

For Immediate Release

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

Announcement on Response to Inquiries from Deposit Insurance Corporation of Japan

Tokyo (November 12, 2021) --- Shinsei Bank, Limited announced today that the Board of Directors responded to inquiries dated November 5, 2021 from Deposit Insurance Corporation of Japan. For the details of the Bank's response, please see the response letter attached hereto.

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>

For further information, please contact:

Group Investor Relations & Corporate Communications Division

Shinsei Bank, Limited (www.shinseibank.com)

[Shinsei PR@shinseibank.com](mailto:Shinsei_PR@shinseibank.com) (Inquiries for the media)

[Shinsei IR@shinseibank.com](mailto:Shinsei_IR@shinseibank.com) (Inquiries for investor and shareholder relations)

(The Bank's response letter)

November 12, 2021

To: Mr. Hidenori Mitsui
Governor
Deposit Insurance Corporation of Japan

Board of Directors
Shinsei Bank, Limited

Response Letter

Thank you for supporting Shinsei Bank.

Following, please find our responses to your questions you sent us on November 5, 2021. We would appreciate it if you could read them together with the attached Attachment to the Response Letter.

(Question 1) Please indicate areas and businesses you consider that have intrinsic value.

(1) Intrinsic value of the Shinsei Bank Group: Value when risks and returns are optimized by leveraging management resources

We define “intrinsic value” as “corporate value created when corporate management resources (capital and human resources, etc.) are utilized most effectively”. We believe that it is extremely important to optimize risks and returns by appropriately managing under the risk appetite framework (a concept which regards risk appetite as a common language for management) the risks that the Shinsei Bank Group assumes as a result of providing functions and services as a financial group and by allocating management resources in business areas and operations in which the Shinsei Bank Group has advantages, while maintaining soundness as a financial institution.

(2) Business areas creating intrinsic value of the Shinsei Bank Group: Small-scale finance and institutional investor businesses where the Shinsei Bank Group has advantages and profitability and growth are expected

The Shinsei Bank Group has not adopted the holding company structure, but Shinsei Bank fully owns all major Group member companies, and we have established a virtual Group Headquarters to operate Group member companies in a unified manner as a consolidated group as if the companies are one company, which is different from other

financial groups. Under such a group integration structure, we offer diverse products and services to individual and institutional customers having various financial needs as a universal financial group. The Shinsei Bank Group has advantages in and focus on the following two areas and businesses to create intrinsic value:

- **Small-scale finance:** Small and distributed businesses for which statistical methods are effective, unified operation with peripheral fields such as data usage and settlement and adoption of diverse methods such as lending and leasing

In small-scale finance, the Shinsei Bank Group has marketing capability, data analysis capability in credit decision and collection (including AI/IT technologies through partnerships with external parties such as SecondXite and Credit Engine) and stable operating capability. We have a highly-diversified portfolio built based on these capabilities. With these capabilities, we are also flexibly providing financial services such as deferred payment and installment related to products and services provided by other non-financial companies. As a result of strategic management resource allocation of this area, we have achieved 59% profit share in FY2020, exceeding our 50% target for FY2021 under the current Medium-Term Management Strategies.

- **The institutional investor business:** Starting from finance supporting investors' activities targeting renewable energy power generation projects, real estate and M&A and expanding to other investment opportunities and financial products such as mezzanine loans and leasing

The Shinsei Bank Group has long-term experience and a strong presence in structured finance. This is attributable to our following advantages such as (a) our ability to work on transactions in a flexible and speedy manner by leveraging a more flexible decision-making process than megabanks, (b) expertise and an analysis capability based on an extensive experience of complexed transactions and (c) our ability to transact with broad customers in a neutral position because we do not belong to a particular financial group.

In addition, we optimize risk management and capital efficiency of the Shinsei Bank Group as well as enhancing customer satisfaction by sharing the assets obtained through the provision of operations, functions and products of the Shinsei Bank Group with other institutional investors and business operators. For example, we are diversifying financing targets and methods for regional financial institutions and major financial institutions, such as renewable energy-related project finance and real estate finance, and in recent years, cross-

border loans, sustainability linked loans, healthcare finance, venture investment funds, and social impact funds. Also, we provide know-how, profit opportunities in specialized fields such as various distributions (creation and provision of investment opportunities) and financial products while expanding the range of institutional investors who jointly conduct financing.

As a result of such advantages and initiatives, we have transacted with approximately 90% of regional banks that can be customers in this area (the total annual transaction volume with regional banks was approximately 300 billion yen).

(3) Value co-creation strategy: Provision of new financial services and non-organic expansion of our customer base with the Shinsei Bank Group's functions and through partnerships with non-financial partners that have a large customer base

Value co-creation strategy aims to maximize the value to be provided to not only Shinsei Bank Group customers but also those the Shinsei Bank Group has not accessed directly, unserved customers or underserved customers by providing them with the aforementioned differentiated operations, functions and products through partnerships with diverse external business operators and platformers. In particular, in order to deepen the value co-creation of small-scale finance, which is one of the Shinsei Bank Group's strengths, we are focusing on deepening partnerships with players in different industries who have a different business and customer base than the Shinsei Bank Group.

- Provision of functions to non-financial partners:
 - 2019: NTT Docomo: Lending service for individuals
 - 2019: USEN Group: Combined financial services for small businesses
 - 2020: Nissen Group: Lending service for individuals
 - 2021: Family Mart Group: Lending service for individuals
 - Provision of BANKIT®, a financial service platform which enables non-financial business operators to provide financial services to their customers, and Showa Leasing's partner-type business with other companies
- Financial services provided to customers of regional financial institutions by the Shinsei Bank Group
 - Expansion of the credit guarantee business for unsecured loan products for individuals provided by regional financial institutions (13 institutions)
 - Providing small-scale finance (leasing and shopping credit, etc.) with

customers of regional financial institutions through business matching

- Servicing business outsourced by regional financial institutions
- Joint initiatives for M&A transactions
- Providing highly specialized services jointly such as business succession and exit support, purchase of fixed assets, and real estate leasing
- Providing financing services by utilizing DX such as online factoring jointly

In addition to the aforementioned initiatives, we are always seeking collaborations with business partners that may provide new value by utilizing the Shinsei Bank Group's functions, and SBI is not excluded from such business partners. However, for example, asset management needs of asset builders of young generation and investment needs for consumer loan by middle-aged generation are limited, and the customer bases of SBI and the Shinsei Bank Group are not complementary since the Shinsei Bank Group has already transacted with 90% of regional banks which can collaborate with the Shinsei Bank Group in structured finance. Thus, while we expect to realize some of the synergies, it would be a marginal increase in the Shinsei Bank Group's intrinsic value while securing arms-length opportunities within the SBI Group. It will therefore be more beneficial for Shinsei Bank's shareholders if we increase our corporate value through value co-creation, by expanding partnerships with various partners including SBI.

(Question 2) You argue that the 2,000 yen tender offer price does not fully reflect the Shinsei Bank Group's intrinsic value. Please indicate how the Shinsei Bank Group will be managed to reflect its intrinsic value in the share price and to further increase the intrinsic value.

(1) Calculation of the intrinsic value based on the latest performance forecast, capital adequacy and aforementioned business portfolio and earnings structure of the Shinsei Bank Group

- Dividend discount model analysis (calculation by the financial advisor): As the Notice Regarding Opposition (with Certain Conditions for Changing Opinion to Support) to TOB for Shares of Shinsei Bank by SBI Regional Bank Holdings Co., Ltd. dated October 21, 2021 discusses, the median of the valuation of the per-share value based on dividend discount model analyses conducted by Shinsei Bank's financial advisor and the financial advisor dedicated to the Independent External Directors Council (one of the representative analysis methods that is used by financial institutions broadly to measure fundamental

value) are as follows. (The numbers in the brackets show valuation ranges.)

- Mitsubishi UFJ Morgan Stanley: JPY2,412 (JPY2,077 - 2,753)¹
 - PLUTUS CONSULTING: JPY2,449 (JPY2,018 - 2,881)²
- Sum of The Parts analysis (estimated by Shinsei Bank): In the Shinsei Bank Group, profits in the non-bank area including card loans for individuals represent the majority (FY2019: 52%; FY2020: 75%), which is much higher than in other domestic bank groups. On the other hand, under the prolonged low-interest rate environment, bank shares are traded at extremely low prices compared to their net assets, and Shinsei Bank is no exception. However, as mentioned earlier, in actuality, the Shinsei Bank Group has functions and a business portfolio of a general financial group which is a hybrid of non-bank business and banking business unlike other bank groups, even if the Shinsei Bank Group's capital structure has Shinsei Bank on the top. Valuation (discussed later) responding to such a business portfolio should therefore be reasonable. Furthermore, our sufficient capital for growth through non-organic investments can also be a source for future profit. Based on these points, per-share value is JPY3,355 if major subsidiaries such as Shinsei Financial, APLUS, Showa Leasing and UDC, non-organic investments in small-scale finance and Shinsei Bank are evaluated for each business with the PBR which is generally used when evaluating financial institutions.

(2) Initiatives for reflecting intrinsic value in the share price: Transition to a group structure to clearly indicate our value based on the Shinsei Bank Group's unique condition where non-bank revenues represent the majority and IR activities

- We consider that there is a gap between our capital structure which has Shinsei

¹ In calculating per-share value of Shinsei Bank, Mitsubishi UFJ Morgan Stanley has in principle adopted information provided by the Bank and generally disclosed information as is. The company assumes that the information is all accurate and complete and therefore has not validated its accuracy and completeness independently. The company has not evaluated or assessed the Bank's assets and liabilities independently and has not requested appraisal or valuation by a third party, either. In addition, Mitsubishi UFJ Morgan Stanley has not validated the appropriateness and reasonability of the Bank's financial forecasts independently, assuming that the information was created reasonably based on the best forecasts and judgments by the Bank as of October 21, 2021. The estimates by Mitsubishi UFJ Morgan Stanley have reflected the aforementioned information up to October 21, 2021.

² In calculating per-share value of Shinsei Bank, PLUTUS CONSULTING has in principle adopted information provided by the Bank and generally disclosed information as is. The company assumes that the information is all accurate and complete and therefore has not validated its accuracy and completeness independently. The company has not evaluated or assessed the Bank's assets and liabilities independently and has not requested appraisal or valuation by a third party, either. In addition, PLUTUS CONSULTING has not validated the appropriateness and reasonability of the Bank's financial forecasts independently, assuming that the information was created reasonably based on the best forecasts and judgments by the Bank as of October 19, 2021. The estimates by PLUTUS CONSULTING have reflected the aforementioned information up to October 19, 2021.

Bank at the top and wholly-owned major subsidiaries below Shinsei Bank (a bank group) and our actual condition which arranges business entities including Shinsei Bank horizontally with the (virtual) Group Headquarters at the top (a universal financial group) to create added value of bank and non-bank businesses in a unified manner through business operation across legal entities. In addition, recognition as “a universal finance group having the high credit standing of a bank” is more appropriate than just a bank group because the non-bank business which is profitable and has high growth potential is becoming the center of the Shinsei Bank Group’s earnings, and our strategy is to accelerate it.

- In order to remove the aforementioned gap, we will deepen essential understanding of the Shinsei Bank Group’s intrinsic value through appropriate disclosures and explanations to the stock market. We will also consider initiatives for making market evaluation consistent with our actual condition through transformation to a capital and group structure in line with the Shinsei Bank Group’s actual condition including a. making Shinsei Bank and non-banks as sister companies through migration to a holding-company structure and b. capital and business partnerships with external partners.
- Through these measures, we will appropriately separate management resource allocation from profit for each business entity (unit) to reflect the total of proper valuations of business entities in the share price, instead of being uniformly evaluated as a bank. We consider that operation by sector such as consumer finance, consumer credit and banking is out of date and is not the ideal operation for Shinsei Bank, and such operation is not desired by our customers. We therefore seek customer convenience without being bound by sectors and provide new products and services created through organic Group integration. We therefore do not intend to split-up and sell business entities.

(3) Initiatives for further increasing intrinsic value: Organic growth in focus areas, the value co-creation strategy and enhancing profit and capital efficiency through non-organic growth

We will implement the following initiatives with focused allocation of management resources in areas that can differentiate us from others.

- Organic growth: Small-scale finance will enhance credit capability and capability to provide products in line with customer needs with the Shinsei Bank Group as one team to increase customers and expand assets. Furthermore,

we will enhance asset purchasing and consulting businesses utilizing our expertise for quantifying and managing gray zone risk which we have developed. For the institutional investor business, we have targeted granting JPY500 billion of strategic loans to renewable energy during the next Medium-Term Strategies, with a stronger commitment to that area. For structured finance, we aim to originate JPY2.5 trillion during the next Medium-Term Strategies.

- Value co-creation strategy: We will achieve further growth through full-scale implementation of the existing value co-creation initiatives presented in the current Medium-Term Strategies and through making them profitable. In addition, we will enhance qualitative aspects such as optimized customization for each transaction, shared infrastructure, data usage and creation of more synergies by enhancing our proficiency as a group through diverse initiatives. We will also link this to a virtuous cycle which creates value co-creation opportunities in financial and non-financial fields by being broadly recognized and appreciated as an ideal partner having a strong value co-creation capability. By increasing partnerships with partner companies such as NTT Docomo (having more than 80 million users) and Family Mart (more than 9 million Fami Pay application downloads) that have huge customer bases and provide non-financial services, we will continue to build a broad customer base of several tens of million consumers which the Shinsei Bank Group serves directly and indirectly.
- Non-organic growth: We will promote investments and acquisitions by proactively using our extra capital to establish strong management and a competition base centered on non-banks in the rapidly growing Asia Pacific region. Other than non-banks, we will consider strategic partnerships with companies that will be a platform of digitalized businesses and companies having excellent technologies to develop business models and technologies and create synergies between our domestic bases and overseas bases. Overseas investments and acquisitions we have made are as follows:
 - 2017: MCredit (Vietnam): Joint venture (Contribution Amount: Approx. 5 billion yen. Ownership Ratio: 49%)
=> Business development in other ASEAN countries is under consideration
 - 2020: EasyLend (Hong Kong): Acquisition (Contribution Amount: Approx. 2 billion yen. Ownership Ratio: 100%)
 - 2020: UDC (NZ): Acquisition (Contribution Amount: Approx. 47 billion yen.

Ownership Ratio: 100%)

- 2021: Latitude (Australia): Investment (Contribution Amount: Approx. 25 billion yen. Ownership Ratio: 10%)

=> We have many Oceanian transactions in our pipeline

(At the same time, we try to optimize our portfolio by disposing of Jih Sun (Taiwan) which does not fall into our strategic area and withdrawing from NWB (Hong Kong) which failed to develop business as assumed in 2021.)

We will aim to achieve 8% ROE in the medium term through organic strategies in focus areas and the value-co-creation strategy, and by selectively using abundant capital for investments or acquisitions in areas/businesses having high capital efficiency.

Our forecasts for profit and the ROE considering non-organic growth (assuming to acquire JPY250 billion risk assets which is similar to our investment in UDC every year in and after FY2022 and to increase profit by JPY5 billion³) are as follows:

	March 2023	March 2024	March 2025
Net income attributable to the owners of the parent	JPY37.2B	JPY52.6B	JPY70.2B
ROE	3.9%	5.4%	6.9%

Even if our evaluation being recognized as a bank remains the same, a higher ROE will lead to a higher PBR because the ROE and PBR are positively correlated in the banking sector. Assuming the forecast for March 2025 based on non-organic growth, the PBR will increase from the current 0.33x to approximately 0.5x according to a PBR and ROE regression analysis. Per-share value will be approximately JPY2,700 since net assets will also increase.

(4) Risk of failing to create intrinsic value due to inconsistent between management resources and management policy, and mismatching of business fields

Corporate intrinsic value is created when its limited management resources (capital and human resources, etc.) are utilized in a most effective manner. In other words, there is risk of failing to create intrinsic value when capital is used in inappropriate business fields or when human resources are deployed in fields which their capabilities do not fit.

It is difficult for us to make specific confirmation because SBI is rejecting discussion with us at this point, but in general terms, some synergies with SBI are expected. However, even if an important synergy field such as “Shinsei Bank Group’s small-scale finance ×

³ Investment amounts will not necessarily be fixed every year since appropriate targets for investment/acquisition emerge irregularly.

SBI's security customers" is achieved, it will create, only several hundreds of million yen as a contribution to the profit after a few years based on an achievable balance assumption. Positive impact on our consolidated profit will be marginal if the profit is shared by SBI and Shinsei Bank.

In judging the appropriateness of an acquisition aiming to take control of Shinsei Bank while maintaining the company listing and having minority shareholders, the most important point is whether the parent company utilizes management resources of the subsidiary such as capital and human resources for the subsidiary in an optimized manner and whether the parent company harms the interests of minority shareholders by, for example, seeking its own interest rather than the possible synergies. To make the judgement, it is important to disclose the management structure and specific policies for using management resources (capital and human resources, etc.) to shareholders. The TOB by SBI can be supported by Shinsei Bank if there are convincing explanations about these matters.

(5) Seeking of partners which will be mutually complementary with the Shinsei Bank Group to generate and enhance the Shinsei Bank Group's intrinsic value

If SBI does not provide convincing explanations for the aforementioned matters, the bank believes that it will contribute to increase our share value to seek to create a business and capital alliance with other shareholder candidates who have an intention of demonstrating intrinsic value or supporting the demonstration of intrinsic value. As the opinion statement dated October 21, 2021 discusses, we do not necessarily aspire to remain as independent management. We are discussing with multiple shareholder candidates who can support the aforementioned strategies and accelerate increasing our share value. We have not excluded SBI from the candidates we have sounded out for discussion. We intend to continue the discussion even if the resolution item is approved at the general shareholders meeting to confirm shareholders' support.

End

Response Document: Attached Material

November 12, 2021



Shinsei Bank, Limited.

Strategy for Enhancing Intrinsic Value

Basic Strategy: Sustainability Management Strategies

Sustainability Management of Shinsei Bank Group

Corporate Activities with Sustainability as the Sole Criterion of Value and Judgement (Corporate Governance Centered on Sustainability)

- Full review of rules, budgets, evaluations, compensation, etc. centered on sustainability management
- Disclosures that are in line with key disclosure frameworks (TCFD, Principles for Responsible Banking, etc.) and that meet stakeholders expectations

Achieving Sustainability through Business Activities

- Expansion/creation of positive impact through solutions to sustainability issues
- Reduction/avoidance of negative impact through responsible investment and lending, etc.

Contributing to Sustainability as a Corporate Entity

- Monitoring and enhancement of human rights
- Enhancement of human capital (wellbeing management/D&I, etc.)
- Actions to the global environment (measurement/disclosure/improvement of climate change-related figures, etc.)
- Social initiatives that lead to enhancement of corporate value

Core Strategies: Creation of Pioneering and Co-Creative Positive Impact

Become a pioneer and create positive impact while expanding influence and range of influence through co-creation

Sustainable Finance

- Develop “finance for realizing a sustainable society” broadly and deeply
- Review all businesses from a sustainability perspective and allocate resources to areas where we can differentiate ourselves
- Continue to be a pioneering major player that is sympathized by institutional investors in the fields that contribute to solving social and environmental issues such as renewable energy, etc.

Continuous Financial Redesign

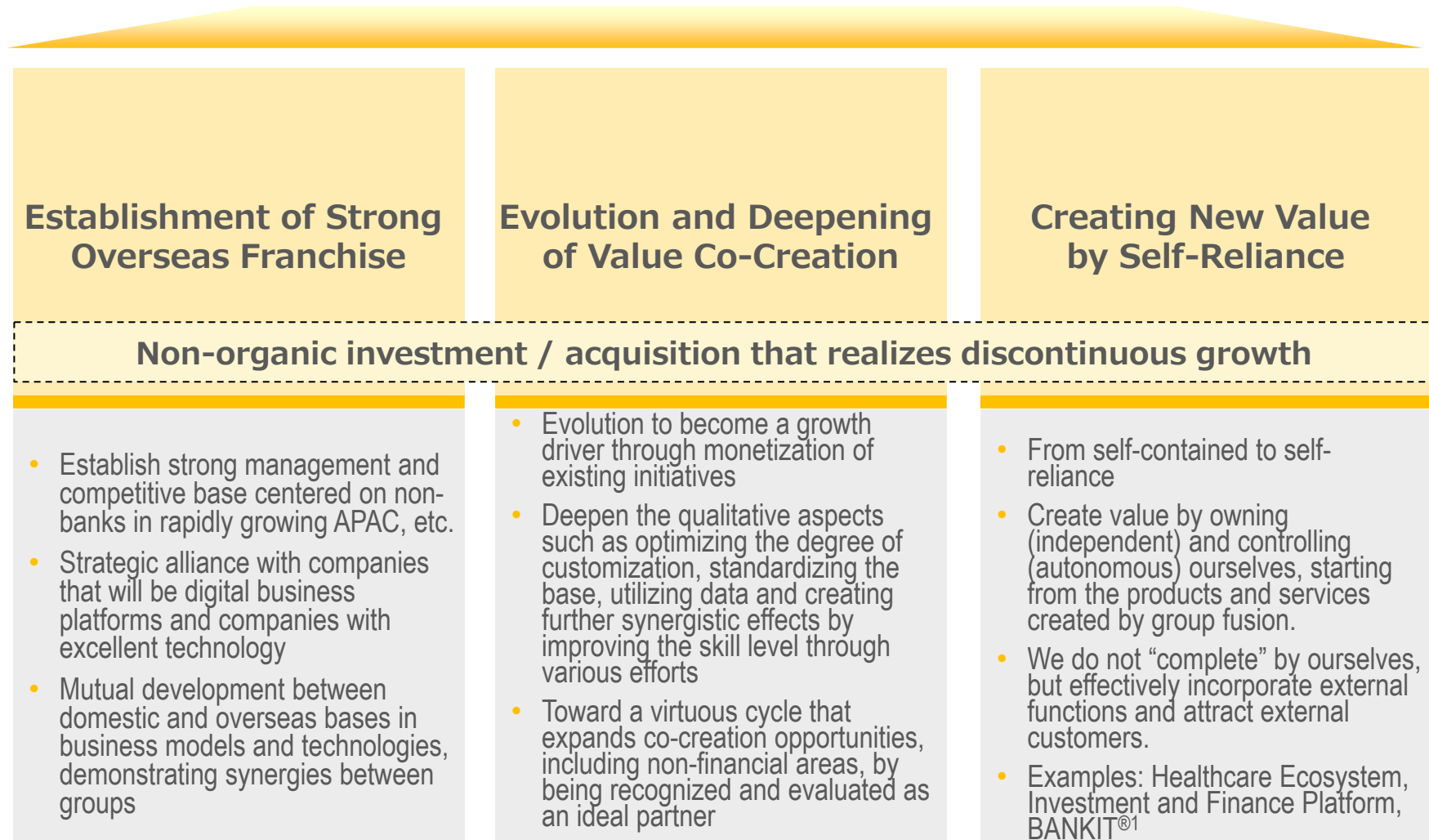
- While grasping cutting-edge and potential customer needs and leading changes, we will continue to redesign financial ways and technique, products and services
- Provide new solutions to meet customers’ underserved/unsatisfied needs and distribute funds (financial inclusion)

Integrity in Offense and Defense

- Proactively and actively bring a sense of security and trust in the customer experience
- Fulfill our mission as a social infrastructure to protect our customers from sophisticated and diversified threats
- Group employees work with pride and honor (that they have a positive impact on the environment and society)

Core Strategies: Optimal Risk-Return Contributing to Sustainable Profit Growth

Achieve sustainable profit growth by evolving and deepening self-reliance and value co-creation along with strengthening and expanding overseas businesses actively while working boldly on non-organic measures



Overview of Individual Strategies: Small-scale Finance

Goal (Sustainability) in 2030: The achievement of appropriate fund circulation of the entire society

- Contributes to enhancing customer convenience and to the achievement of smooth fund circulation in society, while responding to social change and more diverse values
- Established a sufficient security structure which excludes financial crime and illegal transactions as much as possible and a customer protection structure including prevention of multiple debtors. Employees are proudly engaged in their work by establishing a brand as a constant provider of financial services that can be used by customers and partner companies with peace of mind

Overview of Strategies for FY2022~FY2024

Expected changes in environment (threats and opportunities)

Opportunities

- Provision of finance functions to other sectors
- More diverse workstyles and lifestyles
- Government-led cash-less promotion
- Lowered adult age following revision to the Civil Act
- Industry reorganization through consolidation of financial institutions

Threats

- Smaller market size due to decreased population
- Rise of emerging and tougher competition
- Prolonged travel and movement restrictions due to COVID-19
- Change in customers behavior

Direction and strategy for deploying management resources

New businesses

- Create new value utilizing customer bases and service provision capability in the Group as well as external knowledge. In addition, deepen "value co-creation" and expand customer bases by enhancing credit capability and organizing a standardized platform
- Implement new finance products and expand asset purchasing and consulting business

Development of Existing businesses

- Shopping credit: Further develop business fields by utilizing Group functions and partners
- Unsecured loans: Expand assets efficiently by promoting partnerships with external parties and by leveraging digitalization

KPI Goals

New businesses (AUM)

Utilizing client base and partnership

Approx. JPY43 billion

New finance products

Approx. JPY36 billion

Existing businesses (AUM)

Shopping credit

Approx. JPY1,420 billion
+Approx. 12%⁽¹⁾

Unsecured loans

Approx. JPY580 billion
+Approx. 22%⁽¹⁾

Value Co-creation

- Focus on deepening partnerships with non-financial and different industry players who have established customers and business bases that are different from the Shinsei Bank Group

(1) From the fiscal 2021 forecast

Overview of Individual Strategies: Institutional Investor Business

Goal (Sustainability) in 2030:

- Qualitative perspective: A financial group with strong awareness of its responsibilities and roles as social infrastructure and creating positive impacts on society jointly with institutional investors by constantly providing value in concert with institutional investors
- Quantitative perspective: Target JPY10 trillion (of which sustainable finance: JPY 5 trillion) AUM based on the cumulative origination amount) as we will not seek growth independently but will achieve sustainable growth jointly with institutional investors

Overview of Strategies for FY2022~FY2024

Expected changes in environment (threats and opportunities)

Opportunities

- Increased **importance of sustainability indicators** in investment decisions (progressed integration of ESG)
- Progressed information disclosure and responses to the TCFD
- Stronger necessity for **transition** and progressed specific initiatives
- **Quantitative targets** following participation in initiatives such as PRB
- Promotion and penetration of **DX**
- Expanded **alternative asset** investors

Threats

- Surfaced and more diverse **ESG risk** (decarbonization, human rights, etc.)
- Tougher competition over **sustainable finance**
- **Non-financial players'** participation in the finance market
- Structured finance becoming **more of a commodity**

Direction and strategy for deploying management resources

Sourcing

- Stronger commitment to the renewable energy field
- Fusion between structured finance and corporate finance

Distribution

- Build business promotion structures from investor viewpoints

KPI Goals

Renewable energy field

Strategic loan target in the renewable energy field:
JPY500 billion

Structured finance and corporate finance

Establish 100 core clients

Renew institutional investors business structures

Establishment of a strategic holding facility for institutional investors: JPY100 billion
(of which sustainability: JPY50 billion)

Value Co-creation

- Collaboration (syndication) centered on structured finance has expanded dramatically over the last few years, and now engaged in transactions with approximately 90% of the regional banks. Aim to take further steps and expand the scope of services other than other asset managers and senior finance

Overview of Individual Strategies: Overseas Business

Goal (Sustainability) in 2030:

- Demonstrates a solid existence as a financial group contributing to the achievement of a sustainable society in regions such as APAC which have social problems (financial inclusion and decarbonization, etc.) by providing financial services with digital capability
- Contributes to increasing corporate value with deepened diversity through global businesses and promoting diverse human resources and by developing and generating human resources who lead global businesses with sophisticated skills and extensive experience
- Established reasonable and efficient operation and an outstanding governance structure for subsidiaries and businesses overseas. Securing sustainable revenues intelligently and by utilizing broad networks and experience and by replacing portfolios appropriately. Contributing to the expansion of the Group's earnings bases and is trusted by internal and external stakeholders

Overview of Strategies FY2022~FY2024

Expected changes in environment (threats and opportunities)

Opportunities

- **Sustainability management** as a new norm
- **Economic growth in Asia**
- Ideals and gaps from the ideals in **financial inclusion** of developing countries
- **Deregulation** of foreign capital regulations and domestic banking act, etc. in Southeast Asia
- Industry reorganization due to **stricter regulations** in countries such as Australia
- **Digitalization** and progressed entries by other sectors

Threats

- **Accelerated overseas expansion** of competitors including financial conglomerates in and outside Japan
- **Geopolitical risk** such as political turmoil, epidemic spread and disputes
- **Currency fluctuation risk** due to excessive liquidity and vulnerability of the Asian economies
- **Stronger supervision** and governance of subsidiaries and affiliates required by the overseas authorities

Direction and strategy for deploying management resources

New businesses

- In addition to small-scale finance, our traditional strategic growth area, non-organic strategies such as acquiring companies operating digital finance that will serve as a platform
- Enhance digital capability through partnerships with and investments in companies, etc. with excellent technologies and infrastructure (Also consider bringing overseas technologies and business models to Japan)

Development of Existing businesses

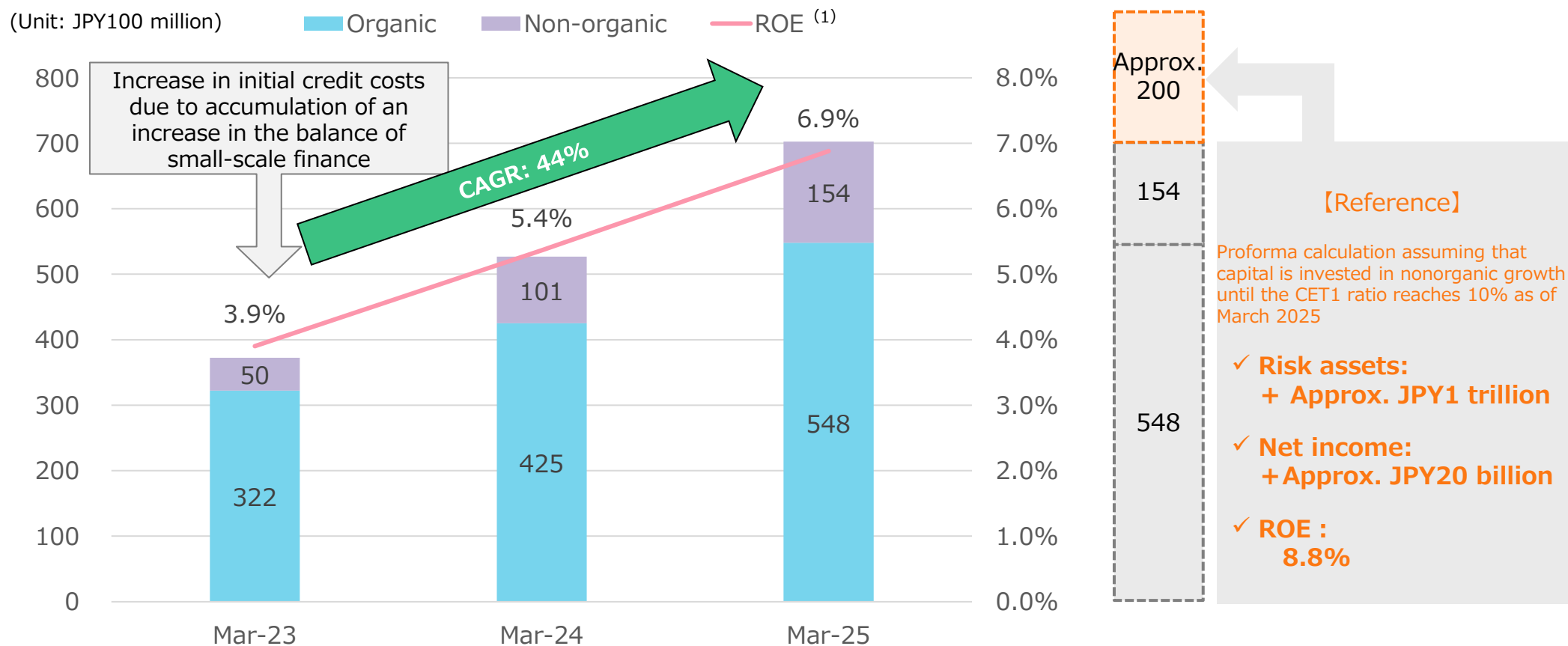
- Expand and enhance existing overseas business franchise through investments and acquisitions through platforms of existing investee companies (including promotion of transition finance)

Rationale for Enhancing Intrinsic Value and Share Price

Performance Forecast Reflecting the Impacts of Nonorganic Strategy

- Create a unique business portfolio by investing in and acquiring nonbank businesses in Japan and overseas
- Continue active investments in small-scale finance areas, by leveraging the capabilities based on abundant capital and experience
- The following net income forecast is for the case in which the Bank is assumed to acquire JPY250 billion in risk assets, an amount almost comparable to UDC, and increase income by JPY5 billion every term, starting in FY2022. In this proforma calculation, the CET1 ratio is adequately maintained above 10%, leaving room for investments in and after FY2025

Changes in “Net Income Attributable to Owners of the Parent”



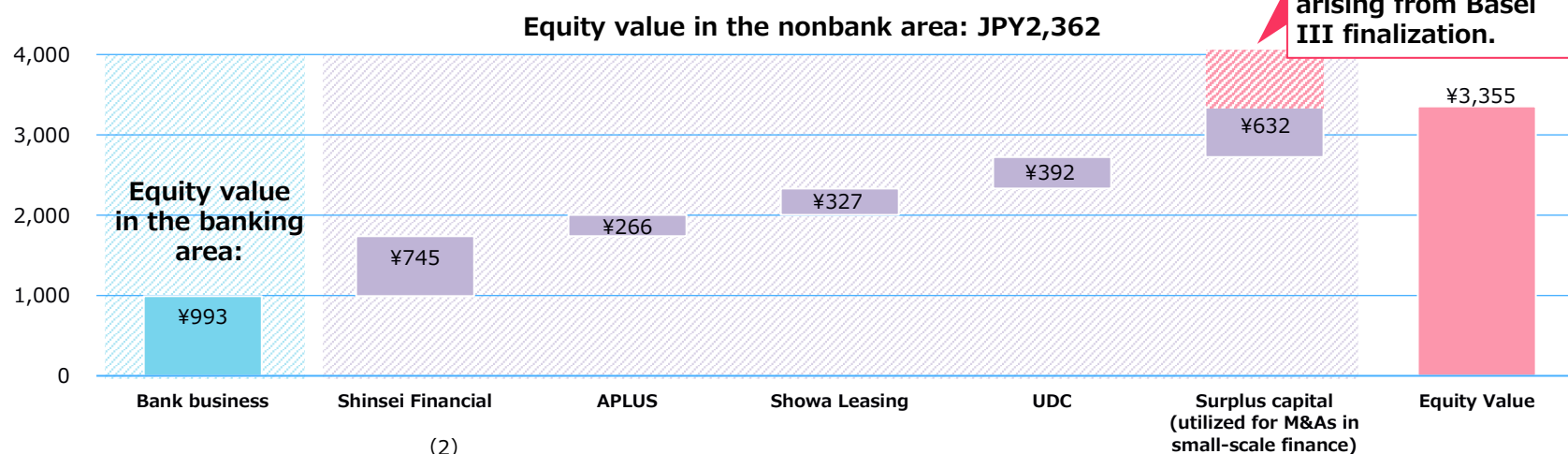
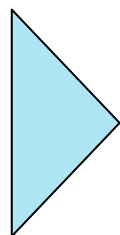
Decomposition of Per-share Equity Value on Sum-of-The-Parts (SoTP) Basis (Proforma Calculation by Shinsei)

- There is a wide gap between (1) JPY302.8 billion in market capitalization calculated by multiplying the September 9 closing price by the number of shares (excluding treasury shares as of the end of August 2021) and (2) JPY930.5 billion⁽¹⁾ in net assets as of June 30, 2021
- Profits from the nonbank business already account for more than half of the Shinsei Bank Group's earnings. Given the fact that further nonorganic investments will be made in small-scale finance, the following is the result of calculation by tallying the figures for each business of major subsidiaries, rather than assessing the equity value uniformly as banking business

Per-share equity value on SoTP basis (PBR basis)⁽²⁾

(Unit: JPY)

Rough picture of increase in per-share equity value



Upside by making use of the surplus capital additionally arising from Basel III finalization.

Summary of proforma calculation

(Unit: JPY100 million)

Segment	Bank business ⁽³⁾	Shinsei Financial	APLUS	Showa Leasing	UDC ⁽⁵⁾	Surplus capital (utilized for M&As in small-scale finance)	Equity value
Shareholders' equity (21/6A) ⁽⁴⁾	4,602	1,296	739	1,051	419	1,099	
Applicable PBR (reference is made to the peers)	0.45x	1.20x	0.75x	0.65x	1.95x	1.20x	
Equity value	2,071	1,555	554	683	817	1,318	6,999
Per-share equity value (JPY)	¥993	¥745	¥266	¥327	¥392	¥632	¥3,355

(1) Calculated by subtracting equity warrants and non-controlling interests from the total amount of net assets. The same applies to the following pages.

(2) Per-share equity value is calculated by dividing each segment's equity value (before goodwill) by 208,641,080 shares, i.e., the number of shares excluding treasury shares as of September 30, 2021. The market data is as of October 31, 2021.

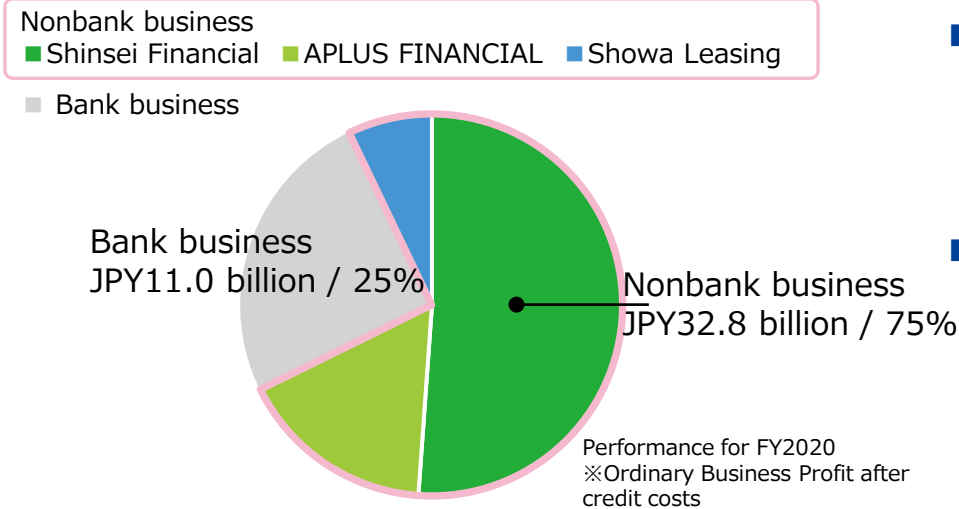
(3) Shareholders' equity for the bank business is calculated by subtracting each subsidiary's consolidated shareholders' equity and surplus capital tied to the contribution to future profits from investments/acquisitions in small-scale finance from Shinsei Bank's consolidated shareholders' equity.

(4) On the basis of Shinsei Bank's consolidated shareholders' equity as of June 30, 2021, the treasury shares acquired in July, August and September have been considered.

(5) Shareholders' equity as of December 31, 2021. (translated into JPY using the exchange rate as of December 31, 2020) was used.

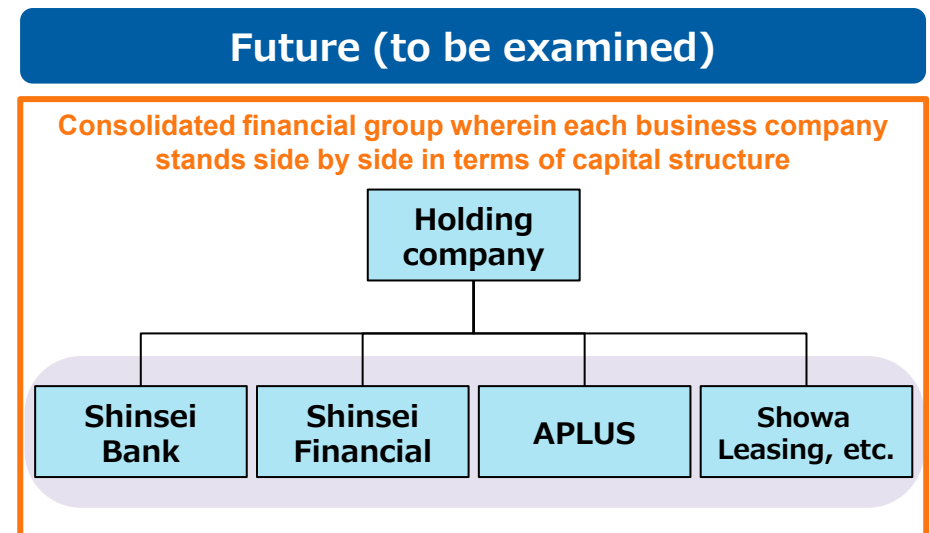
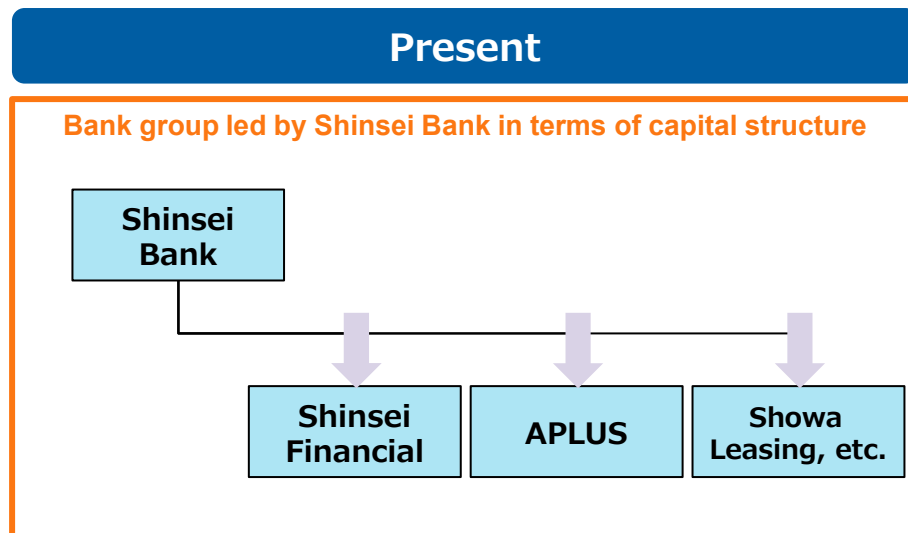
Measures for Reflecting the Shinsei Bank Group's Profit Structure and Intrinsic Value in Share Price

Proportion of profits from the nonbank business in the entire Shinsei Bank Group



- In April 2017, “virtually” established the Group Headquarters within Shinsei Bank in order to consolidate the group’s businesses, enhance group governance and improve productivity/efficiency
- In terms of capital structure, the group is led by Shinsei Bank which wholly owns the major subsidiaries. However, in substance, it is a “consolidated financial group” generating added value as a unified bank/nonbank by managing operations across legal entities by positioning each business company side by side

Transform the group structure (to be consistent with the actual status)



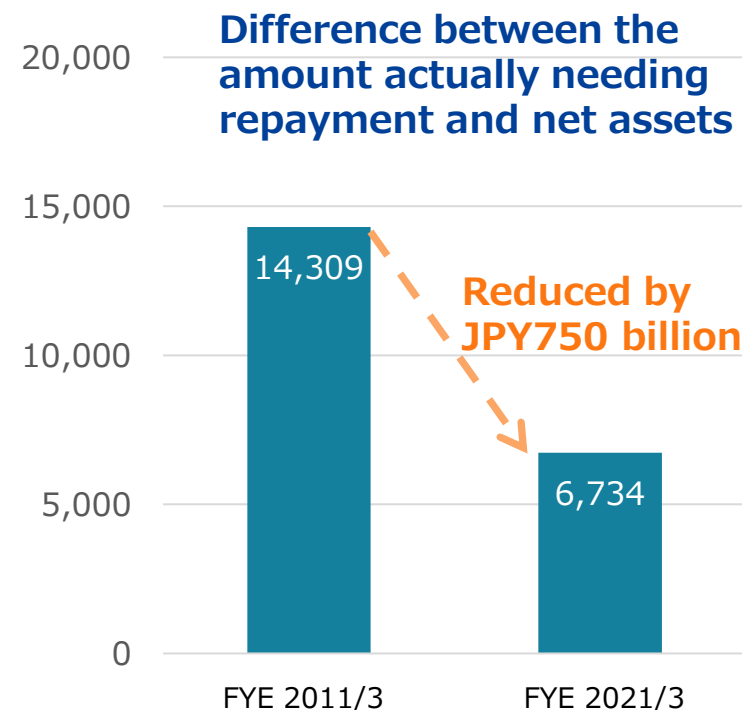
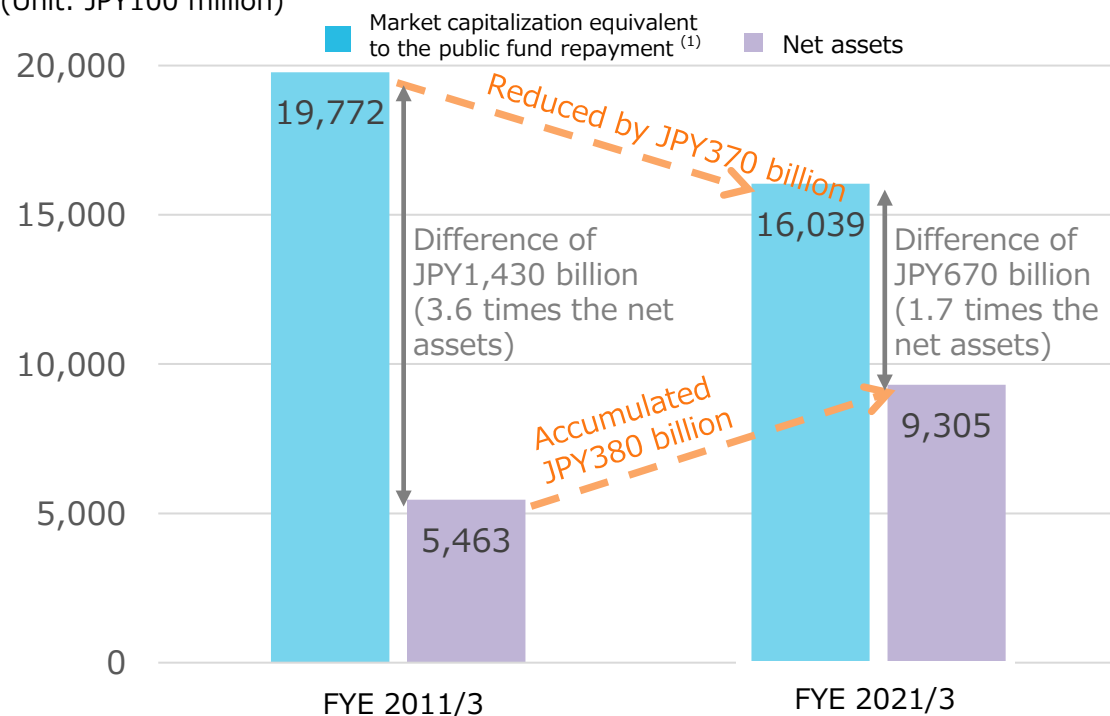
Progress to Date in Repayment of Public Funds

Essential points of public funds repayment

- With respect to the public funds injected in the form of preferred shares, JPY150.6 billion was repaid in 2006. This was part of the JPY500 billion, i.e., the recovery target set forth by the government. Because the outstanding amount was entirely converted into common shares in 2007 and 2008, for repaying the remaining JPY349.4 billion, the share price needs to be approximately JPY7,450. Accordingly, it may be said that the amount actually needing repayment, or the market capitalization equivalent thereto, is the product of JPY7,450 multiplied by the number of shares (excluding treasury shares)
- In the past 10 years, the Bank has steadily accumulated internal reserves. Since 2016 it has made steady progress in public funds repayment by emphasizing shareholders' return and acquiring treasury shares in levels unmatched by its domestic peers, in order to reduce the amount actually needing repayment (For the relevant data, refer to the graphs below)

Changes in the difference between the amount actually needing repayment and net assets

(Unit: JPY100 million)

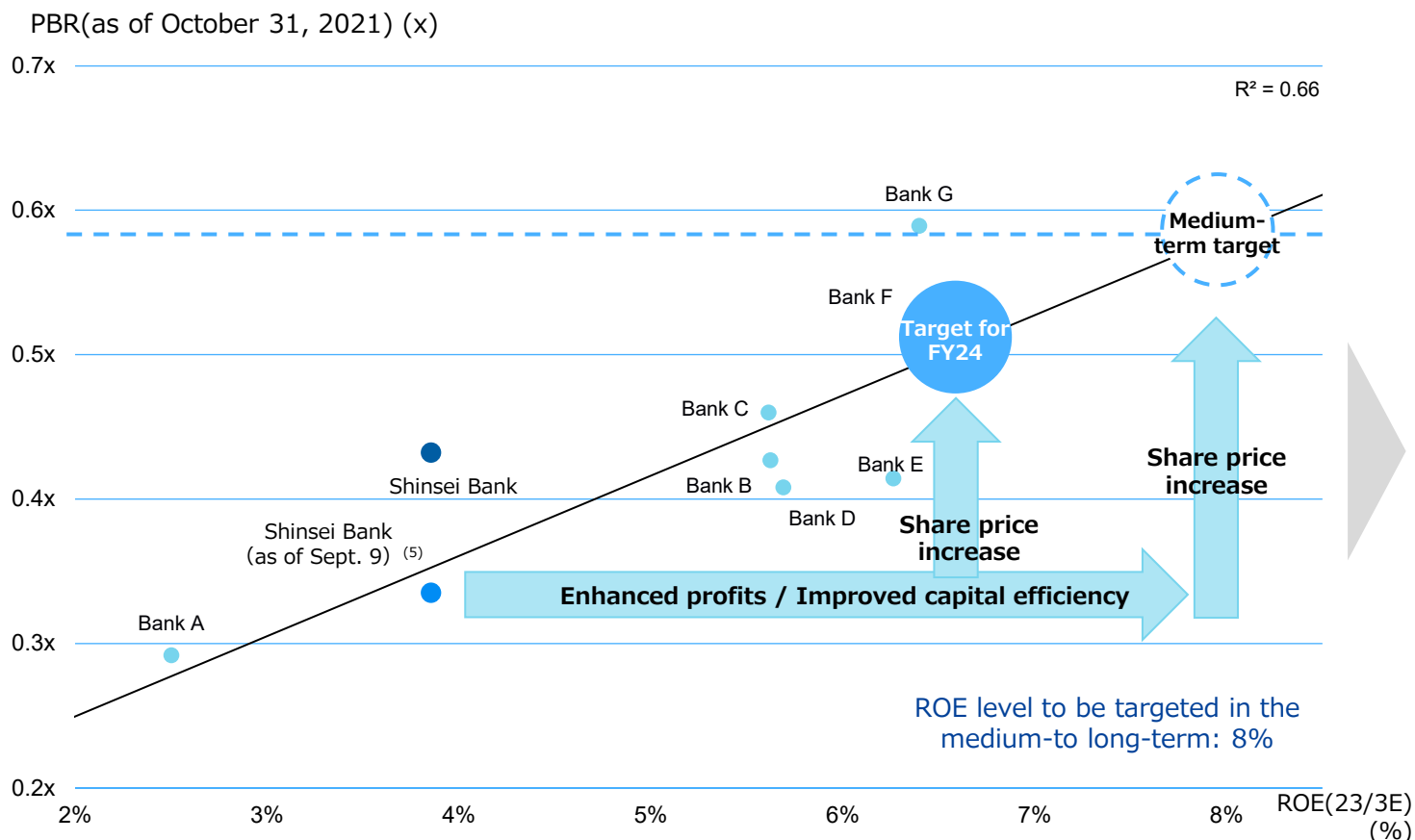


(1) Calculated by multiplying JPY7,450 by the number of shares at the end of each FY (excluding treasury shares). For FYE March 2011, the number of shares after adjustments for the reverse stock split conducted in 2017 was used.

Future Policy for Enhancing Corporate Value / Share Price

- Make efforts to improve ROE not only by reducing the amount actually needing repayment by accumulating internal reserves and acquiring treasury shares, but also by organic growth, such as small-scale finance with high capital efficiency and business with institutional investors as well as by nonorganic strategy, centered on APAC
- The relationship between ROE and PBR in the banking business is shown below. We will aim at enhancing value by increasing PBR through improving ROE and by accumulating internal reserves

PBR-ROE regression analysis in the Japanese banking sector (1)(2)(3)(4)



[Reference]
Proforma calculation based on PBR-ROE regression analysis and nonorganic growth.

At present (as of Sep. 9, 2021)

Net assets: Approx. JPY930 billion
PBR: 0.33x
Per-share equity value: JPY1,440

FY2024

Net assets: Approx. JPY1,100 billion (6)
PBR: Approx. 0.5x
Per-share equity value: Approx. JPY2,700

(1) Market data are as of October 31, 2021.

(2) On the basis of Shinsei Bank's consolidated shareholders' equity as of June 30, 2021, we have taken into account the treasury shares acquired in July, August and September.

(3) Shinsei Bank's ROE (23/3E) was calculated by dividing "Net Income Attributable to Owners of the Parent" (23/3E) by shareholders' equity (21/6A).

(4) The regression formula was calculated without including Shinsei Bank.

(5) Calculated by using the share price as of September 9, 2021 and by subtracting the treasury shares acquisition amount disclosed on September 3, 2021 from the shareholders' equity.

(6) We have not taken into account the treasury shares to be acquired on and after March 31, 2022.

(Reference) Summary of Numeric Values

Performance Forecast Reflecting the Impacts of Nonorganic Strategy

	FYE March 2023	FYE March 2024	FYE March 2025
Organic	JPY32.2 billion	JPY42.5 billion	JPY54.8 billion
Nonorganic	JPY5.0 billion	JPY10.1 billion	JPY15.4 billion
Total	JPY37.2 billion	JPY52.6 billion	JPY70.2 billion
ROE	3.9%	5.4%	6.9%

Per-share equity value calculated by Shinsei Bank using various methods

Per-share equity value	Per-share equity value	Remarks
Market Approach (SoTP)	JPY3,355	Has not taken into account the surplus capital resulting from Basel III finalization
Market Approach (assumption: forecast ROE for FY2024)	Approx. JPY2,700	Has not taken into account the surplus capital resulting from Basel III finalization

Median of the assessed range of per-share equity value using the DDM analysis conducted by financial advisors

Per-share equity value	Per-share equity value	Remarks
DDM analysis (Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.)	JPY2,412	Range: JPY2,077 to JPY2,753 (to the left is the median) after reflecting the surplus capital resulting from Basel III finalization
DDM analysis (Plutus Consulting Co., Ltd.)	JPY2,449	Range: JPY2,018 to JPY2,881 (to the left is the median) after reflecting the surplus capital resulting from Basel III finalization

(Reference) Extraordinary General Meeting of Shareholders

- Shinsei Bank has resolved to convene regarding **the extraordinary general meeting of shareholders pursuant to its takeover defense measures in order to confirm the overall intention of its shareholders** regarding the allotment to shareholders of share subscription rights without contribution as a countermeasure with respect to the tender offer for common shares of the Bank by SBI Regional Bank Holdings Co., Ltd.

Date
and
Time

November 25, 2021 (Thursday) at 10:30 a.m.

Venue

Belle Salle Akihabara
Sumitomo Fudosan Akihabara Building, 12-8, Sotokanda 3-chome, Chiyoda-ku, Tokyo

Agenda

Item for Resolution:

The Allotment of the Share Subscription Rights without Contribution

The convocation notice is available via “extraordinary general meeting of shareholders” from “Information related to TOB” on Shinsei Bank’s website: <https://www.shinseibank.com/corporate/en/tob/>

Please exercise your voting right by mail or via internet by the deadline in case you do not attend the meeting in person: Wednesday, November 24, 2021 by 5:00 p.m.

- Glass Lewis & Co., LLC (Glass Lewis) and Institutional Shareholder Services Inc. (ISS), both proxy advisory firms, have issued a report **recommending a vote “FOR”** with respect to the item for resolution

Item for Resolution	Glass Lewis	ISS
The Allotment of the Share Subscription Rights without Contribution	Recommending a vote “FOR”	Recommending a vote “FOR”

Disclaimer

- The preceding description of Shinsei Bank Group's Medium-Term Strategies and other strategy to enhance corporate value contain forward-looking statements regarding the intent, belief and current expectations of our management with respect to our financial condition and future results of operations. These statements reflect our current views with respect to future events that are subject to risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, our actual results may vary materially from those we currently anticipate. Potential risks include those described in our annual securities report filed with the Kanto Local Finance Bureau, and you are cautioned not to place undue reliance on forward-looking statements.
- Unless otherwise noted, the financial data contained in these materials are presented under Japanese GAAP. Shinsei Bank Group disclaims any obligation to update or to announce any revision to forward-looking statements to reflect future events or developments. Unless otherwise specified, all the financials are shown on a consolidated basis.
- Information concerning financial institutions and their subsidiaries other than Shinsei Bank Group are based on publicly available information.
- These materials do not constitute an invitation or solicitation of an offer to subscribe for or purchase any securities and neither this document nor anything contained herein shall form the basis for any contract or commitment whatsoever.

