

For Immediate Release

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

Update on Status for Expression of Opinion to the TOB initiated by SBI Regional Bank Holdings

Tokyo (Thursday, September 16, 2021) --- Shinsei Bank has been considering various measures to respond to the TOB initiated by SBI Regional Bank Holdings Co., Ltd., as we informed in the press release, "Shinsei Bank Response to Media Reports" dated September 15, 2021. We would like to inform that we plan to discuss relevant agenda items including the expression of opinion at the meeting of the Board of Directors to be held on September 17, 2021.

For our shareholders' and investors' reference, we would like to provide the attached document relating to, "Our understanding of the chronology up until the TOB initiated by SBI Regional Bank Holdings for the shares of Shinsei Bank (Attachment)".

End

Shinsei Bank is a leading diversified Japanese financial institution providing a various 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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September 16, 2021

To Our Shareholders and Investors

Shinsei Bank, Limited

**Our understanding of the chronology up until the TOB initiated by SBI
Regional Bank Holdings for the shares of Shinsei Bank**

We sincerely thank our shareholders and investors for their ongoing support and understanding of the Bank.

SBI Regional Bank Holdings Co., Ltd., a wholly owned subsidiary of SBI Holdings, Inc. (together with SBI Regional Bank Holdings, "SBI Holdings Group") has commenced a takeover bid for the shares of Shinsei Bank (the "TOB").

As Shinsei Bank announced in the "Notice on TOB for the shares of Shinsei Bank by SBI Holdings and SBI Regional Bank Holdings" dated September 9, 2021, the Board of Directors of Shinsei Bank has been considering its response based on its views on the TOB in order to ensure the best interest of our shareholders. Out of seven directors of Shinsei Bank, five directors are independent outside directors. These outside directors have seasoned expertise and experiences in corporate management as well as the capital markets, and have a variety of diversity including gender, generation, and internationality. The Board of Directors has been maximizing its management monitoring functions for the benefit of all the shareholders while continuing discussions from various perspectives to ensure management objectivity and transparency.

Since SBI Holdings became a large shareholder of Shinsei Bank, we have sincerely endeavored to hold discussions and dialogues with SBI Holdings with our utmost respect to them as our large shareholder. From this standpoint, Shinsei Bank has recorded and stored information on the chronology of discussions and dialogues with SBI Holdings. However, the announcement by SBI Holdings Group regarding the TOB (the "SBI Announcement") is found to contain certain material information and facts that may affect the consideration and judgment of our shareholders and are inaccurate or different from the understanding of Shinsei Bank as well as

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omissions of important background details.

Therefore, Shinsei Bank would like to inform the shareholders and investors of our understanding about some major facts that were found inaccurate or insufficient at this moment in the course of our review, while we are currently in the midst of considering our response to the TOB.

We request all our shareholders to refer to this document and take actions diligently after reviewing the information including the Bank's opinion on the TOB to be disclosed.

This document does not represent any opinions of Shinsei Bank regarding the TOB. We will continue to diligently consider the TOB and announce our opinion on the TOB once it is decided.

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I. Summary of inaccurate or insufficient content related to major facts

Regarding the following information that SBI Holdings Group explained as the background to the TOB in the SBI Announcement, it does not contain sufficient or any important contents that are important for shareholders and investors to make their decision. For further details on each item, please refer to the following pages.

1. Capital and business alliance proposal from SBI Holdings in September 2019

The content in the SBI Announcement does not include descriptions about the following facts about the capital and business alliance proposal made by SBI Holdings to Shinsei Bank in September 2019 (the "September 2019 Proposal"):

- September 2019 Proposal included a public fund repayment scheme that was one of the main reasons for Shinsei Bank's declining the proposal after due deliberation and consideration at that time
- The reason for our declining the proposal which we explained to SBI Holdings
- The fact that SBI Holdings accepted our decision as well as our reasons to decline without objections.

2. Chronology after the decline of the September 2019 Proposal

SBI Holdings Group in the SBI Announcement stated that SBI Holdings made proposals for the capital and business alliances with Shinsei Bank on a continuous basis. However, Shinsei Bank has not received any capital and/or business alliance proposals from SBI Holdings since we declined the September 2019 Proposal in November 2019.

In addition, there is no statement about the facts and processes, including any dialogue that have been exchanged with us regarding buying up Shinsei Bank's shares by SBI Holdings after Shinsei Bank declined the September 2019 Proposal.

3. Business partnership with Monex Inc. in the financial instruments intermediary business

In the SBI Announcement, regarding the chronology of the business alliance

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with Monex Inc. ("Monex"), it is said that Shinsei Bank had reached a business alliance with Monex without any notice to SBI SECURITIES Co., Ltd. ("SBI Securities"), a wholly owned subsidiary of SBI Holdings, while having received a proposal from SBI Securities. However, it does not mention about the fact that Shinsei Bank had initiated the approach to SBI Securities as one of the prominent candidates for a business alliance partner as well as the fact that Shinsei Bank explained to SBI Securities the reasons for the Bank's selecting Monex as its business alliance partner.

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II. Details of inaccuracies and inadequacies related to major facts

1. Capital and business alliance proposal from SBI Holdings in September 2019

In the SBI Announcement, SBI Holdings Group described the September 2019 Proposal as the background for the TOB.

- As stated above, Shinsei Bank declined the September 2019 Proposal after significant deliberation on the proposal. However, the SBI Announcement does not include descriptions about the following facts. The September 2019 Proposal included a public fund repayment scheme that was one of the main reasons for the Bank's declining the proposal after due deliberation
- The reason for declining the proposal which Shinsei Bank explained to SBI Holdings
- The fact that SBI Holdings accepted our reasons for declining without objections.

Based on our record, the details of the September 2019 Proposal, the details of the consideration by Shinsei Bank, the details of the communication to SBI Holdings, and the responses and explanations by SBI Holdings are as follows:

(1) Details of the September 2019 Proposal

The September 2019 Proposal consisted primarily of the following three points: (i) TOB by SBI Holdings for the shares of Shinsei Bank, (ii) repayment of public funds after squeezing-out general shareholders, and (iii) business alliance.

(i) Making Shinsei Bank a consolidated subsidiary or an affiliate company through TOB, primarily focusing on making Shinsei Bank a key element towards SBI Holdings' "fourth megabank" initiative. However, in order to avoid SBI Holdings becoming a regulated bank holding company, the upper limit for the acquisition of Shinsei Bank's shares shall be 48%.

(ii) Repayment of public fund after squeezing-out general shareholders consisted of the following steps:

Step 1: The TOB will result in SBI Holdings and the government (Deposit Insurance Corporation of Japan and Resolution and Collection Corporation) holding approximately two-thirds of Shinsei Bank's voting rights in total.

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Step 2: Reduce the percentage of general shareholders through share buybacks by Shinsei Bank.

Step 3: SBI Holdings and the government squeeze out general shareholders when they come to have 90% voting rights in total.

Step 4: Repurchase of Shinsei Bank's shares held by the government, which means the repayment of the public funds.

(iii) The outline of the business alliance proposal is as follows:

1. Utilize customer base, product supply, sales network, etc. in individual customer business
2. Promote collaboration leveraging mutual strengths in institutional customer business
3. Realizing further sophistication of asset management business
4. Share information on attractive investment and financing opportunities in Asia by using SBI Group's overseas network
5. Introduce advanced technologies and solutions in the fintech field that capture the new trends in financial services

(2) Details of Considerations by Shinsei Bank

After receiving the September 2019 Proposal, Shinsei Bank, mainly the Board of Directors, had seriously discussed the proposal for about two months at the executive session which is held at the timing of the board meeting and is a session mainly for external directors to have free discussions on various matters, as well as in the strategy session which is a session for board members to have sufficient time to discuss medium-to long-term management strategies and challenges.

In that period, SBI Holdings also proposed an idea to take "a step that SBI starts about 10% investment in Shinsei Bank, and Shinsei Bank holds 5-10% stake of SBI at the same time".

Including such a step approach above proposed by SBI Holdings, in the course of our sincere review and discussion, Shinsei Bank had reached a conclusion that it would not have been a practical plan. In particular, as for the repayment of the public fund included in the September 2019 Proposal as stated in section 1.(1)(ii) above, (A) in Step 4, Shinsei Bank is assumed to pay to the government the "Necessary Repayment Amount" to discharge the public fund, when repurchasing the Bank's shares from the government, in which the share price would be higher than the market price in Step 2

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where Shinsei Bank purchases the shares from general shareholders. Therefore, from the perspective of the principle of equality among shareholders and the fair disclosure (further, from the viewpoint of preventing insider trading), Shinsei Bank would be obligated to disclose all the 4 steps in the section 1. (ii) to its shareholders at the time of Step 2 above, that is, at the time Shinsei Bank repurchases its shares. If doing so, the general shareholders would not be inclined to sell their shares as they would want to exit at the same price as the government. At the same time, it would not be feasible to offer a price close to the government's target price to general shareholders in order for them to be inclined to sell. Also, (B) it would also be difficult for SBI Holdings to justify vis-à-vis its shareholders in making Shinsei Bank repay to the government a price that would be substantially higher than the fair price of the Bank's shares at that time.

(3) Details of communication to SBI Holdings

Based on the results of its consideration, in November 2019, Shinsei Bank communicated the following responses to SBI Holdings.

- (i) After due deliberation on the September 2019 Proposal, Shinsei Bank concluded that there were more demerits than merits for the shareholders of Shinsei Bank. The reasons are as follows:
- Becoming an SBI Holdings' affiliate is rather an obstacle to regional financial institution business of Shinsei Bank, which deals with many regional financial institutions across the board.
 - In addition, Shinsei Bank has transactions with corporations in various business categories, such as business corporations, financial institutions, public corporations and investment funds, and if Shinsei Bank comes under the umbrella of SBI Holdings and has a color of a particular company which is not a bank, that could hinder our business activities.
 - The scheme in the September 2019 Proposal does not lead to repayment of public funds, so there is no advantage to Shinsei Bank in partnering with SBI Holdings in terms of repaying the public fund.
 - Shareholding by SBI Holdings of up to 48% of Shinsei Bank is virtually publicly listed parent/subsidiary pairs. In addition, such schemes basically only allow transactions to be concluded on an

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arm's length basis, making it difficult to realize synergies.¹

- (ii) On the other hand, because the issue is that if "SBI Holdings were to become a major shareholder less than 50% shareholding of Shinsei Bank", Shinsei Bank would not necessarily deny the possibility of a business partnership with SBI Holdings. Shinsei Bank is ready to explore any alliances with them openly. From the viewpoint of realizing synergies, we believe that there can be a complete business integration or, conversely, a capital and business alliance scheme with Shinsei Bank as the parent company.
- (iii) If SBI Holdings and Shinsei Bank can proceed with discussions on cooperation and participation in the "Platform for Regional Banks (later Regional Revitalization Partners)" initiative, the discussion of capital alliance may emerge again in the course of deepening collaboration in that area of business.

(4) Details of responses and explanations by SBI Holdings

In place of the communications mentioned above, the statements made by SBI Holdings were as follows:

- (i) SBI Holdings has no disagreement with the above responses from Shinsei Bank.
- (ii) It would be not impossible if the full integration or SBI Holdings were to become a consolidated subsidiary of Shinsei Bank.
- (iii) SBI Holdings is also pleased to collaborate on platforms for regional banks.
- (iv) SBI Holdings also understood that becoming an SBI Holdings' affiliate would be an obstacle to the businesses of Shinsei Bank, and therefore SBI Holdings would not have a stake that would have strategic implications.

2. Chronology after the decline of September 2019 Proposal

SBI Holdings Group stated that SBI Holdings made proposals to Shinsei Bank regarding capital and business alliances a continuous basis. However, Shinsei

¹ Rules set forth in Article 13-2 of the Banking Law. Regulations on transactions with customers who have special relationships with banks (here, SBI Holdings) to prevent the interests of depositors from being harmed by the banks themselves entering into unfavorable agreements. It is not possible to conduct transactions or conduct transactions with group companies on preferential terms.

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Bank has not received any proposals from SBI Holdings since we declined the proposal in November 2019 after due deliberation on the September 2019 Proposal. In each business line, there were no concrete capital and/or business alliance proposals which were recognized at the Bank's management level while we had many discussions about business collaborations including individual products and sales activities related proposals as a part of business activities with group companies of SBI Holdings, such as SBI Securities.

Furthermore, there is no statement about the following facts and processes, including any dialogue that has been exchanged with us regarding buying up Shinsei Bank's shares by SBI Holdings after Shinsei Bank declined September 2019 Proposal.

- (1) The fact that SBI Holdings had acknowledged that it would not have a strategically meaningful stake in Shinsei Bank

As stated in 1.(4)(iv) above, at the meeting when Shinsei Bank declined the September 2019 Proposal, SBI Holdings had advised to Shinsei Bank that SBI Holdings would not have a strategic stake in Shinsei Bank because becoming an affiliate of SBI Holdings is an obstacle to the businesses of Shinsei Bank.

- (2) The fact that Shinsei Bank expressed a sense of regret every time SBI Holdings purchased up Shinsei Bank shares.

Despite (1) above, since December 2019, SBI Holdings has been purchasing shares of Shinsei Bank. SBI Holdings provided individual explanations such as "Averaging down is the rule when share price goes down" and "If it purchase up here, it will be positive for the Bank's share price as SBI Holdings' name would appear in Shinsei Bank's annual securities report." In response, from the standpoint of avoiding the above disadvantages, Shinsei Bank has expressed its regrets to SBI Holdings.

- (3) The fact that the president of SBI Holdings explained to the Bank that they do not intend to purchase additional shares after April 2020

As mentioned above, SBI Holdings had been purchasing f Shinsei Bank's shares. On April 7, 2020, when SBI Holdings reached to hold 10% of Shinsei Bank's shares, the Representative Director and President of SBI Holdings gave an explanation to the President of Shinsei Bank that they do not intend to increase it further.

- (4) The fact that SBI Holdings continued to purchase Shinsei Bank's shares

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contrary to the explanation by the president of SBI Holdings

Despite the explanation by the president of SBI Holdings to Shinsei Bank that they do not intend to increase their stake further, SBI Holdings has continued purchasing even after April 7, 2020, and it had reached 19.85% of the total voting rights by March 26, 2021.

3. Business partnership with Monex Inc. in the financial instruments intermediary business

In the SBI Announcement, regarding the chronology of the business alliance with Monex, it is said that Shinsei Bank had reached a business alliance with Monex without any notice to SBI Securities Co., Ltd. ("SBI Securities"), a wholly owned subsidiary of SBI Holdings, while having received a proposal from SBI Securities. However, it does not mention the fact that Shinsei Bank offered SBI Securities business collaboration initiatives including loan and credit card businesses after autumn in 2019, the fact that Shinsei Bank had invited SBI Securities as one of the prominent candidates for financial instruments intermediary business alliance partner as well as the fact that Shinsei Bank explained to SBI Securities the reasons for selecting Monex as a business alliance partner.

Although Shinsei Bank does not know how SBI Securities reported this matter to SBI Holdings, please find the following records by Shinsei Bank regarding the details of the commencement of consideration of a business partnership and the selection of a business partner, and the explanation of the results to SBI Securities.

(1) Background of commencement of consideration of business alliance

In early 2020, Shinsei Bank began examining the outsourcing of mid-office and back-office operations related to mutual fund sales with the aim of concluding contracts within the following fiscal year as a measure to reduce costs in retail banking operations. Although the initiation of this business alliance was not proposed by SBI Holdings or SBI Securities, Shinsei Bank invited SBI Securities, which is a major shareholder group and can conduct business with which Shinsei Bank can form an alliance, as a promising candidate. Based on this background, Shinsei Bank received proposals from three companies, including Monex and SBI Securities, as candidates for its

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main business alliance partners. The selection of a business alliance partner from such candidates was also communicated to SBI Securities at that time.

(2) Background to the Selection of a Business Partner

As mentioned above, Shinsei Bank invited SBI Securities as one of the leading candidates for the business alliance partner selection process and actually considered the proposal. However, from the fiduciary duty of the Board of Directors, it is of course impossible to select SBI Securities only for the reason that it is a group company of a large shareholder of Shinsei Bank by eliminating other proposals whose economic rationality is superior. Therefore, including the proposals from two other companies that had been considered as other promising candidates, Shinsei Bank conducted evaluations from various angles such as specific economic conditions, schemes of business alliances, capability of customizing the system to our customers, ease of segregation of face-to-face consultation and net banking, and IT capability of securities account transition. As a result of such considerations, Monex was selected. Such evaluation factors had been communicated to each candidate from the beginning.

(3) Explanation to SBI Securities

Since the decision on such a business alliance was managed by Monex Group, a listed company, as a material non-public information, Shinsei Bank refrained from giving notice to other candidates, including SBI Securities (Shinsei Bank understands that such cautious arrangement is generally exercised in handling such information at listed companies from the viewpoint of preventing insider trading). However, Shinsei Bank promptly explained the results of the selection to SBI Securities after the announcement of the conclusion of a business alliance agreement with Monex.