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Address: 1-6-1 Roppongi, Minato-ku, Tokyo
Company: SBI Holdings, Inc.
(CodeNo.:8473,TSE 1st Sec.)
Representative
Representative: Director, President & Yoshitaka Kitao
CEO
Contact: Executive Officer Hideyuki Katsuchi
Tel: +81 3 6229 0100
Company: SBI Regional Bank Holdings Co., Ltd.

Notice Regarding Our Response to “Questions to SBI Holdings and SBI Regional Bank Holdings” from Shinsei Bank, Limited. (Securities Code: 8303)

SBI Holdings, Inc. (“SBIHD”) and its wholly owned subsidiary company, SBI Regional Bank Holdings Co., Ltd. (the “Tender Offeror,” together with SBIHD, the “SBIHD Parties”), announces that the SBIHD Parties today submitted their responses as stated in the Appendix to provide its responses to the questions in the opinion report submitted by Shinsei Bank, Limited (the “Target Company”)” dated September 17, 2021 regarding the tender offer which the Tender Offeror is conducting for shares of the Target Company (the “Tender Offer”).

(Note) For the opinion report submitted by the Target Company and the responses and other documents submitted by the SBIHD Parties, please refer to EDINET (<https://disclosure.edinet-fsa.go.jp/>), a website provided by the Financial Services Agency.

In the Tender Offer Registration Statement, the SBIHD Parties have already provided sufficient information for the shareholders of the Target Company to decide whether to accept the Tender Offer. In addition, the SBIHD Parties believe that by sincerely considering the questions the SBIHD Parties received from the Target Company and providing specific and detailed answers to the extent reasonably possible, as well as providing additional information, a wide range of

stakeholders, including the shareholders of the Target Company, will be able to fully understand the specific measures for recovery and enhancement of the corporate value of the Target Company.

In addition, with regard to the background, including the discussions of proposals for a capital and business alliance between with the Target Company, which was stated as precondition for the Board of Directors of the Target Company to introduce Takeover Defense Measures in the press release dated September 16 and 17, 2021, the SBIHD Parties informed the Target Company that it contained facts that are different from the SBIHD Parties' perception as mentioned in the "Notice Regarding the Tender Offer for the Shares of Shinsei Bank, Limited (Securities Code: 8303)" dated September 17, 2021, and the SBIHD Parties clarified their perception in the responses.

On the other hand, in the response letter dated September 24, 2021, which was sent to the Target Company in response to the letter entitled "Request for Extension of End Date of Tender Offer Period" received from the Target Company on September 27, 2021, the SBIHD Parties requested the Target Company to comply with four items that will lead to the protection of all shareholders of the Target Company and their benefits, and also requested the Target Company to answer three questions as one of those items.

The SBIHD Parties believe that the answers to these three questions in a timely and appropriate manner are beneficial to all stakeholders, including the Target Company' s shareholders, to judge whether the measures for recovering and enhancing the corporate value taken by the management of Target Company or the measures proposed by the Company are desirable for all stakeholders.

In response, Target Company disclosed in its press release dated September 27, 2021, titled "Notice regarding Response from SBI Regional Bank Holdings Co., Ltd. to Shinsei Bank' s Request for Extension of TOB Period" that it will continue to request the SBIHD Parties to extend the Tender Offer Period to 60 business days. The SBIHD Parties will scrutinize the content of this press release, and will respond whether they will accept that request and extend the Tender Offer Period later on. However, in this press release, Target Company has not promised to comply with the four items that will lead to the protection of all shareholders of Target Company and their benefit above, nor answered the SBIHD Parties' three questions to Target Company described in the document as of September 24, 2021. As complying with the four items above is essential in terms of protecting the benefits of all shareholder of Target Company, and is something that should be promised immediately, the SBIHD Parties are appalled that Target Company has not promised to comply with the four items above to this day. As such, the SBIHD Parties continue to strongly request that Target Company comply with the four items above. Further, as the answers to the three questions to Target Company is essential for the shareholders of Target Company to make a proper decision regarding which is more desirable to the stakeholders of Target Company,

the plan to enhance Target Company’ s corporate value proposed by the current management of Target Company, or the plan proposed by the SBIHD parties, the SBIHD Parties continue to request firmly that Target Company would answer the following questions by noon on October 1, 2021, as requested in the document as of September 24, 2021. Further, the additional question regarding the number of shares to be issued for the Class A Subscription Rights and the Class B Subscription Rights mentioned in Target Company’ s press release dated September 17, 2021, titled “Notice of the Introduction of Takeover Defense Measures subject to Confirmation of Shareholders' Support after the commencement of the TOB for Shinsei Bank’ s shares by SBI Regional Bank Holdings Co., Ltd.,” is important not only to understand how the SBIHD Parties will be affected by the implementation of the takeover defense measure, but also for the shareholders of Target Company to determine whether or not to participate in the Tender Offer. The SBIHD Parties request firmly that Target Company would answer the question as well.

End

For further information, please contact:

SBI Holdings, Inc. Corporate Communications Dept., Tel: +81 3 6229-0126

Responses to the Questions to SBI Holdings and SBI Regional Bank Holdings

SBI Regional Bank Holdings Co., Ltd. (the "Tender Offeror") is responding to the "Questions to SBI Holdings and SBI Regional Bank Holdings", included as an Attachment to the opinion report announced on September 17, 2021, submitted by Shinsei Bank Limited ("Shinsei Bank") regarding the tender offer for common shares of Shinsei Bank (the "TOB" dated September 10 as amended in Amendment Statement thereafter). The terms provided herein shall basically have the same meaning as the ones defined in the Tender Offer registration statement as of September 10, 2021 (the "TOB Registration Statement").

The Tender Offeror is responding to Shinsei Bank's questions to the extent that they think is appropriate from the perspective of promoting the understanding of the shareholders although questions from Shinsei bank includes some questions that are not relevant to the TOB. As the Tender Offeror requested in the document as of September, 24, 2021, the Tender Offeror strongly requests, in the interest of shareholders, that Shinsei Bank refrains from asking additional questions of less importance or captious questions for the purpose of gaining time.

1 About the SBIHD Parties

(1) Overview of the Tender Offeror

<Target Company's Question>

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

<Tender Offeror's Response>

- (a) Such information is stated in the section "(1) Company Overview" and "(2) Status of Accounting" in "1. Company" in "PART II. - Status of Tender Offeror", and "A. Overview of the SBIHD Parties" in "(I) Purpose and Background of the Tender Offer" in "(2) Background, Purpose and Decision-Making Process Leading to the Decision to Implement the Tender Offer, and Management Policy After Completion of the Tender Offer" in "3. Purpose of the Purchase" in "Part I - Terms and Conditions of the Tender Offer" in the TOB Registration Statement.

<Target Company's Question>

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

- (a) Please provide details of the SBIHD's major investments (other than their 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 the Tender Offeror and SBI Holdings, Inc. (the "SBIHD Parties") referred to in item (a) above.

<Tender Offeror's Response>

- (a) The SBIHD Parties will refrain from answering this question because it is not directly related to the TOB and the SBIHD Parties have not disclosed details regarding its individual investment targets, its investment policy, or its major investment activities. As stated in the TOB Registration Statement, the Tender Offeror directly invests in regional financial institutions, which are capital and business alliance partners of SBIHD Group.
- (b) The SBIHD Parties will refrain from answering this question because it is not directly related to the Tender Offer and the SBIHD Parties have not disclosed the performance results after the investment to individual targets. However, the SBIHD Parties recognize that the business alliances contribute to the improvement of the partner regional financial institution's performances such as strengthening profitability through, for instance, jointly running branches with companies of the SBIHD Group. The SBIHD Parties would like to keep contributing to improving the profitability of the partner regional financial institutions from the medium- and long-term perspective.

2 Background to the TOB

(1) Reasons for the commencement of the TOB

<Target Company's Question>

- (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 cares 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, privatize 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' 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.

<Tender Offeror's Response>

- (a) As stated in the TOB Registration Statement, a capital and business alliance plan proposed by SBIHD was declined in September 2019 due to the reason that "Shinsei Bank's board of directors had objected to SBIHD becoming a large shareholder". Based on this background, the SBIHD Parties believe that unless the composition of Shinsei Bank's board of directors changes, the idea that the SBIHD Parties additionally acquire Shinsei Bank's shares and further strengthen the capital relationship will be refused without sufficient reasons, regardless of SBIHD's ownership ratio of Shinsei Bank, and progress from previous discussions cannot be expected. Another reason to believe that no progress from prior discussions can be expected is that the SBIHD Parties believe that there is no relationship with Shinsei Bank to have discussions in good faith, since Shinsei Bank and the Monex Group issued a news release regarding their business partnership without any contact from Shinsei Bank to SBIHD in advance.
- (b) The SBIHD Parties believe that it is natural for Shinsei Bank to choose the best business partner in

terms of its duty to its shareholders and its customers. However SBIHD believes up to this point of time that they were the best business partner for Shinsei Bank as they have sufficient customer bases, various financial instruments, and SBI Securities, a company of the SBIHD Group, has experience and know-how regarding data migration in the transfer of investment trusts and the bond business as stated in the TOB Registration Statement and the response to question 4(3)(b) i, and there is difference on the adopted system vender as stated in the response to question 4(3)(b) i.

For the project, during the period between March 2020 and October 2020, after the director in charge at Shinsei Bank contacted SBI Securities, in addition to exchanging 200 or more emails, responding to 70 or more questions from Shinsei Bank, and having discussions at 12 meetings, SBIHD has submitted 50 or more supplementary materials that included know-how regarding data migration in the transfer of investment trust funds and the bond business from NISA, Tsumitate NISA, and Junior NISA, which is an advantage of SBIHD and regarding which there are almost no track record in the securities industry and has responded sincerely to Shinsei Bank's selection of its business alliance partner.

Since SBIHD felt the Shinsei Bank's positive attitude for selection of SBI Securities, SBIHD responded sincerely to Shinsei Bank's selection of its business partner through SBI Securities' disclosure of information that is more than disclosed in ordinary discussion for alliance at the request of Shinsei Bank. With respect to "specification of system for transition data," SBIHD refused the submission once since it exceeds the level of information to be requested in order to select business partner, however, submitted it with the statement that it has practical content to be required at the stage to practically conduct alliance after the selection of business partner since Shinsei Bank strongly requested to submit it. Then, on October 9, 2020, when SBIHD submitted the material, the in-charge person of Shinsei Bank informed SBI Securities that the policy of the business transfer of the Over-the-Counter ("OTC") sales of investment trust funds business will be decided in January or February, 2021. Any notifications were provided thereafter and the SBIHD Group came to know the result of the selection by the news reported by some news media on January 26, 2021, the day before the announcement of the press release by Shinsei Bank and Monex Group. After the publication of the press release until now, there is no fact that Shinsei Bank has explained the detail of the selection of business partner to SBI Securities.

Furthermore, as stated above, SBI Securities communicated and made discussion with Shinsei Bank regarding the transfer of investment trust funds and the bond business to the extent exceeding the level to be required for the regular bid process. On the other hand, at least, the evaluation axis "response to customize for customer base of Shinsei Bank" and "ease to segregate between over-the-counter and online" is not clearly disclosed among the evaluation axis, which was explained as the reason that Shinsei Bank selected Monex Securities in "Update on Status for Expression of Opinion to the TOB initiated by SBI Regional Bank Holdings" and was "commonly provided with all candidates from the first contact."

In evaluation axis provided by Shinsei Bank, "customize (segregation with other intermediary)" was included but for SBI Securities it was limited to the point of whether a commission fee Shinsei Bank

hopes can be set regarding investment trust funds (the same commission fee in the case of intermediary) and whether structured bonds structured by Shinsei Securities Co., Ltd. can be dealt in the intermediary. “Ease to segregate between over-the-counter and online” was not included in the evaluation axis.

Such Shinsei Bank’s response is very unfaithful and the trust SBIHD Group had to the management of Shinsei Bank has significantly collapsed.

- (c) The SBIHD Parties do not believe that the proposals by SBIHD, a major shareholders of Shinsei Bank, should always be accepted. As described in response (b) above, SBIHD has strong distrust to Shinsei Bank and lost relationship to have a series of discussion and as describe in response (a) above, such situation is one of the reason why the SBIHD Parties decided that additional discussion with the management of Shinsei Bank regarding business alliance would not become fruitful discussion.

Comparing the retail services of SBI Securities with those of Monex Securities from the viewpoint of the convenience of the Shinsei Bank’s customers, the SBIHD Parties think that SBI Securities has advantages in many services, such as reasonable domestic stock brokerage commission rates (in contrast with 2.92% of the rate for FY2021/3 of SBI Securities, that of Monex is 8.03%) (*), the number of investments trusts handled and the various funding methods available (five courses, including daily, weekly, monthly, multiple days, bimonthly), and handling IPO. In addition, considering that SBI Securities has experience in data migration as described in response 4(3)(b) i below, a business alliance with SBI Securities will contribute to the interests of Shinsei Bank's clients the most and will be in the best interests of not only SBIHD, as a major shareholder, but also that of minority shareholders. Therefore, the SBIHD Parties believe that a business alliance with SBIHD is the best option for Shinsei Bank even at this point of time.

* Based on SBI Securities, Inc. FY 2021/3 Financial Results

- (d) As stated in the TOB Registration Statement, the main points of the capital and business alliance proposal by SBIHD in September 2019 were to acquire Shinsei Bank's shares at the voting right ratio of 33.4% to 48% and (i) to organically combine the management resources of the SBIHD Group and the Shinsei Bank group (“Both Groups”) with the aim of becoming a general finance group; (ii) to strengthen the alliance in retail and corporate areas; (iii) to complement the mutual business areas of Both Groups by working together; and (iv) to expand their customer bases and increase profitability by cross-selling. Although SBIHD and Shinsei Bank exchanged initial opinions regarding the repayment of public funds, the SBIHD Parties believe that the specific repayment methods should first be determined through adequate discussions between Shinsei Bank and the authority.

In addition, as Shinsei Bank recognizes, it is not necessary to take steps such as going private, to repay public funds, if Shinsei Bank's share price rises to a certain level by SBIHD and Shinsei Bank implementing measures to enhance Shinsei Bank's corporate value, after SBIHD acquires up to 48% of Shinsei Bank's shares. Furthermore, it may take a considerable amount of time to repay public funds after SBIHD makes Shinsei Bank a consolidated subsidiary by purchasing Shinsei Bank's shares, and the description of “a business alliance which is inseparably related to the proposal of buying back

shares, as repayment of funds, at a price exceeding the amount paid to general shareholders” is an expression which may cause investors to misunderstand, and the use of such expression is regrettable. After the completion of the TOB, the SBIHD Parties will commit to various measures to enhance Shinsei Bank’s corporate value to increase the possibility of repaying public funds.

Furthermore, the reason why Shinsei Bank refused SBIHD’s proposal was because Shinsei Bank’s board of directors had objected to SBIHD becoming a large shareholder. It is very regrettable that SBIHD received a question that may lead the shareholders to misunderstand that the method of repaying public funds was the main issue by not referring to the reason mentioned above. In this regard, the SBIHD Parties believe that an amendment or correction of the TOB Registration Statement is not necessary.

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

<Target Company's Question>

- (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 Tender Offeror 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.

<Tender Offeror’s Response>

- (a) The SBIHD Parties naturally had considered various options in parallel until they implemented the

TOB. Although the SBIHD Parties commenced application process for approval under the Banking Act for the acquisition of shares and the procedure for approval from overseas regulatory authorities beforehand in order to widen their range of choices, it was only an initial consideration and they began to sincerely deliberate the TOB from around early August, 2021 as stated in the TOB Registration Statement.

- (b) SBIHD requested that a due diligence be conducted because SBIHD thought that it would be necessary if SBIHD and Shinsei Bank agreed on the capital and business alliance at the time of SBIHD's proposal therefor in September, 2019, and not because SBIHD was sincerely considering the TOB at that time. As stated in the TOB Registration Statement, SBIHD's proposals for the capital and business alliance to Shinsei bank in September, 2019 were declined in November 2019.

In addition, as stated in the TOB Registration Statement, the SBIHD Parties decided to implement the TOB on September 9, 2021. The SBIHD Parties had only considered various options initially in parallel at the time of early July, 2021.

- (c) As stated in the TOB Registration Statement, SBIHD began to sincerely deliberate the TOB from around early August 2021 and commenced the TOB on September 10 of the same year after they decided to implement the TOB on September 9 of the same year. With regard to the Tender Offer Period, while the shortest Tender Offer Period stipulated by applicable laws and regulations is twenty (20) business days, SBIHD set the Tender Offer Period to be thirty (30) business days to ensure that shareholders of Shinsei Bank are provided a sufficient period to decide on their participation in the TOB.
- (d) The SBIHD Parties understand that the liquidity of Shinsei Bank's shares will decrease if the TOB is successfully completed, but the SBIHD Parties believe that the TOB will not have any negative effects on market pricing and potential investors' will to invest, even if subscriptions for the TOB meet the upper limit, because the targeted ownership ratio after the TOB is capped at 48%. In addition, realizing the synergies based on business alliances between SBIHD Group and Shinsei Bank Group and accomplishing the optimal composition of officers by changing all or part of the Shinsei Bank's officers will lead to an increase in Shinsei Bank's corporate value and shareholder value, and eventually, Shinsei Bank will become a more attractive company for potential investors as well.

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

<Target Company's Question>

- (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 TOB’ 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.

<Tender Offeror’s Response>

- (a) The SBIHD Parties began to sincerely deliberate the TOB from around early August 2021, but the final decision to implement the TOB was made on September 9, 2021, and SBIHD owned Shinsei Bank’s shares solely for the purpose of “Passive Investment” until then and the purpose of SBIHD’s acquisition of shares in Shinsei Bank has not changed between August 28, 2019 and January 7, 2020.
- (4) No Prior Notice or Communication of the TOB

<Target Company’s Question>

- (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 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?

<Tender Offeror’s Response>

- (a) Although this question appears to be a repeat, as stated in the TOB Registration Statement, a capital and business alliance plan proposed by SBIHD in September 2019 was declined in November 2019 because Shinsei Bank's board of directors had objected to SBIHD becoming a large shareholder. Based on that background, the SBIHD Parties believes that unless the composition of Shinsei Bank's board of directors changes, the idea that SBIHD additionally acquires Shinsei Bank’s shares and strengthen capital relationship will be refused without sufficient reason, regardless of SBIHD’s ownership ratio of Shinsei Bank, and that it is unable to expect progress from previous discussions.
 Another reason is that the SBIHD Parties believe that there is no relationship to have discussions with Shinsei Bank in good faith considering the fact that Shinsei Bank and the Monex Group issued a news release regarding a business partnership without any contact from Shinsei Bank to SBIHD beforehand. With regard to the second point, as stated in (1)(b) above, the SBIHD Parties believe that it is natural to care about the risk of information leaking, more so than in usual cases considering that a relationship of trust was lost at that time through communication with Shinsei Bank after September 2019. Therefore, at the time of the TOB commenced, the situation and assumptions were different from the

originally planned capital and business alliance based on the agreement between Shinsei Bank and SBIHD, considering that it was unable to expect progress from previous discussions and there was an increasing risk of information leaking, which may affect the market prices as stated in the TOB Registration Statement, and the SBIHD Parties decided that it was better to implement the TOB immediately rather than continuing discussions with Shinsei Bank to obtain approval from its management.

- (b) The SBIHD Parties believe that the TOB is an opportunity for the SBIHD Parties to make their views regarding Shinsei Bank's management issues and SBIHD's views about it known to the public, and for Shinsei Bank's shareholders to carefully review those views. Similarly, while the TOB targets the shareholders of Shinsei Bank, the SBIHD Parties believe that various stakeholders, such as employees, depositors, and clients of Shinsei Bank will also be provided with information through the TOB, and the SBIHD Parties believe that (i) increasing commitments to the enhancement of Shinsei Bank's corporate value, and (ii) making efforts to ensure Shinsei Bank's management system and governance functions recover and to enhance Shinsei Bank's corporate value through additional acquisitions of Shinsei Bank's shares through the TOB will contribute to the recovery and enhancement of Shinsei Bank's corporate value. The SBIHD Parties believe that the enhancement of corporate value should be beneficial to not only the shareholders of both Shinsei Bank and SBIHD but also to various stakeholders, such as employees, depositors, and business clients of Shinsei Bank. As particularly in financial sector personnel is a source of corporate value and Shinsei Bank in particular has numerous competent personnel in highly-professional sectors, the SBIHD Parties assume that securing the employment of these employees is obviously essential for to expand business in accordance with the alliance and is considering providing further advancement stages for their careers.

The SBIHD Parties will take necessary actions, such as sharing SBIHD's thoughts and providing information regarding Shinsei Bank, depending on the situation.

- (c) Please refer to response (b) above.
- (d) The SBIHD Parties still believe that the current composition of Shinsei Bank's officers is not appropriate nor as flexible as required to make decisions. The SBI Parties have decided that accomplishing the optimal composition of officers is necessary, but at the same time, the SBIHD Parties also acknowledge the importance of protecting the employment of Shinsei Bank's employees as mentioned above, and as mentioned in (b) above, the SBIHD Parties believe that increasing their commitment to enhancing Shinsei Bank's corporate value and making efforts to ensure Shinsei Bank's management system and governance functions recover, and enhancing Shinsei Bank's corporate value through additional acquisition of Shinsei Bank's shares will contribute to the recovery and enhancement of Shinsei Bank's corporate value. The SBIHD Parties also believe that the enhancement of corporate value should be beneficial to not only the shareholders of Shinsei Bank and SBIHD but also to their employees.
- (e) The SBIHD decided that the relationship to have good faith discussion with Shinsei Bank has been lost based on the facts as stated in the answer to the question in 2(1)(a) and never suddenly commenced

the TOB. As mentioned in (b) above, the SBIHD Parties believe that increasing commitments to enhancing of Shinsei Bank's corporate value and making efforts toward the recovery of Shinsei Bank's management system and governance functions that is required to recover and enhance Shinsei Bank's corporate value through additional acquisition of Shinsei Bank's shares will contribute to the recovery and enhancement of Shinsei Bank's corporate value. The SBIHD Parties believe that the enhancement of corporate value should be beneficial to not only the shareholders of both Shinsei Bank and SBIHD but also to various stakeholders such as employees, depositors, and clients. Therefore, the SBIHD Parties believe that the TOB will not have negative impacts on the reputation of the SBIHD Group, nor on business activities including the relationship with regional financial institutions, either.

(5) Prior Contact or Discussion with Other Shareholders of Shinsei Bank

<Target Company's Question>

- (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.

<Tender Offeror's Response>

- (a) Not applicable.

(6) Description in the Large Shareholding Report (Passive Investment Purpose)

<Target Company's Question>

- (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 Tender Offeror 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.

<Tender Offeror's Response>

- (a) The SBIHD Parties began to sincerely deliberate the TOB from around early August 2021, but the final decision to implement the TOB was made on September 9, 2021, and no decisions had been made until then. The SBIHD Parties decided to implement the TOB on September 9, 2021, which is the same day as the date the SBIHD Parties decided to conduct "making an important proposal, etc.". Therefore, the SBIHD Parties filed an Amendment Report to the Large Shareholding Report with respect to Shinsei Bank on September 9, 2021 as the date when the SBIHD Parties assumed the reporting obligation.

In addition, the SBIHD Parties believe that, as stated in 2(4)(a) in "Questions to the Tender Offeror," it is a routine matter for financial institutions to discuss potential business alliances with each other and discussions concerning business alliances with SBI Securities or Regional Revitalization Partners does not fall under "making an important proposal, etc.,"

3 Background, Details and Price of the TOB

(1) Reasons for Setting the Upper and Lower Limits

<Target Company's Question>

- (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 Tender Offeror 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 Tender Offeror 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 Tender Offeror and/or SBIHD to obtain the requisite authorization by it as a bank holding company from the relevant regulatory authority if the Tender Offeror aims to control the election of officers of Shinsei Bank and if the Tender Offeror 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 Tender Offeror 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 Tender Offeror 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.

<Tender Offeror's Response>

- (a) Although the SBIHD Parties cannot name specific candidates of the independent outside directors after the composition of the officers have changed, because SBIHD didn't sufficiently contact to candidates for independent outside directors of Shinsei Bank before the commencement and announcement of the TOB from the perspective of confidentiality of the TOB, the SBIHD Parties intend to have more than half of the members of the board of directors consist of independent outside directors, to strengthen the governance system of Shinsei Bank. Under that governance system, in making decisions on important transactions between Shinsei Bank and the SBIHD Group, the SBIHD Parties intend to (i) conduct carefully deliberate and consider, in the board of directors meetings of Shinsei Bank including independent outside directors, whether the transactions will be disadvantageous to minority shareholders of Shinsei Bank, and (ii) to develop a thorough management structure regarding conflicts of interest between the SBIHD Group, such as by (i) appropriately deciding on transaction requirements based on market rules under the arm's length rule and (ii) causing officers who have strong relationship with the SBIHD Group such as internal directors or employees of SBIHD Group or the persons who were in the those position in the past not to participate in the decision making of Shinsei Bank. Furthermore, according to the information disclosed by Shinsei Bank, the SBIHD Group understands that Shinsei Bank has built a process which requires the judgement of the board of directors based on its internal rules upon conducting transactions that are determined to possibly cause conflict of interest, to ensure independence from major shareholders as required by the Banking Act. While the SBIHD Parties are unsure whether Shinsei Bank has a pre-screening and monitoring structure by some sort of a special committee. However, if Shinsei Bank becomes a consolidated subsidiary of SBIHD through the TOB, a special committee consisting of independent members will be established by Shinsei Bank with respect to transactions between Shinsei Bank and the SBIHD Group, and the committee will conduct preliminary reviews and post-transaction monitoring to ensure that there is no omission in the conflict of interest system. The SBIHD Parties believe that the TOB is not considered to be coercive because a thorough conflict of interest management system will protect the interests of minority shareholders. The SBIHD Parties believe that the TOB will ensure sufficient profits for minority shareholders as well because the corporate value and shareholder value of Shinsei Bank is expected to be enhanced if SBIHD additionally acquire Shinsei Bank's shares and strengthen capital

relationship in the first place, and the structure mentioned above will ensure that minority shareholders of Shinsei Bank will be able to enjoy the benefit.

Furthermore, upon the decision of the Tender Offer Price, a sufficient level of premium was included in order to have more shareholders of Shinsei Bank participate in the TOB.

- (b) The SBIHD Parties have determined that the targeted ownership ratio after the TOB is to be capped at 48%, since it was considered ideal to promptly increase the SBIHD Parties' ownership ratio of Shinsei Bank's shares to the extent that it does not exceed 50.00%, etc., and strengthen SBIHD's involvement in the management of Shinsei Bank, considering (i) that it is not always necessary to acquire the number of Shinsei Bank's shares that exceeds the threshold under which the Shinsei Bank will become a consolidated subsidiary of SBIHD in light of the International Accounting Standards which SBIHD has adopted in terms of a reasonable amount to be invested and (ii) that if the ratio of voting rights after taking into account the current portion of the SBIHD Parties exceeds 50.00% as a result of the TOB, it may be necessary to obtain approvals, based on various laws including the authorization of the Prime Minister as provided in the Banking Act, and the SBIHD Parties believe that they would be able to pursue the synergies and strengthening of involvement in management of Shinsei Bank with that level of ownership ratio and contribute to enhancing the shareholder's value of Shinsei Bank.

In addition to that, the SBIHD Parties believe they would be able to sufficiently eliminate concerns, such as becoming an engine bank and conflicts of interest by implementing the measures mentioned in response (a) above.

- (c) As mentioned in response (b) above, the ceiling of 48.00% was decided upon as it was considered ideal to promptly increase the SBIHD Parties' ownership ratio of the Shinsei Bank's shares to the extent that it does not exceed 50.00%, etc., considering (i) that it is not always necessary to acquire the number of Shinsei Bank's shares that exceed the threshold under which the Shinsei Bank will become a consolidated subsidiary of SBIHD in light of the International Accounting Standards which SBIHD has adopted in terms of a reasonable amount to be invested and (ii) that if the ratio of voting rights after taking into account the current portion of the SBIHD Parties exceeds 50.00% as a result of the TOB, it may be necessary to obtain approvals, based on various laws and the SBIHD Parties did not intend to technically avoid obtaining a bank holding company license, and understand that the cases exist where bank is made a consolidated subsidiary by holding not more than 50% of ownership ratio.

In addition, the SBIHD Parties believe that concerns regarding an engine bank and conflict of interest can be sufficiently eliminated through the measures mentioned in response (a) above, if such statement is referring to concerns that risk of the SBIHD Group's diversified business affecting Shinsei Bank's operations. Moreover, SBIHD obtained authorizations related to becoming a major shareholder of the bank based on the Banking Act, and the SBIHD Parties believe that there is no need to explain that "having sufficient understandings about the public nature of banking business and possessing enough social credibility" is one of the requirements to obtain the authorization.

Furthermore, the SBIHD Parties believe that it is usual to accord maximum respect to Shinsei Bank's

independence as a listed company and to protect the interests of minority shareholders of Shinsei Bank.

(2) Reasons for Choosing the TOB

<Target Company's Question>

- (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.

<Tender Offeror's Response>

- (a) The purpose of SBIHD purchasing up to 20% of Shinsei Bank's shares was as described in the TOB Registration Statement and within the category of "Passive Investment". Therefore, it is different from additional purchases through the TOB and SBIHD chose to purchase on the market to consider the trend of share price.

The SBIHD Parties decided that implementing the TOB to (i) make Shinsei Bank a consolidated subsidiary of SBIHD, establish and reinforce a business alliance relationship between the SBIHD Group and Shinsei Bank Group, (ii) ensure that the SBIHD Parties have the voting rights to practically enable to change all or part of the Shinsei Bank's officers and to accomplish the optimal composition of officers, and (iii) flexibly increasing the SBIHD Parties' ownership ratio of Shinsei Bank's shares in order to accomplish the purposes as stated in (i) and (ii) above in the future by the TOB, even if the SBIHD Parties is unable to acquire the Shinsei Bank's shares necessary for making the Shinsei Bank a consolidated subsidiary of SBIHD as stated in the above (i) and ensure that the SBIHD Parties have the voting rights to enable to change all or part of the Shinsei Bank's officers and accomplishing the optimal composition of officers as stated in the above (ii) in order to improve the Shinsei Bank's business performance and to recover and enhance its corporate value.

(3) Basis for Calculating TOB Price and Supporting Funds

<Target Company's Question>

- (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”.

<Tender Offeror’s Response>

- (a) SBI HD determined the TOB Price based on a share valuation report from Citigroup Global Markets, a financial advisor as a third-party valuation firm independent from the SBIHD Parties and Shinsei Bank and other various factors.

Therefore, the SBIHD Parties believe that the directors of SBIHD fulfilled the duty of care and duty of loyalty.

- (b) As mentioned above, a capital and business alliance plan proposed by SBIHD in September 2019 was declined in November 2019 and it was because Shinsei Bank's board of directors had objected to SBIHD becoming a large shareholder as stated in the TOB Registration Statement. Based on such background, the SBIHD Parties believe that unless the composition of Shinsei Bank's board of directors changes, the idea that the SBIHD Parties additionally acquire Shinsei Bank’s shares and further strengthen the capital relationship will be refused without sufficient reasons, regardless of SBIHD's ownership ratio of Shinsei Bank, and progress from previous discussions could not be expected.

Another reason to determine that no progress from prior discussions could be expected was that the SBIHD Parties believe that there is no relationship with Shinsei Bank to have discussions in good faith since Shinsei Bank and Monex Group issued a news release regarding their business partnership without any contacts from Shinsei Bank to SBIHD in advance.

Considering these circumstances, it would be unusual for SBIHD to assume that Shinsei Bank would accept the request to conduct DD on Shinsei Bank because of the requested dialogue on the business alliance in early July 2021. SBIHD began its sincere deliberation of the TOB since around early August 2021 and in the deliberation SBIHD discussed that it is better to implement the TOB

immediately than continuing discussion with Shinsei Bank to obtain approval from Shinsei Bank's management from the perspective of enhancement of corporate value of both Shinsei Bank and SBIHD. Therefore, the SBIHD Parties made decision on September 9 to commence the TOB.

- (c) The Tender Offeror will use funds borrowed from SBIHD and funds from capital increase for the settlement of the TOB and therefore, borrowings from SBIHD should be described in "(2) Deposits or Borrowings Allocable for Funds Required for the Purchase" in "Section 8 - Funds Required for the Purchase" and the loan certificate which should be disclosed in the TOB is the one between the Tender Offeror and SBIHD. Then, the Tender Offeror doesn't disclose the loan certificate from Citibank, which was not required to disclose by the Kanto Local Finance Bureau as well.
- (4) Possible Changes in the Terms of Purchase in the Future

<Target Company's Question>

- (a) As described in the Target Company's Position Statement submitted by Shinsei Bank, Shinsei Bank has requested the Tender Offeror 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 Tender Offeror will comply with this request. If the request is rejected, please explain the specific reason for such rejection.

<Tender Offeror's Response>

- (a) As described in the document as of September 24, 2021, on the obvious premises that the SBIHD Parties ensures that the interests of minority shareholders are not harmed by any chance by taking sufficient measures such as developing an appropriate system for managing conflicts of interest to protect minority shareholders, the SBIHD Parties believe that (i) making Shinsei Bank a consolidated subsidiary of SBIHD to organically combine and synergize the management resources of Shinsei Bank group and the SBIHD group and (ii) changing all or part of Shinsei Bank's officers and accomplishing the optimal composition of officers, through the acquisition of the Shinsei Bank Shares by the TOB and the additional acquisition to the necessary extent will lead to the recovery and enhancement of its corporate value, resulting in repayment of huge public funds. As such, the SBIHD Parties firmly believe that the TOB is beneficial to various stakeholders, such as shareholders, employees, depositors, and clients.

The SBIHD Parties also believe whether or not the shareholders of Shinsei Bank accept the TOB shall be clarified through their decision to apply for the TOB. On the TOB, the SBIHD Parties have provided information regarding the specific measures for the recovery and enhancement of Shinsei Bank's corporate value and for protection of minority shareholders in the TOB Registration Statement in a manner for shareholders to fully understand, and the SBIHD Parties are also providing additional information in this response. Thus, though these provision of such information, the SBIHD Parties have provided information necessary and sufficient for shareholders of Shinsei Bank to decide whether to apply for the TOB. In addition, while the shortest Tender Offer Period stipulated by applicable laws and regulations is 20 business days, the SBIHD Parties set the Tender Offer Period to

be 30 business days. By setting a relatively long Tender Offer Period, the Tender Offeror ensures that the shareholders of Shinsei Bank are provided with a sufficient period to decide whether to apply for the TOB.

Therefore, the SBIHD Parties believe that it is unreasonable for Shinsei Bank to introduce takeover defense measures against the TOB (the “Takeover Defense Measures”), and that it is highly suspected that the Takeover Defense Measures were introduced by the management of Shinsei Bank to protect their own interests. As such, the SBIHD Parties doubt the legality of the Takeover Defense Measures. Further, Shinsei Bank requests the SBIHD Parties an extension of the end date of the Tender Offer Period, but the SBIHD Parties strongly require Shinsei Bank not to unfairly use the Takeover Defense Measures to protect the managements’ own interests and damage the corporate value or the common interests of the shareholders. The Tender Offeror notified Shinsei Bank of extending the Tender Offer Period until November 24, 2021 (up to 50 business days) if Shinsei Bank publishes through its press release that Shinsei Bank promises to comply with the following four items that will lead to the protection of all shareholders of Shinsei Bank and their benefit by today, two business days before September 30, 2021, which is the date Shinsei Bank requests the SBIHD Parties as a deadline for the extension of the tender offer period. If any of these four items cannot be promised to be complied with, the SBIHD Parties have requested Shinsei Bank to explain the reason clearly and in detail by today and announce it in through its press release.

1. Additional questions with lower importance in deciding whether shareholders will apply for the TOB shall not be asked, and the period for consideration shall not be unnecessarily extended
2. In the case that the board of directors of Shinsei Bank will confirm whether the implementation of countermeasures is accepted at the shareholders meeting to confirm shareholders’ intent, the board of directors of Shinsei Bank shall explain the specific grounds to determine that the TOB will “significantly damage corporate value, corporate interests, and/or common interests of shareholders.”
3. Even if a shareholders meeting to confirm the shareholder’s intent is to be held, it shall be held at the shortest possible timing in practice.
4. If the shareholders meeting to confirm the shareholders' intent is to be held, it shall be held in a fair manner

In response, Shinsei Bank disclosed in its press release dated September 27, 2021, titled “Notice regarding Response from SBI Regional Bank Holdings Co., Ltd. to Shinsei Bank’s Request for Extension of TOB Period” that it will continue to request the SBIHD Parties to extend the Tender Offer Period to 60 business days. The SBIHD Parties will scrutinize the content of this press release, and will respond whether they will accept that request and extend the Tender Offer Period later on. However, in this press release, Shinsei Bank has not promised to comply with the four items that will lead to the protection of all shareholders of Shinsei Bank and their benefit above, nor answered the SBIHD Parties’ three questions to Shinsei Bank described in the document as of September 24, 2021. As complying with the four items above is essential in terms of protecting the benefits of all

shareholder of Shinsei Bank, and is something that should be promised immediately, the SBIHD Parties are appalled that Shinsei Bank has not promised to comply with the four items above to this day. As such, the SBIHD Parties continue to strongly request that Shinsei Bank comply with the four items above. Further, as the answers to the three questions to Shinsei Bank is essential for the shareholders of Shinsei Bank to make a proper decision regarding which is more desirable to the stakeholders of Shinsei Bank, the plan to enhance Shinsei Bank's corporate value proposed by the current management of Shinsei Bank, or the plan proposed by the SBIHD parties, the SBIHD Parties continue to request firmly that Shinsei Bank would answer the following questions by noon on October 1, 2021, as requested in the document as of September 24, 2021. The questions described in the document as of September 24, 2021 as follows:

[Questions to Shinsei Bank]

The SBIHD Parties also believe that providing information to the shareholders of Shinsei Bank to make decisions is extremely important. The SBIHD Parties would appreciate it if Shinsei Bank would answer the following important matters by noon on October 1, 2021 that are not covered in the published materials, including "Update on Status for Expression of Opinion to the TOB initiated by SBI Regional Bank Holdings" dated September 16, 2021, "Notice of the Introduction of Takeover Defense Measures subject to Confirmation of Shareholders' Support after the commencement of the TOB for Shinsei Bank's shares by SBI Regional Bank Holdings Co., Ltd." and "Notice Regarding Reservation of Opinion on TOB for Shares of Shinsei Bank by SBI Regional Bank Holdings Co., Ltd." dated September 17, 2021, and the letter entitled "Questions to the Tender Offeror" to the SBIHD Parties dated September 17, 2021.

1. The SBIHD Parties considers that the situation where Shinsei Bank has not repaid huge public funds for more than twenty years since its injection is a significant issue from the viewpoint of protection of national property. Please explain how the management of Shinsei Bank analyzes the reason why it has not repaid public funds for such a long time.
2. As described in page seven of the Tender Offer Registration Statement, during and after the business year ended in March 2016, Shinsei Bank has failed to achieve the planned values published by Shinsei Bank in almost all of these business years with regard to total revenue, net business income, and net income attributable to owners of its parent company. The SBIHD Parties believe that Shinsei Bank's management has failed to take drastic countermeasures to remedy that situation. Please explain what kind of measures the management of Shinsei Bank will take in order to enhance business performance and corporate value and repay public funds in future, and, if any, please explain the specific measures to improve corporate value which exceeds the measures proposed by the SBIHD Parties.
3. The SBIHD Parties believe that the slump of the performance described in 2 is the underlying cause of the low-keyed stock price of Shinsei Bank. As it may seem that such low-keyed stock price level is retrogressing Shinsei Bank from repaying public funds, please explain Shinsei Bank's view on the idea.

Further, Shinsei Bank's press release dated September 17, 2021, titled "Notice of the Introduction of Takeover Defense Measures subject to Confirmation of Shareholders' Support after the commencement of the TOB for Shinsei Bank's shares by SBI Regional Bank Holdings Co., Ltd.," states that the number of shares to be issued for

the Class A Subscription Rights and the Class B Subscription Rights shall be separately determined by the Board of Directors of Shinsei Bank. Under the basis that the total number of issuable shares of Shinsei Bank is 400 million, and the total number of outstanding shares of Shinsei Bank is 259,034,689, the SBIHD Parties understand that it is impossible to allot one share per one subscription right without the special resolution of the shareholders' meeting. Please indicate the number of shares to be issued for the Class A Subscription Rights and the Class B Subscription Rights promptly and clearly, as such information is important not only to understand how the SBIHD Parties will be affected by the implementation of the takeover defense measure, but also for the shareholders of Shinsei Bank to determine whether or not to participate in the TOB.

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:

<Tender Offeror's Comments>

The SBIHD Parties recognize that situations such as, becoming an engine bank and damaging interests of minority shareholders should never happen and do not expect to behave in the way which may cause that kind of doubts, but from the perspective of conducting through management of conflicts of interests to avoid those situations just in case, SBIHD plans to adopt the structure below. SBIHD will establish a sufficient system to manage conflicts of interest with SBIHD by the following measures: (i) when making decisions on important transactions between Shinsei Bank and SBIHD, the board of directors of Shinsei Bank, which includes at least one third of independent outside directors, will carefully deliberate and consider whether the transaction will not be disadvantageous to minority shareholders of Shinsei Bank, and in principle, following arm's length principle, appropriately determine transaction terms based on market discipline, and (ii) directors who have close relationships with SBIHD such as internal directors or employees of SBIHD Group and the persons who were in the position in the past will not be involved in decision-making regarding transactions between Shinsei Bank and SBIHD. In addition, in the event that Shinsei Bank becomes a consolidated subsidiary of SBIHD through the TOB, a special committee consisting of independent members will be established by Shinsei Bank with respect to transactions between Shinsei Bank and SBIHD, and the committee will conduct a preliminary review and post-transaction monitoring to ensure that there is no omission in the conflict of interest system. Further, according to the response (a)(1)3 above, the SBIHD Parties intend to have more than half of the members of the board of directors consist of independent outside directors, to strengthen the governance system of Shinsei Bank.

<Target Company's Question>

- (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 Tender Offeror 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 Tender Offeror.
- (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.

<Tender Offeror's Response>

- (a) Although the SBIHD Parties, at this point, cannot name specific candidates of the independent outside directors after the composition of the officers have changed, because SBIHD didn't sufficiently contact to candidates for independent outside directors of Shinsei Bank before the commencement and announcement of the TOB from the perspective of confidentiality of the TOB, the SBIHD Parties intend to have more than half of the members of the board of directors consist of independent outside directors, to strengthen the governance system of Shinsei Bank. Further, SBIHD will handle by developing an appropriate system for managing conflicts of interests by measures, for example, the executive officers who are closely related to SBIHD Group will not be involved in decision-making of transactions between SBIHD and Shinsei Bank. Additionally, as mentioned above. In the event that Shinsei Bank becomes a consolidated subsidiary of SBIHD through the TOB, SBIHD plans to ensure the conflict of interest management system without omission by (i) establishing a special committee consisting of independent members in Shinsei Bank with respect to transactions between Shinsei Bank and SBIHD, and (ii) conducting a preliminary review and post-transaction monitoring in the committee. According to the supplementary principle 4-8(iii) of revised corporate governance code, as an alternative of securing independent outside directors, "a special committee consisting of those

with independence including outside independent directors, which deliberates and considers important transactions that could cause conflict of interest between major and minority shareholders” is provided and, considering that the number of independent outside directors would be maintained in the standard of “more than half” and also that a special committee will be formed, SBIHD believes that there are no concerns that the governance will weaken in comparison to its current state.

- (b) Although the SBIHD Parties have no plans to increase the number of executive directors (i.e., inside directors), the SBIHD Parties may increase the number of executive directors (i.e., inside directors) while maintaining ratio of independent outside directors of the board of directors to be more than half, based on the intentions of the stakeholders of Shinsei Bank, to maintain the continuous growth of Shinsei Bank and to enhance Shinsei Bank’s corporate value to the utmost.
- (c) As stated in response (a) above, although the SBIHD Parties, at this point, cannot name specific candidates of the independent outside directors after the composition of the officers have changed, because SBIHD didn’t sufficiently contact to candidates for independent outside directors of Shinsei Bank before the commencement and announcement of the TOB from the perspective of confidentiality of the TOB, the SBIHD Parties intend to have more than half of the members of the board of directors consist of independent outside directors, to strengthen the governance system of Shinsei Bank.. Even if independent outside directors wouldn't be the majority, while encouraging the maintenance and adoption of voluntary Nomination and Compensation Committees could be one possibility, theoretically, due to the policy above, the SBIHD Parties believe that there are no concerns regarding the governance system. The SBIHD Parties will develop an appropriate system for managing conflicts of interests by measures, for example, the executive officers who are closely related to the SBIHD Group will not be involved in decision-making of transactions between SBIHD and Shinsei Bank. Additionally, as mentioned above, in the event that Shinsei Bank becomes a consolidated subsidiary of SBIHD through the TOB, a special committee consisting of independent members will be established by Shinsei Bank with respect to transactions between Shinsei Bank and SBIHD, and the committee will conduct a preliminary review and post-transaction monitoring to ensure that there is no omission in the conflict of interest system.
- (d) As mentioned, the SBIHD Parties will handle the management of conflicts of interests by developing an appropriate system such as, for example, the executive officers who are closely related to SBIHD Group will not be involved in decision-making of transactions between SBIHD and Shinsei Bank. Additionally, in the event that Shinsei Bank becomes a consolidated subsidiary of SBIHD through the TOB, SBIHD plans to ensure the conflict of interest management system without omission by (i) establishing a special committee consisting of independent members in Shinsei Bank with respect to transactions between Shinsei Bank and SBIHD, and (ii) conducting a preliminary review and post-transaction monitoring in the committee. On the premise that the SBIHD Parties develop an appropriate system for managing conflicts of interest, the SBIHD Parties believe it is possible to appropriately decide on transaction requirements based on market rules as to the transactions which don’t have market prices by selecting what is beneficial to minority shareholders of Shinsei Bank.
- (e) The SBIHD Parties will continue to consider other than those listed in The TOB Registration

Statement.

- (f) As stated in The TOB Registration Statement, Mr. Katsuya Kawashima is the vice president of SBIHD and has experienced important positions at SBI securities co., Ltd and SBI Sumishin Net Bank, Ltd., which are core companies of finance sector of SBIHD. Mr Hirofumi Gomi is a former outside director of SBIHD until June 2019 and a member of management advisory committee of SBIHD (as part-time), and works as outside director of several companies. Mr Katsumi Hatao is chairman of SBI Bank LLC, a commercial bank subsidiary of SBIHD in Russia. If these three persons are to be appointed as directors, they will resign from their position as a director of the SBIHD Group or a member of management advisory committee of SBIHD.
- (g) The bias that members of the board of directors are from specific companies is not limited to the current board members. For example, in the term of office of the current president Mr. Hideyuki Kudo, Mr Jun Makihara, Mr. Rie Murayama, and Mr. Cristopher Flowers, who was retired in August, 2019, are from Goldman Sachs Japan Co., Ltd. (including group companies). In addition, Mr. Jun Makihara and Mrs. Yuko Kawamoto are from Monex Group Inc.. A total of four directors have a relationship with those specific companies. As such, SBIHD does not consider it is possible that the board of directors holds fair and active discussions and can keep neutral, because of the bias. This means the board of directors itself has problems from both management and governance perspectives.
- (h) As stated in the TOB Registration Statement, SBIHD would acquire Shinsei Bank's shares equivalent to the Ownership Ratio of 48% after the TOB. From group governance perspective, SBIHD recommends two personnels who are from SBIHD as candidates of executive directors for the initial period after the TOB. It should, however, be noted that SBIHD does not think that two executive directors from SBIHD should always be appointed, if a stable management system is established after the TOB. In addition, as mentioned above, SBIHD will handle by developing an appropriate system for managing conflicts of interests by measures, for example, the executive officers who are closely related to SBIHD Group will not be involved in decision-making of transactions between SBIHD and Shinsei Bank. Additionally, as mentioned above. In the event that Shinsei Bank becomes a consolidated subsidiary of SBIHD through the TOB, SBIHD plans to ensure the conflict of interest management system without omission by (i) establishing a special committee consisting of independent members in Shinsei Bank with respect to transactions between Shinsei Bank and SBIHD, and (ii) conducting a preliminary review and post-transaction monitoring in the committee
- (i) SBIHD would like Shinsei Bank's shareholders to decide whether or not to change officers of Shinsei Bank after reading the reasons why the SBIHD Parties believe it is necessary to change all or part of the officers and realize an optimal officer system as stated in the TOB Registration Statement, and SBIHD has no intention of ignoring the will of other shareholders.
- (j) SBIHD states just the fact in the TOB Registration Statement, so SBIHD deplores the Shinsei Bank's statement. SBIHD still believes that Shinsei Bank's decisions lacks appropriateness and flexibility, keeps on seeking the proper management structure. In addition, SBIHD does not intend to criticize Goldman Sachs Japan & Co., Ltd. and Monex Group, Inc., so SBIHD believes that Shinsei Bank's point is not reasonable and it is not required that SBIHD revises the TOB Registration Statement.

- (k) Although the SBIHD Parties, at this point, cannot name specific candidates of the independent outside directors after the composition of the officers have changed, because SBIHD didn't sufficiently contact to candidates for independent outside directors of Shinsei Bank before the commencement and announcement of the TOB from the perspective of confidentiality of the TOB, the SBIHD Parties intend to have more than half of the members of the board of directors consist of independent outside directors, to strengthen the governance system of Shinsei Bank. In addition, SBIHD will handle the management of conflicts of interests by developing an appropriate system such as, for example, the executive officers who are closely related to SBIHD Group will not be involved in decision-making of transactions between SBIHD and Shinsei Bank. Additionally, as mentioned above. In the event that Shinsei Bank becomes a consolidated subsidiary of SBIHD through the TOB, SBIHD plans to ensure the conflict of interest management system without omission by (i) establishing a special committee consisting of independent members in Shinsei Bank with respect to transactions between Shinsei Bank and SBIHD, and (ii) conducting a preliminary review and post-transaction monitoring in the committee
- (l) As stated in the TOB Registration Statement, the proposal from SBIHD in September 2019 regarding the capital and business alliance was rejected in November 2019, and the main reason for the rejection explained at that time was that "Shinsei Bank's board of directors had objected to SBIHD becoming a major shareholder". Based on this response, SBIHD understood that the essential reason for the rejection, regardless of the content of the capital and business alliance, was ultimately the resistance to the change in the current management structure due to the emergence of a major shareholder. Such a management stance that does not prioritize the enhancement of corporate value is highly regrettable from the standpoint of a major shareholder.
- (m) SBIHD refrains from answering the question because this should be decided by Shinsei Bank itself independently, and SBIHD is not in a position to make decisions regarding the details of Shinsei Bank's future business plans, financial plans, investment plans, and capital and dividend policies. The SBIHD Group believes that by organically combining the management resources of Both Groups and strengthening the synergy effects between Both Groups, it would be able to recover and enhance Shinsei Bank's corporate value.
- (n) These should be decided by Shinsei Bank itself independently, and SBIHD is not in a position to make decisions regarding 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, but SBIHD does not have any plans regarding them so far.

With regard to Shinsei Bank's executive structure, the SBIHD Parties believe that it is necessary for Shinsei Bank to change all or part of its executive officers to realize an optimal executive structure, and still opposes the reappointment of the directors whom SBIHD was against in the general shareholders meeting in June, 2021. As for employees, the SBIHD Parties believe that this is a matter for Shinsei Bank to determine independently, but as stated in the TOB Registration Statement, human resources are the source of value in financial business, and it would be natural to secure the

employment of them especially in Shinsei Bank which has the large number of talented employees, who are essential for business collaboration. SBIHD would like to supply places for them to work.

- (o) SBIHD does not have any plans other than items stated in the TOB Registration Statement. As stated in response (a) above, with respect to the transactions between Shinsei Bank and SBIHD Group, SBIHD plans to ensure the conflict of interest management system without omission by (i) establishing a special committee consisting of independent members in Shinsei Bank with respect to transactions between Shinsei Bank and SBIHD, and (ii) conducting a preliminary review and post-transaction monitoring in the committee.

(2) Repayment of Public Funds

<Target Company's Question>

- (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.

<Tender Offeror's Response>

- (a) SBIHD recognizes that various methods of calculating the repayment of public funds have been discussed and reported in their publication, such as using the government's "secured target amount" or the amount of public funds injected as the starting point. As a major shareholder of Shinsei Bank, SBIHD is highly interested in this issue.

On the other hand, since it is not Shinsei Bank's major shareholders who will repay the public funds, but only Shinsei Bank itself, the SBIHD Parties believe that the newly appointed management team will have to discuss the repayment of public funds with the authorities again after the completion of the TOB. On the premise, SBIHD would like to express the following opinions as a company who intends to make Shinsei Bank a consolidated subsidiary.

- i. Since the public funds have been converted into common shares, these shares should be treated appropriately in accordance with Companies Act etc. including principle of equal treatment of shareholders.
- ii. For the successful repayment of the amount of public funds as referred to in the Diet, SBIHD considers that it is necessary for Shinsei Bank to significantly improve their low-keyed profitability, increase their retained earnings ratio, and enhance their market reputation further. Under the current

low-keyed profitability, it is obvious that there is no way to repay the public funds unless drastic measures are taken, and, in fact, Shinsei Bank has not been able to repay any public funds since 2006. iii. . If Shinsei Bank becomes a consolidated subsidiary of SBIHD as a result of the TOB, the SBIHD Parities believe that it will be able to greatly expand Shinsei Bank's earning power and have a realistic path for the repayment of public funds by utilizing SBIHD's customer base and its network not only with SBIHD's group companies but also with financial institutions, business corporations, start-up companies, etc. with which each company of SBIHD Group have alliance with. This is based on the natural premise that transactions with each company of SBIHD Group should be the same as those between independent companies, that is, the transactions under arm's length principle with no concern of conflicts of interest.

- (b) The SBIHD Parties refrain from making concrete comments on this because the SBIHD Parties had no discussion with Shinsei Bank and Deposit Insurance Corporation of Japan and The Resolution and Collection Corporation, its major shareholders. However, SBIHD believes that achieving synergistic effects through business alliance with Shinsei Bank is an essential approach for the repayment.
- (c) The SBIHD Parties refrain from making concrete comments on this because the SBIHD Parties had no discussion with Shinsei Bank and Deposit Insurance Corporation of Japan and The Resolution and Collection Corporation, its major shareholders. However, the SBIHD Parties believes that achieving synergistic effects through business alliance with Shinsei Bank is an essential approach for the repayment.

The improvement would increase the price of Shinsei Bank's shares owned by SBIHD, so the SBIHD Parties do not consider that the SBIHD Parties' accountability to its shareholders occur regarding this matter.

(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?

<Tender Offeror’s Comments>

On the natural premises (i) that Shinsei Bank will develop a system to prevent any situation such as being an engine bank by any chance through strict management of conflicts of interest, including the establishment of a special committee, and (ii) that the terms of transactions will be under arm’s length principle, the SBIHD Parties believe that the development of Shinsei Bank’ business in quality through synergies with SBIHD will not conflict with these premises in any way. The SBIHD Parties believe that adopting a thorough conflict-of-interest management system and strict procedures for transactions with Shinsei Bank will contribute to the expansion of profits for Shinsei Bank and, in turn, the expansion of the interests of minority shareholders, but will not diminish them.

1. Transaction with Regional Financial Institutions

<Target Company’s Question>

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.

<Tender Offeror’s Response>

The SBIHD Parties believe that it makes services to the customers better by organically combining platforms of both Shinsei Bank Group and SBIHD Group in a manner to create synergistic effects, and do not believe that it has any bad influence on services to the customers.

2. Retail Account and Securities Sector

<Target Company’s Question>

(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.

<Tender Offeror's Response>

- (i) Monex doesn't have a track record of simultaneous opening or linkage of deposits in bank accounts and securities accounts with banks. In addition, the SBIHD Parties believe that Monex has some track records of alliances in the online financial instruments intermediary business field but not many in the face-to-face financial instruments intermediary business field. Furthermore, the SBIHD Parties consider that SBI Securities has more support from customers who use securities accounts based on the fact that the net increase in the number of securities accounts over the last 12 months of Monex is a tenth of or less than that of SBI Securities (SBI Securities: 911,448 accounts *1, Monex: 80,732 accounts*2), even if considering the net increase in the number of accounts is somewhat dependent on factors such as amount of spending on advertising. Furthermore, SBI Securities has track records and know-how of simultaneous opening or linkage of deposits in bank accounts and securities accounts with banks.

The SBIHD Parties considers that it is quite obvious that the business alliance with SBI Securities is more beneficial to Shinsei Bank and its customers and shareholders, considering (i) that SBI Securities has track records and know-how of deposit service alliances with other banks, (ii) larger customer bases to transfer to Shinsei Bank (Shinsei Securities: 6,794,028 accounts*3, Monex securities: 1,937,108 accounts*4), (iii) track records of succeeding investment trust and bond business as stated above in 2(1)(b) and advantages in terms of services to retail customers as stated above in 2(1)(c), comparing with the proposals by Monex Inc.

Furthermore, the SBIHD Parties understand that Shinsei Bank's account information managed by the system of OTC sales of investment trust funds provided by Nomura Research Institute,

Ltd. (“Nomura Research Institute”) will be transferred to the back system of Monex. The SBIHD Parties have considered that the transfer of investment trust funds and bonds from the system of Nomura Research Institute to other company’s systems would be a really challenging project. In fact, Shinsei Bank set one-year transition period from conclusion of a Letter of Intent (“LOI”) as to accounts transfer. On the other hand, SBI Securities transferred investment trust funds and bonds from the system of OTC sales of investment trusts provided by Nomura Research Institute to “STAR-OT”, the system provided by the same company, in one case of account transfer at the other bank before.

The project required a lot of effort even though the transfer was between the same system vendor, but SBI Securities successfully completed the transfer without a big problem after the execution of an LOI in January, 2020, to in May, 2020, for about short period of 4 months, although the scale is different from that of Shinsei Bank. The SBIHD Parties believe that, selecting SBI Securities as a business alliance partner would be advantageous to Shinsei Bank and its customers and shareholders in terms of low risk for the clients of Shinsei Bank, considering the system vendor to be adopted as well as the track records of data transfer.

*1: Refer to “FY2021/3 Explanatory Documents on the Status of Business and Property” disclosed by SBI Securities

*2: The difference of the total numbers of accounts in Japan segment between the number of accounts of FY2021/3 and that of FY2020/3, from “Data book - FY 2021/3” disclosed by Monex Group Inc.

*3: Same as *1.

*4: Number of total accounts as of the end of FY2021/3 disclosed by Monex Group, Inc. in “Data book - FY 2021/3”.

- (ii) SBI Securities, a main subsidiary of SBIHD, has certain level of customer bases, about 6.8 million accounts as of the end of FY2021/3. The SBIHD Parties believe that Shinsei Bank and SBI Sumishin Net Bank, Ltd. have strength in the different fields and it is feasible that SBI Securities can introduce their customers to Shinsei Bank by proposing many options depending on the attributes and needs of customers. However, the SBIHD Parties will discuss in detail with Shinsei Bank after the closing of the TOB because SBIHD couldn’t conduct a due diligence beforehand.
- (iii) The SBIHD Parties do not plan to change to Shinsei Bank only at present, but plan to promote alliances with various financial institutions to enhance customer convenience.
- (iv) The SBIHD Parties believe it is the obvious premises to develop an appropriate system for managing conflicts of interests and ensure the independence of operations considering the public nature of banking business, and there is no need to concern. The SBIHD Parties understand that the business form, approach and nature of products, even if products are categorized in the same major classification, of Shinsei Bank, which has physical stores and SBI Sumishin Net Bank, Ltd., internet-only bank, are different and there is some doubt whether the sizable conflicts occur between the banking operation of Shinsei Bank and SBI Sumishin Net Bank, rather, customers

will be able to choose it based on their needs even after Shinsei Bank becomes a consolidated subsidiary of SBIHD. In any case, the SBIHD Parties will develop an appropriate system for managing conflicts of interest and it is hard to think that Shinsei Bank's sound business opportunities will be negatively impacted.

- (v) In addition to the increase in retail accounts in Shinsei Bank, Shinsei Bank will be able to offer wider range of products and proposals to customers, though Shinsei Bank provides OTC sales of investment trust funds only at counters, through the alliance of financial instruments intermediary business which leads increase of products to be sold, and the SBIHD Parties consider that this will lead to strengthening earnings of Shinsei Bank. Furthermore, the SBIHD Parties believe that an idea of selling structured bonds and investment trust funds created by subsidiaries of Shinsei Bank to retail customers of the SBIHD Group, which was included in proposals by SBI Securities, will lead to strengthening earnings of Shinsei Bank as well.

3. Microfinance

<Target Company's Question>

- (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 bid 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.

<Tender Offeror's Response>

- (i) Subject to the management of conflicts of interest and the fairness of transaction conditions, the SBIHD Parties believe that the SBIHD Parties are able to generate cross-selling effect and synergies by collaborating in the area of loans secured by stock certificates, etc., which are also provided by major securities companies, and by developing and providing services to the SBIHD Group's customers that are similar to the services regarding loans provided by Shinsei Bank and NTT DOCOMO, Inc. to its users. Also, as a reminder, the SBIHD Parties intend to take measures to protect the SBIHD Group's customers who are engaged in stock and FX transactions from

exceeding their financial capacity against the consumer finance business of Shinsei Bank Group from the viewpoint of customer protection.

- (ii) SBI Securities has already introduced the T Point Program and is working with T Point. On the other hand, the SBIHD Parties also understand that the credit cards that APLUS Co., Ltd. issues the most are the alliance cards with CCC Marketing Co., Ltd., which is in the same group as T Point Japan Co., Ltd., the operator of the T Point Program. Based on the above, the SBIHD Parties believe that the two companies have a very close relationship. SBI Securities is providing a service that allows customers to purchase investment trust funds on an accumulated basis with their credit cards, as the service beneficial for the settlement of the customer base aiming assets building, since June 2021. In line with the launch of the service, SBI Securities is seeking credit cards from its partner credit card company and realized that tens of thousands of customers have been sent to the credit card company over a period of about six months. With respect to the reserve purchase of investment trust funds on an accumulated basis using credit card, the SBIHD Parties believe that (i) the customers base is little overlapped with the current customers base since the service is able to approach to not only the customer base using credit card for daily payment but also the customer base aiming asset building and (ii) the service has an affinity with T Point. So, the SBIHD Parties believe that this will contribute to the expansion of credit card customers and their use of APLUS Co., Ltd.

- (iii) The Big Data initiative at the SBIHD Group has been implemented as a group strategy since 2012, with a specialized department promoting integrated digital marketing and the use of AI in operations. Specifically, each group company has assigned a person in charge of Big Data to promote self-run Big Data initiatives in each group company.

As a result, the SBIHD Group's customer base continues to grow, doubling from 2014 to 2021 to more than 30 million customers. The SBIHD Group is working on a variety of integrated Big Data initiatives, which the SBIHD Parties believe will be very beneficial to Shinsei Bank's marketing efforts.

In the area of credit-related operations, the SBIHD Group's data scientists not only have many examples of improvements using machine learning and AI in the group, but also SBIHD is already seeing results in improving operational efficiency and enhancing sales through the use of AI with several regional financial institutions. Therefore, the SBIHD Parties believe that Shinsei Bank is also able to promote the efficiency of credit-related operations by improving operation efficiency.

- (iv) The SBIHD Group defines "Bigger Data" as evolving data that actively incorporates external open data, etc., into internal data such as behavioral history, attribute data, transaction data, etc., and by applying practical data science to this data, the SBIHD Group is building a system to provide the optimal service at the optimal time.

In addition, the SBIHD Group is working with several leading big data and AI companies to implement competitive AI data applications in Fintech field.

The SBIHD Parties believe that the SBIHD Group is able to provide more efficient services to

Shinsei Bank's individual and business customers by organically and interactively linking the SBIHD Group's Bigger Data with Shinsei Bank Group's customer database and incorporating the latest technology, while ensuring compliance with laws and regulations and giving due consideration to the operation of personal information. In addition, the SBIHD Parties believe that the SBIHD Group is able to promote value co-creation with external partners through open alliance, which is also practiced by the SBIHD Group. Also, the SBIHD Parties believe that the value that both companies' groups are able to provide to their customers has the potential to become even greater in the future if greater Bigger Data is realized through the linkage of financial transaction data, after obtaining the consent of customers and so on.

4. Structured Finance

<Target Company's Question>

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.

<Tender Offeror's Response>

According to Shinsei Bank's description, the major regional banks are Shinsei Bank's main customers, but Shinsei Bank's structured finance covers a wide range of assets, such as real estate, solar power generation, biomass generation, submarine transmission lines, wind power generation, listed infrastructure corporations, geothermal power generation, ships, and health care, and since Shinsei Bank seems to have sufficient know-how, the SBIHD Parties believe that Shinsei bank is able to offer customized products to meet the needs of their customers not limited to the attributes of their customers to large regional banks. Therefore, the SBIHD Parties believe that Shinsei Bank will be able to effectively utilize the SBIHD Group's customer base, including the SBIHD Group's business partners and the SBIHD Group's network of local financial institutions which are the parties to capital and business alliances or business alliances.

5. Principal Transactions

<Target Company's Question>

- (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.

<Tender Offeror's Response>

- (i) Due to confidentiality obligations, the SBIHD Parties will refrain from answering detailed figures, but the SIBHD Group has a track record of joint investments in companies with 30 or more regional financial institutions other than SBIHD's capital and business partners.

- (ii) For example, the ability to find investment targets and establishment of a full hands-on support system are considered.

During FY 2021/3, SBI Investment Co., Ltd. has sourced a wide range of deals; 2,350 companies for sourcing, 415 companies for due diligence, and 78 companies for investment execution (including corporate venture capital funds established jointly with operating companies.). SBI Investment Co., Ltd. provides active support for full hands-on format, including investment know-how in growing sectors, strategic planning according to the business stage of investee companies, dispatch of executives, establishment of internal management systems, and support for overseas expansion. Furthermore, since the SBIHD Group has established its own support system within the group, the SBIHD Parties believe that the SBIHD Parties can provide our know-how to Shinsei Bank after Shinsei Bank becomes a consolidated subsidiary.

6. Market Operations and Treasury

<Target Company's Question>

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.

<Tender Offeror's Response>

The SBIHD Parties will refrain from answering the specific figures, as they are related to trade secret. SBI Liquidity Market Co., Ltd., a subsidiary of SBIHD, which oversees the foreign exchange business, has counterparties in 31 major financial institutions in Europe, the United States and Japan. In addition to FX for retail customers (*) such as SBI Securities and SBI FX Trade Co., Ltd., SBI Liquidity Market Co., Ltd. handle a variety of foreign exchange flows from actual demand within the group (foreign currency procurement, management using options and derivatives, and hedging, etc.),

funds, and domestic and foreign financial institutions (including regional financial institutions, etc.). The total annual foreign exchange transaction value (FY2020) has grown to over 10 trillion yen, and based on its abundant trading liquidity, the SBIHD Parties believe that the SBIHD Parties are able to offer various proposals for Shinsei Bank's foreign exchange transactions, including cost control.

(* The narrowest spreads in the industry, including 0.2 sen for the dollar-yen spread.

7. Leasing Business

<Target Company's Question>

- (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.

<Tender Offeror's Response>

- (i) Showa Leasing Co.,Ltd., a subsidiary of Shinsei Bank, conducts its sales activities mainly among small and medium-sized companies, where competition with major general leasing companies is relatively few, and has established close relationships with a wide range of suppliers, including various manufacturers and trading companies, so the SBIHD Parties presume that it is a reasonably competitive company and believe that the SBIHD Parties will be able to provide opportunities for the introduction to the business partners of the SBIHD Group and financial institutions with which we have capital and business alliances or business alliances.
- (ii) Of course, it is necessary to carefully provide lease-related products in a way to avoid abuse of a dominant position, and on fair terms and conditions. However, as mentioned in (i) above, the SBIHD Parties presume that Showa Leasing Co.,Ltd. is a competitive company, and believe that operating base will expand as a result of providing more opportunities for introduction.

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

<Target Company's Question>

- (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.

<Tender Offeror's Response>

- (i) As mentioned in 3(1)(a) above, the SBIHD Parties expect to have a thorough system for

managing conflicts of interest, and the SBIHD Parties do not expect that in the event that Shinsei Bank has become SBIHD's consolidated subsidiary through the TOB "bidding" will not be precluded if Shinsei Bank's management deems it appropriate. In the case of the mere business alliance, SBIHD Group will not be able to provide it with some of the know-how and customer base that the SBIHD Parties consider to be unique value, from the perspective of maintaining the competitiveness of the SBIHD Group. However, if Shinsei Bank becomes a consolidated subsidiary of SBIHD, such restrictions will be alleviated, and the SBIHD Parties believe that both companies will be able to achieve even greater synergy. These decisions are made under the assumption that they will be made under an appropriate conflict of interest management system and arm's length principle, and that independent judgement will be exercised by Shinsei Bank.

- (ii) The SBIHD Parties has no concrete plan for customers of Shinsei Bank at this point of time, but will deliberate the plan to be considered contributing to enhancement of corporate value of Shinsei Bank after the completion of the TOB.

(4) Engine Bank

<Target Company's Question>

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.

<Tender Offeror’s Response>

1. The SBIHD Parties will refrain from making comments regarding the matters that are not directly related to the TOB.

However, as stated in 2 and 3 below, the SBIHD Parties are working to further strengthen our risk management system.

2. In light of the incident at SBI Social Lending Co., Ltd. SBIHD is strengthening its internal control system mainly in the following areas.

The SBIHD Group analyzed the factors that caused problems at SBI Social Lending Co., Ltd. and identified new priority items for risk assessment, and established a new risk assessment organization to regularly evaluate and analyze risk factors with subsidiaries that are related to those items and monitor the improvement status of those risk factors, and started operation in July, 2021.

The items to be monitored by the risk assessment organization include the management of client assets and the status of the management system at the subsidiary, as well as their responses to the findings of internal audits thereto. The group of subsidiaries to be monitored by this risk assessment organization and the priority items for risk assessment will be reviewed as necessary, taking into account the SBIHD Group’s situation, business environment, social conditions, and other factors at the time.

3. Due to confidentiality, the SBIHD Parties will refrain from answering individual cases. However, the SBIHD Group may introduce business partners at the request of regional financial institutions with which the SBIHD Group has capital and business relationships or as part of the SBIHD Group’s sales activities. As Shinsei Bank knows, financing transactions are subject to the screening procedures of regional financial institutions, and the SBIHD Group makes its own financing decisions. As a result, there may be cases where the business partners that the SBIHD Group has introduced to Shinsei Bank do not reach a loan agreement even if they wish to do so. Of course, the SBIHD Group never make a pressure to local financial institutions which are a capital and business alliance partners, regarding financing.

When making decisions on important transactions between Shinsei Bank and SBIHD, the board of

directors of Shinsei Bank, which includes more than half of independent outside directors, will carefully deliberate and consider whether the transaction will not be disadvantageous to minority shareholders of Shinsei Bank. In addition, the SBIHD Parties will establish a sufficient system to manage conflicts of interest with the SBIHD Group by, in principle, following arm's length principle and appropriately determining transaction terms based on market discipline. In addition, directors who have close relationships with the SBIHD Group will not be involved in decision-making regarding transactions between Shinsei Bank and the SBIHD Group. If the number of independent outside directors does not reach a majority after the change in directors structure, the SBIHD Parties plan to respect Shinsei Bank's independence to the maximum extent possible, taking into account the public nature of its banking business, by encouraging the maintenance and adoption of voluntary nomination and compensation committees with a majority of independent outside directors and supporting the Board of Directors in exercising its supervisory and management functions over the executive directors, so as to avoid the problem of becoming an engine bank. As mentioned in 3(1)(a) above, in the event that Shinsei Bank becomes a consolidated subsidiary of SBIHD through the TOB, a special committee consisting of independent members will be established by Shinsei Bank with respect to transactions between Shinsei Bank and the SBIHD Group, and the committee will conduct a preliminary review and post-transaction monitoring to ensure that there is no omission in the conflict of interest system.

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

<Target Company's Question>

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?

<Tender Offeror's Response>

1. The so-called "Fourth Megabank" concept is a plan to increase the sophistication of their securities management, introducing Fintech, diversifying their revenue sources, and using common systems in order to improve the profitability of regional financial institutions and increase customer convenience. The plan is to make use of the unique and independent efforts of each regional financial institution, but also to pursue advantages that cannot be achieved independently through a "Coalition Plan" in which multiple regional financial institutions make use of a common infrastructure of products and services.
2. The "Coalition Plan" does not assume any particular scale in terms of assets, revenues, profits, or other financial figures.
3. The framework of the so-called "Fourth Megabank" concept is to contribute to the revitalization of local economies and the regional revitalization by supporting the core businesses of local companies and supporting the asset building of individuals through working with partner regional financial institutions to reform the business models of regional financial institutions.
On the other hand, the regional revitalization partners initiative, which Shinsei Bank and the SBIHD Group are working on together, is a concept to work on projects that contribute to the vitalization of regional economies and the regional revitalization from the perspective of contributing to the society as a whole, regardless of the capital and business partners.
4. As mentioned in 1 above, since the so-called "Fourth Megabank" concept is a "Coalition Plan" with regional financial institutions, the SBIHD Parties do not envision that Shinsei Bank will consider taking part in the framework at this time.
The SBIHD Parties recognize that collaboration with the regional financial institutions with which the SBIHD Group has alliances including capital and business alliances and collaborations with other local financial institutions are matters to be considered after the completion of the TOB. However, the SBIHD Parties are confident that Shinsei Bank will be able to play an active role in supporting businesses and revitalizing the local economy in each region by leveraging its strengths in the business fields it has cultivated to date and by promoting cooperation with regional financial institutions.
5. As mentioned in 1 above, since the so-called "Fourth Megabank" concept is a "Coalition Plan" with regional financial institutions, the SBIHD Parties do not envision that Shinsei Bank will consider taking part in the framework at this time. The SBIHD Parties believe that what the SBIHD Group should do together with Shinsei Bank is to take measures to improve its profitability and increase its corporate value. The SBIHD Parties recognize that the collaboration with regional financial institutions of SBIHD's partners, and other regional financial institutions, is a matter to be considered after the completion of the TOB, but the board of directors of Shinsei Bank should make a decision after carefully considering whether it is considered that the collaboration will contribute to the

improvement of Shinsei Bank's profitability and corporate value, and whether the transaction will not be disadvantageous to the minority shareholders of Shinsei Bank as in the case of other collaborations. If the measures decided through such a process will improve Shinsei Bank's profitability and corporate value, the SBIHD Parties believe that all shareholders, including the minority shareholders, will be benefited.

In addition, in order to promote the "Coalition Plan" with regional financial institutions recommended by the SBIHD Group, the SBIHD Parties do not envision that Shinsei Bank will invest in regional financial institutions at this time. However, if Shinsei Bank's board of directors determines that such an investment would contribute to the improvement of its profitability and corporate value, and would not be detrimental to its financial soundness, especially in terms of capital adequacy ratio, etc., and would not be detrimental to its minority shareholders, the SBIHD Parties believe this should be considered based on the intentions of the counterparty regional financial institution at that time. Although the SBIHD Group do not intend to influence Shinsei Bank's decision on the investment by the SBIHD Group, SBIHD believes that the use of the special committee as mentioned above is an option in such cases.

End