

Nov. 2021

To our Fellow Shareholders of Shinsei Bank, Limited

I would like to take this opportunity to express my sincere appreciation for your continued support.

On September 9, 2021, through our Group company, SBI Regional Bank Holdings Co., Ltd., we announced a tender offer (the “Tender Offer”) for shares of Shinsei Bank, Limited (hereinafter referred to as “Shinsei Bank”) with the objective of making Shinsei Bank a consolidated subsidiary.

In response, the Board of Directors of Shinsei Bank is taking measures to block the tender offer by our group by urgently introducing an agenda to trigger takeover defense measures at an Extraordinary General Meeting of Shareholders. The Board of Directors took this action without disclosing the analysis of the factors behind Shinsei Bank’s sluggish business performance or examining measures to increase its corporate value over and above the measures in the plan which our Group has presented to increase the corporate value of Shinsei Bank. Nor did the Board of Directors make clear their plan for the returning of public funds.

The Extraordinary General Meeting of Shareholders of Shinsei Bank is scheduled for November 25. We would like to ask you all as shareholders of Shinsei Bank to refer to the answer to the question from the Deposit Insurance Corporation of Japan that we published on November 12, and to vote your proxy in opposition to the agenda for the introduction of takeover defense measures scheduled to be voted on at the Extraordinary General Meeting of Shareholders.

Please read the enclosed leaflet regarding the procedures of the Tender Offer as well as the Tender Offer Explanatory Statement to be distributed by SBI SECURITIES Co., Ltd., and we ask all of you as shareholders to carefully consider applying for the Tender Offer at your own discretion and responsibility.

As the weather grows colder, I would like to ask all of you, our fellow shareholders, to take good care of your health and be well.

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SBI Holdings, Inc.

Yoshitaka Kitao, Representative Director, President & CEO

To all shareholders of Shinsei Bank Ltd.

A Request to vote **AGAINST**  
at the Extraordinary General Meeting of Shareholders

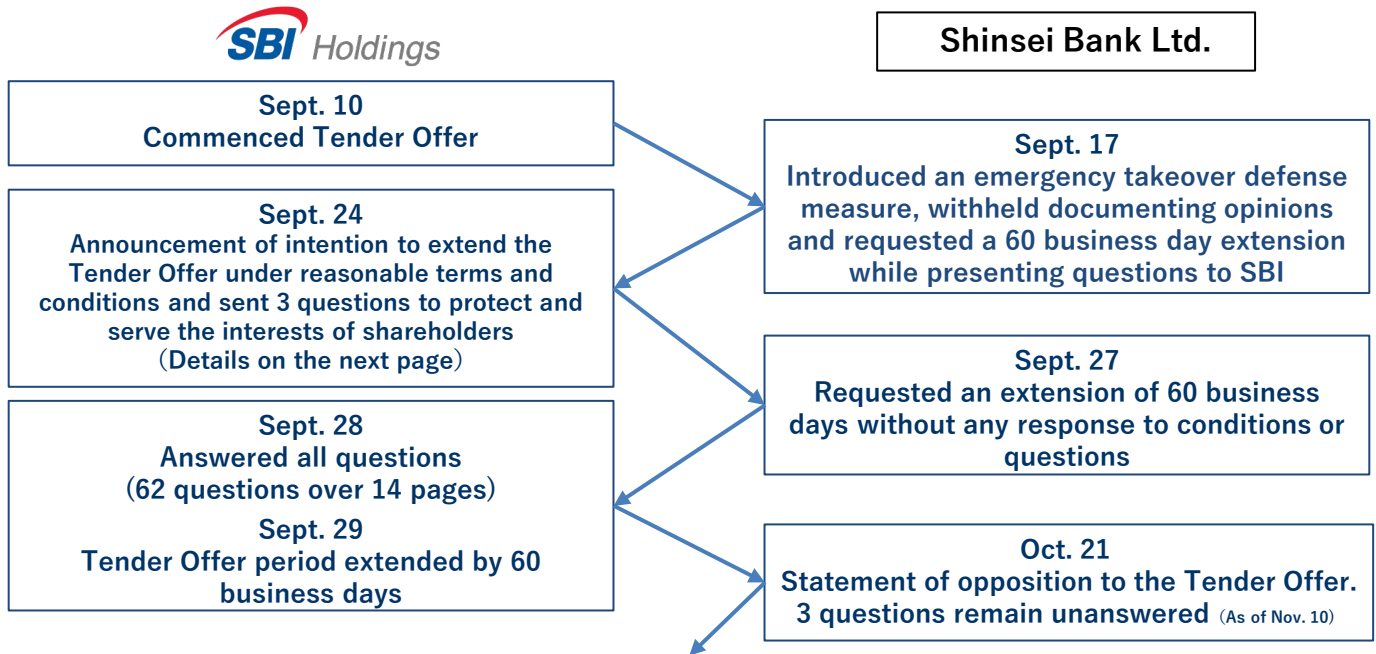
Our request for all shareholders of Shinsei Bank Ltd.

- ① We request that you vote **AGAINST** the agenda item regarding the triggering of the takeover defense measures (the allotment to shareholders of share subscription rights without contribution) at the Extraordinary General Meeting of Shareholders to be held on Nov. 25. If you vote in opposition, please insert ○ in the “**AGAINST**” column.
- ② We would appreciate it if you could respond to the tender offer by Dec. 8, which is the deadline.

- ◆ SBI Regional Bank Holdings (SBI) launched a tender offer of 2,000 yen per share of Shinsei Bank Ltd.
- ◆ In retaliation, Shinsei Bank Ltd. seeks to trigger a takeover defense measure and proposed an agenda item regarding the triggering of the takeover defense measure (the allotment to shareholders of share subscription rights without contribution) at the Extraordinary General Meeting of Shareholders scheduled for November 25<sup>th</sup>.
- ◆ If the tender offer is successful, SBI will appoint new Directors at Shinsei Bank Ltd., and under the new Board structure, SBI plans to take measures to improve the corporate value of Shinsei Bank Ltd.
- ◆ SBI firmly believes that the takeover defense measures sought after by Shinsei Bank Ltd. were put in place out of self-preservation by the current management to entrench their positions as Directors. **SBI is strongly opposed to the implementation of countermeasures based on the introduction of a takeover defense measure.** It is impossible to see in any other way that the measure is resulting from the management’s act of self-preservation and significantly damages the interests of its shareholders. The defense measure essentially denies the opportunity of shareholders who wish to tender shares in the Tender Offer. **SBI does not plan to change the terms and conditions of the Tender Offer and plans to cancel the Tender Offer if the takeover defense measure is approved.**

# Actions Following the Announcement of the Tender Offer

## Actions taken following the announcement of the Tender Offer



**Nov. 25 Extraordinary General Meeting of Shareholders**

**Dec. 8 Last day of the Tender Offer**

## Regarding the lack of response by Shinsei Bank Ltd. toward our questions

SBI Holdings asked the following questions to Shinsei Bank Ltd. (Sept. 24)

- ① Shinsei Bank Ltd. has not been able to repay the huge amount of public funds injected into it more than 20 years ago, and SBI believes that this situation is very critical from the perspective of protecting the nation's assets. Have you analyzed the reason why? Please provide a disclosure to us regarding this point.
- ② As stated on page 7 of the Tender Offer Registration Statement, Shinsei Bank Ltd. has failed to meet its announced targets for gross business profit, net business profit, and net income attributable to shareholders of the parent company for most of the fiscal years since the fiscal year ended March 31, 2016. To the extent that we can judge, we do not think that Shinsei Bank Ltd. has taken any drastic measures to deal with these sluggish business results. We would like to know what measures Shinsei Bank Ltd. is planning to take in order to improve its business results and corporate value in the future and eventually repay the public funds. Please let us know if there are any specific measures that Shinsei Bank Ltd.'s management is planning to take to improve its corporate value that would exceed the measures we are proposing.
- ③ We believe that the sluggish business performance described in point 2 above is the fundamental reason for the stagnating stock price of Shinsei Bank Ltd. To us, it appears that the low level of Shinsei Bank Ltd.'s stock price is deterring Shinsei Bank Ltd. from repaying the public funds. What is your view regarding this point?

Unfortunately, we have not received any clear answers from Shinsei Bank Ltd. management (as of November 10). SBI will continue to seek answers from Shinsei Bank Ltd. management to the above questions.

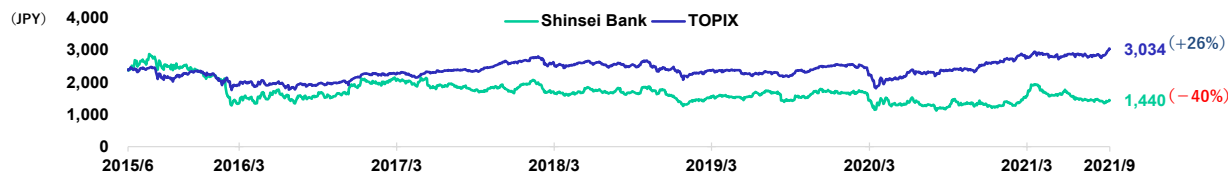
# Purpose of and Arguments for the Tender Offer

## Purpose of SBI's Tender Offer

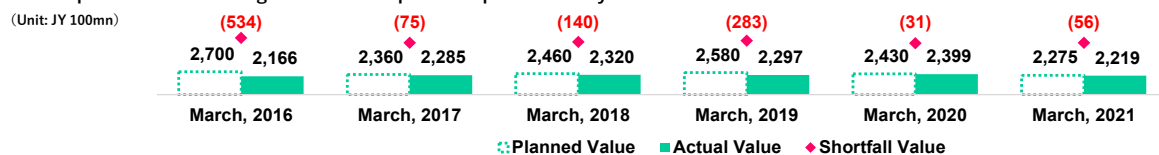
- I. Make Shinsei Bank Ltd. a consolidated subsidiary of SBI to establish and strengthen the business alliance between the SBI Group and the Shinsei Bank Group.
- II. Secure voting rights to allow changes in all or part of Shinsei Bank Ltd.'s Directors to achieve an optimal board structure.
- III. Even in the event that SBI is unable to acquire the necessary shares to achieve purposes I. and II., SBI may increase its shareholding ratio through the tender offer to achieve those goals in the future.

In addition to achieving the objectives above, SBI believes it will pave the way for future repayment of public funds by increasing Shinsei Bank Ltd.'s profitability in addition to the recovery and further improvement of corporate value through business synergies.

Shinsei Bank Stock Price level relative to TOPIX since President Kudo took office



Trends in planned and actual gross business profit for past 6 fiscal years



※TOPIX figures are indexed based on the closing price of Shinsei Bank Shares (2,400 JPY) on June 17, 2015 (the date President Kudo took office).  
 Figures for planned and actual gross business profit are based on Shinsei Bank's medium-term management plan and figures disclosed in its financial results and business highlights

## SBI's Arguments vs. Shinsei Bank Ltd.'s Reasons for Opposing the Tender Offer

**Reason 1: Even though the Tender Offer is intended to acquire substantial control, it is a purchase of part of the outstanding shares, with an upper limit on the number of shares to be purchased, therefore, disadvantageous to the remaining shareholders**

<SBI's Arguments>

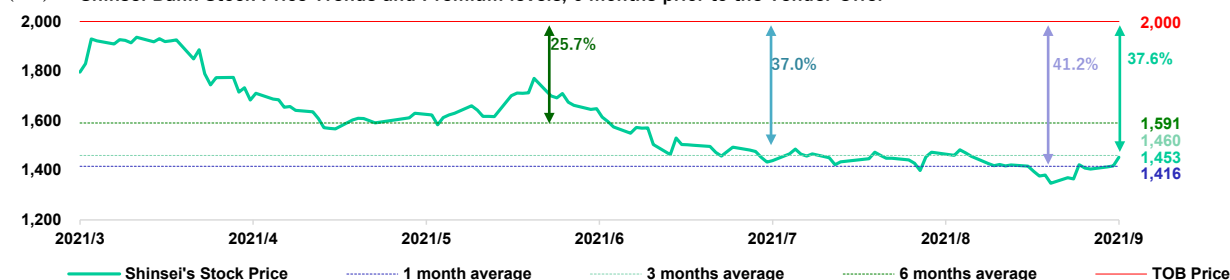
- SBI has indicated specific measures to enhance the corporate value of Shinsei Bank Ltd. and has the capabilities to realize this increase in value considering its past experience. Enhancement of corporate value is expected after the closing of the TOB. Thus, it is not likely that this TOB will damage interests of existing shareholders.
- In addition to strict regulations such as the Arm's Length Rule under the Banking Act, SBI plans to protect minority shareholders by strengthening the system for managing conflicts of interest after the success of the Tender Offer and ensuring that the interests of all shareholders are fully secured.
- The reason for setting the upper limit is not arbitrary, as it would be difficult to quickly increase the shareholding ratio of Shinsei Bank Ltd. and to reform management to what is rational based on the investment amount. Also, if the upper limit is not set, then under the Banking Act, permission will be necessary for SBI to become a bank holding company.

**Reason 2: The Tender Offer Price premium is low on a weighted basis and is not considered to reflect the intrinsic value of Shinsei Bank Ltd.**

<SBI's Arguments>

As shown below, given past trends of Shinsei Bank Ltd shares, the Tender Offer price is set at a sufficient premium level.

Shinsei Bank Stock Price Trends and Premium levels, 6 months prior to the Tender Offer



## Examples of Measures for the Enhancement of Corporate Value in the Event of a Successful Tender Offer

### Alliance in the Retail Account and Securities Sector

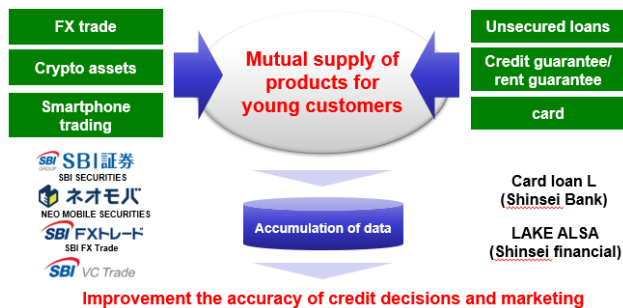
- Simultaneous opening or linking of deposits between accounts of Shinsei Bank and those of SBI SECURITIES will enhance convenience for Shinsei Bank's customers and is also expected to entice customers from SBI SECURITIES to send their customers over
- Leads to an increase of retail customers in Shinsei Bank and can become a starting point to strengthen revenue from individual customers



Note: Such business collaboration will only take place if Shinsei Bank determines that it is in the best interests of its minority shareholders to do so through the measures adopted by Shinsei Bank to prevent conflicts of interest.

### Alliance in Small-lot Finance

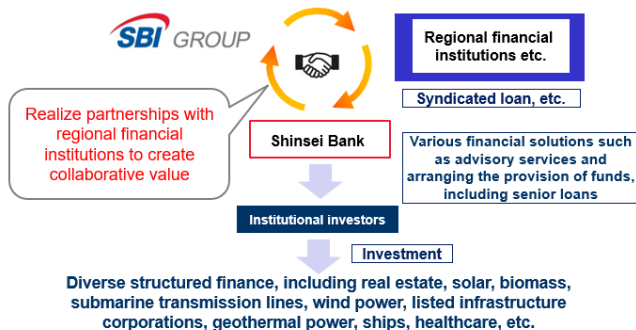
- Increasing the customer base by mutually incorporating young customers will lead toward creating a profit opportunity in customer life events, and thereby contribute to the enhancement of long-term profitability
- The mutual accumulation of data from both companies through cross selling will increase the accuracy of credit decisions and marketing thus contributing to cost reductions



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### Alliance in Structured Finance

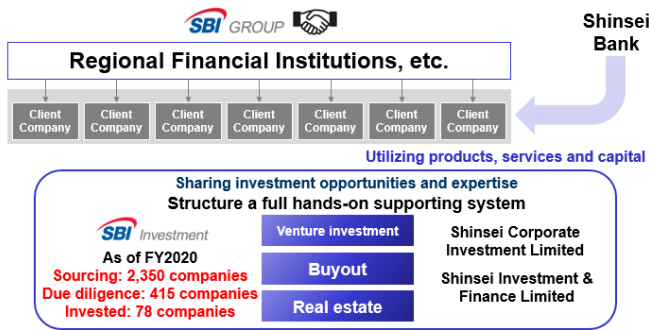
- Shinsei Bank has substantial expertise of structured finance with respect to a variety of assets
- As the medium-term management plan focuses on partnerships with regional financial institutions for the co-creation of value, SBI Group's regional financial institution network can be effectively utilized.



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### Alliance in Principal Transactions

- SBI Group has track records of co-investments with over 30 regional financial institutions which are outside its capital and business alliance partners
- Mutual enhancement of productivity through cooperation in investment opportunities related to clients of regional financial institutions with which SBI cooperates and the sharing of SBI's abundant investment expertise



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### Alliance in Market Operations and Treasury

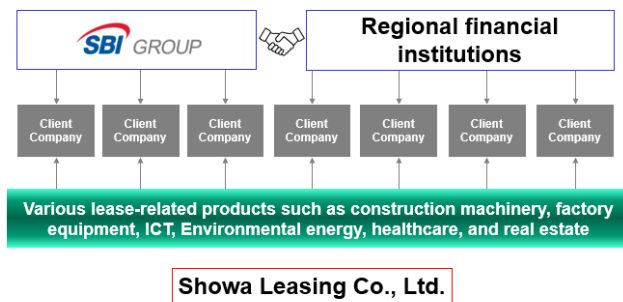
- SBI Liquidity Market Co., Ltd., has experience serving as a counterparty to 31 major financial institutions in Europe, the United States, and Japan, and handles a variety of FX flows. They can provide the opportunity to trade on foreign exchanges with abundant liquidity and competitive spreads
- Possible to reduce FX transaction costs more than in the past through increasing opportunities for comparison and examination with Shinsei Bank's foreign exchange transaction counterparties



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### Alliance in Leasing Business

- The Shinsei Bank Group could expand its operating base by providing Showa Leasing Co. Ltd.'s lease-related products to SBI Group customers and customers of regional financial institutions that are SBI's capital and business partners



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(Note.) These business collaborations will only be implemented if Shinsei Bank Co Ltd. determines that it is in the best interests of its minority shareholders through measures to prevent conflicts of interest adopted by Shinsei Bank Co. Ltd.