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## **Shinsei Bank, Limited** **Corporate Governance Report**

**Last Update: June 19, 2019**

**Shinsei Bank, Limited**

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Contact: 03-6880-8303

Group Investor Relations & Corporate Communications Division

Securities Code: 8303

<https://www.shinseibank.com>

**The corporate governance of Shinsei Bank, Limited (the “Bank”) is described below.**

### **I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information**

#### **1. Basic Views**

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) Setting the broad direction of corporate strategy and establishing an environment where appropriate risk-taking by the senior management is supported through decision-making by Board of Directors, the highest managerial decision-making body, on important corporate business execution matters, such as basic management policies including mid-term management plans and annual plans; 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 came 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) The 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. The 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, the Bank enhances to secure effective equal treatment of shareholders.

- (2) The Bank fully recognizes that our 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 shareholders, including employees, customers and local communities. As such, the Bank endeavors to appropriately cooperate with these stakeholders.
- (3) The 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. The 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. The 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.

**[Reasons for Not Implementing the Respective Principles of the Corporate Governance Code]**

We implement each of the Principles of the Corporate Governance Code.

**[Disclosure Based on the Principles of the Corporate Governance Code]**

Please refer to the “Policies for Initiatives Concerning the ‘Corporate Governance Code’” for initiatives and policies for each principle of the Code;

Policies for Initiatives Concerning the “Corporate Governance Code”

[https://www.shinseibank.com/corporate/en/policy/governance/pdf/governance\\_code\\_e.pdf](https://www.shinseibank.com/corporate/en/policy/governance/pdf/governance_code_e.pdf)

**(Principle 1.4 Cross-Shareholdings)**

**(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 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 the 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.

(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 share value, whether the exercising incurs a disadvantage, whether the exercising damages the significance of the 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.

**(Principle 1.7 Related Party Transactions)**

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 the 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.

**(Principle 2.6 Roles of Corporate Pension Funds as Asset Owners)**

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.

**(Principle 3.1 Full Disclosure)**

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.

(1) Management principles and management plan

The Bank presents the objectives of the Bank Group and defines our management principles which are positioned as the pillars of our future business operations, as well as establishing management strategies which stipulate pursuing growth through value co-creation and enhancing and leveraging organizational capabilities as basic policies. The Bank's progress in the implementation will be regularly disclosed in the disclosure material, etc.

(2) 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."

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

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

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.

(4) 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 deliberated by the Nomination and Compensation Committee and determined by the Board of Directors meeting 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.

(5) Explanations with respect to the individual appointments/dismissals and nominations based on (4) above

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 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.

**(Principle 4.9 Independence Standards and Qualification for Independent Directors)**

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

Outside Director are eventually selected by the Board of Directors, through sufficient discussions at the Nomination and Compensation Committee, from candidates who are expected to contribute to frank, active and constructive discussions at Board meetings.

**(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 evaluations/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 2018:

- (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 same as last year.
- (4) Analysis and evaluation items: Discussions at the Board of Directors meetings, Operation of Board of Directors meetings by the executive team, Composition and diversity, Provision of information to the Board of Directors from the executive team, Discussions at Strategy Sessions, Operation of the Strategy Sessions by the executive team, Communication, Necessity of 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 discussions at the Board of Directors have contributed to increasing the Bank's corporate value and achieving sustainable growth to some extent through constructive discussions about the medium-to-long term business vision and business models for adding corporate value and achieving sustainable growth. Strategy Sessions of this fiscal year were beneficial in general, by mainly discussing themes related to the development of the Medium-Term Strategies. As the Strategy Sessions have been evaluated as effective for examining business strategies, we will continue to hold the Strategy Sessions while deliberating their agenda, schedule and frequency. As for the composition and diversity of the Board, we asked questions from the viewpoints of its roles and responsibilities, gender composition, and international background perspective, and have confirmed that gender will continue to be considered. For the operation of the Board of Directors meetings and Strategy Sessions, the executive team has given priority to selecting agenda items that will not require explanations and providing simple explanations since we have been obtaining comments that deliberation time is too long. For this fiscal year, we reviewed the structure of meeting materials and accepted questions in advance, as well as enhancing the aforementioned efforts. As a result, all respondents have evaluated that the deliberation time is reasonable. We recognize that the aforementioned efforts led to more efficient

and well-balanced meeting operation. For information provision from the executive team to the Board of Directors, it has been evaluated that explanations at the Board of Directors meetings have improved, however, it has been confirmed that information provision regarding risk management, compliance and other topics still need improvement.

The utilization of effectiveness evaluation by a third party will be continuously considered based on the intention of the Board of Directors.

We also conducted a survey using a questionnaire asking Audit & Supervisory Board Members and confirmed that they evaluated that Directors have generally executed their expected duties in an appropriate manner.

Based on the survey results, the Bank evaluates that operational streamlining allowed the Board to allocate more time to discussing important topics, such as the Group's medium-to long-term vision, in a limited meeting time. We will endeavor to maintain or improve items that were evaluated as appropriate or improved from fiscal year 2017, and examine and improve challenges in order to enhance the effectiveness and functions of the Board.

#### **(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.

#### **(Principle 5.1 Policy for 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, the 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.

Also please refer to "IR Activities" of this report for more details, including the structural development for the promotion of dialogue as well as other efforts and measures.

## **2. Capital Structure**

Foreign Shareholding Ratio	More than 30%
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### **[Status of Major Shareholders]**

Name / Company Name	Number of Shares Owned	Percentage (%)
SATURN IV SUB LP (JPMCB 380111)	32,368,068	13.19
Deposit Insurance Corporation of Japan	26,912,888	10.97
THE RESOLUTION AND COLLECTION CORPORATION	20,000,000	8.15
THE MASTER TRUST BANK OF JAPAN, LTD (TRUST ACCOUNT)	12,680,400	5.16
SATURN JAPAN III SUB C.V. (JPMCB 380113)	11,044,967	4.50
SSBTC CLIENT OMNIBUS ACCOUNT	8,671,622	3.53
JAPAN TRUSTEE SERVICE BANK, LTD (TRUST ACCOUNT 9)	8,483,600	3.45
J. CHRISTOPHER FLOWERS	7,675,374	3.12
JAPAN TRUSTEE SERVICE BANK, LTD (TRUST ACCOUNT)	6,238,200	2.54
GOLDMAN, SACHS & CO. REG	4,750,341	1.93

Controlling Shareholder (except for Parent Company)	—
Parent Company	None

#### Supplementary Explanation

1. The above is listed by the substantial holdings as far as the Bank knows.
2. Shareholding percentages have been calculated by deducting treasury shares (13,760,190) from denominator and rounding down to the second decimal place.
3. Mr. J. Christopher Flowers is a director of the Bank.

### 3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange First Section
Fiscal Year-End	March
Type of Business	Banks
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	More than 1000
Sales (consolidated) as of the End of the Previous Fiscal Year	From ¥100 billion to less than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 100 to less than 300

### 4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

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### 5. Other Special Circumstances which may have Material Impact on Corporate Governance

The Bank's listed subsidiaries (currently one company) maintain systems to ensure fair and transparent management. In addition to holding annual general meetings of shareholders as an organization, the listed subsidiary has established a Board of Directors and an Audit & Supervisory Board and appointed accounting auditors. In accordance with an internal control system established through a Board resolution, the Board of Directors delegates authority for day-to-day business operations to Executive Officers, while the Board of Directors focuses on executive level decisions on important corporate-wide matters such management policy and on the oversight of business execution.

In addition, as a bank licensed to operate in Japan, the Bank assumes the responsibility of ensuring that the entire Bank Group, including all subsidiaries, practices appropriate compliance and risk management in accordance with all related laws and guidelines. Close cooperation and coordination between the parent company and its subsidiaries is essential to ensuring that the Bank fulfills this responsibility.

Regarding the management of insider information and information security, the entire Bank Group is keenly aware of the need to ensure that legal violations do not occur, and toward that end we have established appropriate procedures and communication systems.

In 2008, investment vehicles advised by J.C. Flowers & Co. LLC (JCF), an investment advisory firm in which the Bank Director J. Christopher Flowers serves as Managing Director and Chief Executive Officer, became the Bank's largest shareholders through the purchase of shares via a public tender offer and a subsequent allocation of new shares to the same investment vehicles, and in accordance with Japan's Banking Act were registered as the Bank's Major Shareholders. In addition, in March 2011, the same investment vehicles and other parties related to JCF acquired additional shares of the Bank via an international offering of new common shares, thereby sustaining their position as the

Bank's largest shareholders.

Regarding transactions involving directors and related parties, please refer to the Principle 1.7 Related Party Transactions in the "Disclosure Based on the Principles of the Corporate Governance Code" section.

## II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

### 1. Organizational Composition and Operation

Organization Form	Company with an Audit & Supervisory Board ( <i>kansayakukai-setchi-gaisha</i> )
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#### [Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	20
Term of Office Stipulated in Articles of Incorporation	One year
Chairperson of the Board	President
Number of Directors	Seven
Number of Outside Directors	Five
Number of Independent Directors	Five

#### Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
J. Christopher Flowers	From another company							○				
Ernest M. Higa	From another company								○			
Jun Makihara	From another company											
Rie Murayama	From another company											
Ryuichi Tomimura	From another company								○			

\* Categories for "Relationship with the Company"

\* "○" when the director presently falls or has recently fallen under the category;

"△" when the director fell under the category in the past

\* "●" when a close relative of the director presently falls or has recently fallen under the category;

"▲" when a close relative of the director fell under the category in the past

a. Executive of the Company or its subsidiaries

b. Non-executive director or executive of a parent company of the Company

c. Executive of a fellow subsidiary company of the Company

d. A party whose major client or supplier is the Company or an executive thereof

e. Major client or supplier of the listed company or an executive thereof

f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director/Audit & Supervisory Board (*kansayaku*)

g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)



- h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)
- i. Executive of a company, between which and the Company outside directors/Audit & Supervisory Board (*kansayaku*) are mutually appointed (the director himself/herself only)
- j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)
- k. Others

Outside Directors' Relationship with the Company (2)

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
J. Christopher Flowers	○	As of March 31, 2019, a group of investors, including affiliates of J.C. Flowers & Co. LLC., of which J. Christopher Flowers serves as Managing Director and CEO, holds 55,366,348 common shares or 21.3% of the Bank's outstanding common shares, excluding treasury shares.	In order to reflect in the Bank's management his experience and expertise in banking, finance and the financial services industry as a whole. In addition to the independence from internal management assured by his position as an Outside Director, Mr. Flowers is not likely to generate any conflict of interests with ordinary shareholders. Therefore, the Bank has submitted to the Tokyo Stock Exchange, Inc. an "independent director statement" ( <i>dokuritsu-yakuin todokede-sho</i> ) that Mr. Flowers is an independent director.
Ernest M. Higa	○	Mr. Ernest M. Higa is a holder of a Shinsei Bank PowerFlex comprehensive retail account for individuals. Transactions of PowerFlex accounts of individual independent directors are the same as normal transactions on the accounts of ordinary individual customers and have no bearing on the Bank's independence. We therefore do not include here a summary of the transactions of Mr. Higa's account.	In order to reflect in the Bank's management his experience and deep insight of business for consumers. In addition to the independence from internal management assured by his position as an Outside Director, Mr. Higa is not likely to generate any conflict of interests with ordinary shareholders. Therefore, the Bank has submitted to the Tokyo Stock Exchange, Inc. an "independent director statement" ( <i>dokuritsu-yakuin todokede-sho</i> ) that Mr. Higa is an independent director.
Jun Makiyara	○	—	In order to reflect in the Bank's management his extensive knowledge of finance and his domestic and international experience.

			<p>In addition to the independence from internal management assured by his position as an Outside Director, Mr. Makihara is not likely to generate any conflict of interests with ordinary shareholders. Therefore, the Bank has submitted to the Tokyo Stock Exchange, Inc. an "independent director statement" (<i>dokuritsu-yakuin todokede-sho</i>) that Mr. Makihara is an independent director.</p>
Rie Murayama	○		<p>In order to reflect in the Bank's management her wide range of expertise based on the extensive experience at an investment bank.</p> <p>In addition to the independence from internal management assured by his position as an Outside Director, Mr. Makihara is not likely to generate any conflict of interests with ordinary shareholders. Therefore, the Bank has submitted to the Tokyo Stock Exchange, Inc. an "independent director statement" (<i>dokuritsu-yakuin todokede-sho</i>) that Ms. Murayama is an independent director.</p>
Ryuichi Tomimura	○	<p>Mr. Ryuichi Tomimura is a holder of a Shinsei Bank PowerFlex comprehensive retail account for individuals. Transactions of PowerFlex accounts of individual independent directors are the same as normal transactions on the accounts of ordinary individual customers and have no bearing on the Bank's independence. We therefore do not include here a summary of the transactions of Mr. Tomimura's account.</p>	<p>In order to reflect in the Bank's management his extensive experience and wide range of knowledge including information systems as a management executive and a consultant.</p> <p>In addition to the independence from internal management assured by his position as an Outside Director, Mr. Tomimura is not likely to generate any conflict of interests with ordinary shareholders. Therefore, the Bank has submitted to the Tokyo Stock Exchange, Inc. an "independent director statement" (<i>dokuritsu-yakuin todokede-sho</i>) that Mr. Tomimura is an independent director.</p>

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Established
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#### Voluntary Establishment of Committee(s), Members and Chairman

	Name of the Committee	Total number of members	Full-Time members	Internal Directors	Outside Directors	Chairman
Corresponding to Nomination Committee	Nomination and Compensation Committee	Five	Five	-	Five	Outside Directors
Corresponding to Remuneration Committee	Nomination and Compensation Committee	Five	Five	-	Five	Outside Directors

#### Supplementary Explanation

The Bank established the Nomination and Compensation Committee, an optional body, for further enhancing the objectivity and transparency of the Board of Directors' functions of appointing candidates for directors and making decisions on directors' remuneration.

The majority of the Bank's Board of Directors is presently composed of outside directors (five of the seven directors are outside directors), ensuring objective and transparent discussions for appointment of candidates for directors and decisions on the directors' remuneration system and their specific remuneration levels. In order to reinforce this function, the Bank's outside directors hold regular meetings, the "Executive Session", to share their expertise and information on business management.

However, given the trend among Japanese companies to shift to a "Company with a Nominating Committee, etc." or establish an optional nominating committee or a compensation committee from the perspective of "governance" in the ESG management philosophy, the Bank has concluded that in order to improve the Bank's accountability towards its stakeholders, including shareholders, it is necessary to further enhance objectivity and transparency of the Board of Directors' functions related to appointment of candidates for directors and decisions on directors' remuneration. To this end, the Bank established an optional advisory committee, composed of outside directors only.

Based on a request from the Board of Directors, the Nomination and Compensation Committee is to discuss and respond to the Board concerning agenda items for the general meeting of shareholders related to the election/dismissal of Directors, matters related to the election/dismissal of the President and CEO, and matters related to remuneration of Directors.

In order to fulfill its accountability towards stakeholders, The Bank will make efforts to continually strengthen its corporate governance framework by enhancing objectivity and transparency of the decision-making process.

#### [Audit & Supervisory Board Members [*Kansayaku*]]

Establishment of Audit & Supervisory Board ( <i>Kansayaku</i> Board)	Established
Maximum Number of Audit & Supervisory Board ( <i>Kansayaku</i> ) Stipulated in Articles of Incorporation	Five
Number of Audit & Supervisory Board ( <i>Kansayaku</i> )Member	Three

Cooperation among Audit & Supervisory Board Members (*Kansayaku*), Accounting Auditors and Internal Audit Departments

The Audit & Supervisory Board Members invite the accounting auditors to participate in board meetings. The accounting auditors then explain the status of verification of compliance with internal controls at the Bank and Group companies and the contents of accounting audit reports and exchange opinions with the Board Members. To ensure their independence and the appropriateness of audit methods, the Board Members also listen to presentations on audit plans and the internal management system of accounting auditors.

The Audit & Supervisory Board Members receive regular status reports from each department participating in the internal control system, including the Group Internal Audit Division, which is responsible for internal audits, the Risk Management Group, and the Credit Assessment Division. The Group Internal Audit Division, in addition to receiving the approval of the Audit & Supervisory Board for its internal audit plans, must provide directly to the Board the same reports it provides to the President. In addition to regular internal audits, the Audit & Supervisory Board may request the Group Internal Audit Division to perform individual audits. The Board conducts efficient audits through these efforts.

Appointment of Outside Audit & Supervisory Board Member ( <i>Kansayaku</i> )	Appointed
Number of Outside Audit & Supervisory Board Member ( <i>Kansayaku</i> )	Two
Number of Independent Audit & Supervisory Board Member ( <i>Kansayaku</i> )	Two

Outside Audit & Supervisory Board Member's (*Kansayaku*'s) Relationship with the Company (1)

Name	Attribute	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Ikuko Akamatsu	CPA										○			
Shiho Konno	Lawyer													

\* Categories for "Relationship with the Company"

- \* "○" when the director presently falls or has recently fallen under the category;
- \* "△" when the director fell under the category in the past
- \* "●" when a close relative of the director presently falls or has recently fallen under the category;
- \* "▲" when a close relative of the director fell under the category in the past

- a. Executive of the Company or its subsidiary
- b. Non-executive director or accounting advisor of the Company or its subsidiaries
- c. Non-executive director or executive of a parent company of the Company
- d. *Kansayaku* of a parent company of the Company
- e. Executive of a fellow subsidiary company of the Company
- f. A party whose major client or supplier is the Company or an executive thereof
- g. Major client or supplier of the Company or an executive thereof
- h. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as an Audit & Supervisory Board Member (*kansayaku*)
- i. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
- j. Executive of a client or supplier company of the Company (which does not correspond to any of f, g, or h) (the Audit & Supervisory Board Member (*kansayaku*) himself/herself only)

- k. Executive of a company, between which and the Company outside directors/Audit & Supervisory Board Member (*kansayaku*) are mutually appointed (the Audit & Supervisory Board Member (*kansayaku*) himself/herself only)
- l. Executive of a company or organization that receives a donation from the Company (the Audit & Supervisory Board Member (*kansayaku*) himself/herself only)
- m. Others

Outside Audit & Supervisory Board Member's (*Kansayaku*'s) Relationship with the Company (2)

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Ikuko Akamatsu	○		<p>In order to reflect in the Bank's audit operations her expertise in compliance and governance, etc. and extensive experience as a consultant based on the aforementioned expertise, as well as her professional knowledge and experience as a certified public accountant and a certified fraud examiner.</p> <p>In addition to the independence from internal management assured by her position as an Audit &amp; Supervisory Board Member, Ms. Konno is not likely to generate any conflict of interests with ordinary shareholders. Therefore, the Bank has submitted to the Tokyo Stock Exchange, Inc. an "independent director statement" (<i>dokuritsu-yakuin todokede-sho</i>) that Ms. Akamatsu is an independent director.</p>
Shiho Konno	○		<p>In order to reflect in the Bank's audit operations her expertise and extensive experience as a lawyer.</p> <p>In addition to the independence from internal management assured by her position as an Audit &amp; Supervisory Board Member, Ms. Konno is not likely to generate any conflict of interests with ordinary shareholders. Therefore, the Bank has submitted to the Tokyo Stock Exchange, Inc. an "independent director statement" (<i>dokuritsu-yakuin todokede-sho</i>) that Ms. Konno is an independent director.</p>

**[Independent Directors]**

Number of Independent Directors	Seven
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Matters relating to Independent Directors
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**[Incentives]**

Incentive Policies for Directors	Stock Options/ Restricted Stock Compensation
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Supplementary Explanation
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Remuneration of Directors, in addition to fixed compensation, now includes a stock option plan and a restricted stock compensation plan.
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Recipients of Stock Options	Inside Directors
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Supplementary Explanation
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Eligible recipients are full time Directors (excluding Outside Directors).
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**[Director Remuneration]**

Disclosure of Individual Directors' Remuneration	No Individual Disclosure
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Supplementary Explanation
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Information about the amounts of compensation paid to Directors is disclosed in the Business Report (Corporate/IR - Annual General Meeting of Shareholders) and the securities reports posted on the Bank's website. The securities report for fiscal year 2018 (ended March 31, 2019) discloses Directors' compensation as follows.
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Directors' compensation: 139 million yen (total paid to 3 Directors, excluding Outside Directors, of whom, 1 has already resigned.)
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Audit & Supervisory Board Members' compensation: 20 million yen (total paid to one Audit & Supervisory Board Member, excluding Outside Audit & Supervisory Board Members)
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Outside Directors' and Outside Audit & Supervisory Board Members' compensation: 78 million yen (total paid to 8 Outside Directors and Outside Audit & Supervisory Board Members.)
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Notes:
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| <ol style="list-style-type: none"> <li>Figures have been truncated to the unit stated in all amounts shown above.</li> <li>In the above categories, 3 Directors also work as Executive Officer, of whom, 1 has already resigned.</li> <li>The 15th General Meeting of Shareholders held on June 17, 2015 adopted a resolution to set ceilings for the total amount of compensation, etc. paid to Directors at 180 million yen a year (including 60 million yen for outside Directors) and the 10<sup>th</sup> General Meeting of Shareholders held on June 23, 2010 adopted a resolution to set ceilings for the total amount of compensation, etc. paid to Audit &amp; Supervisory Board members at 60 million yen a year. However, these amounts do not include salaries payable to Directors as the Bank's employees when they also work as the Bank's employees.</li> <li>The Bank resolved at its Board of Directors meeting, held on May 12, 2015 to abolish of the retirement allowance plan for Officers and the introduction of equity remuneration type stock</li> </ol> |
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options to the Full-Time Directors was resolved at the 15<sup>th</sup> General Meeting of Shareholders held on June 17, 2015. Separately from the maximum remuneration stated above, the 15<sup>th</sup> General Meeting of Shareholders held on June 17, 2015 adopted a resolution to set ceilings for allotment the Subscription Warrants not exceeding 50 million yen annually to the Full-Time Directors as equity remuneration type stock options.

5. At the 18<sup>th</sup> General Meeting of Shareholders held on June 20, 2018, the Bank resolved to implement a restricted stock compensation plan targeting the Bank's full-time Directors, for giving the Directors an incentive to achieve sustained improvement of the corporate value of the Bank and of sharing more of that value with our shareholders. The amount of remuneration has been resolved at 20 million yen or less per year, which is within the scope of the existing limit of compensation for Directors stated above.
6. Based on the resolution passed at the 15th General meeting of Shareholders held on June 17, 2015, the Bank paid 33 million yen for retirement benefit to one Director and one Audit & Supervisory Board member, who retired at the close of the 18th General meeting of Shareholders held on June 20, 2018. The amount is included in 'Remuneration and Benefits'.

Policy on Determining Remuneration Amounts and Calculation Methods	Established
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Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

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

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 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.

#### [Supporting System for Outside Directors and/or Audit & Supervisory Board Members (*Kansayaku*)]

The Office in charge of the Board of Directors provides information needed by Outside Directors to properly and efficiently fulfill their duties. Prior to meetings of the Board, the Office distributes draft proposals and other documents to each Board member at a timing that allows sufficient time for review prior to the meeting, thus securing a support system for Directors that ensures they have the information necessary to make appropriate decisions at Board of Directors meetings.

Similarly, assistants are assigned to provide support required by the Audit & Supervisory Board Members to conduct audits.

## 2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)

### The Board of Directors

Since its inception as the Bank in 2000, the management of the Bank has consistently engaged in management which emphasizes the supervisory functions of outside Directors in order to achieve transparency and objectivity management as it seeks to achieve sustainable growth and enhance

the Bank's corporate value over the mid to long term. In accordance with its corporate governance framework as a "Company with an Audit & Supervisory Board," the Bank has a Board of Directors structure in which outside Directors outnumber internal Directors, with two internal Directors responsible for daily business execution and five outside Directors (male: four, female: one). The current outside Directors are a well-balanced group of executives that bring to the Bank their extensive experience and expertise in a range of fields strongly related to the Bank's business, including domestic and overseas financial businesses, consumer-related businesses and the fields of risk management and information systems. Drawing upon their experience and expertise, the Bank's outside Directors provide independent and objective perspectives regarding the Bank's management and operations and fulfil vital roles as both supervisors and advisors to the Executive Directors overseeing the business execution of the Bank.

The Board of Directors holds six scheduled meetings a year, with extraordinary meetings convened as necessary. At these meetings, all Board members express their opinions freely and engage in robust discussions. The outside Directors articulate their views regarding the management of the Bank, drawing upon their diverse backgrounds to offer a broader range of perspectives on topics being discussed and perform supervisory roles regarding management issues such as whether optimum strategies are being adopted, whether the risk-return balance is appropriate and whether a particular course of action will contribute to the growth of the Bank's businesses. By determining policy through such discussions the Bank seeks to achieve sustainable growth and enhancement of the Bank's corporate value over the mid to long-term, protection of the interests of all stakeholders including our shareholders and customers as well as maintain appropriate business promotion frameworks. Furthermore, efforts to improve the effectiveness of the Board of Directors by enabling the Board members to focus on discussing key management issues and important matters which affect the mid- to long-term sustainable growth of the Bank.

The Outside Directors and Audit & Supervisory Board Members of the Bank are not involved in the day to day execution of the Bank's business and in order to ensure the sharing of their independent viewpoints as well as to share detailed information regarding the execution of the Bank's business with each of the outside officers, the Bank holds regular meetings attended only by the outside officers. Through these meetings each outside Director and Audit & Supervisory Board Member is able to more effectively fulfill their role as supervisors, advisors and auditors to the Executive Directors responsible for the Bank Group's day to day operations.

In regard to transactions with Directors, major shareholders, and other stakeholders, the Bank conducts checks to avoid conflicts of interest and maintain the fairness of transactions. The Bank has established frameworks for deliberating on relevant transactions at the Board of Directors meetings and conducting necessary follow-ups. Term of office for Directors has been set at one year in the Bank's Articles of Incorporation. Candidates for Director as well as the remuneration of individual Directors within the parameters set for the upper limit for total Directors' compensation by the General Meeting of Shareholders will be decided by the Board of Directors, after deliberation at the Nomination and Compensation Committee.

#### **Executive Officers, Chief Officers, Senior Officers and Executive Committees and Group Executive Committee**

To ensure flexible execution of day-to-day business operations, the Bank has defined "division" as the basic operating unit and, the Executive Officers, Chief Officers and Senior Officers, who are appointed by the Board of Directors (total 37 as of June 19, 2019), will be tasked with the oversight of individual divisions under the direction of the Executive Directions including the President.

As for business function divisions, the head of business unit and the executive officers in charge of individual divisions (EO in charge) will be appointed among Executive Officers. The EO in charge and their head (*Head of EO in charge*) will assume responsibility for specific business activities with customers, along with the business strategy and resource allocation determined by the head of business unit.

As for supporting functions, including human resource and accounting divisions, those functions on the Bank's group companies have been integrated into the "Group Headquarters" established within



the Bank, to the extent permitted by the Banking Act, the Corporation Act and other laws and regulations. The Chief Officers and Senior Officers, who assist Chief Officers, will assume responsibility to enhance operations and improve productivity for each function.

Additionally, the Bank has established the Executive Committee and the Group Executive Committee, comprised of Executive Directors, and Head of Business Unit, Head of EO in charge and Chief Officer etc., as the decision making body through which the President makes determinations on important matters concerning overall Group management, as well as on the execution of the Bank's business, to realize optimal and efficient decision-making for the Group as a whole. The Executive Committee and the Group Executive Committee are convened on a weekly basis in order to deliberate on matters concerning the Bank's and the Group's business operations, and through these deliberations the alignment of the sections responsible for each business with the Bank's and the Group's overall management strategy and strategic direction is ensured.

Furthermore, the Bank has established numerous cross-functional committees which are mainly chaired by Head of EO in charge or Chief Officer, under the Executive Committee and the Group Executive Committee in order to enable the Bank to appropriately and flexibly respond to issues arising from the increasing specialization and sophistication of the business operations. (Group ALM Committee, Group Compliance Committee, Group Risk Policy Committee, Group IT Committee, Group Business Continuity Management Committee, Group Basel Committee, Group Management Development Committee, Doubtful Debt Committee, SME Loan Committee, etc.)

#### **Audit & Supervisory Board Members/Audit & Supervisory Board**

The Audit & Supervisory Board of the 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 (female: two), one of whom is an attorney and the other who is a certified public accountant. By applying the expertise from their respective fields of specialization and their knowledge of corporate governance, the Audit & Supervisory Board, which is fully independent from the Board of Directors, engages in appropriate audits of the Board of Directors' management of the Bank's business. In addition, both outside Auditors are experienced as external directors and consultants of other companies and by drawing upon their experience are able provide views with greater objectivity from a position of greater independence, resulting in enhanced effectiveness of the Audit & Supervisory Board's auditing activities.

The Full-time Audit & Supervisory Board Members, in addition to personally conducting audit activities such as attending key meetings, such as Executive Committee and Group Executive Committee meetings, in addition to Board of Directors meetings, review key documents and as well interview Directors, Executive Officers and accounting auditors, engages with internal control sections such as the Group Internal Audit Division and utilize staff of the Office of Audit & Supervisory Board (three employees) to systematically and efficiently audit the state of the business execution of the entire Bank Group including the Bank as well as its subsidiaries.

#### **Internal Audit**

The Group Internal Audit Division (GIAD) of the Bank regularly makes direct reports regarding the results of audits and the status of GIAD activities to the President and the Audit & Supervisory Board. The GIAD supports the President in his responsibility for controlling business execution, in particular for establishing an effective system of internal controls, and also supports the Audit & Supervisory Board in their responsibilities for audit and supervisory activities, in particular for monitoring the system governing internal controls and its operation. The GIAD provides independent and objective assessments of the effectiveness of risk management, control and governance processes, the reliability of information and information technology systems, and compliance with statutory, legal and regulatory requirements as well as internal policy and procedure requirements of the Bank, and provides solutions to management.

The GIAD is independent of all organizations subject to internal audits, as well as being independent of day-to-day operational activities and control processes, including regular preventive and detective controls. The GIAD utilizes a risk-based audit approach and creates a comprehensive risk assessment by combining a macro-risk assessment, assessing risk from the perspective of the

Banking Group as a whole, together with a micro-risk assessment, assessing risk from an individual business level. Audit resources are prioritized to businesses or processes perceived to have relatively higher risk.

In order to improve the effectiveness and efficiency of internal audit activities, it is important to gather relevant information about the business departments. To do so, the GIAD has enhanced its off-site monitoring activities by attending key management meetings, reviewing internal control documents and holding regular meetings with senior management.

Comprised of the Business Audit Team, the IT Audit Team and the Quality Control and Planning Team, the GIAD takes the initiative in developing our internal auditors' expertise, in particular, strongly encouraging them to obtain professional certifications such as the Certified Internal Auditor and Certified Information Systems Auditor qualifications.

While the GIAD pursues the development and introduction of new audit techniques, it also recognizes the importance of maintaining fundamental skills necessary to performing its governance-related duties. By receiving regular quality assessments of the GIAD's internal audit activities carried out by a third party organization, we are enabled to identify opportunities for improvement across the group from an objective viewpoint.

### 3. Reasons for Adoption of Current Corporate Governance System

In companies with committees, responsibility for the normal conduct of business lies with the responsible Executive Officers. Directors are mainly responsible for the oversight of business execution, thus realizing a clear separation of business executive and supervisory functions. However, the Bank is now expected to ensure more active involvement by the Board of Directors in internal control system establishment and risk management. It also recognized the need to strengthen its audit functions, such as daily business execution audit activities by full-time Audit & Supervisory Board Members, and supervision of business execution and Director activities by Audit & Supervisory Board Members responsible for audits and independent from directors. Based on such an understanding, the Bank changed its governance framework as a "Company with an Audit & Supervisory Board" (*kansayakukai-setchi-gaisha*) June, 2010.

## III. Summary of Measures Implemented for Shareholders and Other Stakeholders

### 1. Measures to Enhance Annual General Meetings of Shareholders and Enable the Efficient Exercise of Voting Rights

	Supplementary Explanations
Early Notification of General Shareholder Meeting	The Notice of Convocation of the Annual General Meeting of Shareholders for the 18th Term was mailed to the Bank's shareholders on May 29, 2019, three weeks prior to the meeting. A digital copy of the notice of convocation was also posted to the Bank's website prior to the mailing of the notice of convocation.
Scheduling AGMs in a Way that Avoids Overlapping with Other AGMs	The Annual General Meeting of Shareholders for the 19th Term was held on Wednesday, June 19, 2019.
Electronic Exercise of Voting Rights	The Bank utilizes an online electronic voting system
Participation in an Electronic Voting Platform and Measures for Enhancing the Exercise of Voting Rights	The Bank utilizes the voting rights exercise platform for institutional investors operated by ICJ.

Provision of Notices of Convocation in English	The Bank provides Notices of Convocation in both English and Japanese, and posts digital copies of the notices on its website.
Other	Following the conclusion of Annual General Meetings of Shareholders, a video recording of the meetings are uploaded to the Bank's website. Additionally, summaries of the Q&A session held in the meetings are uploaded to the Bank's website in a text file.

## 2. IR Activities

	Supplementary Explanations	Provision of Explanations by the Company Representative
Preparation and Publication of Disclosure Policy	The Bank's disclosure policy is included in "IR/SR Policy of Shinsei Bank Group" available on the Bank's website.	Not Applicable
Periodic Holding of Investor Briefings for Analysts and Institutional Investors	Following every quarterly financial results announcement, the Bank holds investor briefings with presentations by the CEO and/or conference calls by the IR Officer on either the date of the announcement or at a later date.	Provided
Periodic Holding of Investor Briefings for Overseas Investors	Following every quarterly financial results announcement, the Bank holds conference calls by the IR Officer on the date of announcement. The CEO and IR Officer have conducted the IR meetings with institutional investors, including attending overseas events.	Provided
Posting of IR Materials on Company Website	The Bank posts all materials in both English and Japanese on its website, including briefing materials for periodic investor briefings for analysts and institutional investors, conference call materials, and any briefing materials for extraordinary investors' meetings. The Bank posts the summary of Q&A s and the script of the presentation in both Japanese and English on its website.	Not Applicable
Establishment of Department and/or Manager in Charge of IR	Five personnel from the Group Investor Relations & Corporate Communications Division are responsible for IR activities.	Not Applicable
Other	<p>1. Medium-Term Strategies</p> <p>The Bank held the investors briefing and conference call for domestic and overseas investors and analysts to explain our Medium-Term Strategies which commenced from fiscal year 2019.</p> <p>2. Integrated Report</p> <p>The Bank issued Integrated Report as a comprehensive report including our strategies and ESG for sustainable value creation of the Group, and posted it on the Bank's website.</p>	Not Applicable

	<p>3. Initiatives for Fair Disclosure</p> <p>The Bank has held the investors briefings with live audio streaming in both Japanese and English via internet, and hosted conference calls in Japanese and in English (simultaneous interpretation). For overseas investors who face large time differences it has provided separate conference calls in English.</p>	
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### 3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	We declare our commitments in the Charter of Corporate Ethics as follows. "We will increase our profitability and enhance shareholder value by maintaining our business operations under full control and by taking appropriate risk."
Implementation of Environmental Activities, CSR Activities etc.	<p>In order to create a sustainable society, the Shinsei Bank Group gives priority to activities focusing on "nurturing the next generation" and "the environment." The Group also continues to participate in other activities such as charity runs that are strongly supported by its employees.</p> <p>In addition to the above, the Group is continuing various activities to support restoration of the areas stricken by the Great East Japan Earthquake, based on their needs. The activities include onsite volunteer work and holding internal markets to sell food and goods made at employment support workshops for disabled persons mainly in Miyagi Prefecture.</p> <p>Leveraging the strength of the Shinsei Bank Group, since 2012 the Group has positioned "MoneyConnection®", a financial literacy program, as an important CSR activity of the Group, and has been implementing the program by supporting and collaborating with Sodateage.net, a certified NPO which provides employment assistance to young people. The program was co-developed by Sodateage.net and Shinsei Financial in 2006, and is implemented mainly for high school students across Japan, aiming to prevent young people from being unemployed. The program was implemented in 1,058 schools and for approximately 136,232 high school students as of March 2019.</p> <p>The Shinsei Bank Group will continue to expand its contribution to society in the regions.</p>
Development of Policies on Information Provision to Stakeholders	In order to increase management transparency, to ensure an accurate understanding of the Bank's business conditions and management policies by customers, shareholders, and investors and to secure appropriate evaluations of the Bank by the financial markets and society at large, the Bank actively discloses a wide variety of information related to its management and business. In addition to providing legally required disclosures, the Bank endeavors to meet the disclosure requirements of customers and other stakeholders through the voluntary, timely, continuous, and impartial disclosure of information.
Other	The Shinsei Bank Group has established "Group ESG Management

	<p>Policy” in order to clearly stipulate the basic views and future direction of the Group’s initiatives pertaining to environmental and societal issues. The policy articulates promotion of ESG investment and lending as well as our views on investment and lending to specific segments.</p> <p>The Bank recognizes that it is a pressing need to promote diversity of personnel, as we as to foster personnel with a broad perspective and highly specialized skills in the entire 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, February 2018, we established the Diversity Promotion Department in the Group Human Resources Division whose focus items included promoting divers work styles and supporting woman in order 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 woman’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 female managers to 35% by 2020.</p> <p>The status of ensuring the diversity of personnel, including the active participation of female employees in regularly updated in the disclosure documents.</p>
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#### IV. Matters Related to the Internal Control System

##### 1. Basic Views on Internal Control System and the Progress of System Development

In order for corporate governance to function effectively, in addition to creating business execution oversight and decision-making frameworks around the Board of Directors, the placement of frameworks which facilitate the proper functioning of functions such as internal audits and compliance is also necessary. Additionally, the creation of internal control systems as required by the Corporation Act or internal controls which ensure the accuracy of financial reports as required by the Financial Instruments and Exchange Act is also a crucial element in a properly functioning corporate governance structure. While management is responsible for ensuring the implementation of such internal controls, the proper function of overall internal controls can be ensured installing detailed internal control frameworks within the Divisions executing business operations. The Bank’s basic policy governing the internal control systems put in place in order to ensure the propriety and efficiency of day to day operations and is defined in the “Internal Control Rules” determined by the Board of Directors, and furthermore, the adequacy of internal control systems is reviewed annually by the Board of Directors. The “Internal Control Rules” stipulate that (1) the internal control systems shall consist of a self-disciplined function in the business execution line in the field (hereinafter, the “First Line”), management functions that are independent from the business execution line in the field such as risk management and compliance functions (hereinafter, the “Second Line”), and an internal audit line (hereinafter, the “Third Line”) and (2) in order to capture and address serious risks and problems appropriately, the Board of Directors shall receive reports from the Second and Third Lines in a timely manner and shall examine major policies and controls regularly. The Rules, in addition to creating a framework for safeguarding the effectiveness of audits by the Audit & Supervisory Board Members, defines “the Shinsei Bank Group Code of Conduct”, the Risk Management Policy , the Group Information Security Policy, the Regulations of Business Execution, the Subsidiaries and Affiliate Policy, the Group Headquarters Organization Management Policy and the Internal Audit Policy as the underlying provisions aimed at preserving the propriety, transparency and efficiency of the operations of the entire Bank Group including subsidiaries. Furthermore, the Bank has instituted frameworks to ensure the propriety of the operations of the Bank, and as

required by “the Charter of Shinsei Bank Group Corporate Behavior” in regard to the prevention of relationships with antisocial forces, the Bank continues to prevent and terminate any such. As for internal control for Group companies, we have consolidated support function of our Group companies in the Group Headquarters and started its operation in an integrated manner since April 2017. We have also put in place management framework which facilitates collaboration among the Division in charge and Specialized Sections to manage subsidiaries and affiliates. Under these systems, the business activities of the subsidiaries and matters concerning their governance are periodically reported to the Group Executive Committee and important matters concerning the management of the subsidiaries are submitted to the Committee for its approval. Through these measures, we are working to enhance internal controls as a whole group including subsidiaries and affiliate companies.

## 2. Basic Views on Eliminating Anti-Social Forces

The Bank Group has made clear its position on the exclusion of antisocial forces, and the Group’s Internal Control Rules state that the Bank and all Group companies will “prevent relationships with antisocial forces.” Accordingly, in our “Charter of Shinsei Bank Group Corporate Behavior”, we declare that will take a firm and resolute stand against antisocial forces that threaten the order and security of our society, and that we will consistently prevent illegal interference by such antisocial forces and completely exclude and eliminate any relationships with such forces to block their activities.

Furthermore, on the organizational side, we have designated the Group Legal and Compliance Division’s Financial Crime Information Department as the unit responsible for supervising and planning management functions related to preventing transactions with antisocial forces. Working closely with the Group General Services Division, which provides on-site responses, the Department undertakes various initiatives directed at preventing relationships with antisocial forces. More specifically, the Department has established a monitoring system designed to help it better grasp the presence or absence of contact with antisocial forces, including at Group companies, and it reports regularly to the Bank’s management. In addition, the Bank and its principal subsidiaries have established oversight departments that dispatch officers to branch offices to deal with unreasonable requests.

In addition, the Bank performs regular checks for possible involvement with antisocial forces before entering into a transaction and after conclusion of the transaction. If a transaction is found to involve antisocial forces, the Bank contacts all related professionals, including the police, advising attorneys, and other relevant external organizations to resolve the issue and further strengthen its system for eliminating contact with antisocial forces and all related transactions. The Bank shares its information regarding antisocial forces with all Group companies, which have created similar systems for checking for and eliminating transactions with antisocial forces.

Furthermore, in order to ensure thorough understanding of the need to prevent contact with antisocial forces, the Group General Services Division has prepared response manuals and crisis management seminars for branch offices depending on the situation. The Division has also develops e-learning, which is available to all officers and employees of the Bank and Group companies on this.

## V. Other

### 1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted
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## 2. Other Matters Concerning to Corporate Governance System

### Our Approach to Timely Disclosure

Our “Shinsei Group Code of Conduct” sets forth certain minimum requirements that the Bank Group imposes on all executives and employees of the Bank Group in conformity with “The Charter of Shinsei Bank Group Corporate Behavior”.

### “Shinsei Group Code of Conduct”

#### 3.2. Information disclosure

The Bank Group has a responsibility under applicable laws and regulations to make various disclosures in order to provide the public with sufficient and accurate information in all material matters.

As an issuer of listed securities, the Bank has established the “Procedures for Timely Disclosure,” internal regulations to ensure the timely and appropriate disclosure of important corporate information to investors. All officers and employees of the Bank are thoroughly versed in the Procedures. The responsibility for the management and timely disclosure of information resides primarily with the Chief Officer, i.e. the Disclosure Officer and with the Group Investor Relations & Corporate Communications Division.

The specifics of the Bank’s system for timely disclosures are as follows:

- (1) The Bank has designated as “the controller of Timely Disclosure Information” all GMs of divisions, departments and branch offices that have jurisdiction over information requiring timely disclosure, such as information about the Bank’s business, operations and performance that is deemed to have a significant impact on investors’ investment decisions. The managers designated as responsible administrators are responsible for identifying, conveying and managing information requiring timely disclosure. They must report such information to the Group Investor Relations & Corporate Communications Division as soon as they become aware of the information.
- (2) If information requiring timely disclosure is considered “insider information,” the responsible administrator must also contact the Group Legal and Compliance Division, which is responsible for management of insider information. In addition, if the information includes facts that require submission of an extraordinary report, it must be conveyed to the Group Financial and Regulatory Accounting Division.
- (3) The Disclosure Officer is responsible for the management and timely disclosure of information requiring timely disclosure, and the Group Investor Relations & Corporate Communications Division is responsible for releasing the information to the Tokyo Stock Exchange.
- (4) Information requiring timely disclosure must also be reported to senior management in a timely manner.
- (5) The Group Financial and Regulatory Accounting Division submits securities reports and extraordinary reports to the director-general of the Kanto Finance Bureau. The preparation of such documents includes audits of financial statements by an accounting auditor and, if necessary, reviews by outside attorneys.
- (6) The Group Investor Relations & Corporate Communications Division is responsible for coordinating the public inspection of securities reports and similar documents at the corporate head office and branch offices.

The Bank’s system for ensuring the timeliness and proper preparation of disclosures is as follows:

- (1) Important business execution matters are reported to and discussed by the Executive Committee. Following to establishment of the Bank Group Headquarters in April 2017, a “Group Executive Committee” is set in to resolute important decisions regarding the Group

management. The Disclosure Officer also serves as a standing member of the Executive Committee and the Group Executive Committee, helping ensure that all matters requiring disclosure are listed.

- (2) The Group Investor Relations & Corporate Communications Division endeavors to ensure timely and appropriate disclosures through close coordination with all units of the Bank. Such coordination includes the constant exchange of information with each business group, early detection of important information requiring timely disclosure, appropriate management of such information, and the proper preparation of appropriate disclosure materials.
- (3) The Bank has also established the Disclosures Committee as a body that deliberates on securities reports and other disclosure items, makes judgements about the disclosure of events not requiring timely disclosure, and submits its opinions to the President. Disclosures Committee standing members include representatives from the Group Corporate Planning Division, the Group Legal and Compliance Division and other relevant divisions. Meetings are held whenever necessary.



# ■ Corporate Governance Structure Chart (as of June 19, 2019)

Develops  
Management  
Strategy;  
Supervises Business  
Execution

Implements  
Management  
Strategy;  
Executes Business

