

Shinsei Bank 18th Annual General Meeting of Shareholders Q&A Session Summary

June 20, 2018

(Shareholder #1)

- (1) Why does Shinsei Bank not sell shares of Jih Sun Financial Holdings Co., Ltd., a Taiwanese financial holding company, which is the Bank's affiliated company accounting for the equity method, to allocate the disposal proceeds to public fund repayment? If the Bank can't sell the shares, does it mean that Jih Sun Financial Holdings Co., Ltd. has no attraction from an investment perspective?
- (2) Does the Bank have no problematic real estate loans like Suruga Bank's loans to shared houses?

(Answer by the Chairman)

- (1) I will refrain from commenting on our individual assets or transactions, but as a general view, we are implementing business strategies taking into account core businesses that we should focus on and non-core businesses. We will consider disposal of the businesses that are not important for us. Whether a disposal of a business or a transaction is achieved or not would depend on the counterparty and if the business is judged to be non-strategic.
- (2) We have not financed such problematic obligors as you mentioned although we operate a reasonable size of real estate finance business including to financing real estate corporations and REITs. Please don't worry about it.

(Shareholder #2)

- (1) Shinsei Bank branches do not respond to customer inquiries on the telephone. I have spent a lot of time to reach the Bank, because I first need to call the Bank's call center and receive a call back when I would like to contact the branch. I want the Bank to enable us to reach its branches directly on the telephone.
- (2) Although Shinsei Bank has presented the Charter of Shinsei Bank Group Corporate Behavior, I am not satisfied with the transaction at the branch because it was not in line with the Charter.

(Answer by the Chairman)

- (1) We are working to improve our customer communications by utilizing all of our channels including call centers, the Internet, smartphones, and branches. Our section in charge will consider your valuable input.
- (2) Since your comments relate to a specific transaction, our section in charge will carefully listen to your transaction details.

(Shareholder #3)

- (1) Is the management team of the Bank seriously considering returning profits to shareholders? I see neither motivation nor seriousness of the executive side.

(Answer by the Chairman)

- (1) Our Board of Directors is discussing the necessity of improving our shareholder return, since the Bank has been recording profits by steadily performing the Medium-Term Management Plan and has made progress in accumulating profits for repaying public funds. The Bank is consistently acquiring its treasury shares taking into account the current share price, because we aim to at least maintain but preferably improve the total payout ratio while accumulating profits for repaying public funds. We are aware that the dividend policy is a major management challenge when considering particularly individual shareholders.

(Shareholder #4)

- (1) I want to ask about the effectiveness of Directors. Although the Bank is saying that it is implementing various initiatives, such efforts have not led to better evaluation from the market and have not delivered results. I want the Directors to express their view on this.

(Answer by the Chairman)

- (1) There are seven Directors on the stage today, of whom two are Executive Directors and five are Outside Directors. Firstly I will provide my view as the Executive Director, and the representative of Outside Directors will share his view, as well.

Banking operations are changing dramatically, but there are needs for finance in society. As we have to meet such needs in order to increase our earnings, we will consider how we provide highly convenient products and services to underserved customers by utilizing various financial functions the Shinsei Bank Group has and technologies such as Fintech and AI (Artificial Intelligence). I consider that our initiatives are in the right direction, and that we are in a more advantageous position than other financial institutions. In a tough environment, we should be able to survive if we can meet new needs of our customers ahead of others. Please look forward to the results of our initiatives.

(Answer by Outside Director)

- (1) We recognize that Directors as the representatives of shareholders supervise business execution entrusted to the management, and have a role to replace the executive team when needed. Representing shareholders, we are fully aware that Shinsei Bank's performance is not sufficient. As a bank with public funds, we need to work on both shareholder return and accumulating profits for repaying the public funds. Our Board of Directors consists of international members and is fully discussing this issue and feels responsible for not delivering better results.

(Shareholder #5)

- (1) Every year you say that increasing your share price is the best path to public fund repayment. However, don't you think that your stock price will start rising with improved trust, if you repay the public funds even in a small amount?

(Answer by the Chairman)

- (1) The public funds injected to Shinsei Bank were preferred shares initially, but now have been converted into ordinary shares. Accordingly, we cannot give preference to specific shareholders. We

are executing our businesses considering achieving both profit accumulation for a higher share price and shareholder return.

(Shareholder #6)

(1) How about making the explanation about the resolution item for appointing Directors in the notice of convocation easier to understand, by, for example, adding the candidates' aspirations?

(Response by the Chairman)

(1) I agree with this, and we will discuss what to do.

End