

Policies for Initiatives Concerning the “Corporate Governance Code”

Establishment Date: June 1, 2015

Effective Date: November 8, 2018

Shinsei Bank, Limited

1. Basic views on corporate governance

Shinsei Bank, Limited (hereinafter “the Bank”) recognizes that enhancing corporate governance is one of the highest priorities to achieve our management principles, and has established a corporate governance framework as a “Company with an Audit & Supervisory Board”. This model aims to ensure appropriate managerial decision-making and business implementation in order to establish a corporate governance framework with sufficient organizational checking functions. We aim to achieve this through the following two key actions:

- 1) Consolidating business execution authorities and responsibilities in the Board of Directors, under oversight by outside Directors setting the broad direction of corporate strategy and establishing an environment where appropriate risk-taking by the senior management is supported; and
- 2) Assigning Audit & Supervisory Board Members and an Audit & Supervisory Board those are independent of the Board of Directors auditing duties that include auditing of the Board of Directors.

The Bank approves of the “Corporate Governance Code” applicable to listed companies in Japan which will come into effect in June 2015, in that we seek to adequately practice the Code for effective corporate governance in pursuit of sustainable growth and increasing corporate value over the mid- to long-term, and thereby contribute to the development and success of stakeholders and the Japanese economy as a whole. The Bank intends to enhance corporate governance in line with the basic policies outlined below for the respective general principles.

Basic guidelines on corporate governance

- (1) Shinsei Bank fully recognizes that without an appropriate cooperation with stakeholders including shareholders and investors, it would be difficult to achieve sustainable growth and shareholders are the primary starting point for corporate governance discipline. Shinsei Bank takes appropriate measures to fully secure shareholder rights and develop an environment in which shareholders can exercise their rights appropriately and effectively. In addition, Shinsei Bank enhances to secure effective equal treatment of shareholders.
- (2) Shinsei Bank fully recognizes that our sustainable growth and the creation of mid- to long-term corporate value are brought about a result of the provision of resources and contributions made by a range of shareholders, including employees, customers and local communities. As such, Shinsei Bank endeavors to appropriately cooperation with these stakeholders.
- (3) Shinsei Bank seeks actively disclose various information regarding its management in order to increase in transparency of management, to obtain accurate understanding on our management status and policies from customers, investors and stakeholders, and to widely receive an appropriate evaluation from society. Shinsei Bank aims to provide voluntary, timely

and continuous disclosure in fair and effective manner in terms of information not only those in compliance with the relevant laws and regulations but also additional information that does not fall under the Timely Disclosure Rules in order to meet needs from customers, stakeholders and investors. Shinsei Bank endeavors to engage in constructive dialogue with shareholders even outside the general shareholder meeting and to work for developing a balanced understanding of the positions of shareholders and other stakeholders and acting accordingly.

2. The Bank's initiative concerning the Corporate Governance Code

General Principle 1

Companies should take appropriate measures to fully secure shareholder rights and develop an environment in which shareholders can exercise their rights appropriately and effectively.

In addition, companies should secure effective equal treatment of shareholders.

Given their particular sensitivities, adequate consideration should be given to the issues and concerns of minority shareholders and foreign shareholders for the effective exercise of shareholder rights and effective equal treatment of shareholders.

Principle 1.1 Securing the Rights of Shareholders

Companies should take appropriate measures to fully secure shareholder rights, including voting rights at the general shareholder meeting.

The Bank will take the following appropriate measures to fully secure shareholder rights, including voting rights at the general shareholder meeting.

(Supplementary Principle 1.1.1)

- When a considerable number of votes have been cast against a proposal by the Bank and the proposal was approved, the Bank will analyze the reasons behind the opposing votes and why many shareholders were opposed, and consider the need for shareholder dialogue and other measures.

Specifically, if the number of opposing votes exceeds the approving votes excluding the exercised votes of the Bank's major shareholders, namely the Deposit Insurance Corporation of Japan, the Resolution and Collection Corporation, and J.C. Flowers & Co. LLC, we will deem it as "a considerable number of opposing votes", report the analysis of the reasons and measures, and follow up on those measures.

(Supplementary Principle 1.1.2)

- When proposing to shareholders that certain powers of the general shareholder meeting be delegated to the board, the Bank will consider whether the board is adequately constituted to fulfill its corporate governance roles and responsibilities.

(Supplementary Principle 1.1.3)

- Given the importance of shareholder rights, the Bank will ensure that the exercise of shareholder rights is not impeded.

Principle 1.2 Exercise of Shareholder Rights at General Shareholder Meetings

Companies should recognize that general shareholder meetings are an opportunity for constructive dialogue with shareholders, and should therefore take appropriate measures to ensure the exercise of shareholder rights at such meetings.

The Bank recognizes that Annual General Meetings of Shareholders are an opportunity for constructive dialogue with shareholders, and therefore take the following appropriate measures to ensure the exercise of shareholder rights at such meetings from the perspective of the shareholders.

(Supplementary Principle 1.2.1)

- The Bank will strive to provide accurate information to shareholders as necessary in order to facilitate appropriate decision-making at Annual General Meetings of Shareholders, by means of including information in the convening notice or disclosing the information on the Bank's website.

(Supplementary Principle 1.2.2)

- The Bank dispatches the convening notices for Annual General Meetings of Shareholders three weeks in advance to give our shareholders sufficient time to consider the agenda. The convening notice is also disclosed by electronic means such as through TDnet or on the Bank's website prior to dispatch.

(Supplementary Principle 1.2.3)

- In determining the date of the general shareholder meeting, the Bank avoids dates conflicting with Annual General Meetings of Shareholders of many other companies, in consideration of facilitating sufficient constructive dialogue with shareholders and ensuring the accuracy of information necessary for such dialogue.

(Supplementary Principle 1.2.4)

- Bearing in mind that the Bank's shares held by institutional investors based on substantial shareholders continuously account for over 80%, and those held by foreign corporations and individuals continuously account for over 50%, the Bank uses the Electronic Voting Platform and takes steps for the creation of an infrastructure allowing electronic voting. The Bank also provides English translations of the convening notice and strives to contribute to the convenience of foreign investors.

(Supplementary Principle 1.2.5)

- In case where institutional investors hold shares of Shinsei Bank indirectly through other legal entities, such as trust banks (*shintaku ginko*), but express a desire to exercise voting rights directly in Shinsei Bank's annual general meeting of shareholders instead of through the custodian entity, Shinsei Bank will allow such institutional investors to attend its annual general meeting of shareholders based on the provisions of its Articles of Incorporation and the Share Handling Regulations, if the requirements are satisfied.

Principle 1.3 Basic Strategy for Capital Policy

Because capital policy may have a significant effect on shareholder returns, companies should explain their basic strategy with respect to their capital policy.

The Bank articulates in its Third Medium-Term Management Plan ("Third MTMP"), announced on January 29, 2016, its recognition that capital policy is a key management issue, and while accumulating a sufficient level of retained earnings as a public fund injected Bank, it looks to improve shareholder returns in addition to identifying the path to the repayment of public funds. In order to improve shareholders return, the Bank considers maintaining and increasing the total payout ratio. The Bank's progress versus the capital policy will be regularly disclosed either in the Message from the Management or in the Progress of the Third MTMP in the disclosure materials.

Principle 1.4 Cross-Shareholdings

When companies hold shares of other listed companies as cross-shareholdings, they should disclose their policy with respect to doing so, including their policies regarding the reduction of cross-shareholdings. In addition, the board should annually assess whether or not to hold each individual cross-shareholding, specifically examining whether the purpose is appropriate and whether the benefits and risks from each holding cover the company's cost of capital. The results of this assessment should be disclosed.

Companies should establish and disclose specific standards with respect to the voting rights as to their cross-shareholdings, and vote in accordance with the standards.

(1) Policy for reducing cross-shareholdings

The Bank deems investment shares with the objective other than purely financial as cross-shareholdings, which in principle excludes shares that are strategically held due to a new business or a new business partnership. Under such a policy, for listed shares considered necessary to be acquired or held in view of the respective business status including the need to maintain or strengthen business relations, the Bank verifies the appropriateness of acquiring and holding the shares according to predefined procedures, and discloses in the securities report the individual name, number, the amount booked on the balance sheet, and the objective of the shares as specific investment shares.

A new cross-shareholding is approved at the Group Executive Committee if it is for a new business or business partnership and by a panel consisting of the Head of Executive Officer in charge of transaction, Head of Credit Risk Management, and Chief Officer of Group Planning and Finance if it is for other purposes. A cross-shareholding related to an important new business or business partnership is approved at the Board.

(2) Verification of the significance and economic rationale of cross-shareholdings

The cross-shares held are regularly reported to the internal committee responsible for risk judgment of transactions to verify medium- to long-term economic rationale and future outlook based on the expected return and risks are to discuss the significance and policy of the cross-shareholding. The results of the discussions are regularly reported to the Board. Based on reports from the executive side, the Board verifies the appropriateness of cross-shareholding of individual stocks from perspectives including whether the cross-shareholding is in line with the Bank's strategy and whether the benefit gained from the holding should be prioritized even considering risks of the holding, and requests the executive side to take appropriate actions when necessary. Specifically, for all listed stocks it holds, the Bank defines its policy including decreasing the cross-shareholding and confirms the implementation status of the policy annually after the business section in charge of the transaction, risk management section, and planning and finance section examine the purpose of cross-shareholding, finance and risk statuses, statuses of transactions with the counterparty and earnings from the transactions, unrealized gains and losses, and other indirect advantages that can be gained by conducting comprehensive transactions with the counterparty. In FY2017, the Bank further decreased its cross-shareholdings through the aforementioned verification process, resulting in 16 listed stocks held as policy shares and booking 16.1 billion yen on the balance sheet as of the end of March 2018. The Bank will ensure controlled management of cross-shareholdings.

(3) Criteria for exercising voting rights

In exercising voting rights as to cross-shareholdings, the Bank judges as basic criteria whether to exercise the rights or not through internal procedures, whether the cross-share contributes to the improvement of long-term shareholder value, whether the exercising incurs a disadvantage, whether the exercising damages the significance of cross-shareholding when it is due to a new business or a new business partnership, and whether the cross-shareholding has been fully explained as needed.

(Supplementary Principle 1.4.1)

- The Bank is not aware of the existence of cross-shareholders of the Bank's shares. When its clients, etc. indicate their intention to dispose of the Bank's shares, the Bank will respond in an appropriate manner so that it will not hinder the disposal.

(Supplementary Principle 1.4.2)

- The Bank is not aware of the existence of cross-shareholders of the Bank's shares.

Principle 1.5 Anti-Takeover Measures

Anti-takeover measures must not have any objective associated with entrenchment of the management or the board. With respect to the adoption or implementation of anti-takeover measures, the board and *kansayaku* should carefully examine their necessity and rationale in light of their fiduciary responsibility to shareholders, ensure appropriate procedures, and provide sufficient explanation to shareholders.

The Bank has so far taken no initiative intended to have an effect of anti-takeover measures; however, if we were to adopt or implement such measures in the future, the Board of Directors and the Audit & Supervisory Board would carefully examine their necessity and rationale, ensure appropriate procedures, and provide sufficient explanation to our shareholders.

(Supplementary Principle 1.5.1)

- In case of a tender offer, the Bank will disclose our intentions concerning the tender offer.

Principle 1.6 Capital Policy that May Harm Shareholder Interests

With respect to a company's capital policy that results in the change of control or in significant dilution, including share offerings and management buyouts, the board and *kansayaku* should, in order not to unfairly harm the existing shareholders' interests, carefully examine the necessity and rationale from the perspective of their fiduciary responsibility to shareholders, should ensure appropriate procedures, and provide sufficient explanation to shareholders.

The Bank has so far not exercised any capital policy which resulted in the change of control or in significant dilution; however, if we judge that such capital policy is needed in the future, we will examine the necessity and rationale, ensure appropriate procedures, and provide sufficient explanation to our shareholders.

Principle 1.7 Related Party Transactions

When a company engages in transactions with its directors or major shareholders (i.e., related party transactions), in order to ensure that such transactions do not harm the interests of the company or the common interests of its shareholders and prevent any concerns with respect to such harm, the board should establish appropriate procedures beforehand in proportion to the importance and characteristics of the transaction. In addition to their use by the board in approving and monitoring such transactions, these procedures should be disclosed.

Concerning transactions with related parties including Directors, the Bank has an established process to consider the transaction according to the Bank Rules, mainly in light of the conflicts of interest with the Bank and the fairness of the transaction, and if needed, obtain the approval of the Board of Directors upon deliberating the conflicts of interest and the fairness of the transaction at the Special Transaction Review Committee where Audit & Supervisory Board Members (Full-time) are present. The Bank

implements regulation as Bank Rules pertaining to the transaction with major shareholders of the Bank, in order to ensure independence required by the Bank Law in the relationship with major shareholders, based on Bank Rules, the Bank has also established process to seek the judgment of the Board when a transaction that may cause conflict of interest is to be conducted. For transactions with related parties including Directors and with major shareholders of the Bank approved by the Board, the Bank will organize a system to secure the profits of the stakeholders based on objective judgment, including reports of important facts concerning the transactions to the Board following the initiation of the transactions, regular monitoring of the transactions by the Special Transaction Review Committee, and ensuring an appropriate monitoring framework by seeking the Board's judgment when necessary.

General Principle 2

Companies should fully recognize that their sustainable growth and the creation of mid- to long-term corporate value are brought about as a result of the provision of resources and contributions made by a range of stakeholders, including employees, customers, business partners, creditors and local communities. As such, companies should endeavor to appropriately cooperate with these stakeholders. The board and the management should exercise their leadership in establishing a corporate culture where the rights and positions of stakeholders are respected and sound business ethics are ensured.

Principle 2.1 Business Principles as the Foundation of Corporate Value Creation Over the Mid-to Long-Term

Guided by their position concerning social responsibility, companies should undertake their businesses in order to create value for all stakeholders while increasing corporate value over the mid- to long-term. To this end, companies should draft and maintain business principles that will become the basis for such activities.

When the Bank made the MTMP on March 10, 2010, and revised this plan on September 28, 2010, we reiterated our management principles. These management principles represent the goal of the Shinsei Bank Group, are positioned as the pillars of our future business operations, and are shared in the Bank as key policies. They are also broadly published in disclosure documents and the Bank's website.

【Shinsei Bank Group's Management Principles】

- To become a banking group that is sought out by customers, and contributes to the development of both domestic and international industrial economies, while maintaining stable profitability.
- To become a banking group that values diverse talents and cultures and is constantly taking on new challenges presented by change, based on its experiences and history.
- To become a banking group that strives for highly transparent management and values that is trusted by all stakeholders including customers, investors, and employees.

Additionally, as a part of the development of the Third MTMP, the Bank has created a "Medium- to

Long-Term Vision” which is in accordance with its management principles in order to better pursue its goal of becoming a Bank Group which is truly needed by its customers. The “Medium- to Long-Term Vision” illustrates the strategic direction the Shinsei Bank Group will pursue in order to achieve its management principles, and the Third MTMP is the business plan for the following three years as the pursues the achievement of its management principles.

【Medium- to Long-Term Vision】

1. To be a financial innovator that provides innovative financial services made possible through the integration of its Group companies
2. To be a financial group that achieves outstanding productivity and efficiency by implementing lean operations through ongoing improvements and reforms
3. To be a financial group which, in addition to rewarding its stakeholders, is unified by the core values born from the confidence, sense of fulfillment and the pride created through the achievement of the above

Principle 2.2 Code of Conduct

Companies should draft and implement a code of conduct for employees in order to express their values with respect to appropriate cooperation with and serving the interests of stakeholders and carrying out sound and ethical business activities. The board should be responsible for drafting and revising the code of conduct, and should ensure its compliance broadly across the organization, including the front line of domestic and global operations.

(Supplementary Principle 2.2.1)

- The Bank respects stakeholders’ standpoints, and established the “Charter of Shinsei Bank Group Corporate Behavior,” which declares our resolution to maintain society’s trust, place our customers first, maintain management transparency, respect our employees, strictly comply with laws and regulations, eliminate our relationships with anti-social forces, and contribute to society.

Subject to the “Charter of Shinsei Bank Group Corporate Behavior,” the Bank established the “Shinsei Bank Group Code of Conduct,” which brings together the minimum standards required of all Executive Directors, Executive Officers, Officers, and employees. The Bank conducts an e-learning program for all officers and employees once a year, requires their affirmation, and endeavors to ensure its acknowledgement and compliance broadly across the organization.

Drafting, revising, and repealing the “Shinsei Bank Group Code of Conduct” is subject to the approval of the Board of Directors. The Board also stipulates in the Internal Control Rules which refers to compliance that the Directors and employees comply with the “Shinsei Bank Group Code of Conduct” in executing their duties, and by receiving reports concerning the status of compliance, it ensures compliance broadly across the organization, including the front line of domestic and global operations.

The Bank discloses the “Charter of Shinsei Bank Group Corporate Behavior” and the “Shinsei Bank

Group Code of Conduct” on our website, and reports the status of implementing the “Shinsei Bank Group Code of Conduct” as part of the system to ensure appropriate business in our business reports.

Principle 2.3 Sustainability Issues, Including Social and Environmental Matters

Companies should take appropriate measures to address sustainability issues, including social and environmental matters.

(Supplementary Principle 2.3.1)

- The Bank established the “Policy for Corporate Philanthropic Initiatives” based on the “Charter of Shinsei Bank Group Corporate Behavior,” and actively promotes activities centered on the themes of “nurturing the next generation” and “the environment,” and employee-driven activities focused on the reconstruction from the Great East Japan Earthquake. We will also consider having the Board of Directors positively and proactively address sustainability issues with the acknowledgement that addressing these issues is an important part of risk management.

Principle 2.4 Ensuring Diversity, Including Active Participation of Women

Companies should recognize that the existence of diverse perspectives and values reflecting a variety of experiences, skills and characteristics is a strength that supports their sustainable growth. As such, companies should promote diversity of personnel, including the active participation of women.

The Bank recognizes that it is a pressing need to promote diversity of personnel, as well as to foster personnel with a broad perspective and highly specialized skills in the entire Shinsei Bank Group to attain the objectives set in the Third MTMP and to ensure sustainable growth and achievement of our management principles. In view of this, in February 2018, we established the Diversity Promotion Department in the Group Human Resources Division whose focus items include promoting diverse work styles and supporting women to take active roles, and the Group Committee to Promote the Active Participation of Women in order to take a leadership in implementing effective initiatives for promoting women’s taking active roles. Furthermore, the President agreed with the declaration on action by a “Group of Male Leaders who will Create a Society in which Women Shine.” We aim to increase the percentage of the Bank’s female managers¹ to 35% by 2020. The Bank has also appointed two female Executive Officers as of June 30 2018 and intends to continue to promote the assignment of female employees to managerial positions.

The status of ensuring the diversity of personnel, including the active participation of female employees is regularly updated in the disclosure documents.

¹ The percentage of female employees in positions of Managers and above

Principle 2.5 Whistleblowing

Companies should establish an appropriate framework for whistleblowing such that employees can report illegal or inappropriate behavior, disclosures, or any other serious concerns without fear of suffering from disadvantageous treatment. Also, the framework should allow for an objective assessment and appropriate response to the reported issues, and the board should be responsible for both establishing this framework, and ensuring and monitoring its enforcement.

(Supplementary Principle 2.5.1)

- In addition to the Group Legal and Compliance Division, the Bank has established two contacts who are independent from management, full-time Audit & Supervisory Board Member and the external attorney, to receive whistleblowing concerning the violation of any laws and regulations related to bank operations or Bank Rules from Directors (excluding Outside Directors), Executive Officers, Officers, Audit & Supervisory Board Members, employees, those with employment contracts with the Bank, and temporary employees. We also specify the protection of the identity of the information provider and the prohibition of disadvantageous treatment in the Bank Rules concerning whistleblowing, and establish an appropriate framework for whistleblowing.

Principle 2.6 Roles of Corporate Pension Funds as Asset Owners

Because the management of corporate pension funds impacts stable asset formation for employees and companies' own financial standing, companies should take and disclose measures to improve human resources and operational practices, such as the recruitment or assignment of qualified persons, in order to increase the investment management expertise of corporate pension funds (including stewardship activities such as monitoring the asset managers of corporate pension funds), thus making sure that corporate pension funds perform their roles as asset owners. Companies should ensure that conflicts of interest which could arise between pension fund beneficiaries and companies are appropriately managed.

The Bank has adopted a defined benefit corporate pension plan, and conducts asset management aiming to secure needed total profits for a long period of time in order to ensure future pension payment to plan-holders and pensioners. In order to achieve this, the Bank responds as follows based on the Ministry of Health, Labor and Welfare's "Guidelines for the Roles and Responsibilities of Asset Managers Related to Defined Benefit Corporate Pension" so that the Bank can demonstrate its functions expected as the asset owner.

The Bank has established the Pension Asset Investment and Management Committee consisting of experts of financial market trends, risk management, and pension plans to establish and review the basic policy and guidelines for asset management and allocation of policy assets.

The Pension Asset Investment and Management Committee selects institutions and funds for entrusting asset management based on the Bank's asset management target and policy asset allocation, and conducts quantitative and qualitative evaluation of these asset management entrusted institutions. In

considering its basic policy, etc. for asset management, the Bank has created a structure for responding in a continuous and appropriate manner from the expertise, credibility, and conflict of interest perspectives by using asset management consultants and pension (asset management) master trustees/trust banks. Management and performance status of pension assets are periodically reported to the Management Development Committee, which reviews important matters relating to human resources and labor issues.

General Principle 3

Companies should appropriately make information disclosure in compliance with the relevant laws and regulations, but should also strive to actively provide information beyond that required by law. This includes both financial information, such as financial standing and operating results, and non-financial information, such as business strategies and business issues, risk and governance. The board should recognize that disclosed information will serve as the basis for constructive dialogue with shareholders, and therefore ensure that such information, particularly non-financial information, is accurate, clear and useful.

Principle 3.1 Full Disclosure

In addition to making information disclosure in compliance with relevant laws and regulations, companies should disclose and proactively provide the information listed below (along with the disclosures specified by the principles of the Code) in order to enhance transparency and fairness in decision-making and ensure effective corporate governance:

- i) Company objectives (e.g., business principles), business strategies and business plans;
- ii) Basic views and guidelines on corporate governance based on each of the principles of the Code;
- iii) Board policies and procedures in determining the remuneration of the senior management and directors;
- iv) Board policies and procedures in the appointment/dismissal of the senior management and the nomination of directors and *kansayaku* candidates; and
- v) Explanations with respect to the individual appointments/dismissals and nominations based on iv).

(Supplementary Principle 3.1.1)

■ The Bank proactively provides the information listed below in order to enhance transparency and fairness in decision-making and ensure effective corporate governance. In doing so, we seek to make the provided information carry high added value for the user.

(i) Management principles and management plan

The Bank presents the objectives of the Shinsei Bank Group and defines our management principles which are positioned as the pillars of our future business operations, as well as reallocating management resources to business areas which are expected to deliver higher levels of growth by selection and concentration of businesses, engaging in the creation of customer

value through the development of the new ideas through Group integration and defining the respective business strategies for the individual business and institutional business. The Bank's progress versus the MTMP progress will be regularly disclosed in the Message from the Management or in the Progress of the Third MTMP in the disclosure material.

(ii) Basic views and guidelines on corporate governance

The Bank's basic views and guidelines based on the five principles of the Corporate Governance Code are stated under "1. Basic views on corporate governance" and "Basic guidelines on corporate governance."

(iii) Board of Directors' policies and procedures in determining the remuneration of the senior management and Directors

The remuneration of the Directors is determined by the Board on the premise of the contents of the Revitalization Plan and within the total remuneration determined at the general shareholder meeting.

The remuneration of Executive Officers and Group Headquarters Officers including Executive Directors is decided based on the following policy.

- Appropriate incentives are provided in order to advance the Group's business and realize the mid-to long-term Group management principles.
- Reflecting the roles and responsibilities of each director and executive officer, directors and executive officers share common shareholder value by holding the Company's shares over the long term.
- The scheme will curb excessive risk-taking and contribute to ongoing sound management as a financial institution.
- Focusing on share price, the Plan incorporates a compensation system that provides incentive to further increase corporate value.

(iv) Board of Directors' policies and procedures in the appointment/dismissal of the senior management and the nomination of candidates for Directors and Audit & Supervisory Board Members

The Bank's Board makes final decisions on the appointment/dismissal of the senior management and the nomination of the candidates for Directors and the Audit & Supervisory Board Members based on the Bank Rules. The Bank adopts the procedure with a high level of transparency to decide the Executive Officers and Group Headquarters Officers from among candidates based on their evaluations and performance. The appointment of Board of Director is eventually decided by the Board of Directors meeting after thorough discussion with a consideration of a balance among knowledge, experience and skills, diversity and appropriate size. Candidates for the Audit & Supervisory Board member are decided with the consent of the Audit & Supervisory Board, considering the candidates' knowledge and experience in order to accurately, fairly and effectively audit business execution by the Bank's Directors.

(v) Explanations with respect to the individual appointments/dismissals and nominations based on (iv)

The Bank explains, in the reference documents of the Annual General Meeting of Shareholders, the individual appointments and nominations of the Executive Directors and nominations of candidates for Directors and Audit & Supervisory Board Members. The appointment/dismissal of representative directors has been disclosed pursuant to the timely disclosure system governed by the Stock Exchange.

(Supplementary Principle 3.1.2)

- Bearing in mind that the Bank's shares held by foreign corporations and others based on substantial shareholders account for over 50%, we basically provide all disclosed materials in Japanese and English.

Principle 3.2 External Auditors

External auditors and companies should recognize the responsibility that external auditors owe toward shareholders and investors, and take appropriate steps to secure the proper execution of audits.

(Supplementary Principle 3.2.1)

- For appointment, dismissal and non-reappointment of external auditors, Audit & Supervisory Board establishes the evaluation standard for eligibility, feasibility on the audit plan, method and execution, and reasonableness of the audit results, and appropriately implements following the standard. Audit & Supervisory Board also verifies independence and expertise that are required to external auditors. In its evaluation and verification process, Audit & Supervisory Board refers to communication with external auditors over a year as well as comments from business Groups.

(Supplementary Principle 3.2.2)

- The Bank ensures to secure adequate time for high quality audits when Audit & Supervisory Board is reported the audit plan by external auditors at the beginning of the fiscal year.

The Audit & Supervisory Board Members and external auditors sufficiently cooperates and ensure to share information and to increase audit quality through regular meetings between the Internal Audit Division and external auditors and meetings among the Audit & Supervisory Board Members, the Internal Audit Division and external auditors.

Senior management including CEO and Chief Officer in charge of Group Corporate Planning and Finance has regular discussion with external auditors and when any misconduct, inadequacies, or concerns are identified by the external auditors, the Bank immediately takes actions on them. When the Audit & Supervisory Board Members or the Audit & Supervisory Board are reported on any fraud, legal violation and such possibility, they immediately implement necessary investigations and take necessary and appropriate actions.

General Principle 4

Given its fiduciary responsibility and accountability to shareholders, in order to promote sustainable

corporate growth and the increase of corporate value over the mid- to long-term and enhance earnings power and capital efficiency, the board should appropriately fulfill its roles and responsibilities, including:

- (1) Setting the broad direction of corporate strategy;
- (2) Establishing an environment where appropriate risk-taking by the senior management is supported; and
- (3) Carrying out effective oversight of directors and the management (including *shikkoyaku* and so-called *shikkoyakuin*) from an independent and objective standpoint.

Such roles and responsibilities should be equally and appropriately fulfilled regardless of the form of corporate organization – i.e., Company with *Kansayaku* Board (where a part of these roles and responsibilities are performed by *kansayaku* and the *kansayaku* board), Company with Three Committees (Nomination, Audit and Remuneration) or Company with Supervisory Committee.

Principle 4.1 Roles and Responsibilities of the Board (1)

The board should view the establishment of corporate goals (business principles, etc.) and the setting of strategic direction as one major aspect of its roles and responsibilities. It should engage in constructive discussion with respect to specific business strategies and business plans, and ensure that major operational decisions are based on the company's strategic direction.

The Bank's Board of Directors will view the establishment of management principles and the setting of strategic direction as one major aspect of our roles and responsibilities, and engage in constructive discussion with respect to specific business strategies and business plans. The Board will also ensure that major operational decisions are based on the Bank's strategic direction.

(Supplementary Principle 4.1.1)

- The Bank's Board of Directors is constituted of two Executive Directors responsible for business operations and five Outside Directors responsible for supervising the operations, and makes appropriate decisions while ensuring the objectivity and transparency of the management. For ordinary business operations, the Bank adopts the Executive Officer system and assigns Chief Officers and Senior Officers for the Group Headquarters in order to realize flexible business execution. The specific scope of delegation is stipulated in the Rules of the Board of Directors and other Bank Rules.

(Supplementary Principle 4.1.2)

- The Bank's Board and management recognize that the Medium-Term Management Plan is a commitment to its shareholders and will make all reasonable efforts to achieve it. The progress in the implementation of the Third MTMP which targets from fiscal year 2016 to fiscal year 2018 is provided to all stakeholders including shareholders in the Bank's disclosure materials and quarterly results.

(Supplementary Principle 4.1.3)

- The Bank's Board proactively engages in succession planning for the CEO and other top executives from the successor candidate appointment phase based on the Bank's management principles and specific business strategies. Specifically, the Board engages in the appointment of Executive Officers and Group Headquarters Officers who may become the internal candidates and confirms their eligibility through the Q&A sessions as needed by asking Executive Officers and Group Headquarters Officers to attend Board Meetings. The Board takes the initiative in making the decision in the final appointment process including such engagement, by examining the internal and external candidates.

Principle 4.2 Roles and Responsibilities of the Board (2)

The board should view the establishment of an environment that supports appropriate risk-taking by the senior management as a major aspect of its roles and responsibilities. It should welcome proposals from the management based on healthy entrepreneurship, fully examine such proposals from an independent and objective standpoint with the aim of securing accountability, and support timely and decisive decision-making by the senior management when approved plans are implemented. Also, the remuneration of the management should include incentives such that it reflects mid- to long-term business results and potential risks, as well as promotes healthy entrepreneurship.

The Bank's Board of Directors welcomes proposals from the management, fully examines such proposals from an independent and objective standpoint with the aim of securing accountability, and supports timely and decisive decision making by the management when approved plans are implemented.

(Supplementary Principle 4.2.1)

- Management remuneration is appropriately managed with the recognition that the Bank is in the position of having received the injection of public funds and currently executing the Revitalization Plan, on the grounds of an appropriate evaluation of the Management's duties and contribution to performance based on results-oriented principles, and with reference to the Bank's performance and market standards. The Bank gives Executive Directors an incentive for medium-to-long term growth of the Bank's corporate value with equity remuneration type stock options and restricted stock compensation system. The amounts of individual remuneration including the number of share allocation are decided at the Board in which Outside Directors are the majority, considering the balance of cash and stock. In addition, the Bank introduces restricted stock compensation system to Executive Officers and Group Headquarters Officers. The Bank's Board supervises the amounts of individual remuneration for Executive Officers and Group Headquarters Officers so that the amounts are based on a remuneration system that gives an appropriate incentive for medium- to long-term sustainable growth of the Bank's performance and corporate value, in addition to supervising their basic remuneration.

Principle 4.3 Roles and Responsibilities of the Board (3)

The board should view the effective oversight of the management and directors from an independent and objective standpoint as a major aspect of its roles and responsibilities. It should appropriately evaluate company performance and reflect the evaluation in its assessment of the senior management. In addition, the board should engage in oversight activities in order to ensure timely and accurate information disclosure, and should establish appropriate internal control and risk management systems. Also, the board should appropriately deal with any conflict of interests that may arise between the company and its related parties, including the management and controlling shareholders.

The Bank's Board will view the effective oversight of the senior management including the Executive Directors from an independent and objective standpoint as a major aspect of its roles and responsibilities, and appropriately evaluate company performance and reflect the evaluation in its assessment of the senior management. In addition, the Board is engaged in establishing the framework and appropriate internal control and risk management systems for oversight activities in order to ensure timely and accurate information disclosure. The Board also appropriately deals with any conflict of interests between the Bank and our related parties, including the Directors and major shareholders, and has Bank Rules for this purpose.

(Supplementary Principle 4.3.1)

- The Bank's Board decides the appointment and dismissal of Executive Directors, Executive Officers, and Officers at the Board of Directors meetings based on the Bank Rules. The Bank adopts the procedure with a high level of transparency to decide the Executive Officers and Officers from among candidates based on their performance evaluations and Shinsei Bank's financial results.

(Supplementary Principle 4.3.2)

- Because the appointment/dismissal of the CEO is the most important strategic decision for a company, the Bank's Board selects the CEO appropriately, by considering the background, track record, and leadership of multiple internal and external candidates and spending sufficient time and resources on this process. The Bank's Board consists of seven Directors including five Outside Directors, and has built a structure which allows objective, timely, and transparent discussions.

(Supplementary Principle 4.3.3)

- The Bank's Board conducts evaluation of the CEO simultaneously with annual mutual evaluation of Directors. The Board is structured to secure objective, timely, and transparent processes including discussing and considering dismissal and replacement of the CEO mainly by Outside Directors when, by considering the evaluation results, it is found that the CEO has not fully fulfilled the CEO's responsibilities.

(Supplementary Principle 4.3.4)

- The Bank's Board regularly receives reports on whether the internal control system for financial reports, the compliance programs, the related-party transactions, and the risk management frameworks are appropriately established and operated, and engages in the discussions and checks towards establishing appropriate systems.

Principle 4.4 Roles and Responsibilities of *Kansayaku* and the *Kansayaku* Board

Kansayaku and the *kansayaku* board should bear in mind their fiduciary responsibilities to shareholders and make decisions from an independent and objective standpoint when executing their roles and responsibilities including the audit of the performance of directors' duties, appointment and dismissal of external auditors and the determination of auditor remuneration. Although so-called "defensive functions," such as business and accounting audits, are part of the roles and responsibilities expected of *kansayaku* and the *kansayaku* board, in order to fully perform their duties, it would not be appropriate for *kansayaku* and the *kansayaku* board to interpret the scope of their function too narrowly, and they should positively and proactively exercise their rights and express their views at board meetings and to the management.

(Supplementary Principle 4.4.1)

- The Audit & Supervisory Board of Shinsei Bank is composed of one full-time member who has extensive business experience at the Bank and is knowledgeable in finance and accounting, and two outside members who are a lawyer or a certified public accountant. Each member of the Audit & Supervisory Board is completely independent of the Board of Directors and it audits business execution of the Board of Directors in an appropriate manner on the basis of each member's specialty and expertise in corporate governance. The full-time Audit & Supervisory Board Member ensures an appropriate audit environment, provides day-to-day audits and reviews based on gathering detailed internal information, and shares these information and views with outside Audit & Supervisory Board Members. The outside Audit & Supervisory Board Members contribute to highly effective auditing activities by providing independent and objective opinions at meetings of the Audit & Supervisory Board and the Board of Directors.

The role and responsibility of Audit & Supervisory Board Members and the Audit & Supervisory Board is mainly a "defense function" including business and accounting audits. However, Audit & Supervisory Board Members and the Audit & Supervisory Board provide their comments and opinions at the Board of Directors meetings from a view point of audit adequacy without overly viewed narrow their range of duties and responsibilities.

The Audit & Supervisory Board Members and the Audit & Supervisory Board secure sufficient cooperation with Outside Directors by for example holding joint meetings to share information with Outside Directors and providing opinions as needed at study sessions in order to contribute to strengthening information gathering by Outside Directors.

Principle 4.5 Fiduciary Responsibilities of Directors and *Kansayaku*

With due attention to their fiduciary responsibilities to shareholders, the directors, *kansayaku* and the management of companies should secure the appropriate cooperation with stakeholders and act in the interest of the company and the common interests of its shareholders.

Directors, Audit & Supervisory Board Members, and management will act in the interest of the Bank and the common interests of our shareholders, and for the prosperity of all our stakeholders, with due attention to their fiduciary responsibilities to shareholders, and appropriate cooperation with the various stakeholders, including the employees, individual and corporate customers, business partners and the regional community.

Principle 4.6 Business Execution and Oversight of the Management

In order to ensure effective, independent and objective oversight of the management by the board, companies should consider utilizing directors who are neither involved in business execution nor have close ties with the management.

Of our seven Directors, the majority, i.e., five, are Outside Directors. The Board constituted with a majority of Outside Directors has been continued since the start of Shinsei Bank in 2000. With this constitution, the Bank will ensure effective, independent and objective oversight of the management by the Board.

Principle 4.7 Roles and Responsibilities of Independent Directors

Companies should make effective use of independent directors, taking into consideration the expectations listed below with respect to their roles and responsibilities:

- i) Provision of advice on business policies and business improvement based on their knowledge and experience with the aim to promote sustainable corporate growth and increase corporate value over the mid- to long-term;
- ii) Monitoring of the management through important decision-making at the board including the appointment and dismissal of the senior management;
- iii) Monitoring of conflicts of interest between the company and the management or controlling shareholders; and
- iv) Appropriately representing the views of minority shareholders and other stakeholders in the boardroom from a standpoint independent of the management and controlling shareholders.

The Independent Directors of the Bank provide advice with the aim to promote sustainable growth of the Bank and increase corporate value over the mid- to long-term, based on their respective rich experience and highly specialized knowledge of domestic and foreign finance business, consumers business, information system and risk management areas, and monitor the management through important decision-making at the Board including the appointment and dismissal of the senior management.

The Independent Directors monitor the business between the Bank's Directors and major shareholders to maintain fairness of business while avoiding any conflicts of interest.

Furthermore, the Independent Directors will also engage in appropriately representing the views of the general shareholders and other stakeholders in the boardroom from a standpoint that is independent of the management of the Bank.

Principle 4.8 Effective Use of Independent Directors

Independent directors should fulfill their roles and responsibilities with the aim of contributing to sustainable growth of companies and increasing corporate value over the mid- to long-term. Companies should therefore appoint at least two independent directors that sufficiently have such qualities. Irrespective of the above, if a company believes it needs to appoint at least one-third of directors as independent directors based on a broad consideration of factors such as the industry, company size, business characteristics, organizational structure and circumstances surrounding the company, it should appoint a sufficient number of independent directors.

Of seven Directors, the majority, i.e., five, are Independent Outside Directors. The Board constituted with a majority of Outside Directors has been continued since the start of Shinsei Bank in 2000.

(Supplementary Principle 4.8.1)

- As a general rule the Bank holds meetings attended by Outside Directors and other members, if necessary, at every regular Board meeting in an endeavor to have them exchange information and develop a shared awareness among them from an independent and objective standpoint.

(Supplementary Principle 4.8.2)

- Although the Outside Directors of the Bank do not appoint the "Lead Independent Director" system among themselves, each Outside Director endeavors to communicate and cooperate with the management and Audit & Supervisory Board Members and have a framework to fulfill their duties.

Principle 4.9 Independence Standards and Qualification for Independent Directors

Boards should establish and disclose independence standards aimed at securing effective independence of independent directors, taking into consideration the independence criteria set by securities exchanges. The board should endeavor to select independent director candidates who are expected to contribute to frank, active and constructive discussions at board meetings.

The Bank judges the independence of the Directors considering the independence standards presented by the Tokyo Stock Exchange.

The Bank also selects Outside Director candidates who are expected to contribute to frank, active and constructive discussions at Board meetings.

Principle 4.10 Use of Optional Approach

In adopting the most appropriate organizational structure (as stipulated by the Companies Act) that is suitable for a company's specific characteristics, companies should employ optional approaches, as necessary, to further enhance governance functions.

The Bank has a corporate governance framework in place as a Company with an Audit & Supervisory Board. The Bank considers that the independence and objectivity of the Board is secured by having Outside Directors compose a majority of the Board. The Bank is also working on strengthening the oversight function of the Outside Directors by holding regular meetings consisting solely of Outside Directors and other members.

(Supplementary Principle 4.10.1)

Of seven Directors, the majority, i.e., five, are Independent Outside Directors. The appointment and determination of remuneration of the Directors and senior management are agenda items of the Board meeting, and the independency and objectivity will be ensured through a full discussion of these matters at the Board.

Principle 4.11 Preconditions for Board and *Kansayaku* Board Effectiveness

The board should be well balanced in knowledge, experience and skills in order to fulfill its roles and responsibilities, and it should be constituted in a manner to achieve both diversity, including gender and international experience, and appropriate size. In addition, persons with appropriate experience and skills as well as necessary knowledge on finance, accounting, and the law should be appointed as *kansayaku*. In particular, at least one person who has sufficient expertise on finance and accounting should be appointed as *kansayaku*. The board should endeavor to improve its function by analyzing and evaluating effectiveness of the board as a whole.

The Bank's Board is well balanced with five Outside Directors and two Executive Directors with rich experience and highly specialized knowledge of domestic and foreign finance business, consumers business, information system and risk management areas. The Board is also diversified in terms of gender and nationality, with one female Outside Audit & Supervisory Board Member and two non-Japanese Outside Directors. The Bank has confirmed that the Board should seek more diversity. Of the Audit & Supervisory Board Members, the full-time Audit & Supervisory Board Member has sufficient expertise concerning finance and accounting. Furthermore, two Outside Audit & Supervisory Board Members have expertise concerning finance, accounting, and legal affairs as public certified accountant and lawyer respectively.

Additionally, the Bank evaluates and analyzes the effectiveness of the Board in order to improving the capabilities of the Board.

(Supplementary Principle 4.11.1)

- The appointment of Board of Director is eventually decided by the Board of Directors meeting after thorough discussion with a consideration of a balance among knowledge, experience and skills, diversity and appropriate size.

(Supplementary Principle 4.11.2)

- The status of the Directors and Audit & Supervisory Board Members also serving at other companies has been appropriately disclosed in the business reports. The Bank considers that the status is reasonable in terms of the time and effort needed for the Board or the Audit & Supervisory Board.

(Supplementary Principle 4.11.3)

- The Bank periodically conducts the evaluation/analysis of the effectiveness of the Board as a whole in order to improve the functionality of the Board. The Bank conducted self-evaluation as follows in fiscal year 2017:
 - (1) Purpose: Enhance the Board of Directors' function by evaluating whether the Board has fulfilled its roles and responsibilities and by running the PDCA cycle
 - (2) Targets for the analysis and evaluation: Board of Directors' activities and operational and support systems for conducting the activities in an efficient and effective manner
 - (3) Evaluators: All participants of the Board of Directors (11 members including Directors, Audit & Supervisory Board Members, and others). The evaluation includes questions targeting Audit & Supervisory Board Members only.
 - (4) Analysis and evaluation items: Discussions at the Board of Directors meetings, Agenda items and operation of Board of Directors meetings by the executive team, Composition and members of the Board of Directors, Provision of information to the Board of Directors from the executive team, Discussions at Strategy Sessions, Operation of the Sessions by the executive team, Communication, Third party assessment on the effectiveness of the Board of Directors, and Evaluation from Audit & Supervisory Board Member, etc.
 - (5) Method for analysis and evaluation: Questionnaire survey by the secretariat of the Board of Directors Meetings based on the direction of the Chairman of the Meetings (with multiple responses and open-ended responses)
 - (6) Feedback of the survey results: Selected responses and open-ended responses were reported to the Board.

The results of the questionnaire survey have shown that the Board of Directors and discussions at Strategy Sessions have contributed to increasing the Bank's corporate value and achieving sustainable growth to some extent, discussing the medium-to-long term business vision and business models for increasing corporate value and achieving sustainable growth. The effectiveness of Strategy Sessions was also confirmed and agreed to be continued in fiscal year 2016 evaluation, and it has been evaluated in fiscal year 2017 evaluation as well that the Sessions

remain effective for considering business strategies. It has been confirmed that further consideration about the composition and membership of the Board of Directors Meeting is needed for the diversity and the balance of the members. It has been evaluated that priority at the operation of the Board of Directors Meetings and Strategy Sessions by the executive team is mostly given to selecting agenda items and allocating time for discussion. Although improvements from 2016 are seen, some respondents have evaluated that discussion time is too long. It has been confirmed that more efficient and focused operation is needed by selecting agenda items that do not need explanations (which has been a challenge for us), and by striving to provide simple explanations. Mostly positive responses have been made for provision of information from the executive team to the Board of Directors including the contents of the meeting materials, however, it has been confirmed that explanations at the Board still need improvement.

The necessity of conducting an effectiveness evaluation by a third party, which was included in the questions for the first time in fiscal year 2017, will be considered including its use based on the intention of the Board of Directors.

Questions for Audit & Supervisory Board Members have confirmed that Audit & Supervisory Board Members have evaluated that, overall, Directors have executed their expected responsibilities in an appropriate manner.

The Bank will endeavor to maintain or improve such areas that were evaluated as appropriate or improved from fiscal year 2016, and implement reviews and improvements of issues in order to further boost the effectiveness and functionality of the Board.

Principle 4.12 Active Board Deliberations

The board should endeavor to foster a climate where free, open and constructive discussions and exchanges of views take place, including the raising of concerns by outside directors.

The Bank's Board meetings have active discussions with free statements from all members, including the raising of concerns by Outside Directors.

(Supplementary Principle 4.12.1)

- The Bank's Board pursues active board deliberations by paying attention to preparing materials in advance, appropriate provision of information from the management, determining annual schedules, appropriate determination of the agenda items, and securing sufficient time for deliberation.

Principle 4.13 Information Gathering and Support Structure

In order to fulfill their roles and responsibilities, directors and *kansayaku* should proactively collect information, and as necessary, request the company to provide them with additional information. Also, companies should establish a support structure for directors and *kansayaku*, including providing sufficient staff. The board and the *kansayaku* board should verify whether information requested by

directors and *kansayaku* is provided smoothly.

The Bank's Directors proactively collect information to fulfill their roles and responsibilities, and request the Bank to provide them with additional information as needed.

The Bank establishes a support structure that includes the Management Affairs Division and the Office of Audit & Supervisory Board Members to support the Directors and Audit & Supervisory Board Members. Smooth provision of information to the Directors and the Audit & Supervisory Board Members is ensured and stipulated in the Internal Control Rules.

(Supplementary Principle 4.13.1)

- The Directors and the Audit & Supervisory Board Members request the Bank to provide them with additional information as needed, and the management appropriately provides the information to them.

(Supplementary Principle 4.13.2)

- The Bank has always utilized external specialists at company expense where the Directors and Audit & Supervisory Board Members deem it necessary.

(Supplementary Principle 4.13.3)

- The Bank ensures coordination between the Group Internal Audit Division, Directors, and Audit & Supervisory Board Members by having the internal audit results reported to full-time Audit & Supervisory Board Member and the General Manager of the Office of Audit & Supervisory Board Members, and further by having the status of the internal audits regularly reported to the Board and Audit & Supervisory Board. The Bank also endeavors to adequately provide necessary information to the Outside Directors and Outside Audit & Supervisory Board Members through the specialized and responsible divisions and departments which act as the contact for communication and adjustment.

Principle 4.14 Director and *Kansayaku* Training

New and incumbent directors and *kansayaku* should deepen their understanding of their roles and responsibilities as a critical governance body at a company, and should endeavor to acquire and update necessary knowledge and skills. Accordingly, companies should provide and arrange training opportunities suitable to each director and *kansayaku* along with financial support for associated expenses. The board should verify whether such opportunities and support are appropriately provided.

The Bank appoints as Directors and Audit & Supervisory Board Members those with the necessary knowledge and skills to fulfill their roles and responsibilities. The Bank will provide training opportunities for them to acquire new knowledge if necessary.

(Supplementary Principle 4.14.1)

- The Bank endeavors to provide sufficient information to the Directors and Audit & Supervisory Board Members when they assume their position. The Bank also endeavors to provide additional information requested by the Directors and Audit & Supervisory Board Members after they assume their position.

(Supplementary Principle 4.14.2)

- The Directors and Audit & Supervisory Board Members in the Bank have sufficient expertise, Furthermore, the Bank provides and arranges opportunities as well as provides financial support, to Directors and Audit & Supervisory Board Members to acquire knowledge, etc. necessary for the performance of their duties.

General Principle 5

In order to contribute to sustainable growth and the increase of corporate value over the mid- to long-term, companies should engage in constructive dialogue with shareholders even outside the general shareholder meeting. During such dialogue, senior management and directors, including outside directors, should listen to the views of shareholders and pay due attention to their interests and concerns, clearly explain business policies to shareholders in an understandable manner so as to gain their support, and work for developing a balanced understanding of the positions of shareholders and other stakeholders and acting accordingly.

Principle 5.1 Policy for Constructive Dialogue with Shareholders

Companies should, positively and to the extent reasonable, respond to the requests from shareholders to engage in dialogue (management meetings) so as to support sustainable growth and increase corporate value over the mid- to long-term. The board should establish, approve and disclose policies concerning the measures and organizational structures aimed at promoting constructive dialogue with shareholders.

The Bank endeavors to proactively create opportunities to have dialogues with market players including investors, analysts, and the Bank's shareholders concerning matters that contribute to sustainable growth and increased corporate value over the mid- to long-term. The Group Investor Relations & Corporate Communications Division is enhancing an organizational structure to lay the groundwork through repeated pre-meetings with as many market players as possible to help them gain a better understanding of the Bank's management policies and financial status, for achieving more opportunities for dialogues between the senior management and market players concerning increased corporate value over the mid- to long-term.

In March 2018, Shinsei Bank established the "IR/SR Policy of Shinsei Bank Group," which demonstrates the Bank's intention of utilizing Investor Relations (IR)/Shareholders Relations (SR) as an important management tool for sustainable corporate value improvement in a mid-long term perspective and

constructively engaging with market players.

(Supplementary Principle 5.1.1)

- The IR/SR Policy designates the President & CEO as the responsible head of all the IR and SR related activities, and the President & CEO assigns senior management and the officers in charge of IR/SR activities. In addition, from time to time, the President & CEO appoints relevant senior management and/or personnel by taking into consideration subject matter experts where the market players have strong interest. The Bank makes efforts led by the President & CEO to proactively create the opportunities for the management to have constructive dialogues with market players concerning matters that contribute to sustainable growth and increased corporate value over the mid- to long-term within the limited timeframe.

(Supplementary Principle 5.1.2)

- The Bank makes efforts led by the Group Investor Relations & Corporate Communications Division to liaise with the related divisions to reflect necessary information for the Bank's senior management to have constructive dialogue with market players and for market players to gain a better understanding of the Bank's management policies and financial status in the disclosed materials as much as possible within the reasonable scope. The Bank also proactively provides information in a more easy-to-understand way for dialogue with market players and for market players in various forms including briefings for market players, attendance at conferences held by third parties, telephone meetings, the Bank's website and disclosure materials, in addition to individual meetings. The Group Investor Relations & Corporate Communication Division share with the Board of Directors and Senior Management key points discussed with the market players on a regular basis. Important information is provided as a special report in a timely and appropriate manner. The Bank will maintain or improve its internal feedback system in order to utilize it as one of the Bank's important management information tools.

The Bank promotes constructive engagement with the market players proactively from a mid-and long-term perspective, such as its initiatives to improve corporate value and strategy. However, the Bank does not disclose the following important information during one-on-one meetings with the market players:

- Insider information
- Quantitative or qualitative information about the current progression about the data which we disclose in our quarterly public disclosures including voluntary disclosed information, but not yet officially announced
- Quantitative and qualitative information about the outlook of the following fiscal years

However, the Bank utilizes the following information for constructive engagement with the market players:

- Regarding the financial periods already announced in public, certain non-disclosed information can be shared for constructive engagement with the market players as long as it

does not directly and independently assist the market players to make their investment decisions

- Announced information via our public website even if it is related to the financial period which has not been disclosed yet
- Viewpoints pertaining to opportunities and risks to our financial results if assumptions in our financial forecasts have changed

The Bank of course pays full attention not to include insider information concerning the Bank in the dialogues with market players, as well as appropriately manage the situation where it comes into contact with insider information concerning a market player according to Bank Rules established based on the predefined laws and regulations.

(Supplementary Principle 5.1.3)

- The Bank endeavors to identify its shareholder ownership structure through regular investigations on the substantial shareholding status, and uses the investigation results to efficiently identify the investors that the Bank should have constructive dialogue with.

Principle 5.2 Establishing and Disclosing Business Strategies and Business Plans

When establishing and disclosing business strategies and business plans, companies should articulate their earnings plans and capital policies, and present targets for profitability and capital efficiency after accurately identifying the company's cost of capital. Also, companies should provide explanations that are clear and logical to shareholders with respect to the allocation of management resources, such as reviewing their business portfolio and investments in fixed assets, R&D, and human resources, and specific measures that will be taken in order to achieve their plans and targets.

The Bank grasps cost of equity by analyzing its analyst consensus and shares such information within the management team. The Bank also recognizes that capital efficiency, meaning profitability against capital needs to be enhanced and per share values need to be increased through the effort to strengthen earning power for boosting the Bank's corporate value in the medium- to long term.

At the same time, the Bank has been injected public funds, which requires the accumulation of a public fund repayment source. Based on this recognition, the Shinsei Bank Group needs to maximize the absolute amount of profit, while securing a certain capital in order to generate appropriate return against cost of equity in medium- to long term.

In the Third Medium-Term Management Plan, in addition having disclosed the management strategy and revenue plan etc. during this term, the Bank has disclosed business strategies in the major business areas in order to achieve the plan. Additionally, progress against the Plan has been regularly disclosed in disclosure materials.

In addition to these measures, the Bank will continuously consider establishing targets including profitability against capital, on top of considering capital needed for realizing public fund repayment and

management strategies. The Bank will also explain its specific initiatives for achieving its plans by fully leveraging limited management resources and the progressions of these initiatives.