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November 12, 2021

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Notice Regarding Our Supplementary Explanation with regard to the Tender Offer in Response to Issuance of Proxy Advisors’ Reports concerning Takeover Defense Measures of 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”), have confirmed that Grass Lewis & Co., LLC (the “GL”) on November 5, 2021, and Institutional Shareholder Services Inc. (the “ISS” , together with the GL, the “the Proxy Advisors”) on November 8, in the same year have issued reports recommending a vote “FOR” with respected to the proposal of “The Allotment of the Share Subscription Rights without Contribution” , which is scheduled to be proposed at extraordinary general meeting of shareholders of Shinsei Bank, Limited. (the “Target Company”) to be held on November 25, in the same year regarding the tender offer which the Tender Offeror is conducting for shares of Shinsei Bank, Limited. (the “Tender Offer”). In response to the reports, the SBIHD Parties provide a supplementary explanation regarding the Tender Offer as below.

The SBIHD Parties believe that the triggering of takeover defense measures based on the proposals of the Target Company could take away the opportunities for the shareholders of the Target Company to sell its stakes with premiums and for the Target Company’ s shareholders

who agree on the Tender Offer to enjoy synergy effects. Thus, the SBIHD Parties have no choice but to consider the takeover defense measures to significantly damage the interests of shareholders, and the Proxy Advisors' recommendation doesn't have sufficient grounds for the following reasons and it is very regrettable that the proxy advisors issued reports recommending a vote "FOR" with respect to the proposals.

1. The details of the Proxy Advisors' recommendation for a vote "FOR" and the SBIHD Parties' general opinion

The Proxy Advisors have supported the proposals based on the following points, but as explained later in detail in 2., the SBIHD Parties believe that their recommendation lacks sufficient grounds.

(Grounds of the Proxy Advisor's recommendation for a vote "FOR")

- (1) The two conditions proposed by the Target Company to agree with the Tender Offer is reasonable and work as a tool of negotiation to extract better terms
- (2) Concerns that the Tender Offer is a partial TOB which gives control of the Target Company to the SBIHD Parties
- (3) Concerns regarding lack of specific business plan and plan of public funds repayment after the closing of the Tender Offer
- (4) Governance and compliance concerns of the SBIHD Parties' subsidiaries
- (5) Concerns regarding a composition of managements and board of directors

2. The SBIHD Parties' Opinion

- (1) The two conditions proposed by the Target Company to agree with the Tender Offer is reasonable and work as a tool of negotiation to extract better terms

ISS argues that the two conditions for the Target Company to agree with the Tender Offer are ①That the Tender Offer shall have no maximum number of shares to be purchased (or that a tender offer with no maximum or minimum number of shares to be purchased (the "Second Tender Offer") will be commenced by June 8, 2022 or later date which the Target Company designates after the discussions with the SBIHD Parties); and ②That the Tender Offer Price (including the tender offer price in the Second Tender Offer, if any) be increased to a level that the Target Company evaluates and judges to be sufficient in light of the intrinsic value of the Target Company based on, among others, the results of value calculation by its financial advisor, are reasonable and work as a tool of negotiation to extract better terms.

However, as stated in the Tender Offer Registration statement dated September 10, 2021 submitted by the Tender Offeror (including Amendment of Tender Offer Registration Statement submitted afterwards, the "TOB Registration Statement"), the SBIHD

Parties set the targeted ownership ratio capped at 48% of voting ratio including stakes the SBIHD Parties already own on the ground that it takes certain amount of time to obtain regulatory approvals to become a bank holding company and this makes it difficult to immediately reform management while improving Target Company's performance is an urgent task. Thus, the SBIHD Parties don't have choice to eliminate the limit of the Tender Offer. If the Tender Offer is successfully consummated, the SBIHD Parties will (i) form a new composition of directors, who enable the Target Company to enhance its corporate value at the extraordinary shareholders' meeting, (ii) begin discussions with Shinsei Bank on specific measures to enhance corporate value including establishment and reinforcement of a business alliance between the SBIHD group and the Shinsei Bank group, and will implement such measures sequentially with Shinsei Bank reviewing thoroughly on the premise of the conflict-of-interest prevention system. Furthermore, considering the Target Company's historical market share price, the Tender Offer price represents sufficient premium and the SBIHD Parties won't increase the Tender Offer price as the specific amount and the grounds of Target Company's "intrinsic value" which they claim are not clear. In addition, with regard to the premiums on the Tender Offer price, ISS points out that the effective premium of the Tender Offer price to the Target Company's all shareholders other than the SBIHD Parties represents approximately 13%. However, considering the fact that not all shareholders tender the Tender Offer, the SBIHD Parties believe that the idea of effective premium is not reasonable but inappropriate.

The Target Company should have known that it would be difficult for the SBIHD Parties to accept these kind of conditions, and it is not assumed that the Target Company intend to use the two conditions to agree with the Tender Offer to negotiate to extract better terms regarding the Tender Offer. Thus, the SBIHD Parties believe that the true intention of the Target Company's board of directors to present the conditions for approval is to hide the actual situation of the takeover defense measures introduced for the purpose of the management's self-protection. In addition, the SBIHD Parties believe that the two presented conditions are intended to be used as a material for obtaining the exercise of voting rights of the Target Company's shareholders in favor of the proposals by intentionally presenting conditions that are unacceptable for the SBIHD Parties and making them refuse the conditions. If the proposals are approved at extraordinary general meeting of shareholders of the Target Company and the takeover defense measures are triggered, the SBIHD Parties will withdraw the Tender Offer. In this case, the SBIHD Parties would consider various options regarding the shares they currently own including a complete exit, considering situation of the market.

- (2) Concerns that the Tender Offer is a partial TOB which gives control of the Target Company to the SBIHD Parties

ISS argues that the Tender Offer is a partial offer and it puts shareholders who are unable

to tender in a position of minority shareholders of a listed company, whose liquidity will be significantly low. However, according to Japan Exchange Group, the current composition of the stocks of the Tokyo Stock Price Index (“TOPIX”) will remain consistent for a certain period, regardless of the market segments, and these stocks also will continue to comprise TOPIX after January 2025 as long as the tradable share market capital is 10 billion Japanese yen or more, and the tradable share market capital of the Target Company will meet this criteria. Moreover, even if a prime market index is developed, institutional investors’ intent to adopt the index currently is uncertain at this stage. In addition, it is unlikely that the number of transactions referring to TOPIX will decrease significantly, even if a prime market index is set, since TOPIX has been widely used by market participants. Given these circumstances, in terms of liquidity, there is only a limited possibility that the Tender Offer will damage interests of shareholders. Furthermore, even though it is pointed that the SBIHD Parties try to control the Target Company without financial burden by a partial offer, as stated in the Tender Offer Registration statement, the SBIHD Parties set the targeted ownership ratio capped at 48% of voting ratio including stakes the SBIHD Parties already own on the ground that it takes certain amount of time to obtain regulatory approvals to become a bank holding company and judge that this makes it difficult to immediately reform management while improving Target Company’ s performance is an urgent task. If the Tender Offer is successfully consummated, the SBIHD Parties will (i) form a new composition of directors, who enable the Target Company to enhance its corporate value at the extraordinary shareholders’ meeting, (ii) begin discussions with Shinsei Bank on specific measures to enhance corporate value including establishment and reinforcement of a business alliance between the SBIHD group and the Shinsei Bank group, and will implement such measures sequentially with Shinsei Bank reviewing thoroughly on the premise of the conflict-of-interest prevention system.

(3) Concerns regarding lack of specific business plan and plan of public funds repayment after the closing of the Tender Offer

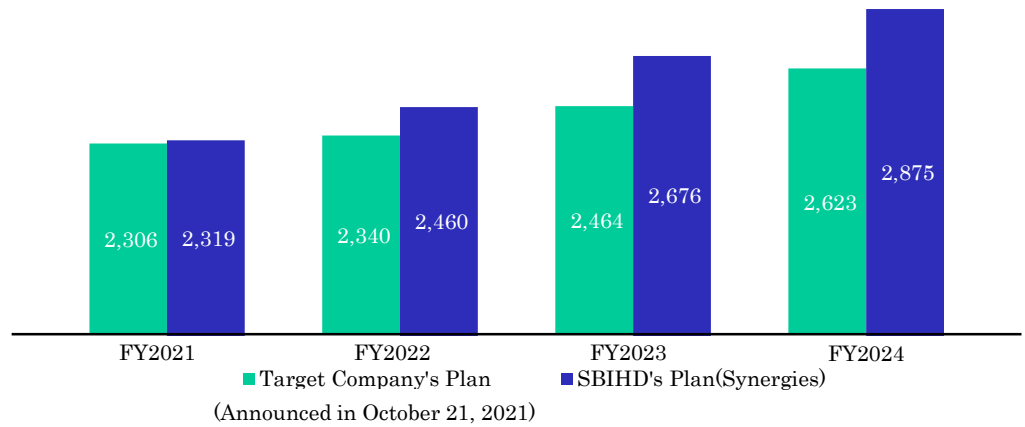
ISS points out that the impact of the Tender Offer on the shareholders of the Target Company is uncertain as the SBIHD Parties do not propose a detailed plan after SBIHD Parties make the Target Company a consolidated company following the closing of the Tender Offer. In addition, ISS also points out that neither the business plan of the SBIHD Parties nor the time frame for realization of the stock price sufficiently high for public funds repayment is specific. Glass Lewis also indicates that the expected business synergies from the business alliance with SBIHD Parties and the Target Company are not specifically quantified and the shareholders of the Target Company are not able to understand the benefit of the Tender Offer. Glass Lewis also points out that the SBIHD Parties as well as the Target Company do not show a specific plan for repayment of public funds which SBIHD Parties criticize.

However, as stated in the “Notice Regarding Our Response to Questions from Deposit Insurance Corporation of Japan” dated November 12, 2021, SBHHD Parties believe that the additional acquisition of the Target Company shares through the Tender Offer will enable the Target Company to join the SBIHD Group as a consolidated subsidiary, thereby organically combining the management resources of the Target Company group and the SBIHD Group. SBIHD Parties also believe that this will enable the two groups to strongly leverage synergies by complementing each other’s business field through collaboration, expanding the customer base through cross-selling, and strengthening earnings.

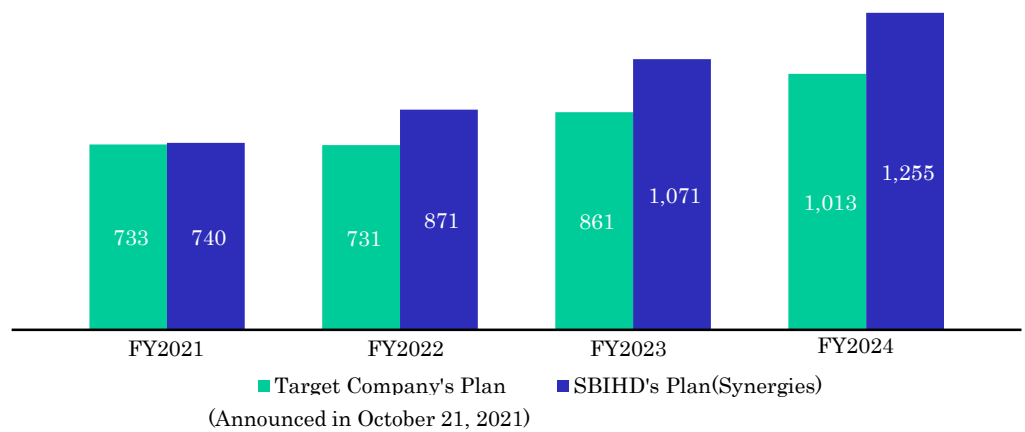
- ① Enhancing corporate value through bank-securities collaboration with SBI Securities
 - (i) Enhancing corporate value through collaboration in the retail sector (simultaneous account opening, deposit collaboration, financial product brokerage, etc.)
 - (ii) Enhanced Corporate Coverage
- ② Strengthen the business of the Target Company by utilizing the know-how of the SBIHD Parties
 - (i) Collaboration in the field of consumer finance (small-lot finance)
 - (ii) Improvement in annual earnings through fund management at SBI Asset Management Group and SBI Liquidity Market
 - (iii) Re-strengthening of retail business by providing the SBIHD Parties’ know-how related to mortgages
 - (iv) Development and provision of equity-backed loans
 - (v) Contribution to earnings from financial product brokerage through joint store management

The SBIHD Parties expect to enjoy direct or indirect synergies from the realization of these initiatives, as well. The quantification of the above synergies and the time frame for the expression of synergies will need to be discussed over time after the closing of the Tender Offer, not only with the management team of the Target Company but also with the employees. However, at this point, SBIHD Parties initially believe that the Target Company is expected to expand its earnings and increase its corporate value as described below by joining the SBIHD Group. As a matter of course, the business alliance stated above occurs only if the Target Company judges through the measures for avoiding conflict of interest which the Target Company employs that the minority shareholders of the Target Company benefit from the business alliance.

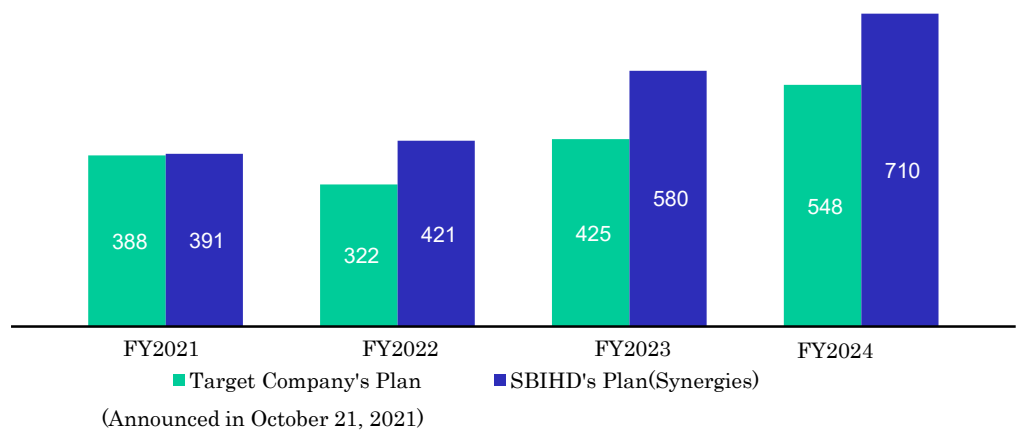
<Gross Business Profit> (Unit : JPY Bn)



<Net Business Profit> (Unit : JPY Bn)



<Net Income Attributable to Owners of the Parent> (Unit : JPY Bn)



Since the SBIHD Parties do not start the discussion with the Target Company and its

major shareholder, Deposit Insurance Corporation of Japan yet, they would like to refrain from making any specific comments. However, the SBIHD Parties believe that the essential measures for the public fund repayment is to increase the Target Company's corporate value by the synergy effects from the business alliance with the Target Company as described above. Furthermore, ISS points out that the Tender Offer price of 2,000 JPY which the SBIHD Parties offer is extremely low given the valuation of Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. and Plutus Consulting Co.,Ltd. However, considering the fact that the valuation ranges have not been disclosed at all, and even though the valuation was conducted based on the Target Company's business plan, the Target Company failed to achieve its disclosed forecast for almost all seven fiscal years, the claim is unreasonable.

(4) Governance and compliance concerns of the SBIHD Parties' subsidiaries

ISS points out that the situation that the SBIHD Parties seek to control the Target Company, but still want to keep it listed runs counter to the current governance debate in Japan shedding light on the parent-subsiary dual listing problem. However, the parent-subsiary dual listing itself is not prohibited in Japan, for example, there are cases that the parent-subsiary dual listing occur when a company just goes public., and a more careful governance system is important in the case of the parent-subsiary dual listing. Thus, the SBIHD Parties believe that the claims made by ISS are inadequate, capturing only the fact that the Tender Offer leads to parent-subsiary dual listing. 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, the SBIHD Parties plan to adopt the structure below. The SBIHD Parties will establish a sufficient system to manage conflicts of interest with SBIHD Group by the following measures : (i) when making decisions on important transactions between Shinsei Bank and SBIHD Group, the board of directors of the Target Company, 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 the Target Company, 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 Group such as internal directors or employees of SBIHD Group and the persons who were in such position in the past will not be involved in decision-making regarding transactions between the Target Company and SBIHD Group. In addition, in the event that the Target Company becomes a consolidated subsidiary of SBIHD through the TOB, a special committee consisting of independent members will be established by the Target Company with respect to transactions between the Target Company and 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. To this point, Glass Lewis points out that the reduced efficiency and additional cost would be caused if the SBIHD Parties establish the conflict of management system. However, considering the SBIHD Parties' track records that they have established sufficient conflict of interest management systems in Morningstar Japan K.K. and SBI Insurance Group Co., Ltd. which are listed subsidiaries of SBIHD Group, the SBIHD Parties don't believe the claim is valid.

In addition, ISS raises concerns regarding the SBIHD Parties' capability to supervise subsidiaries appropriately given its subsidiary SBI Social Lending Co., ("SBISL") got an administrative measure. However, the business scale of the Target Company is significantly different from that of SBISL, if the Tender Offer is successfully closed and the Target Company becomes a consolidated subsidiary of the SBIHD Parties, the importance in the group is significantly different between them. As described above, the SBIHD Parties have track records of establishing sufficient conflict of interest management systems in listed subsidiaries. In addition, as explained in "Notice Regarding the SBI Group's Preventive Measures in Response to the Case of SBI Social Lending Co., Lt." dated June 8, 2021, the SBIHD Group has promoted activities to strengthen internal management systems mainly focusing on risk management as below, considering the content of an investigation report prepared by a third-party committee established by SBISL. Specifically, SBIHD Group analyzed the cause of the case and extract the new priority items for risk assessment, and regularly evaluate and analyze risk factors between subsidiaries which are related to the new priority items, and established a risk assessment organization to monitor the status of improvement. In addition, since SBIHD Group has a corporate culture of actively challenging new business area, there are some consolidated subsidiaries with short business histories that are rapidly expanding their operations and assets under management. In order to further strengthen the internal control systems of such consolidated subsidiaries, the SBIHD Group's Human Resources Department gathers information on the human resource needs of each group company on a group-wide basis, and focuses on dispatching and assigning necessary executives and employees. The SBIHD Parties are trying to prevent the same kind of cases from happening again by these kind of continued efforts to strengthen and enhance its internal control system, and the SBIHD Parties believe that concerns of the SBIHD Parties' capability to supervise its subsidiaries are not valid.

(5) Concerns about the composition of the management team and board of directors

The ISS claims that the Target Company's current board of directors is clearly highly independent, with five of the seven directors being outside directors. However, as stated in the Tender Offer Registration Statement, the SBIHD Parties and its group companies

have doubts about the appropriateness of the current executive structure of the Target Company, as there appears to be a specific bias in the origin of the outside directors among the members of the board of directors, such as Goldman Sachs and Monex, Inc. SBIHD Parties voted against the reappointment of Mr. Ernest M Higa, Mr. Jun Makihara, and Mr. Toshihide Murakami as outside directors, in addition to Mr. Hideyuki Kudo, at the ordinary general shareholders meeting of the Target Company held in June of this year. 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.

The ISS also pointed out that the three candidates for the board of directors mentioned by the SBIHD Parties in the Tender Offer registration statement do not have sufficient experience in the Target Company's business. However, 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 Group and has broad insight and extensive experience in all aspects of management. Mr. Hirofumi Gomi has been deeply involved in financial administration. Mr Katsumi Hatao has held senior positions at the former Bank of Tokyo, Ltd. (MUFG Bank, Ltd.) and he is chairman of SBI Bank LLC, a commercial bank subsidiary of SBIHD in Russia. All of them have sufficient experience in the business of the Target Company, and we believe that the ISS's claim is not valid.

As stated in the Tender Offer registration statement, although the SBIHD Parties cannot name specific candidates of the independent outside directors after the composition of the officers have changed, because SBIHD Parties did not sufficiently contact to candidates for independent outside directors of the Target Company 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 the Target Company.

In the event that the Tender Offer is closed successfully, SBIHD Parties plan to request the convening of an extraordinary shareholders meeting to discuss the proposal for the election of directors of the Target Company. The three executive directors to be recommended as candidates for directors at the general shareholders meeting are as stated in the Tender Offer registration statement, but SBIHD Parties plan to propose

that the candidates for independent outside directors be selected through a transparent and objective process by forming an independent outside director selection committee between the Target Company and SBIHD Parties promptly after the completion of the Tender Offer, rather than at SBIHD Parties' sole discretion. The committee is planned to be chaired by a person who is a legal professional, independent from the current directors of SBIHD Parties and the Target Company, has extensive knowledge, and is objectively evaluated as fair and neutral, while the SBIHD and the Target Company recommend one member each. The committee intends to ensure the fairness and neutrality of the selection of independent outside directors at the extraordinary general shareholders meeting by selecting the candidates while respecting the "Corporate Governance Code" of the Tokyo Stock Exchange and the "Practical Guidelines for Group Governance Systems" of the Ministry of Economy, Trade and Industry.

In addition, from the perspective of maximizing the Target Company's sustainable growth and corporate value and improving the motivation of the Target Company's employees, SBIHD Parties believe that it is possible to appoint some executive directors in addition to the executive directors (internal directors) already proposed by SBIHD, while maintaining a majority of independent outside directors, taking into account the intentions of the Target Company's stakeholders.

On the other hand, ISS notes that a change in management or its supervisory body may be beneficial in light of the Target Company's performance in recent years. As stated in the Tender Offer registration statement, one of the purposes of the Tender Offer is to change all or part of the directors of the Target Company and to secure voting rights that will enable the realization of an optimal director structure. Therefore, SBIHD Parties believe that recommending 'FOR' the agenda item regarding the invocation of the takeover defense measures of the Target Company, which prevents the consummation of the Tender Offer for the purpose of realizing an optimal executive structure, deprives shareholders of the opportunity to renew their executive structure and does not serve the common interests of shareholders. Therefore, the SBIHD Parties believe that recommending "FOR" the agenda item regarding the invocation of the takeover defense measures of the Target Company, which prevents the consummation of the Tender Offer for the purpose of realizing an optimal executive structure, deprives shareholders of the opportunity to renew their executives structure and does not serve the common interests of shareholders.

Thus, the SBIHD Parties and its group believe that the basis of the reports issued by the voting advisory companies are all insufficient to recommend "FOR" of the Target Company's proposals. At the extraordinary shareholders meeting, SBIHD Parties would like shareholders to make an appropriate decision on whether to approve or disapprove the proposal, based on whether the measures to enhance corporate value by the current management of the Target Company or the measures proposed by SBIHD are

desirable for all stakeholders of the Target company and whether they support the SBIHD' s proposal for the Tender Offer.

As stated in (1) above, SBIHD Parties will withdraw the Tender Offer if the proposal is approved by the shareholders meeting and the takeover defense measures are activated. In this case, the SBIHD Parties would consider various options regarding the shares they currently own including a complete exit, considering situation of the market. SBIHD Parties are a strategic investor that has clearly demonstrated synergies and has offered a tender offer price that includes a sufficient premium. SBIHD Parties continue to believe that the takeover defense measures are designated to deny legitimate transactions in the capital market by the Tender Offeror for the purpose of protecting the management.

End

For further information, please contact:

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