest with shareholders;
2. Eliminate marginally profitable lending divisions and shrink the balance sheet;
3. Implement a 45 billion yen share repurchase for the fiscal years going forward.

End of document.

² If the above candidate were elected to the Board, Dalton Investments LLC, its affiliates and their clients, including without limitation we, would be restricted in the information available and ability to trade the stock during his tenure.