

Shareholder Proposal to Shinsei Bank:

The Case for Additional Shareholder Representation

Overview of Dalton Investments

Dalton Investments LLC

- SEC registered, independent investment advisor
- Incorporated in 1999
- Based in Santa Monica, California
- Approximately \$3.7 billion in assets under management as of March 31, 2019
- 100% owned by members and their families



James B. Rosenwald III, CFA:
Co-founder and Senior Portfolio Manager

AUM by Strategy

Asian Equities	\$3,293 mm
Global Equities	\$147 mm
Global Emerging Markets	\$244 mm

TOTAL	\$3,684 mm
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- 35+ years investing in Asia
- Dalton – Co-founder
- Rosenwald Roditi – Founder
- Soros Group – External Manager
- NYU – MBA; Vassar College – AB

Dalton Investment Philosophy

“Value investing focused on the alignment of interests between management and shareholders”

- Invest in good businesses – typically strong cash flows and balance sheets, a “moat” against competition
- Seek a significant “margin of safety” – the difference between intrinsic valuation and market price
- Focus on alignment of interests between management and shareholders
- Identify strong track record of reinvesting capital

Why We Believe in Shinsei Bank

Good Business

- The only Japanese bank with consistently improving net interest income and net interest margin

Unallocated Capital: Allocated for buyback

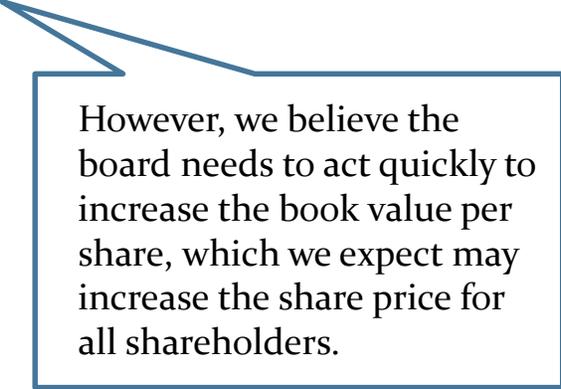
- Market capitalization: \$3.5 billion
- More than \$3 billion unallocated capital available for buyback
 - Regulatory capital: ¥802 billion
 - Risk capital: ¥465 billion
- ¥194 billion tax loss carry forward and ¥63 billion reserve for Kabarai

Unique “Alignment of Interest”

- All shareholders want a higher stock price. Government target price of ¥ 7,450.

Margin of Safety

- Price to book value = 40%
- Price to earnings = 7x
- Unallocated capital \approx Total market capitalization

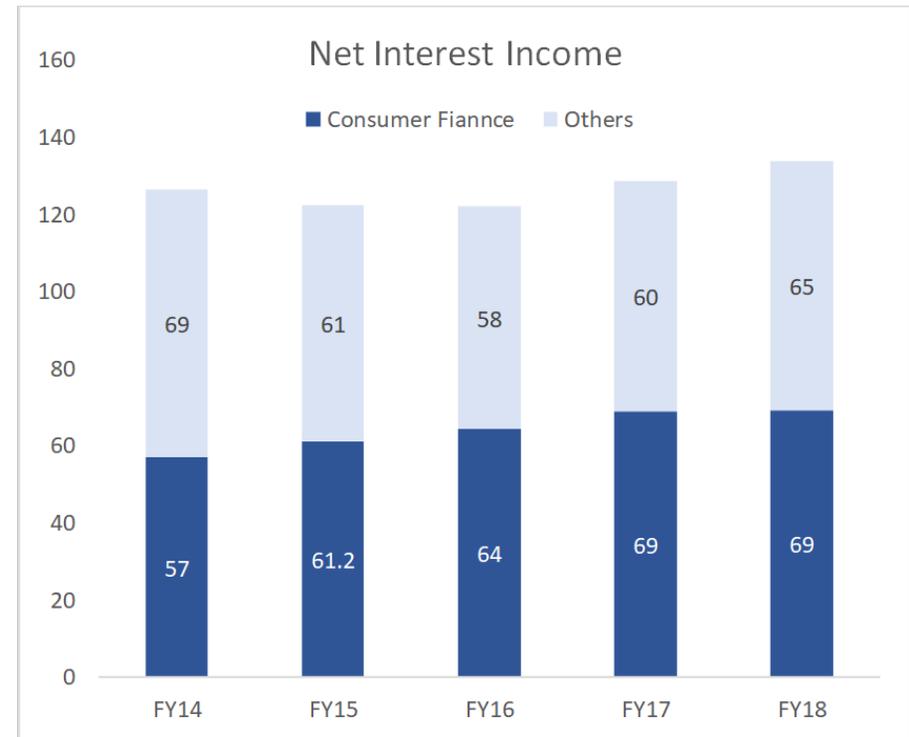
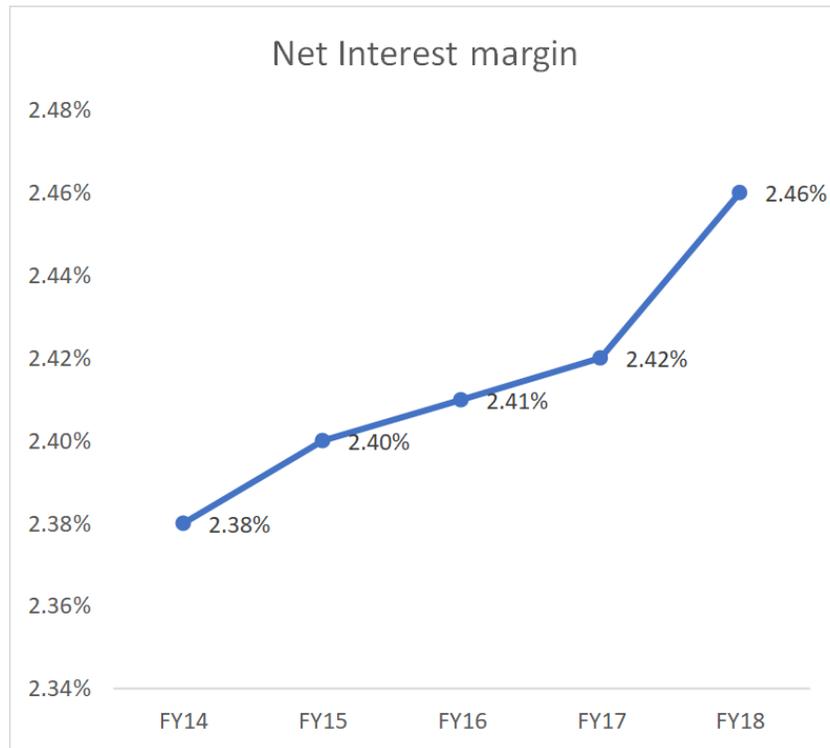


However, we believe the board needs to act quickly to increase the book value per share, which we expect may increase the share price for all shareholders.

Source: Company Report, Bloomberg

Unique Profit Structure Driven by Consumer Finance Business

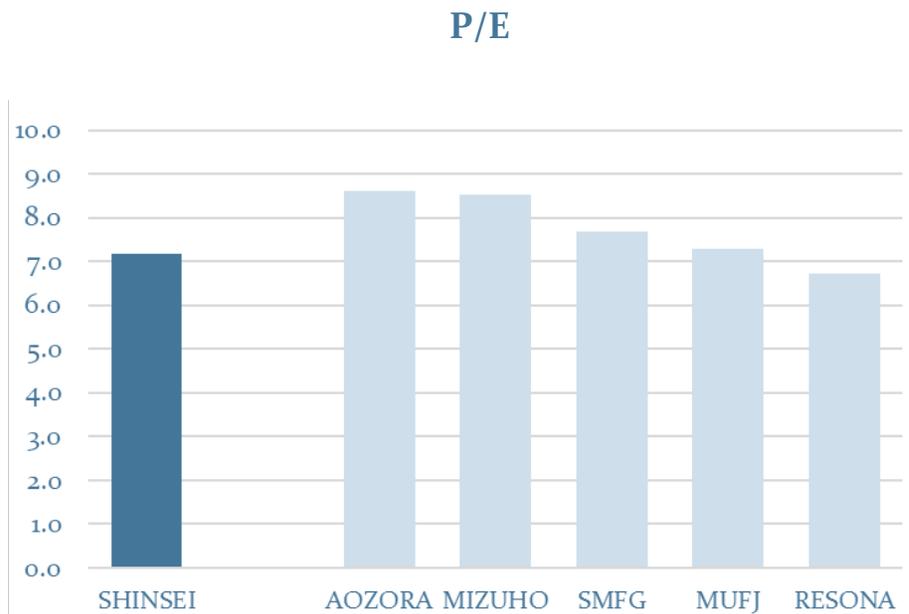
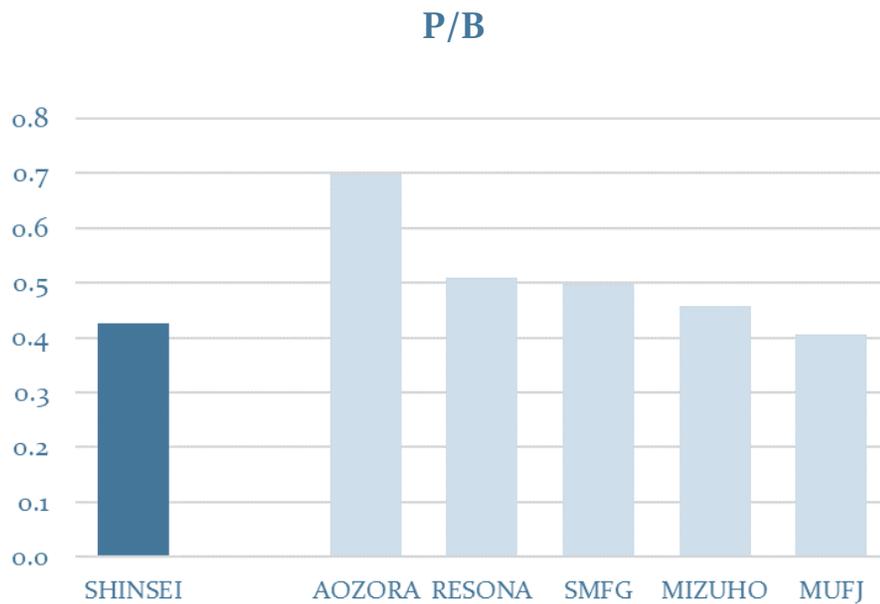
The only Japanese bank with constantly improving net interest income and net interest margin.



Source: Company Report

Margin of Safety: Shinsei is cheap by any measure

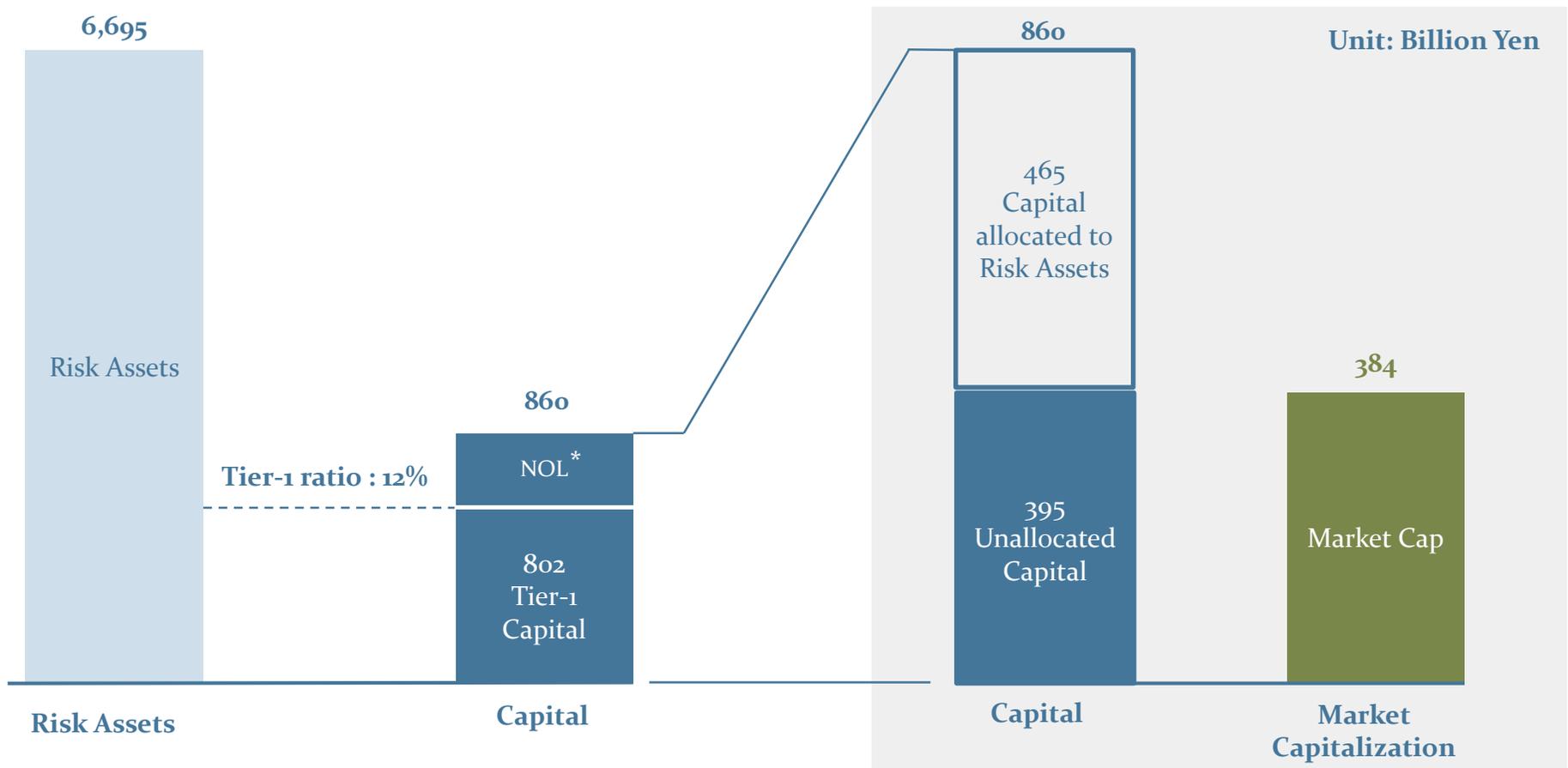
Despite the superior quality of its business, Shinsei trades at a discount to other banks.



Source: Bloomberg

Margin of Safety (cont'd): Market Capitalization

Unallocated capital covers the entire market capitalization today. The market is looking for a catalyst to drive the share price higher



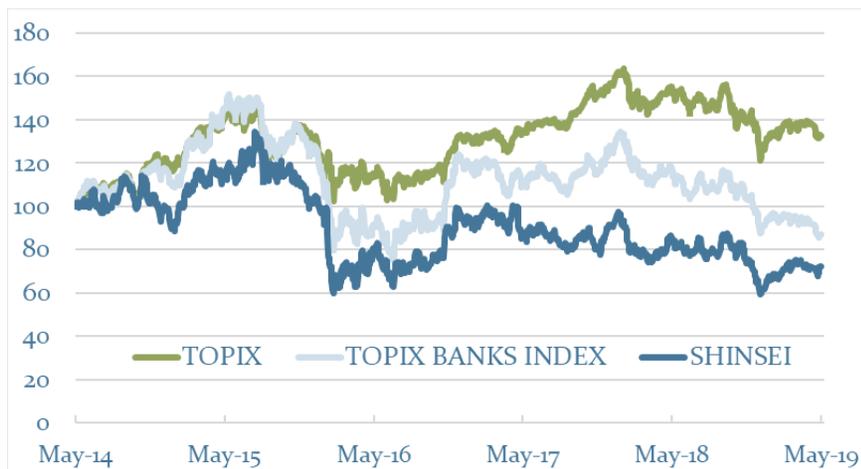
Source: Company Report, Bloomberg

*NOL: Tax Loss Carryforwards x 30%

Stock Underperformance

The stock price has underperformed its peers and indices for many years.

5yrs



Source: Bloomberg

1yr



3yrs



Path to Repay Public Fund

Target Amount/Stock Price

- Total amount of public money: **¥370 bn**
- Current outstanding (book value): **¥217 bn**
- Remaining balance: **¥350 bn**
 - Collection target: **¥500 bn**
 - Amount collected: **¥150bn**
- **47 mil shares** owned by the government
- Government target price: **¥7,450**

How to pay back

- Preferred stock → already converted into common stock
- Sales in the market + share buyback



Interest of all stakeholders including tax payers is perfectly aligned towards higher share price.

Source: Company Report

Path to Repay Public Fund (cont'd): Progress-to-Date

No tangible progress towards repayment.

	Billion Yen			
	FY 2015	FY 2016	FY 2017	FY 2018
Net Profit	60.9	50.7	51.4	52.0
Dividend	2.7	2.7	2.6	2.6
Share Buyback	0	12.1	10	23.5
Total Return Ratio	21%	25%	30%	50%
Risk Assets	5,692	6,222	6,331	6,404
Tier 1 Ratio	12.9%	12.3%	12.2%	12.4%
Retained Earnings (ex Treasury Shares)	178	208	235	273
BPS (Yen)	2,944	3,164	3,376	3,637
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Source: Company Report, Bloomberg

Proposal 1: Buyback

To achieve our goal of repaying the Japanese taxpayer, each of the items below can and should be implemented TODAY:

- Use a minimum of 90-100% of net profits after tax to repurchase shares until such time as Shinsei Bank shares trade at **net tangible book value**.
- Shrink the bank's balance sheet with a goal of reaching 15% Tier I capital-to-assets ratio.
- Sell all non-core assets of the bank that have unrealized gains and use the proceeds to repurchase shares.
- The bank should focus all of its energy on increasing net tangible book value and therefore refrain from any acquisitions or mergers which would reduce its net tangible book value.



Upon appointment as a board director, Mr. Rosenwald will propose the above strategies in the board meeting.

Proposal 1 (cont'd): Buyback Simulation – Case 1

Case 1: Assumption

- 2% annual growth in risk asset, risk capital and net income
- P/B 0.5x
- ¥23.5bn buyback per year

	2018/3	2019/3	2020/3	2021/3	2022/3	2023/3	2024/3	2025/3	2026/3	2027/3	2028/3
Risk Assets (Ybn)	6,331	6,695	6,829	6,965	7,105	7,247	7,392	7,540	7,690	7,844	8,001
<i>yoy growth</i>			2%	2%	2%	2%	2%	2%	2%	2%	2%
Risk Capital (Ybn)	468	465	474	483	493	503	513	523	534	544	555
<i>yoy growth</i>			2%	2%	2%	2%	2%	2%	2%	2%	2%
Regulatory Capital (Ybn)	771	802	832	863	895	928	962	998	1,034	1,072	1,111
Net Income (Ybn)	51	52	53	54	56	57	58	59	60	61	63
<i>yoy growth</i>			2%	2%	2%	2%	2%	2%	2%	2%	2%
BuyBack (Ybn)		13	23.5	23.5	23.5	23.5	23.5	23.5	23.5	23.5	23.5
@ yen		1,688	1,818	1,979	2,154	2,340	2,539	2,750	2,973	3,210	3,461
Shares Bought (mn)		8	13	12	11	10	9	9	8	7	7
Total Shares Outstanding (mn)	258	248	235	223	212	202	193	184	176	169	162
BPS (yen)	3,376	3,637	3,959	4,308	4,681	5,078	5,499	5,947	6,421	6,923	7,453
Shareholder's Equity (Ybn)	854	900	929	960	992	1,025	1,060	1,095	1,131	1,169	1,208
Regulatory Capital - Risk Capital	303	338	358	380	402	425	449	475	501	528	556

Source: Company Report, Dalton Investments

Proposal 1 (cont'd): Buyback Simulation – Case 2

Case 2: Assumption

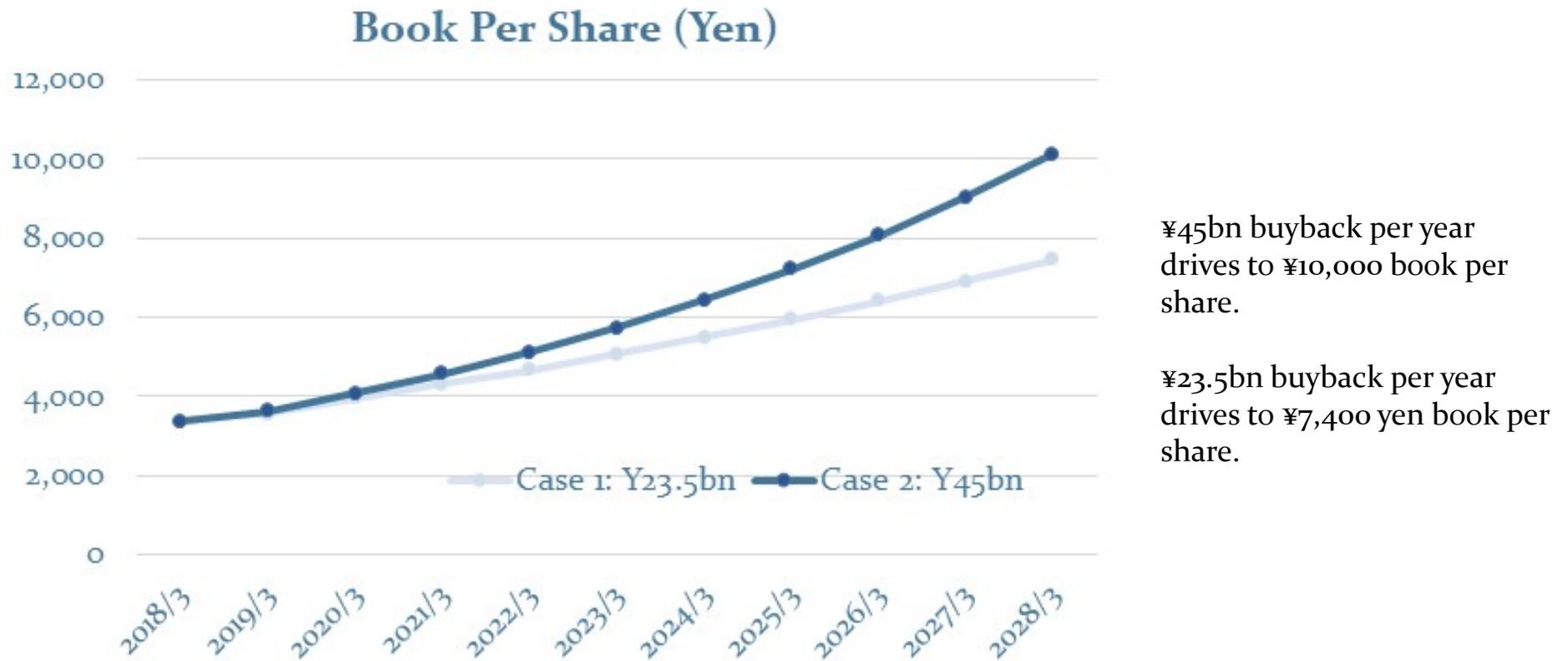
- 2% annual growth in risk asset, risk capital and net income
- P/B 0.5x
- ¥45bn buyback per year

	2018/3	2019/3	2020/3	2021/3	2022/3	2023/3	2024/3	2025/3	2026/3	2027/3	2028/3
Risk Assets (Ybn)	6,331	6,695	6,829	6,965	7,105	7,247	7,392	7,540	7,690	7,844	8,001
<i>yoy growth</i>			2%	2%	2%	2%	2%	2%	2%	2%	2%
Risk Capital (Ybn)	468	465	474	483	493	503	513	523	534	544	555
<i>yoy growth</i>			2%	2%	2%	2%	2%	2%	2%	2%	2%
Regulatory Capital (Ybn)	771	802	811	820	830	842	855	869	884	900	918
Net Income (Ybn)	51	52	53	54	56	57	58	59	60	61	63
<i>yoy growth</i>			2%	2%	2%	2%	2%	2%	2%	2%	2%
BuyBack (Ybn)		13	45								
@ yen		1,688	1,818	2,036	2,284	2,561	2,872	3,219	3,607	4,040	4,521
Shares Bought (mn)		8	25	22	20	18	16	14	12	11	10
Total Shares Outstanding (mn)	258	248	223	201	181	164	148	134	121	110	100
BPS (yen)	3,376	3,637	4,072	4,567	5,122	5,743	6,438	7,214	8,079	9,043	10,114
Shareholder's Equity (Ybn)	854	900	908	917	928	939	952	966	981	997	1,015
Regulatory Capital - Risk Capital	303	338	337	337	338	339	342	346	350	356	362

Source: Company Report, Dalton Investments

Proposal 1 (cont'd): Book Per Share

Increasing book per share should increase shareholder value.



Source: Company Report, Dalton Investments

Proposal 2: Stock Compensation to Create Shareholder Alignment

- The board members of Shinsei Bank have management experience, but only one owns any significant stake in the business.
- None of the bank's directors own any significant stake in the business, and they all are simply rubber-stamping management decisions.

	Hideyuki Kudo	Yoshiaki Kozano	Outside J. Christopher Flowers	Outside Ernest M. Higa	Outside Jun Makihara	Outside Ryuichi Tomiura	New Outside Rie Murayama
Age	55	56	61	66	61	60	59
Tenure	4	1	19	6	8	4	0
Ownership (shs)	6,380	0	7,675,374	2,762	20,000	0	N/A
Title	Representative Director	Director	J.C. Flowers&Co Managing Director, CEO	Higa Industries Chairman CEO	Director, Monex Group Director, Philip Morris International	SIGMAXYZ Inc Representative Director	Director, Kachitasu Director, Renova
Major Experience			Goldman Sachs, Partner	Wendy's Japan, Chairman	Chairman, Neoteny Partner, Goldman Sachs	IBM Japan, PwC, Partner	Managing Director, Goldman Sachs



Upon appointment, Mr. Rosenwald will propose to implement a new compensation system for senior management emphasizing share ownership to align their interest with shareholders.

Source: Company Report, Bloomberg

Additional Shareholder Representation to Press for Change

We propose election of a candidate for Director, who will serve ALL shareholders.

Name: James B. Rosenwald, III

Date of birth: January 19, 1958

Number of shares owned by Dalton: 15,432,100

Biography and major roles:

2012 New York University, Adjunct Professor, Leonard N. Stern School of Business (present)

1998 Dalton Investments LLC , Co-Founder, Managing Member (present)

1992 Soros Group funds, Investment Adviser (through 1998)

1986 Richmond Hill Savings Bank, Director (through 1988)

1984 Rosenwald Capital Management, Inc, Chairman and President (present)

1981 Sterling Grace & Co., Senior Investment Advisor/Portfolio Manager (through 1988)

Additional Shareholder Representation to Press for Change (cont'd)

Reason for Proposal

On behalf of shareholders, we have recommended a series of actions to Shinsei Bank's management that we believe will greatly accelerate the repayment of public funds, an ultimate goal shared by all the stakeholders (i.e., government, management and shareholders). Management's progress in implementing these recommendations has been slow, and therefore we now propose that shareholders approve the appointment of Mr. James B. Rosenwald to the Shinsei Bank Board of Directors. Upon appointment, Mr. Rosenwald will pursue the following agenda at the board meetings:

1. Insist that all non-executive board members receive no more than one yen per annum compensation in cash (excluding any forms of compensation related to stock compensation, any monetary claim or contribution made to trusts and etc. in relation to stock compensation) until the Japanese taxpayers have been repaid in full;
2. Implement a new compensation system for senior management emphasizing share ownership to align their interest with shareholders; and
3. Implement a massive share repurchase and cancellation program of the Bank's shares.

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