

For Immediate Release

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

Notice Regarding Reservation of Opinion on TOB for Shares of Shinsei Bank by SBI Regional Bank Holdings Co., Ltd.

Tokyo (Friday, September 17, 2021) --- Shinsei Bank hereby announces that our board of directors resolved today, by unanimous consent of all directors, to reserve an opinion at this time on the tender offer commenced on September 10, 2021 by SBI Regional Bank Holdings Co., Ltd. ("Tender Offeror"), a wholly owned subsidiary of SBI Holdings, Inc. ("SBIHD," and together with SBI Regional Bank Holdings Co., Ltd., "SBIHD and SBI Regional Bank") for the common shares ("Shares") of Shinsei Bank ("TOB").

Shinsei Bank has asked several questions to SBIHD and SBI Regional Bank (for details, please see "7. Questions to the Tender Offeror" below). Once the Tender Offeror submits its Answer Report, Shinsei Bank will carefully evaluate and review the content thereof and other relevant information, and make a final decision to announce our opinion on the TOB.

Shinsei Bank asks our shareholders to pay close attention to information to be disclosed by us, and act carefully.

1. Overview of the Tender Offeror (Note 1)

(1)	Name	SBI Regional Bank Holdings Co., Ltd.
(2)	Address	6-1, Roppongi 1-chome, Minato-ku, Tokyo
(3)	Name and Title of Representative	Representative Director: Shumpei Morita
(4)	Description of Business	(1) Investment business, such as holding, management, investment, and acquisition of securities, etc. (2) Research, planning, and intermediation in connection with business transfers, sales and purchases of assets, capital participations, business alliances, and mergers by companies

		(3) Consulting services concerning business management in general (4) Bookkeeping of company accounts, administrative work concerning account settlement, and diagnosis and guidance concerning management and accounts (5) Information provision services (6) Development, sale, and rental of systems (7) Any other businesses incidental or related to each of the above	
(5)	Date of Incorporation	August 25, 2015	
(7)	Capital Amount	JPY 100,000,000 (As of September 10, 2021)	
(8)	Large Shareholder and Shareholding Ratio (As of September 10, 2021)	SBI Holdings, Inc.	100.00%
(9)	Relationship between Tender Offeror and Shinsei Bank		
	Capital Relationship	Tender Offeror owns 100 Shares (Ownership Ratio (Note 2): 0.00%). SBIHD owns 42,737,700 Shares (Ownership Ratio: 20.32%).	
	Personnel Relationship	There is no personnel relationship to be stated herein between Shinsei Bank and the Tender Offeror. There is also no personnel relationship to be stated herein between Shinsei Bank and SBIHD.	
	Transactional Relationship	There is no transactional relationship to be stated herein between Shinsei Bank and the Tender Offeror. The following are transactions between Shinsei Bank and SBIHD: ■ Shinsei Bank is a shareholders of Money Tap Co., Ltd., an affiliated company of SBIHD; ■ Shinsei Bank is a shareholders of Regional Revitalization Partners Co., Ltd., a subsidiary of SBIHD; ■ Shinsei Bank invests in FinTech Business Innovation LPS, SBI AI&Blockchain LPS, and SBI 4&5 Investment Limited Partnership, established and managed by SBI Investment Co., Ltd., a subsidiary of SBIHD; and ■ Shinsei Bank has loan transactions with SBIHD, SBI Leasing Services Co., Ltd., and SBI FinTech Solutions Co., Ltd.	

		The Tender Offeror is not a related party of Shinsei Bank.
	Status as a Related Party	SBIHD owns 42,737,700 Shares (Ownership Ratio: 20.32%), and is a major shareholder and the largest shareholder of Shinsei Bank.

(Note 1) Information with respect to SBIHD and SBI Regional Bank is based on the Tender Offer Registration Statement filed by the Tender Offeror on September 10, 2021 ("Tender Offer Registration Statement").

(Note 2) "Ownership Ratio" refers to the ratio (rounded to the second decimal place; unless otherwise stated, the same shall apply in the calculation of ratios) to the number of shares (210,310,530 shares), which is obtained by deducting the treasury shares owned by Shinsei Bank as of August 31, 2021 (48,724,159 shares) from the total number of issued and outstanding shares of Shinsei Bank as of August 31, 2021 (259,034,689 shares), as stated in the "Share Buyback Report" (under Article 24-6, Paragraph 1 of the Financial Instruments and Exchange Act (No.25 of 1948, as amended) (the "FIEA")) filed by Shinsei Bank on September 3, 2021.

2. Tender Offer Price

JPY 2,000 per common share

3. Details of, and Grounds and Reasons for, the Opinion on the TOB

(1) Details of the Opinion

At this time, Shinsei Bank reserves our opinion on the TOB.

(2) Grounds and Reasons for the Opinion

Shinsei Bank has been carefully evaluating and examining the details of the TOB since the commencement of the TOB. However, the board of directors of Shinsei Bank resolved today, by unanimous consent of all directors, to reserve its opinion on the TOB at this time for the reasons described below. All three corporate auditors of Shinsei Bank attended the meeting of the board of directors, and stated that they had no objection to passing such resolution.

- (a) The TOB was commenced unilaterally without any prior communication to Shinsei Bank. Various matters which Shinsei Bank considers important in evaluating and examining the TOB have not been made clear.

The TOB was commenced unilaterally without any prior notice or communication to, or prior discussion with Shinsei Bank. Since the end of March 2021, when SBIHD acquired

slightly less than 20% of Shinsei Bank's voting rights, Shinsei Bank has requested SBIHD to hold a meeting on several occasions to hear their opinion as the large shareholder of Shinsei Bank. However, SBIHD rejected such request, claiming that it had nothing to discuss, and there has been no discussion between SBIHD and Shinsei Bank's management members about the management of Shinsei Bank, and no consultation with SBIHD about the TOB.

Under these circumstances, following the sudden announcement of the TOB by the Tender Offeror, Shinsei Bank has commenced an immediate review of the details of the Tender Offer Registration Statement and other relevant information, and a careful evaluation and examination of the details of the TOB, with a view to expressing our opinion on the TOB.

However, Shinsei Bank considers that information available to date (including the information contained in the Tender Offer Registration Statement) is not sufficient to form and express our opinion that will help our shareholders to make a proper judgment as to whether to tender their shares in the TOB. In addition, although the Tender Offer Registration Statement contains multiple sections related to discussions and communications regarding the business alliance between SBIHD and Shinsei Bank, there are sections that differ significantly from Shinsei Bank's understanding (please see "Update on Status for Expression of Opinion to the TOB initiated by SBI Regional Bank Holdings" dated September 16, 2021 and its Attachment "Our understanding of the chronology up until the TOB initiated by SBI Regional Bank Holdings for the shares of Shinsei Bank" for details). Shinsei Bank considers that it is necessary to confirm those sections with SBIHD and SBI Regional Bank.

Given the foregoing, Shinsei Bank believes that a careful analysis and examination of the TOB is necessary by collecting detailed information from the Tender Offeror in order to judge whether the TOB will contribute to enhancing the corporate value of Shinsei Bank and securing the common interests of our shareholders.

- (b) As SBIHD and SBI Regional Bank will be able to effectively control the management of Shinsei Bank as a result of the TOB, it is necessary to carefully evaluate and examine the TOB from the viewpoint of the interests of the minority shareholders.

In the TOB, the maximum number of shares to be purchased is set, and if the total number of shares tendered exceeds the maximum number of shares to be purchased, the excess Shares will not be purchased. In addition, the maximum number of shares to be purchased is set at less than a majority of the voting rights of all shareholders of Shinsei Bank. Considering the current composition of our shareholders and the fact that the ratio of

voting rights exercised by our shareholders in the past was around 90%, it is anticipated that SBIHD and SBI Regional Bank will be able to effectively control the management of Shinsei Bank without obtaining a majority of the voting rights of all shareholders of Shinsei Bank. Furthermore, SBIHD owns subsidiaries which make it inappropriate for SBIHD to obtain regulatory approval to become a bank holding company (i.e. subsidiaries engaged in a business that cannot be conducted as a subsidiary of a bank holding company, such as companies belonging to SBIHD's bio-healthcare and medical informatics business as well as those engaging in real property brokerage business), and seeks, in its proposal, to acquire Shares equivalent to the Ownership Ratio of up to 48% without becoming a bank holding company, acquiring all of the issued and outstanding shares, and obtaining a majority of the voting rights in Shinsei Bank. Namely, it is a proposal to effectively control Shinsei Bank's management through a reduced investment without acquiring a majority of the voting rights of all shareholders of Shinsei Bank. Since Shinsei Bank is in a situation where SBIHD and SBI Regional Bank will be able to acquire the management rights of Shinsei Bank without acquiring a majority of the voting rights of all shareholders of Shinsei Bank, as described above, it would be possible for SBIHD and SBI Regional Bank to acquire the management rights through a small investment at the expense of the remaining shareholders and without obtaining regulatory approval to become a bank holding company. The acquisition of the management rights of Shinsei Bank through such method may pose serious problems in terms of the corporate value of Shinsei Bank and the maximization of the common interests of the shareholders and, above all, the investments of the remaining shareholders may be effectively controlled by SBIHD, and may be used for the benefit of SBIHD. In light of the above, Shinsei Bank believes that a careful evaluation and examination of the TOB is necessary from the viewpoint of the interests of the minority shareholders.

- (c) As a core bank in the financial services industry with a highly public nature and a significant responsibility to contribute broadly to the economy and society, it is necessary to carefully consider how Shinsei Bank will be managed, and what the large shareholder who will control Shinsei Bank should be.

As a listed company, Shinsei Bank has a responsibility to contribute to the development of the market economy, and at the same time, as a core bank in the financial services industry (i.e., a banking service provider taking ordinary and time deposits as well as providing loans), Shinsei Bank has a highly public nature and a significant responsibility to contribute broadly

to the economy and society. In light of the public nature of the business of Shinsei Bank, which operates a full-service banking business, Shinsei Bank and the acquirer should carefully and sufficiently consider and discuss in advance how Shinsei Bank will be managed, and what the large shareholder who will control Shinsei Bank should be. If, however, there is a change in the controlling shareholder as a result of the TOB initiated in a unilateral manner, it is highly likely that the continuity of the management of Shinsei Bank will be lost and the management of Shinsei Bank will be seriously disrupted, and as a result, there is a possibility that the public nature of Shinsei Bank's business will be adversely affected, which may undermine the corporate value of Shinsei Bank and the common interests of the shareholders. In light of the above, Shinsei Bank believes that a careful evaluation and examination of the TOB needs to be made.

Pursuant to Article 27-10, Paragraph 11 of the FIEA and Article 13-2, Paragraph 2 of the Order for Enforcement of the Financial Instruments and Exchange Act, the Tender Offeror is scheduled to submit an Answer Report (as provided in Article 27-10, Paragraph 11 of the FIEA) in response to the questions described in "7. Questions to the Tender Offeror" below and Attachment within five business days from the date on which it receives a copy of the Target Company's Position Statement submitted by Shinsei Bank. Once the Tender Offeror submits its Answer Report, Shinsei Bank will carefully evaluate and review the content thereof and other relevant information, and make a final decision to announce our opinion on the TOB.

Shinsei Bank asks our shareholders to pay close attention to information to be disclosed by us, and act carefully.

(3) Possibility of Delisting and Reasons Therefor

As of today, the Shares are listed on the First Section of the Tokyo Stock Exchange ("TSE").

According to the Tender Offer Registration Statement, the Tender Offeror has set the maximum number of shares to be purchased (58,211,300 shares) since it does not intend to delist the Shares through the TOB, and intends to maintain the listing of the Shares after the completion of the TOB. The number of Shares to be held by SBIHD and SBI Regional Bank after the TOB will be up to 100,949,100 shares (Ownership Ratio: 48.00%). As such, the Shares will remain listed on the First Section of the TSE after the completion of the TOB (see page 11 of the Tender Offer Registration Statement).

(4) Plans to Acquire Additional Shares of Shinsei Bank by the Tender Offeror after the TOB

According to the Tender Offer Registration Statement, SBIHD and SBI Regional Bank intend to (i) make Shinsei Bank a consolidated subsidiary of SBIHD, and (ii) secure voting rights which will enable SBIHD and SBI Regional Bank to change all or part of the officers of Shinsei Bank in order to achieve the optimal composition of officers, through the TOB. As such, as of September 10, 2021, SBIHD and SBI Regional Bank do not have any plan to acquire additional shares, etc. of Shinsei Bank after the TOB, if the Tender Offeror is able to acquire the Shares necessary to achieve the purposes stated in (i) and (ii) above.

However, SBIHD and SBI Regional Bank have a plan to acquire additional Shares through on-market trading or other measures to the extent necessary to achieve these purposes, if the Tender Offeror fails to acquire the Shares necessary to achieve the purposes stated in (i) and (ii) above. SBIHD and SBI Regional Bank will determine the method, terms and conditions, timing and appropriateness of acquiring additional Shares by taking into consideration such factors as the trends of the share price, discussions with Shinsei Bank, other shareholders of Shinsei Bank, and other related parties, and the availability of financing by SBIHD and SBI Regional Bank (see page 11 of the Tender Offer Registration Statement).

(5) Measures to Ensure Fairness and Measures to Avoid Conflicts of Interest

The TOB is not intended to delist the Shares, and is not an MBO or a tender offer by the controlling shareholder. In addition, although SBIHD, a wholly-owning company of the Tender Offeror, is a major shareholder and the largest shareholder of Shinsei Bank, it has commenced the TOB unilaterally without any prior communication to Shinsei Bank, and Shinsei Bank believes that there is no factor which requires Shinsei Bank to ensure fairness in expressing the opinion on the TOB.

However, Shinsei Bank will retain independent outside experts (e.g., financial advisors, attorneys, certified public accountants and tax counsels) so that independent external officers of Shinsei Bank can obtain their advice in relation to the operation of the Plan (as defined in "6. Response Policy with respect to Basic Policy Related to Control of the Company"), and Shinsei Bank will bear the reasonable costs required to obtain such advice. Through this measure, Shinsei Bank will establish a system under which independent external officers can obtain advice from outside experts in operating the Plan.

4. Matters Related to Important Agreements between the Tender Offeror and the Shareholders and/or Directors of the Company Concerning the Tendering of Shares in the Tender Offer

Not applicable.

5. Provisions of Benefits by the Tender Offeror or its Specially Related Parties

Not applicable.

6. Response Policy with respect to Basic Policy Related to Control of the Company

As stated in the “Notice of the Introduction of Takeover Defense Measures subject to Confirmation of Shareholders' Intention after the Commencement of the TOB for Shinsei Bank's Shares by SBI Regional Bank Holdings Co., Ltd.,” which was released today (“Press Release Regarding Takeover Defense Measures”), at the meeting of the board of directors held today, Shinsei Bank has resolved to determine the “basic policies regarding those who control the determination of Shinsei Bank's financial and operational policies” (Article 118, Item 3 of the Ordinance for Enforcement of the Companies Act; “Basic Policy”) and to introduce takeover defense measures (“Plan”) as initiatives to prevent inappropriate parties from controlling the determination of the financial and business policies of Shinsei Bank in light of the Basic Policy (Article 118, Item 3-(b)-(2) of the Ordinance for Enforcement of the Companies Act), with the aim of securing and enhancing the corporate value of Shinsei Bank and the common interests of the shareholders.

(1) Background of and reasons for the decision to introduce the Plan

In the TOB, the maximum number of shares to be purchased is set, and if the total number of shares tendered exceeds the maximum number of shares to be purchased, the excess Shares will not be purchased. As stated in “(2) Grounds and Reasons for the Opinion” in “3. Details of, and Grounds and Reasons for, the Opinion on the TOB,” Shinsei Bank believes that the TOB is nothing but a proposal to effectively control Shinsei Bank's management through a reduced investment without acquiring a majority of the voting rights of all shareholders of Shinsei Bank.

The acquisition of the management rights of Shinsei Bank through such method may pose serious problems in terms of the corporate value of Shinsei Bank and the maximization of the common interests of the shareholders and, above all, the investments of the remaining shareholders may be effectively controlled by SBIHD and may be used for the benefit of SBIHD. In addition, as a listed company, Shinsei Bank has a responsibility to contribute to the development of the market economy, and at the same time, as a core bank in the financial services industry (i.e., a banking service provider taking ordinary and time deposits as well as providing loans), Shinsei Bank has a highly public nature and a significant responsibility to contribute broadly to the economy and society. Since the end of March 2021, when SBIHD acquired slightly less than 20% of Shinsei

Bank's voting rights, Shinsei Bank has requested SBIHD to hold a meeting on several occasions to hear their opinion as the large shareholder of Shinsei Bank. However, SBIHD rejected such request, claiming that it had nothing to discuss, and there has been no discussion between SBIHD and Shinsei Bank's management members about the management of Shinsei Bank. Under these circumstances, the Tender Offer was suddenly commenced without any prior notice, explanation or consultation to Shinsei Bank. In light of the public nature of the business of Shinsei Bank, which operates a full-service banking business, Shinsei Bank and the acquirer should carefully and sufficiently consider and discuss in advance how Shinsei Bank will be managed, and what the large shareholder who will control Shinsei Bank should be. If, however, there is a change in the controlling shareholder as a result of the TOB initiated in a unilateral manner, it is highly likely that the continuity of the management of Shinsei Bank will be lost and the management of Shinsei Bank will be seriously disrupted, and as a result, there is a possibility that the public nature of Shinsei Bank's business will be adversely affected and that Shinsei Bank is not able to perform a significant responsibility to contribute broadly to the economy and society, which may undermine the corporate value of Shinsei Bank and the common interests of the shareholders.

Based on such understanding, following the announcement of the TOB by SBIHD, the board of directors of Shinsei Bank has come to the conclusion that, in order to ensure that the shareholders have the information to make a proper judgment as to, and the time to carefully consider how Large-Scale Purchases (as defined in the Press Release Regarding Takeover Defense Measures), including the TOB, may affect the corporate value of Shinsei Bank and the source of such corporate value, such Large-Scale Purchases should be conducted in accordance with certain procedures established by the board of directors of Shinsei Bank so that the maximization of the corporate value of Shinsei Bank and the common interests of the shareholders will not be hindered.

As a result, at the meeting of the board of directors of Shinsei Bank held today, the board of directors of Shinsei Bank has resolved to determine the Basic Policy and introduce the Plan, with the aim of securing and enhancing the corporate value of Shinsei Bank and the common interests of the shareholders.

(2) Measures to ensure the holding of the general meeting to confirm shareholders' intention, and future procedures, etc.

Under the Plan, if the board of directors of Shinsei Bank objects to the TOB and considers that countermeasures should be implemented, Shinsei Bank is supposed to decide to hold a general meeting of shareholders within the Board of Directors' Evaluation Period (as defined below), and promptly hold a general meeting of shareholders after such decision is made ("General Meeting to

Confirm Shareholders' Intention"). At the General Meeting to Confirm Shareholders' Intention, Shinsei Bank will confirm whether shareholders will accept the TOB by taking a vote on the proposal for the implementation of countermeasures. If the shareholders approve the proposal for the implementation of countermeasures offered by the board of directors of Shinsei Bank by an ordinary resolution at the General Meeting to Confirm Shareholders' Intention, and the TOB is not suspended or withdrawn, the board of directors of Shinsei Bank will implement the countermeasures (meaning the dilution of the voting rights of Shinsei Bank held by the large-scale purchaser through (a) a free allotment to shareholders of share subscription rights with discriminatory exercise conditions, etc. and compulsory acquisition provisions, etc. ("Class A Share Subscription Rights"), and (b) a subsequent compulsory acquisition of such share subscription rights from the holders other than the Non-eligible Persons (as defined in the Press Release Regarding Takeover Defense Measures) in exchange for Shares) in accordance with the intention of the shareholders. However, if the shareholders disapprove the proposal for the implementation of countermeasures at the General Meeting to Confirm Shareholders' Intention, the board of directors of Shinsei Bank will not implement the countermeasures in accordance with the intention of the shareholders.

In order to ensure the holding of the General Meeting to Confirm Shareholders' Intention, Shinsei Bank has requested in its letter of today that SBIHD and SBI Regional Bank file an amendment to the Tender Offer Registration Statement by noon of September 30, 2021 to extend the tender offer period to Wednesday, December 8, 2021 (the 60th business day in the longest tender offer period permitted by law).

As for Shinsei Bank's future response, there are two possible scenarios below, depending on what action SBIHD and SBI Regional Bank will take in response to Shinsei Bank's request:

(A) If the Tender Offeror extends the end of the tender offer period to Wednesday, December 8, 2021 by noon of September 30, 2021:

The board of directors of Shinsei Bank will evaluate and examine whether it should approve or disapprove the TOB, and whether it should implement countermeasures if it disapproves the TOB, based on the information provided by the Tender Offeror. In order for the shareholders to properly judge the appropriateness of the TOB and for the board of directors of Shinsei Bank to conduct evaluations and examinations thereof, the board of directors of Shinsei Bank may request information from the Tender Offeror, as necessary.

The board of directors of Shinsei Bank will, from today onward, fully evaluate and examine

the information provided by the Tender Offeror, obtaining advice from a third party who is independent of Shinsei Bank (including investment banks, securities companies, financial advisors, lawyers, certified public accountants and other experts), as necessary. The board of directors of Shinsei Bank will then carefully form its opinion on the TOB, notify the Tender Offeror thereof, and disclose information to the shareholders in a timely and appropriate manner. During this process, the independent external officers of Shinsei Bank may hold discussions only among themselves other than at meetings of the board of directors, and may also obtain advice from outside experts for themselves.

If necessary, the board of directors of Shinsei Bank may negotiate with the Tender Offeror on the terms and method of the TOB, and may also offer alternative proposals to the shareholders.

The evaluations and examinations by the board of directors of Shinsei Bank mentioned above will be conducted as soon as possible from today onward. Considering the time required for preparation of the materials necessary for the evaluations and examinations, it will take a period of about 30 days ("Board of Directors' Evaluation Period") to conduct sufficient examinations. In addition, if the board of directors of Shinsei Bank fails to pass a resolution on whether to implement countermeasures within the Board of Directors' Evaluation Period for unavoidable reasons, it may extend the Board of Directors' Evaluation Period by a maximum of 30 days (which will be calculated from the day following the expiration date of the initial Board of Directors' Evaluation Period) to the extent necessary (such extension will be permitted only once). If the board of directors of Shinsei Bank resolves to extend the Board of Directors' Evaluation Period, it will disclose information to the shareholders in a timely and appropriate manner concerning the specific period so resolved, as well as the reason why such specific period is necessary.

The purchase of Shares through the TOB will be commenced only after the elapse of the Board of Directors' Evaluation Period (or, if the General Meeting to Confirm Shareholders' Intention is held, after the rejection of the proposal for the implementation of countermeasures, and the conclusion of the General Meeting to Confirm Shareholders' Intention).

(B) If the Tender Offeror does not extend the tender offer period to Wednesday, December 8, 2021 by noon of September 30, 2021:

In this case, since SBIHD and SBI Regional Bank may attempt the purchase through a tender offer before the General Meeting to Confirm Shareholders' Intention is held, the board of directors of Shinsei Bank will tentatively make a free allotment of the Class A Share Subscription Rights at the rate of one Class A Share Subscription Right per Share ("Tentative Measures"), and then hold the General Meeting to Confirm Shareholders' Intention to confirm the shareholders' intention.

In preparation for the case where the General Meeting to Confirm Shareholders' Intention will

be held, and the case where the Tentative Measures will be taken, Shinsei Bank will set Wednesday, October 13, 2021 as the record date to determine the shareholders who may exercise their voting rights at the General Meeting to Confirm Shareholders' Intention, and the shareholders who are entitled to a free allotment of the Class A Share Subscription Rights based on the Tentative Measures, and designate the shareholders whose names are stated or recorded in the last shareholder register as of that date as those entitled to exercise their voting rights at the General Meeting to Confirm Shareholders' Intention, and those who will receive a free allotment of the Class A Share Subscription Rights based on the Tentative Measures. Shinsei Bank will notify the date and time, place, and detailed agenda of the General Meeting to Confirm Shareholders' Intention as soon as they are determined at a meeting of the board of directors to be held in the future (for more details, see "Notice of the Record Date Set for the Convocation of the Extraordinary General Meeting of Shareholders and the Free Allotment of Share Subscription Rights," which was released today).

7. Questions to the Tender Offeror

See Attachment as attached.

8. Request for Postponement of Tender Offer Period

Not applicable.

As stated in "6. Response Policy with respect to Basic Policy Related to Control of the Company" above, with the aim of ensuring the holding of the General Meeting to Confirm Shareholders' Intention, Shinsei Bank has requested in its letter of today that SBIHD and SBI Regional Bank file an amendment to the Tender Offer Registration Statement by noon of September 30, 2021 to extend the tender offer period to Wednesday, December 8, 2021. If accepted by the Tender Offeror, the tender offer period for the TOB will be extended to 60 business days. If the Tender Offeror does not accept Shinsei Bank's request by noon of September 30, 2021, Shinsei Bank will make a free allotment of the Class A Share Subscription Rights. For details, please see "(B) If the Tender Offeror does not extend the tender offer period to Wednesday, December 8, 2021 by noon of September 30, 2021" in "(2) Measures to ensure the holding of the general meeting to confirm shareholders' intention, and future procedures, etc." in "6. Response Policy with respect to Basic Policy Related to Control of the Company."

End

Shinsei Bank is a leading diversified Japanese financial institution providing a various range of financial products and services to both institutional and individual customers. The Bank has a network of outlets throughout Japan and is committed in its pursuit of uncompromising levels of integrity and transparency in all of its activities in order to earn the trust of its customers, staff, and shareholders. The Bank is committed to delivering long-term profit growth and increasing value for all its stakeholders. News and other information about Shinsei Bank is available at

<https://www.shinseibank.com/corporate/en/index.html>

For further information, please contact:
Group Investor Relations & Corporate Communications Division
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Questions to SBI Holdings and SBI Regional Bank Holdings

While the TOB has been initiated by SBI Regional Bank Holdings Co., Ltd. (the "Bidder"), in the TOB Registration Statement, the name of the Representative Director, President & CEO of SBI Holdings, Inc. is stated as the person who decided to initiate the TOB. Accordingly, Shinsei Bank understands that the TOB was substantively decided and is being conducted by SBI Holdings, Inc., a major and the largest shareholder of Shinsei Bank. As such, the questions below are addressed not only to the Bidder but also to SBI Holdings, Inc.

The questions below cover various topics concerning the background for the commencement of TOB as well as the statements made in the TOB Registration Statement since the TOB was initiated in the absence of prior discussions with Shinsei Bank. These questions are raised for the purpose of providing sufficient information for consideration and informed decision making by shareholders of Shinsei Bank. Therefore, Shinsei Bank seeks detailed answers.

1. About SBIHDs

(1) Overview of Bidder

- (a) Please provide outline of the Bidder's (SBI Regional Bank Holdings') organization, details of business and financial condition, and the names of directors and corporate auditors, and their professional histories and relationship with SBIHD.

(2) SBIHDs' History of Investments, Capital and Business Alliances, etc.

- (a) Please provide details of SBIHDs' major investments (other than its investment in Shinsei Bank), details of its investment policy, and details of its major investment activities in the past five years.
- (b) Please explain in detail the transitions of the investments made by SBIHDs referred to in item (a) above.

2 Background to the TOB

(1) Reasons for the commencement of the TOB

- (a) The TOB Registration Statement states that "SBIHD received a letter from the Target Company requesting a conversation about the reason for the exercise of its voting rights and business alliances in early July 2021, but as stated in '(1) Outline of the Tender Offer' above, SBIHD thought that it was unable to expect progress from the previous discussions, even if SBIHD held discussions with the current management, in light of the Target Company's responses to previous proposals for a capital and business alliance with SBIHD or the proposals for an alliance regarding the securities business with SBI Securities Co., Ltd. and assessed that there is a risk of receiving insider information depending on the contents of the discussion, and therefore, SBIHD has not responded to the letter from the Target Company as of today". While the "previous proposals for a capital and business alliance with SBIHD" is supposed to mean the proposal made in September 2019, the ratio of SBI Holdings, Inc.'s holding in Shinsei Bank was merely 4.66% as of August 28, 2019. In contrast, the discussions proposed by Shinsei Bank in early July 2021 was aimed to hear a wish of SBIHD as a shareholder of Shinsei bank considering SBIHD's having purchased approximately 20% of Shinsei Bank's outstanding shares and SBIHD's exercise of its voting rights at the ordinary general shareholders' meeting of Shinsei Bank held on June 23, 2021. The situation is different from the past discussions and conversation. Under such circumstances, please explain the specific grounds that "SBIHD thought that it was unable to expect progress from the previous discussions".
- (b) With respect to item (a) above, and "SBIHD's proposal for a business alliance with SBI Securities Co., Ltd. concerning the securities business", Shinsei Bank did not reject the business alliance concerning securities business itself. Shinsei Bank ultimately decided to enter into a business alliance with another third party which Shinsei Bank, after careful consideration and having received proposals from multiple securities companies, believed would be the best business partner. Shinsei Bank believes that it is the inevitable duty to

consider the best interest for the shareholders of Shinsei Bank to select the best proposal. Would it be correct to say that SBIHD is not satisfied with Shinsei Bank's decision of choosing the business partner for the alliance, which is a competitor to SBIHD?

- (c) With respect to item (b) above, Shinsei Bank believes that it is difficult to accept an allegation that proposals of SBIHD, a major shareholder of Shinsei Bank, should be accepted by us even without showing such proposal being superior to those made by other candidates. Shinsei Bank's management has a duty to consider the interests of shareholders of Shinsei Bank as a whole. Particularly, Shinsei Bank believes that the creation of such alliances will inure solely to the benefit of SBIHD. From this perspective, please explain specifically your thought on how you care or considers the interests of Shinsei Bank's minority shareholders.
- (d) The TOB Registration Statement states that "SBIHD thought that it was unable to expect progress from the previous discussions". However, Shinsei Bank seriously considered the proposals from SBIHD, including its feasibilities. For example, the proposal for an alliance made in September 2019 was to purchase shares from general shareholders at the market prices as the first step, privatise Shinsei Bank as the second step, and then buy back shares, as repayment of public funds, at a price exceeding the amount paid to general shareholders. Shinsei Bank, from the perspective of protecting general shareholders's interest, shall clarify who would sell their shares in the first step, and believed that such proposal would be totally unacceptable unless all details of entire steps were properly disclosed at the beginning, and was deeply concerned about the proposal because it paid little attention to the interests of general shareholders. Shinsei Bank raised a concern about the feasibility of SBIHD's proposal but no alternative was presented by SBIHD. It is extremely regrettable that the TOB Registration Statement did not mention such situation and tried to portray Shinsei Bank as having rejected SBIHD's proposed business alliance without specific reasons. Accordingly, Shinsei Bank requests the re-consideration, including an amendment or correction of the TOB Registration Statement in this regard.

(2) Date of Commencement of Consideration of the TOB and Details of Consideration

- (a) Please explain the timing of commencing to consider the TOB and the details of the consideration. The TOB Registration Statement states that the terms and conditions of the TOB, including the number of shares to be purchased in the TOB, were determined since around early August 2021. Shinsei Bank understands that such consideration of the TOB had been commenced much earlier, given an application for approval under the Banking Act for the acquisition of shares through the TOB was filed on August 13, 2021, and that it would take a certain period of time to obtain an approval from overseas regulatory authorities (for example, the Bidder obtained approval from the New Zealand Overseas Investment Office on September 2, 2021. However, according to the official website of the New Zealand Overseas Investment Office, the average processing period for obtaining approvals for acquisition of "Significant business assets only" is 61 business days from the date of submission of the application during the period of time from July 2020 to June 2021).
- (b) In connection with item (a) above, the TOB Registration Statement states that "SBIHD's management requested that the Target Company cooperate with SBIHD in conducting a due diligence review of SBIHD's tender offer for the Target Company Shares." in early September 2019. Does this mean that consideration of the TOB has started at that time? At least, would it be correct to say that, as of July 2021 when Shinsei Bank proposed discussions, SBIHD had decided not to engage in any discussions with Shinsei Bank and had already decided to purchase shares further in Shinsei Bank?
- (c) Please explain in detail why the SBIHD considers the period of the TOB, as well as the timing of the TOB commenced at this time, are adequate.
- (d) If the TOB closes successfully, due to the decreasing of flowability of Shinsei Bank's shares, it is possible to affect the assignment of market segments in the Tokyo Stock Exchange Inc. for Shinsei Bank's shares, which is currently scheduled. Please let us know SBIHD's thought on this.

(3) Status and Background of the Acquisition of Shinsei Bank Shares

- (a) According to the TOB Registration Statement, SBIHD came to own 13,004,000 shares of Shinsei Bank (Ownership Ratio: 6.18%) by January 7, 2020 “for the purpose of enhancing the investment profit to be obtained from the investment in the Target Company” through the realization of capital gain by the increase of the share price and dividend income in the future” (emphasis added by Shinsei Bank). In addition, the TOB Registration Statement states that “as described in ‘(C) Reasons Leading to Implementation of the Tender Offer’ below, the businesses of the SBIHD Group and the Target Company Group are mutually complementary. SBIHD determined that if Both Groups’ management resources could be combined organically, this would enhance customer convenience, resulting in enhancement of the corporate value of Both Groups. Therefore, during the period from April 2, 2019 to August 28, 2019, SBIHD intermittently purchased 11,281,100 Target Company Shares (ownership ratio: 5.36%, ownership ratio at the timing (Note): 4.66%) through trading on the market” (emphasis added by Shinsei Bank). This statement indicates that the purpose of SBIHD’s acquisition of shares in Shinsei Bank has changed between August 28, 2019 and January 7, 2020. Please explain the reason for this change.

(4) No Prior Notice or Communication of the TOB

- (a) Please explain specifically what evaluation and analysis were conducted on the impact on the achievement of the capital and business alliance with Shinsei Bank requested by SBIHDs. Please note the following two points when providing explanation:
- The TOB Registration Statement states that “SBIHD thought that it was unable to expect progress from the previous discussions”. As described in item (1) (a) above, Shinsei Bank believes that the reason that “SBIHD thought that it was unable to expect progress from the previous discussions” is not persuasive because Shinsei Bank is now on a stage different from the past discussions and conversations between Shinsei Bank and SBIHD. While Shinsei Bank used to propose alliance in respective business field, in light of SBIHDs’ acquisition of our shares and exercise of the voting right at our shareholder meeting, Shinsei Bank thinks the situation was completely different to the past, and the Board of Directors of Shinsei Bank proposed a conversation to SBIHD.
 - While the TOB Registration Statement states that “if prior discussions were held, possible leakage of undecided information, may lead to a risk of causing turbulence in share prices”, the TOB Registration Statement also states that “SBIHD requested cooperation to conduct due diligence in order to conduct a tender offer for the Target Shares” (emphasis added by Shinsei Bank) in early September 2019. As a result of this inconsistency, Shinsei Bank believes that the risk of a leak of information is not a realistic reason since Shinsei Bank has not made the subject matter of the TOB public at all at the time of the discussion for the TOB was proposed. In fact, it is a routine matter for financial institutions, including Shinsei Bank, to discuss potential business alliances with each other. Even in such a case, it is the usual practice to treat such discussions as confidential until a disclosure to the public. Had such concern a realistic one, no discussion could have been commenced by SBIHD for the business alliance with SBI Securities or Regional Revitalization Partners Co., Ltd. with Shinsei Bank.
- (b) In connection with item (a) above, it can be easily expected to surprise or arise concern of stake holders, including shareholders, customers, employees and transaction parties, among others. Shinsei Bank believes that, in addition to a negative impact on an operation of Shinsei Bank, it can be considered that Shinsei Bank makes little of entire stake holders due to the commencement of the TOB without any prior discussion while Shinsei Bank offered discussions. Please state your thought on this.
- (c) Please explain in detail how SBIHD evaluated and examined an anxiety and confusion, among other things, to stakeholders of Shinsei Bank (including suppliers, employees and shareholders of Shinsei Bank) and an impact on the corporate value of Shinsei Bank in connection with the sudden commencement of the TOB without any request to hold prior discussions with Shinsei Bank.

- (d) In connection with item (c) above, the TOB Registration Statement states “the Target Company in particular has numerous competent personnel in highly-professional sectors such as small-lot finance and structured finance, SBIHD assumes that securing the employment of these employees is obviously essential for business expansion in accordance with the alliance and is considering providing further stages for their careers” which positively appraises the employees of Shinsei Bank. However, some employees of Shinsei Bank have expressed concern and anxiety about the TOB which was commenced unilaterally. This can be seen to “replace persons who do not follow your intention”. Shinsei Bank is concerned that a large number of employees may leave Shinsei Bank due to this event. How did you analyze and evaluate the impact on Shinsei Bank's employees by commencing this kind of the TOB process? Please explain details, including the evaluation process.
- (e) In connection with item (c) above, please provide the details as to how SBIHD evaluated the possible negative impacts on the reputation of SBIHD and its group companies (“SBIHD Group”) and in turn, the business activities including providing the services with regional financial institutions and offers for the formation of capital and business alliance to regional financial institutions in the future?
- (5) Prior Contact or Discussion with Other Shareholders of Shinsei Bank
- (a) Please explain the details of any communication, discussion, agreement or other correspondence regarding the TOB made by SBIHD with Shinsei Bank’s shareholder, transaction party or any other third parties. In addition, if you have any plans to make any such communications, discussions, agreements or other correspondence in the future, please explain the specific parties and the details thereof.
- (6) Description in the Large Shareholding Report (Passive Investment Purpose)
- (a) According to the Amendment Report (No 12) to the Large Shareholding Report with respect to Shinsei Bank submitted by SBIHD on September 10, 2021, SBIHD amended the purpose of its shareholding in Shinsei Bank effective as of September 9, 2021 from “Passive investment” to “Making an important proposal, etc., to enhance a corporate value and for the benefit of shareholders”. The Bidder was added as a joint holder of shares in Shinsei Bank. Please explain a detailed analysis on the appropriateness and legality of the timing of these amendments. In answering this question, please explain logic stated in the TOB Registration Statement as to (a) in early September 2019, the management of SBIHD requested the CEO of Shinsei Bank to cooperate with due diligence (the “DD”) for an acquisition of shares in Shinsei Bank for increasing the ratio of voting rights up in the range of 33.4% to 48% upon obtaining relevant regulatory authorities' approval to position Shinsei Bank as a core consolidated subsidiary or an equity-method affiliate of SBIHD Group with respect to shares in Shinsei Bank; and (b) from mid November 2019 to early October 2020, SBIHD Group continuously engaged in business discussions of alliances in the securities business field, along with collaborations for the revitalization of local areas.

3 Background, Details and Price of the TOB

(1) Reasons for Setting the Upper and Lower Limits

- (a) The TOB is a so-called partial purchase type tender offer in which the maximum number of shares to be purchased is set at 58,211,300 (Ownership Ratio: 27.68% and, where combined with the number of shares currently held by SBIHD, 48.00%). The partial offer is considered to be coercive in that shareholders have an incentive to tender the shares, rather than refrain from tendering the shares in the tender offer in order to prevent the tender offer, even if the shareholders of the target company believe that the corporate value of the target company will decline after the completion of the tender offer. Please explain in detail how the Bidder intends to commence the partial purchase type tender offer in light of the coercive effects.
- (b) For the purposes of setting the upper limits on the number of shares to be purchased, the TOB Registration Statement states “it may be necessary to obtain approvals, based on various laws including the

authorization of the Prime Minister as provided in Article 52-17, Paragraph 1 of the Banking Act (“Authorization as a Bank Holding Company”), for SBI Holdings, Inc. to become a bank holding company. The Bidder also suggests the possibility of acquiring additional shares in Shinsei Bank to achieve certain purposes (i.e. the formation or strengthening of a business alliance or changes to all or part of the officers of Shinsei Bank). Shinsei Bank believes that it would be appropriate to avoid the conflict of interests of minority shareholders for the Bidder and/or SBIHD to obtain the requisite authorization by it as a bank holding company from the relevant regulatory authority if the Bidder aims to control the election of officers of Shinsei Bank and if the Bidder is aware of the possibility of it converting Shinsei Bank into a consolidated subsidiary of SBIHD under relevant accounting standards. Please inform us of the prospect of the Bidder and/or SBIHD obtaining a bank holding company license. In responding to this question, please provide details of how SBIHD intends to resolve the issue of it owning a subsidiary which engages in certain business operations that cannot be conducted as a subsidiary of a bank holding company, which would be an obstacle to the Bidder and/or SBIHD obtaining regulatory authorization as a bank holding company.

- (c) In connection with item (b) above, as opposed to a case where SBIHDs obtain a bank holding company license, Shinsei Bank thinks it may be harmful to the interests of the minority shareholders of Shinsei Bank which provides a full range of banking services if SBIHD decides not to obtain the requisite authorization as a bank holding company, where the relevant subsidiary continues business operations where such operations cannot be conducted by the subsidiary, given its structure as a subsidiary of a bank holding company.

(2) Reasons for Choosing the TOB

- (a) Please explain the reason why SBIHD initially chose to make a purchase of up to 20% of Shinsei Bank's shares on the market and then changed the method of purchase to the TOB.

(3) Basis for Calculating TOB Price and Supporting Funds

- (a) Shinsei Bank understands that SBIHD has not conducted any DD on Shinsei Bank, including at a basic level. In circumstances where the DD is not comprehensive, the TOB was publicly announced with a certain premium on the market price of the relevant shares. Please explain in detail what sort of analysis has been made regarding the above from the viewpoint of the duty of care and duty of loyalty owed by the directors of SBIHD.

Note: The TOB Registration Statement states that “The TOB Price of 2,000 yen is the amount equal to (a) 1,453 yen, which is the closing price of Target Company Shares on the First Section of the Tokyo Stock Exchange on September 8, 2021, being the business day immediately preceding the date of the announcement of the implementation of the TOB with a 37.65% premium (rounded to two decimal places; hereinafter the same shall apply in calculating the premium rate (%)); (b) 1,416 yen, which is the simple average closing price of regular transactions during the period from August 10, 2021 to September 8, 2021 (rounded to the closest whole number; hereinafter the same shall apply in calculating the simple average of the closing prices) with a 41.25% premium; (c) 1,460 yen, which is the simple average closing price of regular transactions during the period from June 9, 2021 to September 8, 2021 with a 36.95% premium; and (d) 1,591 yen, which is the simple average closing price of regular transactions during the period from March 9, 2021 to September 8, 2021 with a 25.71% premium”.

- (b) In connection with item (a) above, the TOB Registration Statement states that Shinsei Bank requested dialogue with SBIHD on the business alliance in early July 2021. Based on this, it would be unusual for SBIHD to assume that Shinsei Bank would not have accepted any request by SBIHD to conduct DD on Shinsei Bank.

- (c) The TOB Registration Statement states that “the SBIHD Parties appointed Citibank, N.A., Tokyo Branch (“Citibank”), a group company of Citigroup Global Markets, as its lender.” We understand that the funds borrowed from Citibank will be used for the settlement of the TOB. To confirm the certainty of the settlement of the TOB, please disclose the loan certificate from Citibank. In addition, please explain the relationship between the TOB Registration Statement and the fact that there is no description of borrowings from Citibank in “(2) Deposits or borrowings, etc. that can be appropriated for funds required for the TOB” in “Section 8 – Funds required for the TOB”.
- (4) Possible Changes in the Terms of Purchase in the Future
- (a) As described in the Target Company's Position Statement submitted by Shinsei Bank, Shinsei Bank has requested the Bidder to extend the TOB Period to 60 business days in order to hold a shareholders' meeting to confirm the intention of shareholders under the Plan (as defined in the Target Company's Position Statement). Please advise whether the Bidder will comply with this request. If the request is rejected, please explain the specific reason for such rejection.

4 Policy after the TOB

(1) SBIHDs' Involvement in Management of Shinsei Bank after TOB

Shinsei Bank is aware of the question whether the governance system proposed by SBIHDs is sufficient from the viewpoint of avoiding to be an engine bank and maximizing the profit of our Bank's minority shareholders. This is because the value of minority shareholders could be significantly damaged if they were to become an engine bank. Based on this awareness, Shinsei Bank asks the SBIHDs the following specific questions:

- (a) Currently, five out of seven of our directors are independent outside directors. Shinsei Bank believes that such structure of our directors realizes the governance where all of directors have an extremely high awareness of fiduciary duty. Also, Shinsei Bank believes that such governance is faithful to the interests of shareholders including Japanese government (i.e., Deposit Insurance Corporation of Japan and The Resolution and Collection Corporation of Japan). According to the TOB Registration Statement, SBIHDs' proposal is to change the number of independent outside directors to be “1/3 or more” of all directors. Shinsei Bank believes this proposal will weaken the governance controlled by the independent outside directors. Shinsei Bank believes this proposal is incompatible with the recent discussions with respect to the corporate governance. Please explain why SBIHDs think such governance system would be optimal.
- (b) In relation to the item (a) above, would it be correct to say that SBIHDs plan to increase the number of executive directors (i.e., inside directors)?
- (c) In relation to the item (a) above, SBIHDs “intend to encourage the maintenance and adoption of voluntary Nomination and Compensation Committees.” Do SBIHDs think that this measure will be sufficient as a countermeasure to reduce the proportion of independent outside directors?
- (d) Shinsei Bank believes that it would be particularly important how to deal with the transactions which do not have market prices when operating the system for managing conflicts of interests. How do SBIHDs plan to manage such transactions?
- (e) Shinsei Bank believes that it is widely agreed that a deep insight, expertise, and diversity are essential for the proper function of checks and balances by independent outside directors. Since the Bidder does not intend to purchase all shares of Shinsei Bank, minority shareholders will remain after the TOB. As such, Shinsei Bank believes the role of independent outside directors will be important from the viewpoint of protecting minority shareholders. Based on the above, Shinsei Bank believes that the candidate of the independent outside director who will be entrusted with future management is extremely important for the judgment of our shareholders. According to the TOB Registration Statement, “the SBIHD Parties are unable to contact persons to become candidates for officers of the Target Company before disclosure and commence

of the TOB.” Please explain the current status of the discussion with the possible candidate of the independent outside director after the announcement of commencement of the TOB.

- (f) Please explain the relationship between SBIHDs and the candidates of officers to be appointed by SBIHDs after the TOB.
- (g) According to the TOB Registration Statement, SBIHDs pointed out “a certain bias can be seen within the members of the board of directors and in the organizations from which outside directors have been selected (for instance, Goldman Sachs Japan Co., Ltd. and Monex Group Inc.).” Assuming that “a certain bias” means “multiple directors are from the same company group,” this applies only to Goldman Sachs Japan Co., Ltd. as two of our directors are from Goldman Sachs Japan Co., Ltd. Do SBIHDs mean that Shinsei Bank should improve the corporate governance since there are several directors from Goldman Sachs Japan Co., Ltd.? In addition, please explain in detail what governance function issues you believe Shinsei Bank has because of multiple directors from Goldman Sachs Japan Co., Ltd.
- (h) While the TOB Registration Statement pointed out the composition of the Board of Directors of Shinsei Bank, stating that “there is a bias in the companies at which outside directors worked, such as Goldman Sachs Japan Co., Ltd. and Monex Group Inc.”, two of the three candidates for directorship of Shinsei Bank proposed by SBIHD, to whom SBIHD has given its unofficial consent, are from SBIHD. Shinsei Bank queries the basis for SBIHD’s criticism of alleged bias in Shinsei Bank’s Board of Directors, in circumstances where SBIHD proposes to appoint persons to Shinsei Bank’s board who originate from SBIHD.
- (i) The TOB Registration Statement states that the purpose of the TOB is “ensuring that the SBIHD Parties have the voting rights to practically enable to change all or part of the Target Company’s officers and to accomplish the optimal composition of officers”. At the ordinary general meeting of shareholders of Shinsei Bank held on June 23, 2021, each officer received at least 73% of votes in favour of appointment (including re-appointment) (at least 94% of shareholders, excluding SBIHD) which far exceeded the requisite majority of 66⅔% of the votes in favour. In such circumstances, after conducting the TOB and acquiring the requisite number of shares of Shinsei Bank needed to form a voting majority, SBIHD requesting Shinsei Bank to “convene an extraordinary general shareholders meeting in the case where the number of Tendered Shares is equal to or more than the maximum number of Target Company Shares to be purchased” would be equivalent to disregarding the shareholders’ will expressed at the ordinary general meeting of shareholders of Shinsei Bank held on June 23, 2021, which was only about 80 days prior to the commencement date of the TOB. Please provide a detailed analysis of SBIHD’s views on this matter.
- (j) The TOB Registration Statement states that “the SBIHD Parties believe that although the Target Company’s decisions that lacks appropriateness and flexibility are partly attributable to the composition of the Target Company’s officers in that appears that among the members of the board of directors, there is a bias in the companies at which outside directors worked, such as Goldman Sachs Japan Co., Ltd. and Monex Group, Inc., it is difficult to expect the Target Company to voluntarily review its officer structure and to make efforts toward recovery of its governance function”. Various circumstances related to the statement of “lacks appropriateness and flexibility” can be attributable to former officers and/or employees of Goldman Sachs Japan & Co., Ltd. and Monex Group, Inc.. Have you considered whether submission of documents containing such statements to TDnet or EDINET would have an adverse effect on the reputation of Goldman Sachs Japan & Co., Ltd. or Monex Group, Inc., both of which are not even a party to the TOB? Please describe the review process on this point in detail and consider amending the text of the relevant sections of the TOB Registration Statement accordingly.
- (k) Please inform us of any planned changes to the governance structure of the Shinsei Bank group after completion of the TOB.
- (l) The TOB Registration Statement states that directors of Shinsei Bank’s response “appeared to indicate that would like to avoid any changes to the current management system by a large shareholder.” Shinsei Bank respectfully explained that the disadvantages would outweigh the advantages to the proposed

capital and business alliance, and you said that you were "comfortable" with the conclusion of the explanation and both parties agreed to consider business alliance first. That is as stated in the press release concerning the background of the facts separately disclosed. In the light of these facts, Shinsei Bank believes that there is no reason to believe that Shinsei Bank's directors have tried to protect themselves at the time (If Shinsei Bank's directors want to protect themselves, it makes more sense to pursue alliances that don't benefit Shinsei Bank). If, nevertheless, you believe that Shinsei Bank's directors "responded that can be recognized as merely seeking to avoid changes in the current management structure due to the emergence of major shareholders", please provide the basis for this.

- (m) After the consummation of the TOB, please explain the details of Shinsei Bank's future business plans, financial plans, investment plans, and capital and dividend policies, if any, which are currently assumed by the Bidder.
 - (n) Please explain whether there is a possibility that SBIHD will make any proposal, give advice on or exercise its influence (including the exercise of the right to request the buy-back of shares.) concerning capital increase/decrease, merger, business transfer/acquisition, share delivery, share exchange/share transfer, company split or any other similar acts, or transactions such as disposal or acquisition of important assets in the future, whether or not after completion of the TOB, and the specific details thereof, if any.
 - (o) If there is a plan for the treatment of officers and employees of Shinsei Bank after the closing of TOB, please describe it.
 - (p) In addition to the matters described in the TOB Registration Statement, if there are any plans to change the management structure, please indicate the details thereof.
- (2) Repayment of Public Funds
- (a) According to the TOB Registration Statement, SBIHDs do not have a clear understanding of the level of amount necessary for the repayment of public funds, but the required repayment amount is estimated to be approximately 349 billion yen, based on the Diet's answer (from the minutes of the meeting of the 147th session of the Diet, the House of Councillors, the Special Committee on Financial Issues and Economic Revitalization No. 9, May 15, 2000, the reply of Sadakazu Tanigaki, the then Minister of State for Financial Reconstruction, and Shoji Mori, the then Secretary General of the Financial Reconstruction Commission) and the fiscal 2007 audit report of the Board of Audit of Japan. Do SBIHDs expect to repay that amount?
 - (b) According to the TOB Registration Statement, SBIHD "has not determined detail policy of repayment internally as of today." However, in the Nikkei electronic edition published on September 16, 2021, it is stated that "'We will do our best to return public funds with our resources. If we are involved, we will do our best to increase our corporate value.' he said. . . . omitted . . . Mr. Kitao also said, 'It is natural for banks to return money (public funds).'" Do SBIHDs think that it is possible to repay public funds in some way even if the stock price does not reach the level of item (a) above? The public funds injected into Shinsei Bank are now converted into common stock. Is this method based on the principle of shareholder equality and on the premise of equal treatment with other common shareholders? Please let us know a scheme you assume (see note below).
 - (c) In order to repay the public funds that are converted into common stock, if SBIHD attempts to repay Shinsei Bank common stock at a higher level than the current stock price by some method as indicated in the "Our understanding of the chronology up until the TOB initiated by SBI Regional Bank Holdings for the shares of Shinsei Bank " dated September 16, 2021, we believe that accountability to its shareholders will arise. If a listed company becomes a major shareholder of Shinsei Bank, will it become extremely difficult to repay public funds. Please let us know what you think.

(Note)

- At present, Shinsei Bank has common equity tier 1 capital of 838.7 billion yen and generates consolidated net income of approximately 50 billion yen annually. Therefore, we can say that we have

sufficient capital to repay the above amount without taking too long.

- Public funds were injected by the government in exchange for preferred shares of Shinsei Bank, which were convertible into common shares. As the conversion period expired, preferred shares were converted into common shares, and the government is currently a common shareholder of 46,912,000 shares (21.79% of voting rights as of the end of March 2021). The required amount of public funds to be returned is approximately 349 billion yen, and the total value of these 46,912,000 shares of common stock would be approximately 349 billion yen when the value per share becomes approximately 7,450 yen.
- The hurdle in repayment of public funds is that, unlike preferred shares, common shares have a "principle of equality of shareholders" and all common shareholders must be treated equally. If they were preferred shares, Shinsei Bank would have been able to buy back the same only from the government for approximately 349 billion yen. However, a result of the conversion into common stock, the per share value of all other common shareholders has to be raised in the same way in order to increase the equity value of 21.79% holding by the government to approximately 349 billion yen. In effect, the amount of shareholders' equity required for repayment of public funds would have increased to approximately 1.6 trillion yen in total. This is the essence of the public fund repayment problem, and it does not mean that we have no funds to repay approximately 349 billion yen.
- It is often asked whether there is a special "public fund repayment scheme.". However, based on the aforementioned principle of shareholder equality, it is necessary to provide fair disclosure to all shareholders and to treat minority shareholders other than the government shareholder equally when taking actions that lead to repayment of public funds.

(3) Business Alliance

The followings are our concerns that formed the basis of the questions below.

- Although customer needs vary widely under each customer segment, are the customer segments of each business of Shinsei Bank and SBIHDs truly complementary (e.g., the asset management needs of asset-building customers and the consumer loan needs of asset management customers are limited)? If not, the customer base of SBIHDs will hardly become the customer base of the business in which Shinsei Group has strength, and contribution to the revenue from cross-selling and introducing customers will be limited. Thus, the benefit to the minority shareholders of Shinsei Bank will not be significant. To put it another way, wouldn't it be like "selling ice in Antarctica"?
- The above point has already been conveyed to SBIHD at the time of the capital and business alliance proposal by SBIHD in September 2019 (Please see "Our Understanding on the Background to the TOB to Our Shares by SBI Holdings" dated September 16, 2019). Is there any improvement in the synergy effects described in the TOB Registration Statement compared to the then proposal in September 2019?
- According to the TOB Registration Statement, SBIHDs "highly evaluated the business areas of the Target Company Group's core businesses". However, if the targeted Ownership Ratio after the TOB is to be capped at 48%, as SBIHDs also admitted, in order to avoid "engine bank" and to protect the interest of the minority shareholders of Shinsei Bank, it is necessary to eliminate transactions with conflicts of interest between SBIHDs and Shinsei Bank and to thoroughly enforce the arms-length rule (as same as the current situation where the Ownership Ratio is approximately 20%). To what extent is it possible to conduct transactions with SBIHDs that are beneficial to the minority shareholders of Shinsei Bank while ensuring arm's length and eliminating conflicts of interest? For example, wouldn't it be difficult for SBIHDs to apply preferential rates because we are the affiliate of SBIHDs, or to provide a loan for projects where SBIHDs acts as an arranger? To what extent may the minority shareholders of Shinsei Bank enjoy the benefit not only in terms of KPIs such as the number of customers introduced, but also in terms of revenue?
- To what extent will it be possible to introduce the customers of Shinsei Bank to SBIHDs, while eliminating

- the abuse of a dominant position? To what extent may the minority shareholders of Shinsei Bank enjoy the benefit above?
- Considering the above, even if the TOB has a certain benefit for SBIHDs, will the advantages for the minority shareholders of Shinsei Bank still exceed the disadvantages?
1. Transaction with Regional Financial Institutions
Please provide your view concerning whether becoming an affiliate of SBIHDs would negatively impact the transactions with regional financial institutions other than the regional banks in which SBIHD invests.
 2. Retail Account and Securities Sector
 - (i) Shinsei Bank believes that the proposed convenience improvement by SBIHDs will be realized through a business alliance with Monex, Inc.. As described above, Shinsei Bank considered that the proposal of Monex, Inc. was superior to that of SBI Securities Co., Ltd. with respect to the alliance for securities business. Please provide specific reasons why SBIHDs consider that the alliance with SBIS would be more beneficial for the shareholders of Shinsei Bank than the alliance with Monex, Inc.
 - (ii) Shinsei Bank understands that SBIS has already allied with SBI Sumishin Net Bank, Ltd. in the area of the retail account. Please explain how SBIHDs plan to motivate their customers to have transactions with Shinsei Bank? How many customers SBIHDs expect to introduce to Shinsei Bank, and how much revenue SBIHDs expect to increase in Shinsei Bank?
 - (iii) In relation to item (ii) above, please explain whether SBIHDs intend to terminate the relationship with the partners in the area of retail accounts and change to Shinsei Bank only.
 - (iv) If Shinsei Bank becomes a subsidiary of SBIHDs, how would you resolve business competition and conflicts of interest with SBI Sumishin Net Bank, Ltd.?
 - (v) Shinsei Bank has a strategy for each segment of retail customers. We consider that an increase in retail accounts alone will not necessarily lead to an increase in profit levels. Please provide the specific reason why SBIHDs consider the increase of retail customers leads to strengthening earnings of Shinsei Bank.
 3. Microfinance
 - (i) Shinsei Bank used to offer services related to FX trading, but there was no significant overlap with the consumer finance customers. Please provide the specific ground (e.g., analysis of customers) that SBIHDs can introduce many customers to Shinsei Bank in this area.
 - (ii) Cross-selling Shinsei Group's credit cards and prepaid cards to the younger customers of SBI Securities Co., Ltd. is the same as the business alliances we already have with the various partners. It is hardly imagined that SBI Securities Co., Ltd. has distinctive customers from other partners. Thus, the majority of SBI Securities' customer base might be duplicated with those of the partners. How many customers does SBIHD expect to introduce to Shinsei Bank, and how much revenue SBIHD expects to increase in Shinsei Bank?
 - (iii) The use of big data is something that Shinsei Bank is also focusing on. Please provide us with the specific reason that the data held by SBIHDs, including the behavior analysis, can be used for credit decisions and marketing in Shinsei Bank. Please also provide the expected rate of decline in credit costs.
 - (iv) Please explain what kind of data possessing by Shinsei Bank is expected to use in SBIHDs.
 4. Structured Finance
Shinsei Bank has made a distribution to regional financial institutions extensively as proposed by SBIHDs, and Shinsei Bank has a track record of transactions with approximately 90 percent of regional banks. In addition, project finance and real estate non-recourse finance are not the packaged products that are "sold by sales strength" but the products which require a high degree of risk judgment by the customers and thus require

Careful explanations to the customers on a case-by-case basis. As a result, Shinsei Bank believes that large regional banks are the primary customers in this area, which is different from the customer base of SBIHDs. Taking accounts of the understanding of Shinsei Bank above, please explain how SBIHDs can contribute to us, including the estimated amount of loan execution and increase of revenue in this area.

5. Principal Transactions

- (i) Shinsei Bank is still actively pursuing collaboration on investment opportunities with good risk-return potential. If there are any good deals, Shinsei Bank will positively consider collaboration with a partner, including SBIHDs. However, Shinsei Bank also understands that such deals are actually limited. Also, Shinsei Bank has already collaborated with regional financial institutions extensively. Please provide us with the amount and number of joint investments with regional financial institutions other than those SBIHDs have been affiliated with.
- (ii) Please provide examples of know-how that can be shared by SBIHDs with the Shinsei group.

6. Market Operations and Treasury

In principle, Shinsei Bank still adopts the best price from among multiple counterparties. Please explain for each currency how favorable it is compared to the bid offers seen in the markets.

7. Leasing Business

- (i) As same with the “Structured Finance” above, Shinsei Bank considers that the customer base of SBIHDs is unlikely to be our target customer. With this in mind, please provide us with the view of SBIHDs.
- (ii) Although SBIHDs intend to provide lease-related products to their business partners as well as financial institutions with which SBIHDs have capital and business alliances, it is necessary to conduct such activities carefully to avoid the abuse of dominant bargaining position. In addition, as long as transactions are required to be conducted at arm’s length, no significant impact can be expected. Please explain the SBIHDs’ view in this regard more specifically.

8. Relationship between Shinsei Bank and the Existing Clients and Partners

- (i) The TOB Registration Statement concluded that “it was unable to expect progress from the previous discussions, even if SBIHD held discussions with the current management” that one of the reasons was that the Shinsei Bank rejected a proposal from SBI Securities concerning a business alliance in the securities business field. However, the securities business field alliance was based on a bidding format in which proposals were received from three candidates. The only reason that SBI Securities’ proposal was not adopted is that the SBI Securities’ proposal could not be evaluated as the most competitive proposal. Although SBIHDs stated that the purpose of the TOB is to “establish and reinforce a business alliance,” the consummation of the TOB would make it impossible to realize the comprehensive business alliance between Monex, Inc. and Shinsei Bank, which is the result of adopting the most competitive proposal in the bidding. Please explain how you have analyzed and evaluated the impact on Shinsei Bank’s minority shareholders and the obstacle to improving the business value of Shinsei Bank due to the inability to adopt the most competitive proposal in the bidding. When responding to this, please note that, although, as excerpted below, SBIHD referred to the management system for conflicts of interest in the material transactions between the Target Company and SBIHDs in the TOB Registration Statement as its management policy after the consummation of the Tender offer, Shinsei Bank considers that such conflict management system will clearly be inferior to the approach of “adopting the most competitive proposal through the bidding” even if you established “the arm’s length rule as a principal and appropriately deciding on transaction requirements based on market rules.”

<Relevant excerpts from the TOB Registration Statement>

“Furthermore, with regard to the business operations of the Target Company, when making a decision on important transactions between the Target Company and SBIHD Group, SBIHD intends to conduct careful deliberations and considerations in the board of directors meetings of the Target Company, one-third or more of which will consist of independent outside directors, on whether the transactions will be disadvantageous to the minority shareholders of the Target Company, while also developing a significant management structure with the SBIHD Group regarding conflicts of interest, such as by establishing the arm’s length rule as a principle and appropriately deciding on transaction requirements based on market rules. In addition to this, in order to maintain the appropriateness of operations and the soundness of financial affairs of the Target Company as a financial institution, SBIHD intends to construct a structure for SBIHD to appropriately monitor, as prior-consultation matters, transactions conducted with the SBIHD Group and exceeding a certain level in terms of amount. The directors with close ties to the SBIHD Group, such as inside directors or employees of SBIHD Group and the persons who took these offices in the past, will not be involved in making decisions in the Target Company on transactions between SBIHD Group and the Target Company.”

- (ii) Is SBIHD going to make any proposal in respect of the existing customers of Shinsei Bank (including the business alliance with Monex Inc. in the field of securities brokerage business) after the consummation of the TOB? If applicable, please explain the details of such proposals.

(4) Engine Bank

1. SBI Social Lending Co., Ltd., a subsidiary of SBIHD, received a business suspension order and business improvement order from the Director-General of the Kanto Local Finance Bureau on June 8, 2021, pursuant to Article 52, Paragraph 1 and Article 51 of the Financial Instruments and Exchange Act. As a result, SBI Social Lending Co., Ltd. will cease its business. Please explain in detail what improvement measures are planned to take with respect to the SBIHD’s group management system in response to the business suspension order and business improvement order.
2. In relation to item (1) above, Shinsei Bank understands that, although SBI Social Lending Co., Ltd. made compensation for losses borne by its investors caused by its illegal lendings, the flow of funds from Techno Systems Co., Ltd., which was the borrower of the illegal lendings, has not been unraveled. The Committee for Rating Third Party Committee Reports, which rates investigation reports released by companies that have been involved in scandals, has criticized the Third-Party Committee Report in this case, saying that the report lacked the description of the responsibility of Mr. Kitao, who heads SBI Holdings, the parent company of SBISL, and the entire SBI Group.

In addition, it has been reported by the press that the representative of SBI Social Lending Co., Ltd. was under strong pressure to list the company earlier (Extra-newsflash in the September 29, 2021 issue of the FACTA), but Shinsei Bank understands that no explanation has been provided from the perspective of group governance by the parent company which requested such early listing. If SBIHD becomes a major shareholder of Shinsei Bank, it would be of interest to the general shareholders of Shinsei Bank to see if a similar problem would arise. From the group governance perspective, it would be greatly related to the interests of the general shareholders of Shinsei Bank. Please explain the above points in more detail.

3. According to the September 2021 issue of the FACTA, the regional bank in which SBIHD has invested, provided side support to THE Global Inc., which SBIHD has funded by underwriting corporate bonds and providing loans. Shinsei Bank also is concerned about this side support from the perspective of “becoming an engine bank”. Please explain the situation in detail, including whether SBIHDs put pressure toward the regional banks invested by SBIHD, whether the regional banks that received investment from SBIHD have

given consideration to SBIHD, and whether the regional banks provide any special incentives. We believe that the minority shareholders of Shinsei Bank need to be confident that the entire "Fourth Megabank" plan set forth by your company will not, by any chance, turn the banks under the umbrella of SBIHD into an engine bank or be expropriated by SBIHD through conflict-of-interest transactions.

(5) Position of Shinsei Bank in the “Fourth Megabank” Plan

1. Please explain about the “Coalition Plan” of the regional bank promoted by SBIHDs (“Fourth Megabank”).
2. What is the intended scale of “Fourth Megabank” in terms of assets, revenues, profits, and others?
3. Please explain how the "Fourth Megabank" will contribute to the revitalization of local economies and regional development. Shinsei Bank believe that we have gained a considerable understanding of the said concept through our participation in the Regional Innovation Partners. However, please explain those for the sake of our shareholders.
4. Please explain the position of Shinsei Bank in “Fourth Megabank”.
5. If SBIHD intends to position Shinsei Bank as a hub in the “Coalition Plan” of the regional bank, what kind of effect does SBIHD think it will have, and on what scale? Please explain, taking into account the current size of the regional banks under SBIHD Group. Also, please explain in detail what kind of profit SBIHD intends to generate for Shinsei Bank and how much.
6. Shinsei Bank understands that the current focus of the "Fourth Megabank" is on the outsourced operation and establishing a common platform of the systems. If SBIHD intends to position Shinsei Bank as the core of the "Fourth Megabank," what are the benefits to be enjoyed by our minority shareholders (i.e., how much profit increase do you expect to generate in Shinsei Bank)? Will Shinsei Bank be positioned as the acquirer entity when SBIHD invests in or acquires regional financial institutions?

End