Better Banking

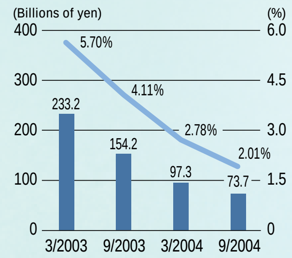
SHINSEI BANK

Interim Report 2004

Six Months Ended September 30, 2004

Better Banking—Better Value

Disclosure of Claims under the Financial Revitalization Law (Non-Consolidated)



Balance of claims disclosed under the Financial Revitalization Law

Claims disclosed under the Financial Revitalization Law as a percentage of total claims

Clean Balance Sheet

Our focus on keeping a clean balance sheet and being a healthy bank has led to a successful reduction of problem claims. The ratio of Shinsei's problem claims, as disclosed under the Financial Revitalization Law, to total non-consolidated claims decreased to 2.01% as of September 30, 2004.

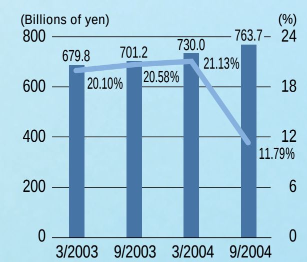
Focused

Strong

Strong Capital

Shinsei acquired a control interest in Aplus Co., Ltd., in the fiscal year 2004 interim period, ended September 30, 2004. After this acquisition, we achieved a capital adequacy ratio of 11.8%, with a Tier I ratio of 8.0%. We plan to effectively utilize this capital strength to create higher value for our customers and shareholders.

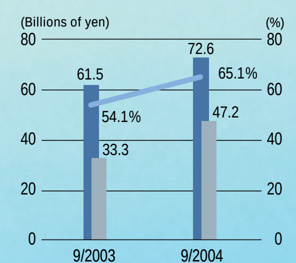
Consolidated Total Shareholders' Equity and Capital Adequacy Ratio



Total shareholders' equity

Capital adequacy ratio

Consolidated Total Revenue and Non-Interest Income



Total revenue

Non-interest income

Non-interest income as a percentage of total revenue

Diversified Revenues

We continue to be creative in offering value-added solutions and services to our institutional and retail customers. Through our efforts, our non-interest income increased to more than 60% of consolidated total revenue for the fiscal year 2004 interim period.

Creative

Summary of Events

2004

February	Listed the Bank's common stock on the First Section of the Tokyo Stock Exchange
April	Converted the Bank's long-term credit bank charter to an ordinary bank charter
May	Opened Shinsei Financial Center–Ginza, Tokyo
June	Opened Platinum Centers in Ginza, Tokyo and Umeda, Osaka
	Converted to a Company with Committees (*iinkai-tou setchi-gaisha*) board model
July	Launched automatic teller machine (ATM) services at national medical facilities
	Established a Pre-IPO Investment Program
	Received *EUROMONEY* 's Best Bank in Japan 2004 award
August	Securitized Mizuho Bank Ltd.'s head office and Otemachi Financial Center
September	Acquired a controlling interest in Aplus Co., Ltd.
	Issued the first collateralized debt obligation (CDO) repackage securitization of commercial mortgage-backed securities (CMBS)
	Installed ATMs that accept foreign bank cards and credit cards
October	Launched a securitization program for medical receivables
November	Agreed to form an alliance with Rakuten Securities, Inc., for a securities brokerage agent business
December	Launched Shinsei *BankSpot*, a new, small banking center, in Ginza

2005

January	Entered into a sponsorship agreement with Showa Leasing Co., Ltd.

Announcement of comprehensive alliance with Aplus

Launch of Shinsei *BankSpot* in Ginza

Profile (Consolidated)

(As of September 30, 2004)

Establishment	December 1952
Total Assets	¥8,325.3 billion
Deposits, including Negotiable Certificates of Deposit	¥3,168.8 billion
Debentures and Corporate Bonds	¥1,362.7 billion
Loans and Bills Discounted	¥3,074.6 billion
Securities	¥1,339.8 billion
Total Shareholders' Equity	¥763.7 billion
Total Capital Adequacy Ratio	11.8%
Tier I Capital Ratio	8.0%
Non-Consolidated Capital Adequacy Ratio	21.2%
Number of Employees (Non-Consolidated)	2,131
Branches (Non-Consolidated):	
Domestic	29 Branches, including Head Office; 4 Annexes
Overseas	1 Branch, 1 Representative Office

Contents

Forward-Looking Statements

This interim report contains statements that constitute forward-looking statements. These statements appear in a number of places in this interim report and include statements regarding our intent, belief or current expectations, and/or the current belief or current expectations of our officers with respect to the results of our operations and the financial condition of the Bank and its subsidiaries. Such statements reflect our current views with respect to future events and are subject to certain risks, uncertainties and assumptions. Our forward-looking statements are not a guarantee of future performance and involve risks and uncertainties, and actual results may differ from those in such forward-looking statements as a result of various factors.

To Our Shareholders, Customers and Employees

In February 2004, Shinsei Bank listed its common stock on the First Section of the Tokyo Stock Exchange and made a new start as a listed company.

We also changed the Bank's charter from being a long-term credit bank to that of an "ordinary bank" in April 2004, which has enabled us to broaden our range of products and services. Furthermore, on June 24, 2004, we adopted a Company with Committees (*iinkai-tou setchi-gaisha*) board model under the Japanese Commercial Code.

Having strengthened Shinsei's market capabilities and financial conditions, we are now positioning the Bank for stable, long-term profit growth. On the foundation of transparent and sound management, Shinsei is focused on delivering a growing array of market-leading financial products and services that satisfy the needs of our institutional and retail customers.

First Half Fiscal 2004 Results

For the first half of fiscal 2004, ended September 30, 2004, our consolidated net business profit, including income on monetary assets held in trust, net, was ¥34.3 billion, up ¥6.3 billion from the first half of fiscal 2003, and consolidated net income was ¥40.7 billion, a ¥6.7 billion increase from the same period the previous year. We achieved these results with steady growth in non-interest income, earned mainly from the investment banking business, which offset lower net interest income.

On a non-consolidated basis, net business profit, including income on monetary assets held in trust, net, was ¥29.2 billion and net income was ¥37.2 billion.

As a result of our continued efforts to improve asset quality, claims disclosed under the Financial Revitalization Law were ¥73.7 billion on a non-consolidated basis as of September 30, 2004, representing a ¥23.6 billion decline from March 31, 2004 and amounting to 2.01% of total claims.

As of September 30, 2004, due mainly to the acquisition of Aplus, the consolidated capital adequacy ratio decreased to a still-healthy 11.8% and the Tier I capital ratio fell to 8.0%, which remains a high level.

Establishment of the New Business Model

From its beginnings, Shinsei has brought together advanced know-how from all over the world to create a banking business model focused on expanding and strengthening two strategically important areas: investment banking and retail banking. Our approach, extending beyond the framework of the offerings of traditional Japanese banks, is focused on providing more customized solutions and services that meet the particular needs of our institutional and retail customers.

This business model has clearly resonated with both existing and prospective customers and has led to the steady growth of both our investment banking and retail banking businesses. As a result, the Bank's non-interest income, including fees and commissions, as opposed to interest income derived from traditional deposit and lending operations, accounted for more than 60% of our consolidated total revenue in the first half of fiscal 2004. This transformation continues, and our focus in this area gives us a greatly enhanced platform to generate sustainable profits.

Institutional Banking Business: Centered on Providing Investment Banking Solutions

The Institutional Banking Group integrates relationship management and product groups to create a unified, powerful banking team. This integration has enabled us to provide the best solutions to meet the needs of our institutional customers.

We continued to promote securitization, non-recourse lending, credit trading and M&A activities, and we expect significant market growth in these areas. Our corporate revitalization and non-bank business areas also made substantial advances. In corporate revitalization, we were selected to assist in the reorganization process at Matsuyadenki Co., Ltd. In non-banking, the third pillar of our business, we acquired a controlling interest in Aplus to offer such services as installment credit, credit cards and consumer loans.

Retail Banking Business: 1.21 Million Accounts Achieved

Launched in June 2001, our retail banking business has achieved considerable success on the back of the comprehensive *PowerFlex* account. We have since worked hard to expand and improve retail transaction channels, offering such services as internet banking, call centers and ATMs that are available free of charge, 24 hours a day, seven days a week.

In addition to our Shinsei Financial Center (SFC) branch network, which has been developed with a strong emphasis on location and utilizes state-of-the-art information technology (IT), we opened Platinum Centers in Ginza, Tokyo and Umeda, Osaka in June 2004 to enhance our marketing toward more affluent customers. We have also enhanced our retail network by installing ATMs in such places as national medical facilities and gas stations.

Customer response to these initiatives has been very strong, and the total number of retail accounts, including *PowerFlex* and traditional accounts, reached 1.21 million at the end of December 2004.

Better Banking—Better Value

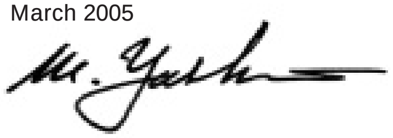
Under our new business model, we aim to be a bank that is always in a leadership position: devoting management resources to strategically important areas and promptly offering value-added products and services that answer the particular needs of our customers and reach beyond levels provided by traditional Japanese financial practices and approaches. In our endeavor to deliver on this promise, Better Banking is the key.

We have implemented a new management framework, "Strategy, Plans and Budgets" (SPB), that will facilitate the achievement of Shinsei's vision of Better Banking. Under the SPB initiative, Shinsei, as well as each of its groups and divisions, sets goals and strategies and draws concrete action plans to achieve them. Management monitors the performance periodically and works with each group or division to adjust its strategies, plans and budgets as necessary.

Our goals are to become an important and trusted partner for our customers and to add to their success by fulfilling their needs for innovative, customer-centric banking solutions. We are also committed to increasing our shareholder value through stable, long-term profit growth, sound management and the application of clear business strategies.

We greatly appreciate your continued support and guidance as we continue our efforts to achieve success in the future.

March 2005



Masamoto Yashiro
Chairman, President and CEO

Institutional Banking Group: Delivering Value-Added Solutions to Our Institutional Customers

The merging of the Institutional Banking Group's relationship management teams with its product development and service teams has given us an added edge in delivering optimal solutions to our institutional customers. The new integrated business structure has helped us to leverage our expertise in the fields of securitization, credit trading, private equity, leveraged finance, non-recourse loans and M&A, as well as in corporate revitalization and non-bank finance business areas, where demand is strong and business opportunities are increasing.

Loan Origination

Shinsei Bank provides various financing methods, including non-recourse lending, project finance and leverage lending as well as traditional corporate lending, fully utilizing our advanced financial technologies and knowledge. We have developed the Multi-Asset Program (MAP) to drastically decrease the costs that have been making it difficult for small and medium-sized real estate properties to take advantage of non-recourse lending to meet their specific needs.

Securitization and Credit Trading

In the fields of securitization and credit trading, Shinsei has developed several approaches unique to the Japanese banking sector and our performance in these areas has steadily improved as a result. One notable example of our innovation is in multi-asset residential mortgage-backed securities (RMBS) that use housing loans obtained from multiple originators, including regional financial institutions. The amount of securitization by this method has reached ¥401.3 billion with four transactions.

Furthermore, in September 2004, we issued a CDO, the underlying assets of which are CMBS issued in Japan and commercial property mezzanine loans. This is the first CDO repackage securitization of Japanese assets arranged by a Japanese bank and provides a new tool to institutional investors.

The Shinsei Bank Group has become one of the leaders in the Japanese securitization business. Our subsidiaries, including Shinsei Securities Co., Ltd., Shinsei Trust & Banking Co., Ltd., and Shinsei Servicing Company (Shinsei Servicer), play crucial roles in this important business area. In 2004, Bloomberg L.P. ranked Shinsei Securities third in underwriting Japanese asset-backed bonds.

Securitization Program for Medical Receivables

Shinsei has started providing a funding program that securitizes medical receivables held by hospitals and clinics. This type of funding has traditionally only been available to large hospitals. This program makes this important funding tool available to small and medium-sized hospitals and clinics by using sophisticated statistical risk analysis to analyze the diversified risks from numerous hospitals and clinics.

Asset Management Services

In our asset management business, we focus on leveraging our global relationships with leading European and U.S. asset management companies to deliver advanced, unique investment products matched to the particular needs of our institutional and high-net-worth customers. Shinsei Investment Management Co., Ltd. (SIM), our wholly owned investment trust and advisory subsidiary, has adopted a new business model as a "Managers' Manager" in carefully and impartially selecting investment products from a range of options offered both within and outside of Japan.

Corporate Revitalization Business

Shinsei Bank is making its utmost effort in providing solutions to restructuring customers to enhance their profitability and competitive edge. We utilize our hands-on experience and know-how to help customers strengthen financial fundamentals and improve asset efficiency by restructuring their businesses through such measures as divestitures and acquisitions.

Non-Bank Business

In September 2004, Shinsei Bank acquired a controlling interest in Aplus to establish a business platform within our group for providing installment credit, credit cards and consumer loans to customers throughout Japan. Furthermore, in October, Shinsei became the largest shareholder of Shinki Co., Ltd., a growth company that conducts financing for individuals and small and medium-sized enterprises (SMEs). In January 2005, we entered into agreements to acquire control of Showa Leasing, a major leasing company in Japan focused on providing leasing service to SMEs.

Announcement of comprehensive alliance with Aplus

Shinsei has positioned its non-bank business as a strategically important area where we see high growth potential and adequate risk-adjusted return, enabling us to leverage our banking know-how to address the broad financial needs of SMEs and individual customers. We have been expanding the scope of our businesses by introducing unsecured loans for SMEs through Shinsei Business Finance Co., Ltd., real estate-secured loans, including housing loans, through Shinsei Property Finance Co., Ltd., and consumer installment credit through Shinsei Sales Finance Co., Ltd. With these efforts, we hope to further expand our range of business areas and enhance products and services that will satisfy our customers' needs.

Working with Others to Find Solutions

In May 2004, in collaboration with China International Trust and Investment Corporation (CITIC), Marubeni Corporation and the Sumitomo Trust & Banking Co., Ltd., Shinsei established an investment fund focusing on assisting Japanese companies to accelerate their growth strategies in China. The fund invests in and provides funding to Japanese companies looking to grow in China, particularly in such high-growth sectors as auto parts and electronics.

Furthermore, in July 2004, we established a Pre-IPO Investment Program to make equity investments in companies that are planning an initial public offering (IPO) within two to three years. Shinsei assists these companies in their further growth and development, leveraging its advanced credit expertise, wide network of relationships and deep industry knowledge.

Creating Value: The Key to Better Banking

Leveraging our strong balance sheet, deep market knowledge and years of experience, we provide value-added financial solutions to meet our customers' needs. That, in our view, is the key to Better Banking.

Retail Banking Group: Focused on Providing Retail Customers with Better Banking Services

Shinsei Bank provides innovative and unique retail products and services to all customer segments based on our keen understanding of customers' needs and the introduction of advanced IT systems. We will continue our efforts to offer Better Banking services that anticipate and meet the needs of our customers.

Delivering Products and Services with Higher Customer Satisfaction

Since the launch of our new retail banking business, Shinsei has been enhancing its products and services, epitomized by the comprehensive *PowerFlex* account, *PowerSmart* housing loan—a new type of housing loan—and individual annuity products. In April 2004, we launched *Powered One,* a new five-year yen time deposit, which offers guaranteed principal and an annual interest rate of 1% with a special provision of an extension of up to eight years. This has proven very popular among our customers and grown to become one of our main products. Utilizing our advanced IT systems and pursuing efficiency in our branch operations and administrative processes, we are able to offer customer-focused products and such services as free ATM access 24 hours a day, seven days a week.

In November 2004, we reached an agreement on a business alliance with Rakuten Securities for the delivery of securities brokerage services. We plan to launch these services through *PowerDirect*, our internet access offering.

Furthermore, we have established a Wealth Management Division, which specializes in providing

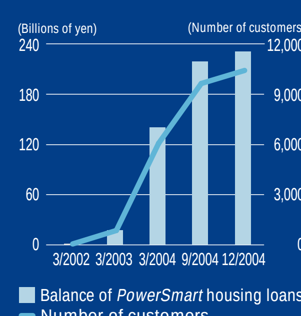
Comprehensive *PowerFlex* Account

The greatest advantages of the comprehensive *PowerFlex* account are that customers can manage various products and services from a single, easily accessible source and conduct transactions any time they wish by ATM, *PowerCall* (telephone banking) and *PowerDirect* (internet) 24 hours a day, seven days a week. Shinsei customers also greatly appreciate the free ATM services and the international cash services that allow them to withdraw funds overseas in local currencies. As of the end of December 2004, the number of accounts with Shinsei Bank has surpassed 1.21 million, owing to the *PowerFlex* account's robust growth.

PowerSmart Housing Loan

PowerSmart housing loan, an entirely new type of housing loan, meets our customers' needs with its flexible prepayment and reborrowing features and low interest rates. Customers can automatically prepay the loan without penalty for the excess amount over the preset balance in their ordinary deposit account. They can also reborrow, through ATMs, up to the original amortization schedule. With such unique features, *PowerSmart* reached a total balance of ¥230 billion in the roughly three years since its launch. Shinsei has established a higher-quality service by creating Housing Loan Centers, increasing staff specializing in housing loans, and developing and delivering new types of housing loans.

Balance of *PowerSmart* Housing Loans and Number of Customers



high-net-worth customers with consultancy services on asset management and inheritance planning, and on such financial products as privately placed investment trusts.

Expansion of Shinsei's Branch Network and Infrastructure

Shinsei Bank's keen focus on customers is reflected in our branch strategy. Our aim to create user-friendly banking touch points led us to open the first Shinsei *BankSpot*, a staffed mini-branch with modern and friendly space, at Ginza, Tokyo in December 2004. Shinsei *BankSpot* enables us to bring our services and products closer to customers who have never experienced them before. Customers can open accounts, conduct internet and telephone banking, have remote consultations via videoconference and use free-of-charge ATM services.

We have rolled out 33 SFCs, which reinvent the image of conventional bank branches and provide an attractive space for our customers, in select, convenient locations.

SFCs are generally open until 7:00 p.m. on weekdays, but hours of operation are often adjusted to meet the needs of customers at the particular branch location. The LaLaport SFC, for example, an in-store branch in a commercial establishment, is open from 10:00 a.m. to 8:00 p.m., 364 days a year (closed on New Year's Day). In addition, since October 2004, we have been providing asset management consultation sessions on Saturdays at seven branches, including the Shinjuku and Ikebukuro SFCs. These sessions are aimed at customers who are unable to visit our branches on weekdays.

We are continuing our efforts to increase the number of conveniently located branches and transaction channels to enable our customers to use our services according to their needs and lifestyles.

Launch of Shinsei *BankSpot* in Ginza

Platinum Centers

Our two new Platinum Centers, located in Ginza, Tokyo and Umeda, Osaka, are exclusively designed to serve the higher advisory and consulting needs of our high-net-worth customers in a quieter, more relaxed and personal environment.

Shinsei focuses on customer convenience, and we have worked to improve remote channels, such as our ATM networks. In addition to our own ATMs throughout Japan, we have actively formed convenience-banking partnerships with other financial institutions. Through this network, our customers can withdraw cash free of charge from as many as 60,000 ATMs, including those of IY Bank Co., Ltd., the Post Office and other partner financial institutions. We have also established the *Keikyu Station Bank* ATM service in Keihin Kyuko train stations and installed ATMs in Sagami Railway Co., Ltd.'s Yokohama station. Encouraged by a very positive customer response to this initiative, in July 2004 we also installed ATMs in Kintetsu Corporation railway stations. Moreover, we are gradually increasing our own ATM network in a variety of locations. We have established Shinsei Daily Bank in Daily Yamazaki convenience stores, and started ATM services in national medical facilities and Showa Shell Sekiyu K.K. self-service gas stations.

We further enhanced the convenience of our ATM services in September 2004 with the introduction of ATMs that accept bank cards and credit cards issued by overseas financial institutions.

Nikkei Financial Institutions Ranking by the *Nihon Keizai Shimbun* (October 5, 2004)

Shinsei Bank was ranked No. 1 in the *Nihon Keizai Shimbun*'s first customer satisfaction survey of financial institutions, conducted in Tokyo, Osaka and Nagoya. We received particularly high ratings for our customer service, including our free ATMs, branch service and hours of operation. We also received favorable comments for the overall convenience of our services.

Shinsei Gives Back: Contributing to Social and Cultural Progress

Shinsei Bank is committed to supporting organizations that promote social and cultural progress.


Shinsei employees enjoying an exchange with the athletes

Special Olympics

Shinsei Bank supports the Special Olympics. On December 11, 2004, we hosted a Christmas party at our Head Office to cheer on Special Olympics athletes. The athletes that attended are members of the Japanese delegation of the 2005 Special Olympics World Winter Games to be held in Nagano in February 2005.

At the 2005 Special Olympics World Winter Games, about 2,500 athletes representing over 80 countries and regions of the world will compete in seven events: alpine skiing, cross-country skiing, snowboarding, snowshoeing, speed skating, figure skating and floor hockey.


Music Director Lorin Maazel conducting the New York Philharmonic in Japan (Photo: New York Philharmonic)

2004 New York Philharmonic Tour of Japan

In 2004, Shinsei Bank supported the Japan tour of the New York Philharmonic, the oldest symphony orchestra in the United States and one of the oldest and most distinguished orchestras in the world.

The tour was a memorable event for the New York Philharmonic as its new Music Director, Mr. Lorin Maazel, led the orchestra in Japan for the first time. Seven concerts were held in Tokyo, Nagoya and Fukui from October 21 to 28, 2004, entertaining audiences throughout Japan.

Run for the Cure 2004

A total of 43 Shinsei employees participated in the 2004 charity run/walk event Run for the Cure, which was held on October 23, 2004 to enhance people's awareness of breast cancer and its research.


Shinsei Bank employees participating in the 2004 Run for the Cure

About 500 people participated in the event, which was sponsored by the Run for the Cure Foundation, an organization that funds research as well as the enhancement of people's awareness of breast cancer. Shinsei Bank made a matching donation of ¥200,000 to the Foundation, the equivalent amount of the entry fees paid by its employees. We continue to actively support our employees' volunteer activities.

Contributions to Victims of the Niigata Chuetsu Earthquake and the Asian Tsunami Disaster

In November 2004, Shinsei Bank donated ¥8,204,000 to Niigata Community Chest, a charitable organization set up to support rescue and recovery efforts of victims of earthquakes in Niigata Prefecture. Shinsei officers and employees donated ¥4,102,000, and the Bank made a 100% matching donation to the same organization.

Furthermore, in December 2004, Shinsei Bank provided ¥7,200,000, including ¥3,600,000 from our officers and employees, to the Japanese Red Cross Society to support the victims of the Asian tsunami disaster.

Financial Section

Contents

Consolidated Financial Highlights

Shinsei Bank, Limited and Subsidiaries
For the six months ended September 30, 2004 and 2003, and the fiscal year ended March 31, 2004

	Billions of yen			Millions of U.S. dollars
	Sept. 30, 2004 (6 months)	Sept. 30, 2003 (6 months)	Mar. 31, 2004 (1 year)	**Sept. 30, 2004 (6 months)**
Income statement data:				
Net interest income	**¥ 25.3**	¥ 28.2	¥ 57.1	**$ 228.5**
Net fees and commissions	**9.4**	7.6	18.9	**84.9**
Net trading income (loss)	**15.3**	(0.2)	2.7	**138.0**
Net other business income	**22.5**	25.9	44.6	**202.8**
Total revenue	**72.6**	61.5	123.5	**654.2**
General and administrative expenses	**39.2**	34.1	70.1	**353.4**
Net credit recoveries	**(10.6)**	(7.2)	(15.4)	**(95.9)**
Other (losses) gains, net	**(3.1)**	1.0	0.1	**(28.0)**
Income before income taxes and minority interests	**40.9**	35.7	68.9	**368.7**
Income tax (benefit):				
Current	**0.6**	0.5	1.4	**5.7**
Deferred	**(0.5)**	1.1	1.1	**(4.9)**
Minority interests in net income (loss) of subsidiaries	**0.0**	(0.0)	(0.0)	**0.5**
Net income	**¥ 40.7**	¥ 34.0	¥ 66.4	**$ 367.4**
Balance sheet data:				
Trading assets	**¥ 443.6**	¥ 597.9	¥ 635.0	**$ 3,995.6**
Securities	**1,339.8**	1,520.3	1,483.2	**12,067.4**
Loans and bills discounted	**3,074.6**	3,277.4	3,047.0	**27,692.0**
Reserve for credit losses	**(157.5)**	(192.3)	(177.9)	**(1,419.4)**
Total assets	**8,325.3**	6,508.8	6,343.7	**74,983.3**
Deposits, including negotiable certificates of deposit	**3,168.8**	2,654.5	2,734.4	**28,540.3**
Debentures	**1,333.2**	1,407.6	1,358.0	**12,007.7**
Trading liabilities	**72.5**	117.0	92.2	**653.0**
Corporate bonds	**29.5**	28.3	30.6	**265.9**
Total liabilities	**7,560.6**	5,807.4	5,612.7	**68,095.2**
Minority interests in subsidiaries	**1.0**	0.1	0.9	**9.6**
Capital stock	**451.2**	451.2	451.2	**4,064.6**
Total shareholders' equity	**763.7**	701.2	730.0	**6,878.5**
Total liabilities, minority interests and shareholders' equity	**¥8,325.3**	¥6,508.8	¥6,343.7	**$74,983.3**
Per share data (in yen and U.S. dollars)**:**				
Common shareholders' equity	**¥ 312.7**	¥ 266.8	¥ 287.9	**$ 2.8**
Fully diluted shareholders' equity	**382.0**	345.8	378.7	**3.4**
Basic net income	**28.6**	23.6	46.0	**0.3**
Diluted net income	**21.2**	16.8	32.7	**0.2**
Ratios:				
Return on common equity	**18.9%**	18.2%	17.0%	
Return on equity (fully diluted)	**10.9**	9.9	9.4	
Return on assets	**1.3**	1.0	1.0	
Capital adequacy ratio	**11.8**	20.6	21.1	
Tier I capital ratio	**8.0**	15.4	16.2	

Notes:
(1) Since all yen figures, except per share figures, have been truncated rather than rounded, the totals do not necessarily agree with the sum of the individualamounts. Ratios and per share figures have been rounded.
(2) Unless otherwise specified, dollar figures in this interim report refer to U.S. currency and are presented solely for the readers' convenience. All U.S. dollar amounts are translated at ¥111.03=U.S.$1.00, the rate of exchange prevailing on the Tokyo Foreign Exchange Market on September 30, 2004.
(3) Fully diluted shareholders' equity per share is calculated by dividing shareholders' equity at the end of the periods presented by the number of common shares that would be outstanding had all securities convertible into or exercisable for common shares been converted or exercised at the end of the period. For the six months ended September 30, 2004 and 2003 and the fiscal year ended March 31, 2004, the value is calculated using the most dilutive conversion or exercise price that might apply. For the six months ended September 30, 2004 and the fiscal year ended March 31, 2004, the value is calculated based on conversion or exercise prices determined using the actual prices of our shares of common stock.
(4) Return on common equity is calculated by dividing net income minus dividends on preferred stock by the average of common shareholders' equity at the beginning and end of the period presented.
(5) Return on equity (fully diluted) is calculated by dividing net income by the average of fully diluted shareholders' equity at the beginning and end of the period presented.
(6) Return on assets is calculated by dividing net income by the average of total assets at the beginning and end of the period presented. Total assets as of September 30, 2004 used in calculating return on assets for the six months ended September 30, 2004 exclude assets attributable to Aplus.

Financial Review

Summary of Consolidated Interim Statements of Income and Balance Sheets

Net Interest Income

Our principal interest-earning assets are domestic loans and bills discounted as well as securities (other than securities held for trading purposes). Our principal interest-bearing liabilities are deposits (including negotiable certificates of deposit and foreign-currency deposits), debentures and subordinated bonds and debt.

Net interest income for the six months ended September 30, 2004 was ¥25.3 billion, a decline of ¥2.9 billion from the same period in the prior fiscal year. This decline consisted of a reduction in total interest income of ¥3.4 billion and was partially offset by a reduction in total interest expenses of ¥0.5 billion.

Table 1. Interest-Earning Assets and Interest-Bearing Liabilities (Consolidated)

Billions of yen (except percentages)

	Six months ended September 30, 2004[5]			Six months ended September 30, 2003		
	Average balance	Interest	Yield/rate[4]	Average balance	Interest	Yield/rate[4]
Interest-earning assets:						
Loans and bills discounted	**¥2,967.9**	**¥29.6**	**1.99%**	¥3,270.7	¥33.7	2.06%
Securities	**1,310.8**	**7.0**	**1.08**	1,579.2	6.9	0.88
Receivables under resale agreements	**0.9**	**0.0**	**0.00**	—	—	—
Collateral related to securities borrowing transactions	**49.2**	**0.0**	**0.01**	30.6	0.0	0.02
Call loans	**141.4**	**0.0**	**0.01**	35.4	0.0	0.03
Cash and due from banks	**159.3**	**1.6**	**2.07**	111.3	0.5	0.95
Other interest-earning assets	**196.0**	**0.5**	**0.51**	144.7	0.7	0.97
Total interest-earning assets	**4,825.8**	**38.9**	**1.62**	5,172.3	41.9	1.62
Interest rate and fund swaps	**—**	**2.5**	**—**	—	3.0	—
Total interest income	**¥4,825.8**	**¥41.5**	**1.72%**	¥5,172.3	¥44.9	1.73%
Interest-bearing liabilities:						
Deposits	**¥2,497.2**	**¥ 7.2**	**0.58%**	¥2,149.8	¥ 5.6	0.52%
Negotiable certificates of deposit	**412.9**	**0.0**	**0.04**	345.0	0.0	0.04
Debentures[1]	**1,330.2**	**3.2**	**0.48**	1,649.7	5.3	0.64
Payables under repurchase agreements	**227.1**	**0.0**	**0.01**	180.9	0.0	0.00
Collateral related to securities lending transactions	**12.0**	**0.0**	**0.05**	312.7	0.0	0.02
Call money	**103.9**	**0.3**	**0.58**	79.1	0.0	0.00
Borrowed money[2]	**329.8**	**4.8**	**2.95**	340.1	5.1	3.02
Other interest-bearing liabilities	**26.2**	**0.4**	**3.05**	0.2	0.0	0.00
Total interest-bearing liabilities	**4,939.6**	**16.1**	**0.65**	5,057.8	16.2	0.64
Interest rate and fund swaps	**—**	**0.0**	**—**	—	0.4	—
Total interest expenses	**¥4,939.6**	**¥16.1**	**0.65%**	¥5,057.8	¥16.7	0.66%
Non-interest-bearing sources of funds:						
Non-interest-bearing assets, net	**¥ (860.7)**	**—**	**—**	¥ (576.0)	—	—
Shareholders' equity[3]	**746.8**	**—**	**—**	690.5	—	—
Total interest-bearing liabilities and non-interest-bearing sources of funds	**¥4,825.8**	**—**	**—**	¥5,172.3	—	—
Net interest spread	**—**	**—**	**1.07%**	—	—	1.07%
Impact of non-interest-bearing sources	**—**	**—**	**(0.02)**	—	—	0.02
Net interest income/yield on interest-earning assets	**—**	**¥ 25.3**	**1.05%**	—	¥28.2	1.09%

Notes:
(1) Includes subordinated bonds and bonds issued by subsidiaries.
(2) Includes subordinated debt.
(3) Represents a simple average of the balance at the end of the current period and the balance at the end of the previous period.
(4) Calculated on an annualized basis.
(5) Average balance data for the six months ended September 30, 2004 exclude average balances attributable to Aplus.

Based on an attribution analysis, which divides interest income and expense changes into either a variance in the volume of assets or liabilities or a variance in interest rate, the ¥3.4 billion decrease in total interest income is attributable primarily to a reduction in the average balance of loans and bills discounted. This reduction, which accounted for ¥3.1 billion of the total decrease, was due mainly to a reduction of loans to corporate customers as well as our efforts to decrease the balance of loans to less creditworthy customers. The decline in average rate earned on loans and bills discounted, which reduced interest income by a further ¥1.0 billion, was mainly the result of a reduction in higher yielding loans, as long-term, fixed-rate loans extended in higher-interest rate environments continued to mature. As those loans continue to mature, and as the amount of higher-yielding loans extended to less creditworthy customers decreases, those factors are less likely to have a similarly negative impact on average rates earned on loans and bills discounted in future periods. These decreases in interest income were offset in part by an increase in interest income on cash and due from banks attributable mainly to an increase in the average rate.

The ¥0.5 billion decrease in total interest expenses is attributable primarily to a ¥2.1 billion decrease in interest expense relating to higher-cost debentures, due to a decrease in both the rate and volume of debentures. This was partly offset by an increase in interest expense on deposits, mainly attributable to an increase in structured deposits and foreign currency-denominated deposits.

Table 2. Analysis of Changes in Net Interest Income (Consolidated)

	Billions of yen		
	From the six months ended September 30, 2003 to the six months ended September 30, 2004		
	Due to change in[1]		
	Volume	Rate	Net change
Increase (decrease) in interest income:			
Loans and bills discounted	¥(3.1)	¥(1.0)	¥(4.0)
Securities	(1.1)	1.2	0.1
Receivables under resale agreements	0.0	0.0	0.0
Collateral related to securities borrowing transactions	0.0	0.0	0.0
Call loans	0.0	0.0	0.0
Cash and due from banks	0.2	0.8	1.1
Other interest-earning assets	0.2	(0.4)	(0.2)
Subtotal			(3.0)
Interest swap and fund swaps			(0.5)
Total interest income			¥(3.4)
Increase (decrease) in interest expenses:			
Deposits	¥ 0.9	¥ 0.6	¥ 1.5
Negotiable certificates of deposit	0.0	0.0	0.0
Debentures[2]	(1.0)	(1.0)	(2.1)
Payables under repurchase agreements	0.0	0.0	0.0
Collateral related to securities lending transactions	0.0	0.0	0.0
Call money	0.0	0.3	0.3
Borrowed money[3]	(0.1)	(0.1)	(0.2)
Other interest-bearing liabilities	0.0	0.4	0.4
Subtotal			0.0
Interest swap and fund swaps			(0.4)
Total interest expenses			¥(0.5)
Net decrease in net interest income			¥(2.9)

Notes:
(1) The changes in interest income and expenses for each category are divided into the portion of change attributable to the variance in volume or rate for that category. The attribution of the volume variance is calculated by multiplying the change in volume by the previous period rate. The attribution of the rate variance is calculated by multiplying the change in rate by the current period balance.
(2) Includes subordinated bonds and bonds issued by subsidiaries.
(3) Includes subordinated debt.

Net Fees and Commissions

Fees and commissions include, among other things, arrangement and other fees on loans and other financing products, fees for securities services, particularly for structuring and underwriting securitization transactions, fees for corporate advisory services, and commissions on sales of asset management products.

For the six months ended September 30, 2004, we earned ¥9.4 billion in net fees and commissions, an increase of ¥1.8 billion compared with the same period in the previous fiscal year. The main factors were increases in fees earned on installment sale credit extended in our non-bank businesses, fees earned from securitization transactions and commissions on sales of asset management products.

Net Trading Income (Loss)

Net trading income represents revenues from transactions undertaken for trading purposes (that is, transactions seeking to capture gains arising from short-term changes in market value). In addition to investments in securities, we engage in foreign currency and derivatives transactions as part of our trading activity. Net trading income also reflects income we derive from providing derivative products, including structured deposits, to customers.

Net trading income for the six months ended September 30, 2004 was ¥15.3 billion, compared with net trading loss of ¥0.2 billion for the same period in the previous fiscal year. The improvement was due mainly to option income generated in connection with a new structured deposit product introduced to retail customers during the period under review, as well as to gains on derivatives and securities trading activities in our capital markets business.

Net Other Business Income

Our net other business income for the six months ended September 30, 2004 was ¥22.5 billion, a decrease of ¥3.4 billion compared with the same period in the previous fiscal year. The principal reason for the decrease was the ¥4.5 billion reduction in income on monetary assets held in trust, net. This decrease was attributable to decreases in income from credit-trading business on assets we hold through trusts, mainly because fewer transactions took place in the six months ended September 30, 2004, as well as to decreases in gains on equity securities related transactions.

These decreases were partially offset by an increase in the "other, net" category of other business income, which includes primarily income from credit-trading activities as well as from mortgage-backed and asset-backed securitizations. Other, net was ¥10.9 billion for the six months ended September 30, 2004, an increase of 34.0% compared with the same period in the previous fiscal year. The increase was primarily attributable to an increase in net gain on other monetary claims purchased for trading purposes, due mainly to increased credit trading and securitization activities. The increase was offset in part by losses from derivatives for banking purposes, net.

Also contributing to the decrease in net other business income was a ¥1.7 billion decrease in net gain on securities and foreign exchanges. The decline was due mainly to lower gains on equity securities, reflecting mainly the impact of high returns on the sale of an equity portfolio in the six months ended September 30, 2003, reduced gains on and higher impairment losses on bonds, and lower foreign exchange gains. These factors were offset in part by gains recorded in the six months ended September 30, 2004 on a securitization of receivables and securities that we repackaged, securitized and sold.

Total Revenue

Mainly as a result of the increase in net trading income, offset in part by the decrease in net other business income and net interest income, total revenue for the six months ended September 30, 2004 was ¥72.6 billion, 18.0% more than the same period in the previous fiscal year.

General and Administrative Expenses

Total general and administrative expenses for the six months ended September 30, 2004 were ¥39.2 billion, 14.9% higher than the same period in the prior fiscal year. Personnel expenses increased ¥0.9 billion, due primarily to the impact of newly acquired subsidiaries such as Shinsei Sales Finance Co., Ltd., including increases in the number of retail banking employees conducted in connection with the expansion of that business, and to costs relating to early retirements.

Premises expenses increased ¥0.5 billion, largely due to retail banking facilities established during the six months ended September 30, 2004, increases in expenses related to branches newly established during the fiscal year ended March 31, 2004, and the premises expenses of Shinsei Sales Finance.

Technology and data processing expenses increased ¥1.4 billion compared with the six months ended September 30, 2003 to ¥4.3 billion for the six months ended September 30, 2004. The increase was due principally to depreciation and amortization relating to new software and hardware purchased to support business growth, coupled with additional communication and mailing expenses in retail banking due to growth in customer and transaction volume. The increase also reflects increased technology and data processing expenses of Shinsei Sales Finance.

Advertising expenses increased 38.9% from the six months ended September 30, 2003, reflecting increased efforts to promote our retail banking services.

Consumption and property taxes increased ¥0.7 billion from the six months ended September 30, 2003, due mainly to the ¥0.4 billion in taxes we paid as a result of the introduction of the new nationwide tax on gross profits. Other general and administrative expenses increased ¥0.9 billion, due to an increase in outsourcing, printing and stationery expenses to support business growth, along with the outsourcing expenses of Shinsei Sales Finance.

Despite the above, our overhead ratio, or the ratio of general and administrative expenses to total revenue, improved to 54.0% for the six months ended September 30, 2004, compared with 55.5% for the same period in the prior fiscal year due to the increase in total revenue.

Net Credit Recoveries

The principal components of net credit recoveries are provisions or reversals of reserves. In accordance with Japanese regulatory requirements, we maintain general and specific reserves for loan losses, a reserve for loan losses to restructuring countries, and a specific reserve for other credit losses. See "Asset Quality and Disposal of Problem Loans (Non-Consolidated)" for a discussion of our loan loss reserve policies.

We recorded net credit recoveries of ¥10.6 billion for the six months ended September 30, 2004, compared with net credit recoveries of ¥7.2 billion for the six months ended September 30, 2003. The principal reason for the overall improvement was the net reversal of specific reserve for other credit losses as well as an increase in the net reversal of general reserve for loan losses. These changes were offset in part by a provision of specific reserve for loan losses in the six months ended September 30, 2004.

Net reversal of general reserve for loan losses was ¥10.4 billion for the six months ended September 30, 2004, compared with ¥6.6 billion for the six months ended September 30, 2003. The increase was principally attributable to an improvement in our historical default ratio due to the improvement in our overall asset quality, which led to a decrease in the expected loss ratio used to calculate reserves for claims against normal obligors.

For the six months ended September 30, 2004, we recorded a ¥0.2 billion net provision of specific reserve for loan losses, as opposed to a ¥6.6 billion reversal for the six months ended September 30, 2003. The change was due primarily to greater disposals of problem claims, without incurring losses in excess of existing reserves, in the six months ended September 30, 2003.

The ¥4.3 billion net provision of specific reserve for other credit losses for the six months ended September 30, 2003 was attributable principally to the ¥5.3 billion provision we made in connection with a dispute that we have with Japanese tax authorities regarding payments we made on certain debt-assumption transactions that were initially entered into by the Long-Term Credit Bank of Japan, Ltd. (the "LTCB"). The ¥2.5 billion net reversal of specific reserve for other credit losses for the six months ended September 30, 2004 was attributable principally to a decrease in the reserve taken on our contribution to an industry-wide fund set up to purchase and collect loans, as collections by that fund were higher than anticipated.

Table 3. Net Credit Recoveries

	Billions of yen	
	Six months ended September 30, 2004	Six months ended September 30, 2003
Losses on write-off of loans	**¥ 0.9**	¥ 0.6
Losses on sale of loans	**—**	0.0
Net (reversal) provision of reserve for loan losses:		
Net reversal of general reserve for loan losses	**(10.4)**	(6.6)
Net provision (reversal) of specific reserve for loan losses	**0.2**	(6.6)
Net provision (reversal) of reserve for loan losses to restructuring countries	**0.0**	(0.0)
Subtotal	**(10.2)**	(13.4)
Net (reversal) provision of specific reserve for other credit losses	**(2.5)**	4.3
Provision of reserve for losses on sale of bonds	**1.1**	1.1
Total	**¥(10.6)**	¥ (7.2)

Other (Losses) Gains, Net

Other losses, net were ¥3.1 billion for the six months ended September 30, 2004, compared with other gains, net of ¥1.0 billion for the six months ended September 30, 2003. Other gains, net for the six months ended September 30, 2003 included the ¥2.6 billion regional bank tax refund from the Tokyo prefectural government that was paid in connection with a settlement that the prefectural government reached with a number of other banks. Other losses, net for the six months ended September 30, 2004 mainly included costs relating to an early retirement program implemented during the period, costs of acquiring non-bank subsidiaries, and amortization of unrecognized pension obligations at transition.

Income before Income Taxes and Minority Interests

As a result of the foregoing, income before income taxes and minority interests was ¥40.9 billion for the six months ended September 30, 2004, a ¥5.1 billion increase compared with ¥35.7 billion for the six months ended September 30, 2003.

Income Taxes

For the six months ended September 30, 2004, we recorded ¥0.6 billion in current income taxes, a slight increase from ¥0.5 billion for the same period in the previous fiscal year. We also recorded a deferred income tax benefit of ¥0.5 billion. Our significant amount of tax loss carryforwards allowed us to reduce the amount of current income taxes that we recorded for both periods.

Net Income

Our net income for the six months ended September 30, 2004 was ¥40.7 billion, a 19.8% increase compared with the same period in the prior fiscal year. In December 2004, Shinsei paid dividends for the six months ended September 30, 2004 of ¥6.50 per share of Class A preferred stock, ¥2.42 per share of Class B preferred stock and ¥1.29 per share of common stock. Due to the factors discussed above, as well as an increase in shareholders' equity resulting mainly from an increase in retained earnings, on an annualized basis our fully diluted return on equity for the six months ended September 30, 2004 was 10.9%, compared with 9.9% for the six months ended September 30, 2003. Our return on assets (excluding assets attributable to Aplus, the results of operations of which were not consolidated into ours for the period) increased to 1.3% for the six months ended September 30, 2004, from 1.0% for the same period in the previous fiscal year.

Total Assets

As of September 30, 2004, we had consolidated total assets of ¥8,325.3 billion, a 31.2% increase compared with March 31, 2004. The increase was principally attributable to our acquisition of Aplus, which was reflected in significant increases in other assets, consolidation goodwill, net, and customers' liabilities for acceptances and guarantees.

Loans and Bills Discounted

As of September 30, 2004, we had ¥3,074.6 billion in loans and bills discounted. This represented 36.9% of total consolidated assets and a 0.9% increase from the ¥3,047.0 billion of loans and bills discounted as of March 31, 2004. Installment receivables of Aplus and our non-bank subsidiaries are classified on our balance sheet as other assets, and are not reflected in our data on loans and bills discounted.

Deposits

As of September 30, 2004, we had deposits, including negotiable certificates of deposit, of ¥3,168.8 billion, which constituted 41.9% of consolidated total liabilities.

Retail deposits increased ¥395 billion in the six months ended September 30, 2004, reflecting continued growth of our retail banking business. The foreign currency deposits of our retail customers increased to ¥12 billion as of September 30, 2004.

Debentures

As of September 30, 2004, we had ¥1,333.2 billion in debentures outstanding. This represented 17.6% of total liabilities and constituted a decline of 1.8% from March 31, 2004. Debentures are issued with terms of one, two, three or five years.

Shareholders' Equity

Total shareholders' equity as of September 30, 2004 increased ¥33.7 billion, or 4.6%, compared with March 31, 2004, due primarily to an increase of ¥37.3 billion in retained earnings, offset in part by a ¥3.7 billion decrease in net unrealized gain on securities available-for-sale, net of taxes, that was mainly attributable to the impact of increasing interest rates on the market value of our portfolio of Japanese government bonds. The primary reason for recent increases in our shareholders' equity has been increases in retained earnings due to our profitable operations.

Summary of Non-Consolidated Interim Statements of Income and Balance Sheets

We disclose non-consolidated financial information of Shinsei in addition to our consolidated financial statements. As a recipient of public funds, we are required by the Financial Services Agency (the "FSA") to update and report on Shinsei's achievement of non-consolidated performance targets set forth in its revitalization plan on a quarterly basis, and publicly disclose that information semiannually. Shinsei's plan was initially prepared by the LTCB upon its emergence from nationalization and we have subsequently updated the plan in August 2001 and August 2003.

Shinsei accounts for a substantial portion of our consolidated financial condition and results of operations. For the fiscal year ended March 31, 2004, Shinsei accounted for 98.4% of our consolidated net income and 101.0% of our consolidated assets. As of and for the six months ended September 30, 2004, Shinsei accounted for 91.4% of our consolidated net income and 78.5% of our consolidated assets. The increase in the portion of our consolidated results attributable to our subsidiaries was due mainly to the favorable results of some of our pre-existing subsidiaries, such as Shinsei Securities Co., Ltd., as well as our acquisition in September 2004 of Aplus. While we believe that our subsidiaries will account for an increasingly greater portion of our consolidated financial condition and results of operations in the future, particularly as a result of the Aplus acquisition, we also believe that our financial condition and results of operations will continue to reflect predominantly those of Shinsei.

Asset Quality and Disposal of Problem Loans (Non-Consolidated)

Disclosure of Claims Classified under the Financial Revitalization Law (Non-Consolidated)

Total claims disclosed under the Financial Revitalization Law decreased ¥135.8 billion, or 58.3%, between March 31, 2003 and 2004. Total problem claims decreased a further ¥23.6 billion, or 24.3%, between March 31, 2004 and September 30, 2004. During the fiscal year ended March 31, 2004, all three categories of problem claims decreased significantly: claims against bankrupt and quasi-bankrupt obligors decreased 68.8% to ¥11.1 billion, doubtful claims decreased 30.4% to ¥68.8 billion, and substandard claims decreased 82.4% to ¥17.2 billion. Problem claims of all three categories continued to decrease in the six months ended September 30, 2004: claims against bankrupt and quasi-bankrupt obligors decreased 10.8% to ¥9.9 billion, doubtful claims decreased 17.2% to ¥57.0 billion, and substandard claims decreased 61.6% to ¥6.6 billion. As a result of these dramatic reductions, the ratio of non-performing claims disclosed under the Financial Revitalization Law to total non-consolidated claims as of September 30, 2004 decreased to 2.0%, compared with 4.1% as of September 30, 2003.

Shinsei's other claims against caution obligors (*sono ta youchui-saki*) totaled ¥93.7 billion as of September 30, 2004, a 36.5% decrease from the ¥147.6 billion as of September 30, 2003 and a 26.3% decrease from the ¥127.2 billion as of March 31, 2004. These claims represented 2.6% of total non-consolidated claims as of September 30, 2004, down from 3.9% as of September 30, 2003 and 3.7% as of March 31, 2004.

Table 4. Claims Classified under the Financial Revitalization Law (Non-Consolidated)

	Billions of yen, except percentages		
	As of September 30, 2004	As of September 30, 2003	As of March 31, 2004
Claims against bankrupt and quasi-bankrupt obligors	**¥ 9.9**	¥ 14.6	¥ 11.1
Doubtful claims	**57.0**	94.4	68.8
Substandard claims	**6.6**	45.1	17.2
Total claims disclosed under the Financial Revitalization Law(1)	**73.7**	154.2	97.3
Normal claims and claims against caution obligors excluding substandard claims	**3,598.5**	3,594.2	3,403.8
Total claims	**¥3,672.2**	¥3,749.2	¥3,501.1
Ratio of total claims disclosed under the Financial Revitalization Law to total claims	**2.0%**	4.1%	2.8%

Note:
(1) Includes loans and bills discounted, customers' liabilities for acceptances and guarantees and other exposure to or in respect of bankrupt and quasi-bankrupt obligors and doubtful claims, as well as loans and bills discounted classified as substandard claims.

Coverage Ratios

As of September 30, 2004, Shinsei's non-consolidated coverage ratios for claims classified under the Financial Revitalization Law, which are the total of collateral pledged against claims, guarantees for claims and reserve for loan losses, measured against total claims, were 100.0% for claims against bankrupt and quasi-bankrupt obligors, 97.8% for doubtful claims and 100.0% for substandard claims. For all claims classified under the Law, the coverage ratio was 98.3%.

Table 5. Coverage Ratios for Non-Performing Claims Disclosed under the Financial Revitalization Law (Non-Consolidated)

	Billions of yen, except percentages				
		Amounts of coverage			
	Amount of claims	Reserve for loan losses	Collateral and guarantees[(1)]	Total	Coverage ratio
As of September 30, 2004					
Claims against bankrupt and quasi-bankrupt obligors	**¥ 9.9**	**¥ 5.9**	**¥ 4.0**	**¥ 9.9**	**100.0%**
Doubtful claims	**57.0**	**42.0**	**13.7**	**55.7**	**97.8**
Substandard claims	**6.6**	**2.9**	**3.6**	**6.6**	**100.0**
Total	**¥ 73.7**	**¥51.0**	**¥21.4**	**¥ 72.4**	**98.3**
As of September 30, 2003					
Claims against bankrupt and quasi-bankrupt obligors	¥ 14.6	¥ 3.1	¥11.4	¥ 14.6	100.0%
Doubtful claims	94.4	55.6	38.0	93.6	99.2
Substandard claims	45.1	17.9	25.7	43.7	96.9
Total	¥154.2	¥76.8	¥75.2	¥152.0	98.6
As of March 31, 2004					
Claims against bankrupt and quasi-bankrupt obligors	¥ 11.1	¥ 6.0	¥ 5.1	¥ 11.1	100.0%
Doubtful claims	68.8	44.4	23.4	67.9	98.6
Substandard claims	17.2	7.0	10.2	17.2	100.0
Total	¥ 97.3	¥57.4	¥38.8	¥ 96.3	99.0

Note:
(1) Includes part of the unreserved portion of claims that have become eligible to be sold back to the DIC pursuant to our cancellation right. We evaluate the likelihood of prompt acceptance by the DIC and credit only a portion of the payment we believe we are entitled to under the Share Purchase Agreement as collateral and guarantees.

Definitions of Claims Classified under the Financial Revitalization Law

The asset quality of the following balance sheet items is assessed under the Financial Revitalization Law: loans and bills discounted, foreign exchange, securities lent, accrued income and suspense payment in other assets, and customers' liabilities for acceptances and guarantees. The quality of these assets is categorized as follows on the basis of the financial condition and operating performance of the obligor.

Category	**Definition**
Claims against bankrupt and quasi-bankrupt obligors (*hasan kosei saiken oyobi korera ni junzuru saiken*)	Claims against obligors under bankruptcy and similar claims, as provided for under the Bankruptcy Law, the Corporate Reorganization Law, the Civil Rehabilitation Law and similar laws.
Doubtful claims (*kiken saiken*)	Claims against obligors that are not yet in bankruptcy but have experienced deterioration in their financial condition and operating performance and for which there is a high probability of contractual defaults on principal and interest payments.
Substandard claims (*youkanri saiken*)	Loans past due for three months or more and restructured loans, excluding those categorized as claims against bankrupt and quasi-bankrupt obligors or doubtful claims.
Normal claims (*seijo saiken*)	Claims against obligors that are experiencing no particular problems with their financial condition or operating performance, other than claims in any of the three categories above.

Disposal of Problem Claims

Shinsei uses a variety of methods for removing problem loans from its balance sheet, including sales, collections and, prior to the third anniversary of the closing date of the acquisition of the LTCB, the return of loans to the Deposit Insurance Corporation of Japan (the "DIC") pursuant to our cancellation right. The following table sets forth a breakdown of disposals of substandard claims, doubtful claims and claims against bankrupt and quasi-bankrupt obligors on a non-consolidated basis:

Table 6. Reduction of Problem Claims as Disclosed under the Financial Revitalization Law (Non-Consolidated)

	Billions of yen		
	Six months ended September 30, 2004	Six months ended September 30, 2003	Year ended March 31, 2004
Write-off/forgiveness	**¥ 0.1**	¥12.1	¥ 13.8
Sale	**7.2**	16.2	26.5
Transferred to the DIC via exercise of cancellation right	**—**	44.3	64.1
Collections (newly classified as problem claims), net	**16.2**	6.1	31.3
Total	**¥23.6**	¥78.9	¥135.8

Reserve for Credit Losses

The following table sets forth a breakdown of our total reserve for credit losses on a non-consolidated basis as of the dates indicated:

Table 7. Reserve for Credit Losses (Non-Consolidated)

	Billions of yen, except percentages	
	As of September 30, 2004	As of March 31, 2004
General reserve for loan losses	**¥ 51.7**	¥ 61.7
Specific reserve for loan losses	**52.0**	54.3
Reserve for loans to restructuring countries	**0.0**	0.0
Subtotal of reserve for loan losses	**103.8**	116.1
Specific reserve for other credit losses	**54.7**	61.7
Total reserve for credit losses	**¥ 158.6**	¥ 177.9
Total claims(1)	**¥3,672.2**	¥3,501.1
Ratio of total reserve for loan losses to total claims	**2.8%**	3.3%
Ratio of total reserves for credit losses to total claims	**4.3%**	5.1%

Note:
(1) Total claims includes loans and bills discounted, foreign exchange claims, securities lent, accrued interest income and suspense payment in other assets, as well as customers' liabilities for acceptances and guarantees.

Risk-Monitored Loans

Risk-monitored loans increased 2.1% during the six months ended September 30, 2004 to ¥96.9 billion as of September 30, 2004. The ¥8.2 billion decrease in non-accrual delinquent loans was more than offset by a ¥13.6 billion increase in restructured loans to ¥22.9 billion as of September 30, 2004.

The increase was mainly attributable to problem loans held by Aplus, which was included in our consolidated balance sheet as of September 30, 2004.

The following tables set forth information concerning our consolidated and non-consolidated risk-monitored loans as of the dates indicated:

Table 8. Risk-Monitored Loans (Consolidated)

	Billions of yen, except percentages	
	As of September 30, 2004	As of March 31, 2004
Loans and bills discounted	**¥3,074.6**	¥3,047.0
Loans to bankrupt obligors (A)	**¥ 7.8**	¥ 7.9
Non-accrual delinquent loans (B)	**61.3**	69.5
Total loans (A)+(B)	**69.1**	77.4
Ratio to total loans and bills discounted	**2.2%**	2.5%
Loans past due for three months or more (C)	**¥ 4.8**	¥ 8.2
Restructured loans (D)	**22.9**	9.2
Total risk-monitored loans (A)+(B)+(C)+(D)	**¥ 96.9**	¥ 94.9
Ratio to total loans and bills discounted	**3.2%**	3.1%
Reserve for credit losses	**¥ 157.5**	¥ 177.9

Table 9. Risk-Monitored Loans (Non-Consolidated)

	Billions of yen, except percentages	
	As of September 30, 2004	As of March 31, 2004
Loans and bills discounted	**¥3,372.5**	¥3,217.8
Loans to bankrupt obligors (A)	**¥ 7.2**	¥ 7.5
Non-accrual delinquent loans (B)	**57.7**	68.6
Total loans (A)+(B)	**65.0**	76.1
Ratio to total loans and bills discounted	**1.9%**	2.4%
Loans past due for three months or more (C)	**¥ 3.2**	¥ 8.2
Restructured loans (D)	**3.3**	9.0
Total risk-monitored loans (A)+(B)+(C)+(D)	**¥ 71.7**	¥ 93.4
Ratio to total loans and bills discounted	**2.1%**	2.9%
Reserve for credit losses	**¥ 158.6**	¥ 177.9

Definitions of Categories of Risk-Monitored Loans

Risk-monitored loan is the collective term referring to loans to borrowers in bankruptcy, past due loans, loans past due for three months or more and restructured loans.

These disclosure categories do not take account of possible recoveries through the disposal of collateral pledged against such loans. Therefore, these figures are not meant to imply that the full amounts are uncollectible. Definitions of risk-monitored loans are as follows.

Category	**Definition**
Loans to bankrupt obligors (*hatan-saki saiken*)	Loans to legally bankrupt obligors.
Non-accrual delinquent loans (*entai-saki saiken*)	Loans to virtually bankrupt and possibly bankrupt obligors.
Loans past due for three months or more (*san-ka-getsu ijou entai saiken*)	Loans on which principal and/or interest are past due three months or more.
Restructured loans (*kashidashi jouken kanwa saiken*)	Loans with lending terms that have been changed in ways favorable to the borrower, including reducing interest rates, providing grace periods for repayment and forgiving a portion of the debt.

Reserve Policies

Claims against obligors, as categorized under self-assessment guidelines	Reserve policy
Claims against virtually and legally bankrupt obligors	We either write off directly or make a provision for, in the specific reserve for loan losses, the full amount of the unsecured, unguaranteed portion of the claim.
Claims against possibly bankrupt obligors	For most claims against possibly bankrupt obligors, we make a provision in the specific reserve for loan losses in an amount calculated based on the discounted cash flow method. For the remaining claims, we make a provision to that reserve for the unsecured, unguaranteed portion of the claims in the amount of the product of that portion and the higher of 70% or the estimated loss ratio, based on historical losses on claims in this category, for the next three years.
Claims against substandard obligors	For most claims against substandard obligors, we make a provision in the general reserve for loan losses in an amount calculated based on the discounted cash flow method. For the remaining claims, we make a provision to that reserve for the estimated amount of losses over three years computed based on the expected loss ratio for claims in this category.
Claims against caution obligors, other than claims against substandard obligors	We make a provision, in the general reserve for loan losses, for the estimated amount of losses over the average remaining term of the loans computed based on the expected loss ratio for claims in this category.
Claims against normal obligors	For claims against obligors rated 5A through 6C under our credit rating system, we make a provision, in the general reserve for loan losses, for the estimated amount of losses over the remaining term of the loans computed based on the expected loss ratio for claims in this category. For the remaining claims, we make a provision to that reserve for the estimated amount of losses over a year computed based on the expected loss ratio for claims in this category. Shinsei's credit rating is assigned from 0A to 9E to each corporate obligor.

Capital Ratios

Our consolidated capital adequacy ratio as of September 30, 2004 was 11.79%, compared with 21.13% as of March 31, 2004 and 20.10% as of March 31, 2003. Our Tier I capital ratio, or the ratio of Tier I capital to risk assets, also increased, from 14.27% as of March 31, 2003 to 16.15% as of March 31, 2004, but then decreased to 7.99% as of September 30, 2004. The principal reason for the declines in the capital ratios at September 30, 2004 was our acquisition of Aplus, which both increased our total risk assets as well as resulted in our recording a large amount of identified intangible assets and consolidation goodwill, both of which are deducted from our Tier I capital amount. The amount of our net deferred taxes, or the difference between our deferred tax assets and our deferred tax liabilities, represented 2.8% of our Tier I capital as of March 31, 2003, 3.2% of our Tier I capital as of March 31, 2004 and 1.5% of our Tier I capital as of September 30, 2004.

Table 10. Consolidated Capital Ratios

	Billions of yen, except percentages	
	As of September 30, 2004	As of March 31, 2004
Basic items (Tier I):		
Capital stock	**¥ 451.2**	¥ 451.2
Total Tier I (A)	**486.5**	720.3
Supplementary items (Tier II):		
General reserve for loan losses	**38.0**	27.8
Perpetual subordinated debt and bonds	**197.1**	196.7
Non-perpetual subordinated debt and bonds	**1.4**	2.2
Total	**236.5**	226.8
Amount eligible for inclusion in capital (B)	**236.5**	226.8
Deduction (C)	**5.3**	4.9
Total capital (D) [(A)+(B)–(C)]	**¥ 717.8**	¥ 942.2
Risk assets:		
On-balance sheet items	**¥3,923.7**	¥3,675.0
Off-balance sheet items	**2,161.7**	783.7
Total (E)	**¥6,085.5**	¥4,458.7
Consolidated capital adequacy ratio (D) / (E)	**11.79%**	21.13%
Consolidated Tier I capital ratio (A) / (E)	**7.99**	16.15

Consolidated Interim Balance Sheets (Unaudited)

Shinsei Bank, Limited and Subsidiaries
September 30, 2004 and 2003, and March 31, 2004

	Millions of yen			Thousands of U.S. dollars (Note 1)
	Sept. 30, 2004	Sept. 30, 2003	Mar. 31, 2004	**Sept. 30, 2004**
ASSETS				
Cash and due from banks (Notes 3 and 20)	**¥ 468,901**	¥ 188,231	¥ 312,709	**$ 4,223,194**
Call loans	**50,866**	—	—	**458,129**
Collateral related to securities borrowing transactions	**146,333**	15,972	18,121	**1,317,960**
Other monetary claims purchased (Note 4)	**233,881**	186,900	246,987	**2,106,474**
Trading assets (Notes 5, 20 and 29)	**443,634**	597,955	635,096	**3,995,626**
Monetary assets held in trust (Notes 6 and 20)	**429,588**	305,191	242,750	**3,869,125**
Securities (Notes 7 and 20)	**1,339,840**	1,520,345	1,483,234	**12,067,372**
Loans and bills discounted (Notes 8, 20 and 28)	**3,074,644**	3,277,418	3,047,042	**27,692,015**
Foreign exchanges (Notes 16 and 20)	**12,361**	10,683	9,490	**111,334**
Other assets (Notes 9, 20 and 29)	**711,793**	443,614	375,075	**6,410,825**
Premises and equipment (Note 10)	**106,215**	86,573	89,703	**956,634**
Deferred discounts on and issuance expenses for debentures	**264**	147	166	**2,379**
Deferred discounts on and issuance expenses for corporate bonds	**6**	18	13	**58**
Deferred tax assets	**26,019**	23,233	22,941	**234,346**
Consolidation goodwill, net	**200,841**	—	—	**1,808,898**
Customers' liabilities for acceptances and guarantees (Note 19)	**1,237,801**	44,923	38,339	**11,148,349**
Reserve for credit losses (Note 11)	**(157,597)**	(192,363)	(177,916)	**(1,419,415)**
Total assets	**¥8,325,396**	¥6,508,845	¥6,343,755	**$74,983,303**
LIABILITIES, MINORITY INTERESTS IN SUBSIDIARIES AND SHAREHOLDERS' EQUITY				
Liabilities:				
Deposits, including negotiable certificates of deposit (Notes 12 and 20)	**¥3,168,831**	¥2,654,537	¥2,734,489	**$28,540,318**
Debentures (Note 13)	**1,333,211**	1,407,633	1,358,021	**12,007,666**
Call money	**173,397**	109,100	112,559	**1,561,719**
Payables under repurchase agreements (Note 20)	**44,994**	431,552	445,634	**405,245**
Collateral related to securities lending transactions (Note 20)	**—**	258,157	29,275	**—**
Commercial paper	**11,086**	—	—	**99,847**
Trading liabilities (Notes 14 and 29)	**72,506**	117,092	92,231	**653,036**
Borrowed money (Notes 15 and 20)	**656,108**	301,035	334,416	**5,909,290**
Foreign exchanges (Note 16)	**12**	2	4	**113**
Corporate bonds (Note 17)	**29,528**	28,335	30,675	**265,946**
Other liabilities (Notes 18, 20 and 29)	**805,479**	442,208	424,899	**7,254,609**
Accrued employees bonuses	**5,791**	4,804	8,722	**52,161**
Reserve for retirement benefits	**1,589**	5,062	629	**14,317**
Reserve for loss on disposition of premises and equipment	**153**	77	—	**1,378**
Reserve for loss on sale of bonds	**1,529**	2,022	1,918	**13,779**
Reserve under special law	**0**	0	0	**6**
Deferred tax liabilities	**18,584**	—	42	**167,380**
Consolidation negative goodwill	**—**	939	915	**—**
Acceptances and guarantees (Notes 19 and 20)	**1,237,801**	44,923	38,339	**11,148,349**
Total liabilities	**7,560,605**	5,807,483	5,612,776	**68,095,159**
Minority interests in subsidiaries	**1,069**	144	977	**9,629**
Shareholders' equity:				
Capital stock (Note 21):				
Common stock	**180,853**	180,853	180,853	**1,628,873**
Preferred stock	**270,443**	270,443	270,443	**2,435,767**
Capital surplus	**18,558**	18,558	18,558	**167,147**
Retained earnings	**288,082**	221,815	250,737	**2,594,637**
Net unrealized gain on securities available-for-sale, net of taxes	**3,452**	6,621	7,154	**31,095**
Foreign currency translation adjustments	**2,333**	2,925	2,255	**21,020**
Treasury stock, at cost	**(2)**	(0)	(1)	**(24)**
Total shareholders' equity	**763,721**	701,217	730,000	**6,878,515**
Total liabilities, minority interests in subsidiaries and shareholders' equity	**¥8,325,396**	¥6,508,845	¥6,343,755	**$74,983,303**

See accompanying "Notes to Consolidated Interim Financial Statements (Unaudited)," which are an integral part of these statements.

Consolidated Interim Statements of Income (Unaudited)

Shinsei Bank, Limited and Subsidiaries
For the six months ended September 30, 2004 and 2003, and the fiscal year ended March 31, 2004

	Millions of yen			Thousands of U.S. dollars (Note 1)
	Sept. 30, 2004 (6 months)	Sept. 30, 2003 (6 months)	Mar. 31, 2004 (1 year)	**Sept. 30, 2004 (6 months)**
Interest income:				
Interest on loans and bills	**¥29,639**	¥33,717	¥ 64,318	**$266,947**
Interest and dividends on securities	**7,092**	6,975	15,917	**63,876**
Interest on deposits with banks	**1,650**	529	1,954	**14,867**
Other interest income	**3,154**	3,739	7,002	**28,410**
Total interest income	**41,536**	44,962	89,192	**374,100**
Interest expenses:				
Interest on deposits, including negotiable certificates of deposit	**7,283**	5,728	12,185	**65,598**
Interest and discounts on debentures	**3,203**	4,884	8,376	**28,856**
Interest on other borrowings	**5,173**	5,144	9,944	**46,598**
Other interest expenses	**504**	959	1,502	**4,542**
Total interest expenses	**16,165**	16,716	32,009	**145,594**
Net interest income	**25,371**	28,246	57,183	**228,506**
Fees and commissions income	**13,935**	10,797	26,193	**125,514**
Fees and commissions expenses	**4,510**	3,195	7,249	**40,628**
Net fees and commissions	**9,424**	7,602	18,944	**84,886**
Net trading income (loss) (Note 22)	**15,325**	(244)	2,714	**138,030**
Other business income, net:				
Income on monetary assets held in trust, net	**8,351**	12,931	18,888	**75,221**
Net gain on securities and foreign exchanges	**3,193**	4,849	12,230	**28,758**
Other, net (Note 23)	**10,969**	8,187	13,556	**98,795**
Net other business income	**22,513**	25,968	44,674	**202,774**
Total revenue	**72,635**	61,572	123,517	**654,196**
General and administrative expenses:				
Personnel expenses	**18,277**	17,366	35,482	**164,622**
Premises expenses	**4,737**	4,221	8,989	**42,668**
Technology and data processing expenses	**4,386**	2,932	6,767	**39,505**
Advertising expenses	**2,005**	1,444	2,918	**18,066**
Consumption and property taxes	**2,640**	1,951	3,693	**23,782**
Deposit insurance premium	**1,057**	969	1,938	**9,526**
Other general and administrative expenses	**6,135**	5,278	10,389	**55,259**
Total general and administrative expenses	**39,241**	34,164	70,178	**353,428**
Net business profit	**33,394**	27,408	53,338	**300,768**
Net credit recoveries (Note 24)	**(10,650)**	(7,251)	(15,415)	**(95,927)**
Other (losses) gains, net (Note 25)	**(3,112)**	1,074	152	**(28,034)**
Income before income taxes and minority interests	**40,932**	35,734	68,907	**368,661**
Income tax (benefit):				
Current	**630**	562	1,463	**5,676**
Deferred	**(539)**	1,155	1,111	**(4,859)**
Minority interests in net income (loss) of subsidiaries	**52**	(21)	(71)	**470**
Net income	**¥40,789**	¥34,038	¥ 66,404	**$367,374**
	Yen			U.S. dollars (Note 1)
Basic net income per common share (Note 30)	**¥28.60**	¥23.63	¥46.03	**$0.26**
Diluted net income per common share (Note 30)	**21.16**	16.79	32.75	**0.19**

See accompanying "Notes to Consolidated Interim Financial Statements (Unaudited)," which are an integral part of these statements.

Consolidated Interim Statements of Shareholders' Equity (Unaudited)

Shinsei Bank, Limited and Subsidiaries
For the six months ended September 30, 2004 and 2003, and the fiscal year ended March 31, 2004

	Millions of yen			Thousands of U.S. dollars (Note 1)
	Sept. 30, 2004 (6 months)	Sept. 30, 2003 (6 months)	Mar. 31, 2004 (1 year)	**Sept. 30, 2004 (6 months)**
Common stock:				
Balance at beginning of period	**¥180,853**	¥180,853	¥180,853	**$1,628,873**
Balance at end of period	**180,853**	180,853	180,853	**1,628,873**
Preferred stock:				
Balance at beginning of period	**270,443**	270,443	270,443	**2,435,767**
Balance at end of period	**270,443**	270,443	270,443	**2,435,767**
Capital surplus:				
Balance at beginning of period	**18,558**	18,558	18,558	**167,147**
Balance at end of period	**18,558**	18,558	18,558	**167,147**
Retained earnings:				
Balance at beginning of period	**250,737**	194,666	194,666	**2,258,286**
Dividends paid	**(3,444)**	(6,888)	(10,333)	**(31,023)**
Net income	**40,789**	34,038	66,404	**367,374**
Balance at end of period	**288,082**	221,815	250,737	**2,594,637**
Net unrealized gain on securities available-for-sale, net of taxes:				
Balance at beginning of period	**7,154**	13,243	13,243	**64,435**
Net change during the period	**(3,701)**	(6,622)	(6,089)	**(33,340)**
Balance at end of period	**3,452**	6,621	7,154	**31,095**
Foreign currency translation adjustments:				
Balance at beginning of period	**2,255**	2,071	2,071	**20,310**
Net change during the period	**78**	853	183	**710**
Balance at end of period	**2,333**	2,925	2,255	**21,020**
Treasury stock, at cost:				
Balance at beginning of period	**(1)**	(0)	(0)	**(11)**
Purchase of treasury stock	**(1)**	(0)	(1)	**(13)**
Balance at end of period	**(2)**	(0)	(1)	**(24)**
Total shareholders' equity	**¥763,721**	¥701,217	¥730,000	**$6,878,515**

See accompanying "Notes to Consolidated Interim Financial Statements (Unaudited)," which are an integral part of these statements.

Consolidated Interim Statements of Cash Flows (Unaudited)

Shinsei Bank, Limited and Subsidiaries
For the six months ended September 30, 2004 and 2003, and the fiscal year ended March 31, 2004

	Millions of yen			Thousands of U.S. dollars (Note 1)
	Sept. 30, 2004 (6 months)	Sept. 30, 2003 (6 months)	Mar. 31, 2004 (1 year)	**Sept. 30, 2004 (6 months)**
Cash flows from operating activities:				
Income before income taxes and minority interests	**¥ 40,932**	¥ 35,734	¥ 68,907	**$ 368,661**
Adjustment for:				
Income tax paid	**(737)**	(823)	(1,272)	**(6,641)**
Depreciation	**1,724**	1,568	3,353	**15,530**
Net change in reserve for credit losses	**(20,322)**	(24,427)	(40,105)	**(183,039)**
Net change in other reserves	**(3,436)**	(4,759)	(5,558)	**(30,947)**
Interest income	**(41,536)**	(44,962)	(89,192)	**(374,100)**
Interest expenses	**16,165**	16,716	32,009	**145,593**
Investment gains	**(8,352)**	(10,919)	(20,674)	**(75,226)**
Net exchange (gain) loss	**(7,297)**	15,884	24,452	**(65,726)**
Net change in trading assets	**169,918**	(236,779)	(273,920)	**1,530,388**
Net change in trading liabilities	**126,791**	(404)	(25,265)	**1,141,953**
Net change in loans and bills discounted	**(149,834)**	220,782	451,744	**(1,349,497)**
Net change in deposits, including negotiable certificates of deposit	**434,341**	80,804	165,063	**3,911,932**
Net change in debentures (other than subordinated bonds)	**(26,406)**	(476,732)	(521,475)	**(237,829)**
Net change in borrowed money (other than subordinated debt)	**(9,538)**	(249)	35,528	**(85,909)**
Net change in deposits with banks	**(24,522)**	20,514	(53,846)	**(220,864)**
Net change in call loans, collateral related to securities borrowing transactions and other monetary claims purchased	**(164,593)**	5,962	(42,111)	**(1,482,427)**
Net change in call money, payables under repurchase agreements, collateral related to securities lending transactions and commercial paper	**(330,212)**	236,506	25,166	**(2,974,086)**
Net change in foreign exchange assets	**(2,870)**	(409)	783	**(25,855)**
Net change in foreign exchange liabilities	**7**	(10)	(8)	**71**
Interest received	**50,085**	52,864	100,640	**451,103**
Interest paid	**(15,218)**	(19,492)	(35,599)	**(137,064)**
Net change in securities for trading purposes	**18,320**	(17,171)	(11,848)	**165,006**
Net change in monetary assets held in trust for trading purposes	**(122,718)**	(132,058)	(66,907)	**(1,105,273)**
Other, net	**55,203**	47,793	(63,294)	**497,196**
Total adjustments	**(55,038)**	(269,804)	(412,338)	**(495,711)**
Net cash used in operating activities	**(14,106)**	(234,070)	(343,431)	**(127,050)**
Cash flows from investing activities:				
Purchase of investments	**(1,758,542)**	(970,837)	(2,417,027)	**(15,838,447)**
Proceeds from sales of investments	**298,563**	374,215	705,081	**2,689,032**
Proceeds from maturity of investments	**1,510,667**	841,245	2,135,689	**13,605,941**
Purchase of premises and equipment	**(4,102)**	(3,254)	(5,766)	**(36,950)**
Proceeds from sales of premises and equipment	**26**	763	—	**242**
Net proceeds (payment) for acquisition of net subsidiaries and affiliates	**10,020**	(22)	(5,798)	**90,252**
Other, net	**244**	—	—	**2,198**
Net cash provided by investing activities	**56,877**	242,110	412,178	**512,268**
Cash flows from financing activities:				
Repayment of subordinated debt	**—**	(38,000)	(38,000)	**—**
Payment for redemption of subordinated bonds	**(1,570)**	(50)	(2,226)	**(14,140)**
Dividends paid	**(3,444)**	(6,888)	(10,333)	**(31,022)**
Purchase of treasury stock	**(1)**	—	(1)	**(14)**
Net cash used in financing activities	**(5,015)**	(44,938)	(50,560)	**(45,176)**
Foreign currency translation adjustments on cash and cash equivalents	**16**	—	—	**151**
Net change in cash and cash equivalents	**37,771**	(36,899)	18,186	**340,193**
Cash and cash equivalents at beginning of period	**157,178**	138,991	138,991	**1,415,640**
Cash and cash equivalents at end of period (Note 3)	**¥194,950**	¥ 102,092	¥ 157,178	**$ 1,755,833**

See accompanying "Notes to Consolidated Interim Financial Statements (Unaudited)," which are an integral part of these statements.
Note: Investments consist of securities and monetary assets held in trust for other than trading purposes.

Notes to Consolidated Interim Financial Statements (Unaudited)

1. Basis of Presentation

The accompanying consolidated interim financial statements of Shinsei Bank, Limited (the "Bank") and its subsidiaries (collectively, the "Group"), stated in Japanese yen, are prepared on the basis of accounting principles generally accepted in Japan and in conformity with the Banking Law of Japan, and compiled from the consolidated interim financial statements prepared under the provisions set forth in the Accounting Standards for Consolidated Interim Financial Statements (the Business Accounting Deliberation Council, March 13, 1998) and the standards of the Securities and Exchange Law of Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

Certain reclassifications and rearrangements have been made to the consolidated interim financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, the accompanying notes include information that is not required under accounting principles generally accepted in Japan, but is presented herein for the convenience of readers.

The preparation of consolidated interim financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated interim financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

As permitted by the Securities and Exchange Law of Japan, yen amounts, except for per share amounts, less than one million yen have been omitted. As a result, the totals do not necessarily agree with the sum of the individual amounts.

The consolidated interim financial statements are stated in Japanese yen, the currency of the country in which the Bank is incorporated and operates. The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at the rate of ¥111.03 to U.S.$1.00, the rate of exchange prevailing on the Tokyo Foreign Exchange Market on September 30, 2004. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

The Bank was placed under temporary nationalization by the prime minister of Japan on October 23, 1998, under Section 1 of Article 36 of the Financial Revitalization Law, and continued its operations in accordance with Articles 47 and 48 of the same law. The Bank's temporary nationalization status was terminated on March 1, 2000, when all common shares of the Bank held by the Deposit Insurance Corporation of Japan (the ''DIC") were transferred to New LTCB Partners C.V. in accordance with the Share Purchase Agreement, dated February 9, 2000 (the "Share Purchase Agreement").

2. Summary of Significant Accounting Policies

(a) Principles of Consolidation

The Group applied its consolidation scope using the control and influence concept. Under the control and influence concept, those companies in which the Bank, directly or indirectly, is able to exercise control over operations are to be fully consolidated and those companies in which the Bank, directly or indirectly, is able to exercise significant influence over operations are to be accounted for by the equity method.

The number of subsidiaries and affiliates as of September 30, 2004 and 2003 was as follows:

	As of September 30,	
	2004	2003
Subsidiaries	**66**	40
Affiliates accounted for using the equity method	**5**	4

Major subsidiaries as of September 30, 2004 were as listed below:

Name	Location	Percentage ownership
Aplus Co., Ltd.	Japan	67.7%
Shinsei Trust & Banking Co., Ltd.	Japan	100%
Shinsei Securities Co., Ltd.	Japan	100%
Shinsei Sales Finance Co., Ltd.	Japan	100%
Shinsei Investment Management Co., Ltd.	Japan	100%
Shinsei Bank Finance N.V.	Netherlands	100%
Shinsei Capital (USA), Ltd.	USA	100%

All significant intercompany transactions, related account balances and unrealized profits and losses have been eliminated in consolidation. As of September 30, 2004, the six month period ending dates are September 30 for 51 subsidiaries, July 31 for 3 subsidiaries and June 30 for 12 subsidiaries, of which one subsidiary is consolidated using its September 30 financial statements and the other subsidiaries are consolidated using the July 31 and the June 30 financial statements with appropriate adjustments made for significant transactions during the period from the ending dates of the six month period to the date of the consolidated interim financial statements.

Any differences between the cost of investment in subsidiaries and the Bank's share of the underlying equity in the fair value of the net assets of the acquired subsidiaries are amortized within 20 years from the fiscal year incurred or charged to income in the fiscal year incurred if such differences are considered to be immaterial.

(b) Acquisition of Aplus Co., Ltd.

On September 29, 2004, the Group completed its acquisition of Aplus Co., Ltd. ("Aplus"), a top tier consumer credit company in Japan, for ¥65 billion in cash (through the purchase of preferred shares of ¥30 billion and a third-party allotment of ¥35 billion of common shares). The transaction resulted in the Group's 67.7% ownership of Aplus.

The transaction represented total assets acquired (including identified intangible assets of ¥70.2 billion) with fair value of ¥1,912.1 billion, and total liabilities assumed with fair value of ¥2,048.8 billion. The excess of the purchase price over the fair value of the net liabilities assumed (¥136.7 billion) was accounted for as residual goodwill of ¥201.7 billion.

The identified intangible assets consist of trade names and customer/merchant relationships in relation to Aplus's credit cards, loan cards and shopping credit businesses. These identified intangible assets will be amortized over 10 years using the straight-line method and over 10 to 20 years using the sum of the year's digits method, respectively. Goodwill will be amortized over 20 years using the straight-line method.

The results of the operations of Aplus, together with the amortization of the identified intangible assets and goodwill, will be included in the Group's consolidated financial statements from October 1, 2004.

(c) Translation of Foreign Currency Financial Statements and Transactions

The financial statements of foreign subsidiaries are translated into Japanese yen at exchange rates as of the balance sheet date, except for shareholders' equity, which is translated at the historical exchange rates. Differences arising from such translation are shown as foreign currency translation adjustments as a separate component of shareholders' equity in the accompanying consolidated interim balance sheets.

(i) Foreign currency-denominated assets and liabilities and the accounts of overseas branches are translated into Japanese yen at the exchange rates prevailing at the balance sheet date, except for investments in affiliates which are translated at the relevant historical exchange rates.

(ii) Foreign currency accounts held by foreign subsidiaries are translated into the currency of the subsidiary at the respective period-end exchange rates.

(d) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, demand deposits with the Bank of Japan and non-interest-bearing deposits.

(e) Other Monetary Claims Purchased

The components of other monetary claims purchased are principally loans held for trading purposes. Other monetary claims purchased held for trading purposes are recorded at fair value and unrealized gains and losses are recorded in other business income (losses).

(f) Valuation of Trading Account Activities

Trading account positions entered into to generate gains arising from short-term changes in interest rates, currency exchange rates or market prices of securities and other market-related indices, or from price differences among markets, are included in trading assets and trading liabilities on a trade date basis.

Trading securities and monetary claims for trading purposes are stated at market value and derivative financial instruments related to trading positions are stated at fair value based on estimated amounts that would be settled in cash if such positions were terminated at the end of the period, which reflects liquidation and credit risks.

Trading revenue and trading expenses include interest received and paid, the amount of increases/decreases in valuation gains/losses on the balance sheet date for securities and monetary claims, and the net change in valuation gains/losses during the period using the estimated settlement prices assuming settlement in cash on the balance sheet date for derivatives.

(g) Monetary Assets Held in Trust

The components of trust assets are accounted for based on the standard appropriate for each asset type. Instruments held in trust for trading purposes are recorded at fair value and unrealized gains and losses are recorded in other business income (losses). Instruments held in trust classified as available-for-sale are recorded at fair value with the corresponding unrealized gains/losses recorded directly in a separate component of shareholders' equity.

(h) Securities

Securities other than investments in affiliates are classified into three categories, based principally on the Group's intent, as follows:

Trading securities are securities held in anticipation of gains arising from short-term changes in market value and/or held for resale to customers. Trading securities are carried at fair value with corresponding unrealized gains/losses recorded in income.

Securities being held to maturity are debt securities for which the Group has positive intent and ability to hold until maturity. Securities being held to maturity are carried at amortized cost by the moving average method.

Securities available-for-sale are securities other than trading securities and securities being held to maturity. Securities available-for-sale are carried at fair value with the corresponding unrealized gains/losses recorded directly in a separate component of shareholders' equity. The cost of sale of these securities is determined by the moving average method. Securities available-for-sale for which fair value is not readily determinable are carried at moving average cost or amortized cost determined by the moving average method.

Individual securities are written down when a decline in fair value below the cost of such securities is deemed to be other than temporary.

(i) Premises and Equipment

Premises and equipment are stated at cost less accumulated depreciation.

Depreciation of the Group's buildings and the Bank's computer equipment (including ATMs) other than personal computers is computed principally using the straight-line method, and depreciation of other equipment is computed principally using the declining-balance method. Principal estimated useful lives of buildings and equipment as of September 30, 2004 are as follows:

Buildings .... 3 years to 50 years
Equipment .... 4 years to 15 years

Accounting change

Effective April 1, 2004, the Bank adopted the straight-line method of depreciation for its computer equipment, except for personal computers. Prior to April 1, 2004, computer equipment had been depreciated using the declining-balance method. This change was made to provide a more rational allocation of the cost of computer equipment, including ATM machines, and a better matching of revenue and expenses in our retail banking business, following the increased acquisition of ATM machines. The effect of this change was to both decrease general and administration expenses, as well as increase income before income taxes and minority interests for the six months ended September 30, 2004, by ¥165 million.

(j) Software

Capitalized software for internal use is depreciated using the straight-line method based on the Group's estimated useful lives (mainly five or eight years). Capitalized software for internal use is included in other assets.

(k) Impairment of Long-Lived Assets

In August 2002, the Business Accounting Deliberation Council issued a Statement of Opinion, "Accounting for Impairment of Fixed Assets," and in October 2003, the Accounting Standards Board of Japan ("ASBJ") issued ASB Guideline No. 6, "Guidance for Accounting Standards for Impairment of Fixed Assets." The Group has early adopted these new accounting pronouncements for impairment of long-lived assets effective March 31, 2004. As a result of an impairment review, no impairment loss was recognized for the six months ended September 30, 2004.

(l) Deferred Charges

Deferred charges are amortized as follows.

Deferred discounts on debentures are amortized by the straight-line method over the terms of the debentures.

Deferred issuance expenses for debentures are amortized by the straight-line method over the shorter of the terms of the debentures or the maximum three-year period stipulated in the Japanese Commercial Code (the "Code") and its regulations.

Subsidiaries' deferred expenses for corporate bonds are amortized by the straight-line method over the terms of the corporate bonds.

Formation costs and stock issuance costs of subsidiaries are charged to income in the period incurred.

(m) Reserve for Credit Losses

The reserve for loan losses of the Bank and the domestic trust and banking subsidiary has been established as detailed below based on the Bank's internal rules for establishing the reserve.

Under "Warranty of Loan-Related Assets" described in the Share Purchase Agreement, a precondition of exercise of the cancellation right is the existence of a defect and a 20% reduction in value. To estimate the reserve amount for the Bank, the precondition of exercise of the cancellation right has been taken into account. Where conclusions as to the exercise of the cancellation right are reached after the application deadline for exercising the cancellation right under the "Warranty" clause date of expiration, adjustments are made to the reserve for credit losses in the period in which such events occur.

For claims to obligors who are legally bankrupt (due to bankruptcy, special liquidation, etc.) or virtually bankrupt, a specific reserve is provided based on the amount of claims, after the charge-off stated below, net of amounts expected to be collected through the disposal of collateral or execution of guarantees.

For claims to obligors who are possibly bankrupt, a specific reserve is provided for the amount considered to be necessary based on an overall solvency assessment performed for the amount of claims net of amounts expected to be collected through the disposal of collateral or execution of guarantees.

Effective March 31, 2003, the Bank has applied the "discounted cash flow method" (hereinafter referred to as the "DCF method") in calculating the loan loss reserve amounts for most of the claims against obligors categorized as possibly bankrupt or substandard under the self-assessment guidelines. Under the DCF method, the loan loss reserve is determined as the difference between (a) relevant estimated cash flows discounted by the original contractual interest rate and (b) the book value of the claim. In cases where it is difficult to reasonably estimate future cash flow, the Bank sets aside as reserves the product of the estimated loss ratios on the claims and either (a) the balance of the claims, in the case of claims against substandard obligors, or (b) the unsecured, unguaranteed portion of the claims, in the case of claims against possibly bankrupt obligors.

For other claims, the Bank provides a general reserve based on historical loan loss experience.

For specific foreign claims, there is a reserve for loans to restructuring countries which has been established based on losses estimated by considering the political and economic conditions in those countries.

All claims are assessed by business divisions and branches based on the internal rules for the self-assessment of asset quality. The Credit Assessment Division, which is independent from business divisions and branches, conducts audits of these assessments, and additional reserves may be provided based on the audit results.

For collateralized or guaranteed claims to obligors who are legally bankrupt or virtually bankrupt, the amount of claims exceeding the estimated value of collateral or guarantees, which is deemed uncollectible, has been charged off and totaled ¥11,313 million (U.S.$101,893 thousand) and ¥9,956 million for the six months ended September 30, 2004 and 2003, respectively.

The reserve for other credit losses primarily consists of reserves on amounts, included in accounts receivable, that the Bank believes the DIC is obligated to reimburse to it regarding claims that the Bank has already written off due to the bankruptcy of the obligors, but the return of which the DIC has not yet accepted, as well as a reserve taken on the Bank's contribution to an industry-wide fund set up to purchase and collect loans and certain litigation claims.

The subsidiaries other than the domestic trust and banking subsidiary calculate the general reserve for "normal" and "caution, including substandard" categories based on the specific actual past loss ratio, and the specific reserve for the "possibly bankrupt," "virtually bankrupt" and "legally bankrupt" categories based on estimated losses, considering the recoverable value.

(n) Accrued Employees Bonuses

Accrued employees bonuses are provided in the amount of estimated bonuses which are attributable to each period.

(o) Reserve for Retirement Benefits

The Bank has a non-contributory defined benefit pension plan and certain of its Japanese subsidiaries have unfunded severance indemnity plans, which cover substantially all of the Group's employees. The reserve for retirement benefits is provided for the payment of employees' retirement benefits based on the estimated amounts of the actuarial retirement benefit obligation net of the estimated value of pension assets. Net actuarial gain/loss and prior service costs are amortized using the straight-line method over the average remaining service period from the period of occurrence.

Effective April 1, 2000, the Group adopted a new accounting standard for employees' retirement benefits and accounts for the liabilities for retirement benefits based on the projected benefit obligations net of plan assets at the balance sheet date. The transitional unrecognized net retirement benefit obligation of ¥9,081 million is being amortized using the straight-line method over 15 years.

The funded defined benefit pension plan, which was established under the Japanese Welfare Pension Insurance Law, covers a substitutional portion of the governmental pension program managed by the Bank on behalf of the government and a corporate portion established at the discretion of the Bank. Subsequent to the enactment of the Defined Benefit Pension Plan Law in April 2002, the Bank applied for an exemption from its obligation to pay benefits for future employee services related to the substitutional portion which would result in the transfer of the pension obligations and related assets to the government subsequent to a second application.

The Bank obtained approval of its application for exemption from providing future benefit obligations from the Ministry of Health, Labour and Welfare on September 18, 2002.

As a result of the approval of its application for exemption from providing future benefits, the Bank derecognized the benefit obligation and related plan assets and recognized a gain in the amount of ¥3,019 million in the fiscal year ended March 31, 2003, in accordance with a transitional measurement rule under the accounting standard for employees' retirement benefits.

On March 1, 2004, the Bank obtained approval of its application for exemption from its obligation to pay benefits for past employee services related to the substitutional portion. No additional gain was recorded as a result of this approval. On the same date, the Bank combined its three defined benefit pension plans into one plan, which succeeds all previous plans and comprises all of the Bank's retirement benefit obligations to its employees and the related assets, including those which were contributed through the employee retirement benefit trust. During the six months ended September 30, 2004, the Bank completed the return of the relevant pension assets.

(p) Reserve for Loss on Disposition of Premises and Equipment
The reserve for loss on disposition of premises and equipment includes the estimated amount of loss reasonably calculated based on quotations etc. with respect to expenses for the move of branches and offices.

(q) Reserve for Loss on Sale of Bonds
The reserve for loss on sale of bonds is established when the Bank officially plans a sale of specific bonds, and is determined based on the estimated loss on the sale of bonds net of the gain or loss on the cancellation of derivatives designated as hedges for those bonds.

(r) Reserve under Special Law
The reserve under special law is provided for contingent liabilities from brokering of securities transactions in accordance with Article 51 of the Securities and Exchange Law.

(s) Accounting for Lease Transactions
Under Japanese accounting standards for leases, finance leases where the ownership of the property is deemed to transfer to the lessee are capitalized, while other finance leases can be accounted for as operating leases if the required as if "capitalized" information is disclosed in the notes to the consolidated interim financial statements. All leases entered into by the Bank and its domestic subsidiaries have been accounted for as operating leases.

(t) Income Taxes
Deferred income taxes relating to temporary differences between financial reporting and tax bases of assets and liabilities and tax loss carryforwards have been recognized. The asset and liability approach is used to recognize deferred income taxes.

The Bank filed its corporate income tax return under the consolidated corporate-tax system for the fiscal year ended March 31, 2004, which allows companies to base tax payments on the combined profits and losses of the Bank and its wholly owned domestic subsidiaries.

(u) Appropriation of Retained Earnings
Cash dividends and transfers to legal reserve are recorded in the period that the relevant proposed appropriation of retained earnings is approved by the Board of Directors and/or at the general meeting of common shareholders.

(v) Derivatives and Hedge Accounting
Derivatives are stated at fair value. Derivative transactions that meet the hedge accounting criteria are primarily accounted for under a deferral method whereby unrealized gains and losses are deferred as assets or liabilities until the profits and losses on the hedged items are realized.

The gross amounts of deferred hedge losses and deferred hedge gains recorded as a result of deferral hedge accounting as of September 30, 2004 and 2003 were ¥6,978 million (U.S.$62,852 thousand) and ¥4,328 million (U.S.$38,988 thousand) and ¥33,864 million and ¥12,965 million, respectively. The net amounts were included in other assets.

The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements is recognized and included in interest expenses or income.

(i) Hedge of interest rate risks
In previous years, the Bank principally applied a "macro hedge" approach for interest rate derivatives used to manage interest rate risks, and its ALM activities based on the transitional treatment prescribed in Industry Audit Committee Report No. 24 issued by the Japanese Institute of Certified Public Accountants (the "JICPA"). The effectiveness of the macro hedge approach was reviewed for a reduction in interest rate risk exposure and the actual risk amount of derivatives within the preapproved limit under the Bank's risk control policies. Effective April 1, 2003, the Bank adopted portfolio hedging in accordance with Report No. 24. Under portfolio hedging, a portfolio of hedged items such as deposits or loans with common maturities is matched with a group of hedging instruments such as interest rate swaps, which offset the effect of fair value fluctuations of the hedged items by identified maturities, and are designated as a hedge of the portfolio. The effectiveness of the portfolio hedge is accessed by each group.

Deferred hedge losses and deferred hedge gains previously recorded on the balance sheet as a result of macro hedge accounting are being amortized as expenses or income over the remaining lives of the hedging instruments. The unamortized balances of deferred hedge losses and deferred hedge gains attributable to macro hedge accounting as of September 30, 2004 and 2003 were ¥1,199 million (U.S.$10,803 thousand) and ¥717 million (U.S.$6,460 thousand) and ¥6,274 million and ¥1,141 million, respectively. The net amount is included in deferred losses on derivatives for hedging purposes in other assets.

(ii) Hedge of foreign exchange fluctuation risks
Prior to April 1, 2003, the Bank accounted for fund swap and certain currency swap transactions on an accrual basis by applying the one-year transitional treatment provided in Industry Audit Committee Report No. 25 of the JICPA. Fund swap transactions are foreign exchange swaps, consisting of spot foreign exchange contracts bought or sold and forward foreign exchange contracts sold or bought. Such transactions are contracted for the purpose of lending or borrowing in a different currency. Fund swap transactions are used to convert the principal equivalent amount into spot foreign exchange contracts bought or sold with regard to the corresponding fund borrowing or lending. Such transactions convert the corresponding principal equivalents and foreign currency equivalents to pay and receive, whose amounts and due dates are predetermined at the time of the transactions, into forward foreign exchange contracts bought or sold.

Effective April 1, 2003, these swap transactions are accounted for using deferral hedge accounting by fully applying Industry Audit Committee Report No. 25. Under deferral hedge accounting, hedged items are identified by grouping the foreign currency-denominated financial assets and liabilities by currencies and designating derivative transactions such as currency swap transactions and forward exchange contracts as hedging instruments. Hedge effectiveness is reviewed by comparing the total foreign currency position of the hedged items and hedging instruments by currency.

The Bank also applies deferral hedge accounting and fair value hedge accounting to translation gains or losses from foreign currency assets attributable to net investments in foreign affiliates and securities available-for-sale (other than bonds denominated in foreign currencies) when such foreign currency exposures recorded as assets are hedged with offsetting foreign currency liabilities and the liabilities exceed the acquisition cost of such foreign currency assets.

(iii) Intracompany derivative transactions
Gains/losses on intracompany derivative hedging transactions between the trading book and the banking book are not eliminated since offsetting transactions with third parties are appropriately entered into in conformity with the non-arbitrary and strict hedging policy in accordance with Industry Audit Committee Reports No. 24 and No. 25. As a result, in the banking book, realized gains/losses on such intracompany transactions are reported in current earnings and valuation gains/losses are deferred as assets/liabilities. On the other hand, in the trading book, realized gains/losses and valuation gains/losses on such intracompany transactions are substantially offset with covering contracts entered into with third parties.

(w) Per Share Information
Basic net income per common share calculations represent net income available to common shareholders, divided by the weighted average number of outstanding shares of common stock during the respective period, retroactively adjusted for stock splits and/or reverse stock splits.

Diluted net income per common share calculations consider the dilutive effect of common stock equivalents, which include preferred shares, assuming that all preferred shares were converted into common stock at the beginning of the fiscal year with an applicable adjustment for related dividends on preferred stock.

(x) Reclassifications
Certain reclassifications have been made to the consolidated interim financial statements for the six months ended September 30, 2003 to conform to the presentation for the six months ended September 30, 2004.

3. Cash and Cash Equivalents

The reconciliation of cash and cash equivalents at end of period and cash and due from banks in the consolidated interim balance sheets as of September 30, 2004 and 2003 was as follows:

	Millions of yen		Thousands of U.S. dollars
	As of September 30,		
	2004	2003	**2004**
Cash and due from banks	**¥ 468,901**	¥188,231	**$ 4,223,194**
Interest-bearing deposits included in due from banks	**(273,951)**	(86,139)	**(2,467,361)**
Cash and cash equivalents at end of period	**¥ 194,950**	¥102,092	**$ 1,755,833**

4. Other Monetary Claims Purchased

(a) Other monetary claims purchased as of September 30, 2004 and 2003 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	As of September 30,		
	2004	2003	**2004**
Trading purposes	**¥151,674**	¥133,523	**$1,366,069**
Other	**82,207**	53,376	**740,405**
Total	**¥233,881**	¥186,900	**$2,106,474**

(b) Fair value and unrealized gain or loss of other monetary claims purchased for trading purposes as of September 30, 2004 and 2003 was as follows:

	Millions of yen				Thousands of U.S. dollars	
	As of September 30,					
	2004		2003		**2004**	
	Fair value	Unrealized gain	Fair value	Unrealized gain	Fair value	Unrealized gain
Trading purposes	**¥151,674**	**¥1,464**	¥133,523	¥1,469	**$1,366,069**	**$13,188**

5. Trading Assets

Trading assets as of September 30, 2004 and 2003 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	As of September 30,		
	2004	2003	**2004**
Trading securities	**¥269,369**	¥484,169	**$2,426,094**
Derivatives for trading securities	**1,287**	127	**11,595**
Securities held to hedge trading transactions	**101,045**	5,990	**910,078**
Derivatives for securities held to hedge trading transactions	**—**	33	**—**
Trading-related financial derivatives	**71,931**	107,634	**647,859**
Total	**¥443,634**	¥597,955	**$3,995,626**

6. Monetary Assets Held in Trust

(a) Monetary assets held in trust as of September 30, 2004 and 2003 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	As of September 30,		
	2004	2003	**2004**
Trading purposes	**¥353,431**	¥295,863	**$3,183,207**
Other	**76,157**	9,328	**685,918**
Total	**¥429,588**	¥305,191	**$3,869,125**

(b) The fair value and unrealized gain or loss of monetary assets held in trust for trading purposes as of September 30, 2004 and 2003 were as follows:

	Millions of yen				Thousands of U.S. dollars	
	As of September 30,					
	2004		2003		**2004**	
	Fair value	Unrealized loss	Fair value	Unrealized gain	Fair value	Unrealized loss
Trading purposes	**¥353,431**	**¥(3,428)**	¥295,863	¥1,236	**$3,183,207**	**$(30,877)**

(c) The acquisition cost and book value of other monetary assets held in trust for other than trading purposes as of September 30, 2004 and 2003 were as follows:

	Millions of yen							
	As of September 30, 2004				As of September 30, 2003			
	Acquisition cost	Gross unrealized gain	Gross unrealized loss	Book value	Acquisition cost	Gross unrealized gain	Gross unrealized loss	Book value
Other	**¥76,157**	**¥ —**	**¥ —**	**¥76,157**	¥9,328	¥ —	¥ —	¥9,328

	Thousands of U.S. dollars			
	As of September 30, 2004			
	Acquisition cost	Gross unrealized gain	Gross unrealized loss	Book value
Other	**$685,918**	**$ —**	**$ —**	**$685,918**

7. Securities

Securities as of September 30, 2004 and 2003 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	As of September 30,		
	2004	2003	**2004**
Trading securities	**¥ 54,611**	¥ 79,519	**$ 491,867**
Securities being held to maturity	**1,520**	20	**13,690**
Securities available-for-sale:			
Marketable securities, at fair value	**1,167,023**	1,350,855	**10,510,880**
Securities whose fair value is not readily determinable, at amortized cost	**111,210**	86,421	**1,001,622**
Equity of affiliates, using the equity method	**5,475**	3,528	**49,313**
Total	**¥1,339,840**	¥1,520,345	**$12,067,372**

The above balances do not include securities held in relation to securities borrowing transactions with or without cash collateral and securities purchased under resale agreements, where the Group has the right to sell or pledge such securities without restrictions. The balances of those securities as of September 30, 2004 and 2003 were ¥145,169 million (U.S.$1,307,476 thousand) and ¥18,126 million, respectively.

The amortized cost and the fair value of marketable securities (other than trading securities) as of September 30, 2004 and 2003 were as follows:

	Millions of yen			
	As of September 30, 2004			
	Amortized cost	Gross unrealized gain	Gross unrealized loss	Fair value
Securities being held to maturity:				
Japanese national government bonds	**¥ 20**	**¥ 0**	**¥ —**	**¥ 21**
Japanese corporate bonds	**1,499**	**—**	**—**	**1,499**
Total securities being held to maturity	**¥ 1,520**	**¥ 0**	**¥ —**	**¥ 1,520**
Securities available-for-sale:				
Equity securities	**¥ 7,011**	**¥1,165**	**¥ 5**	**¥ 8,172**
Japanese national government bonds	**863,385**	**628**	**614**	**863,414**
Japanese local government bonds	**76,903**	**5**	**42**	**76,867**
Japanese corporate bonds	**97,438**	**166**	**90**	**97,514**
Other, mainly foreign debt securities	**116,468**	**5,500**	**893**	**121,055**
Total securities available-for-sale	**¥1,161,208**	**¥7,466**	**¥1,645**	**¥1,167,023**

	Millions of yen			
	As of September 30, 2003			
	Amortized cost	Gross unrealized gain	Gross unrealized loss	Fair value
Securities being held to maturity—Japanese national government bonds	¥ 20	¥ 1	¥ —	¥ 21
Securities available-for-sale:				
Equity securities	1,450	226	49	1,627
Japanese national government bonds	1,049,613	594	4,951	1,045,256
Japanese local government bonds	47,689	0	55	47,633
Japanese corporate bonds	50,678	152	232	50,598
Other, mainly foreign debt securities	189,957	18,712	3,243	205,739
Total securities available-for-sale	¥1,339,389	¥19,685	¥8,532	¥1,350,855

	Thousands of U.S. dollars			
	As of September 30, 2004			
	Amortized cost	Gross unrealized gain	Gross unrealized loss	Fair value
Securities being held to maturity:				
Japanese national government bonds	**$ 182**	**$ 8**	**$ —**	**$ 190**
Japanese corporate bonds	**13,508**	**—**	**—**	**13,508**
Total securities being held to maturity	**$ 13,690**	**$ 8**	**$ —**	**$ 13,698**
Securities available-for-sale:				
Equity securities	**$ 63,153**	**$10,497**	**$ 48**	**$ 73,603**
Japanese national government bonds	**7,776,148**	**5,658**	**5,536**	**7,776,403**
Japanese local government bonds	**692,639**	**51**	**381**	**692,308**
Japanese corporate bonds	**877,586**	**1,500**	**813**	**878,274**
Other, mainly foreign debt securities	**1,048,982**	**49,543**	**8,044**	**1,090,292**
Total securities available-for-sale	**$10,458,508**	**$67,249**	**$14,822**	**$10,510,880**

Individual securities are written down when a decline in fair value below the cost of such securities is deemed to be other than temporary. The amount written down is accounted for as impaired loss. Impaired loss for the six months ended September 30, 2004 and 2003 was ¥1,099 million (U.S.$9,899 thousand) and ¥5 million, respectively.

Gross unrealized losses as of September 30, 2004 and 2003, as presented above, do not include the valuation gains and losses related to certain securities with embedded derivatives, which are carried at ¥6 million (U.S.$55 thousand) and ¥313 million, respectively, and for which the loss has been recorded in other business income (losses).

Securities available-for-sale sold during the six months ended September 30, 2004 and 2003 were as follows:

	Millions of yen					
	Six months ended September 30, 2004			Six months ended September 30, 2003		
	Proceeds from sales	Total amount of gains on sales	Total amount of losses on sales	Proceeds from sales	Total amount of gains on sales	Total amount of losses on sales
Securities available-for-sale	**¥291,923**	**¥1,883**	**¥1,977**	¥373,584	¥3,018	¥1,321

	Thousands of U.S. dollars		
	Six months ended September 30, 2004		
	Proceeds from sales	Total amount of gains on sales	Total amount of losses on sales
Securities available-for-sale	**$2,629,235**	**$16,962**	**$17,806**

In addition to the above, profit and loss resulting from the cancellation of derivative instruments executed to hedge these investments was recorded in other business income (losses) for the six months ended September 30, 2004.

The amortized cost of securities available-for-sale whose fair value is not readily determinable as of September 30, 2004 and 2003 was as follows:

	Millions of yen		Thousands of U.S. dollars
	As of September 30,		
	2004	2003	**2004**
Equity securities	**¥ 5,525**	¥ 2,264	**$ 49,762**
Japanese corporate bonds	**75,438**	72,323	**679,441**
Foreign securities	**30,175**	11,766	**271,775**
Other	**71**	66	**644**
Total	**¥111,210**	¥86,421	**$1,001,622**

Redemption schedules for held-to-maturity and available-for-sale debt securities as of September 30, 2004 and 2003 were as follows:

	Millions of yen			
	As of September 30, 2004			
	1 year or less	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years
Bonds:				
Japanese national government bonds	**¥423,558**	**¥386,139**	**¥22,270**	**¥31,465**
Japanese local government bonds	**76,857**	**4**	**9**	**—**
Japanese corporate bonds	**63,134**	**94,079**	**17,224**	**13**
Subtotal	**563,550**	**480,223**	**39,504**	**31,478**
Other	**6,301**	**73,466**	**57,309**	**4,673**
Total	**¥569,852**	**¥553,690**	**¥96,814**	**¥36,152**

	Millions of yen			
	As of September 30, 2003			
	1 year or less	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years
Bonds:				
Japanese national government bonds	¥484,122	¥500,720	¥ 60,434	¥ —
Japanese local government bonds	47,624	0	13	—
Japanese corporate bonds	43,094	54,402	25,381	39
Subtotal	574,840	555,122	85,828	39
Other	9,576	75,463	107,058	3,497
Total	¥584,417	¥630,586	¥192,886	¥3,537

	Thousands of U.S. dollars			
	As of September 30, 2004			
	1 year or less	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years
Bonds:				
Japanese national government bonds	**$3,814,814**	**$3,477,791**	**$200,583**	**$283,396**
Japanese local government bonds	**692,220**	**41**	**83**	**—**
Japanese corporate bonds	**568,629**	**847,338**	**155,137**	**119**
Subtotal	**5,075,663**	**4,325,170**	**355,803**	**283,515**
Other	**56,755**	**661,681**	**516,162**	**42,094**
Total	**$5,132,418**	**$4,986,851**	**$871,965**	**$325,609**

8. Loans and Bills Discounted

Loans and bills discounted as of September 30, 2004 and 2003 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	As of September 30,		
	2004	2003	**2004**
Loans on deeds	**¥2,425,559**	¥2,438,111	**$21,845,982**
Loans on bills	**268,421**	400,688	**2,417,560**
Bills discounted	**188**	868	**1,702**
Overdrafts	**380,474**	437,749	**3,426,771**
Total	**¥3,074,644**	¥3,277,418	**$27,692,015**

(1) Loans and bills discounted include loans to bankrupt obligors totaling ¥7,806 million (U.S.$70,308 thousand) and ¥10,457 million as of September 30, 2004 and 2003, respectively, as well as non-accrual delinquent loans totaling ¥61,326 million (U.S.$552,346 thousand) and ¥96,699 million as of September 30, 2004 and 2003, respectively.

Non-accrual delinquent loans include loans classified as “possibly bankrupt” and “virtually bankrupt” under the Bank’s self-assessment guidelines.

In addition to non-accrual delinquent loans as defined, certain other loans classified as “substandard” under the Bank’s self-assessment guidelines include past due loans (three months or more).

Past due loans (three months or more) consist of loans for which the principal and/or interest is three months or more past due but exclude loans to bankrupt obligors and non-accrual delinquent loans. The balances of past due loans (three months or more) as of September 30, 2004 and 2003 were ¥4,895 million (U.S.$44,095 thousand) and ¥21,697 million, respectively.

Restructured loans are loans where the Group relaxes lending conditions, such as by reducing the original interest rate, or by forbearing interest payments or principal repayments to support the borrower’s reorganization, but exclude loans to bankrupt obligors, non-accrual delinquent loans or past due loans (three months or more). The outstanding balances of restructured loans as of September 30, 2004 and 2003 were ¥22,912 million (U.S.$206,365 thousand) and ¥23,578 million, respectively.

(2) The total outstanding amounts deducted from the loan account for loan participations as of September 30, 2004 and 2003 were ¥157,386 million (U.S.$1,417,514 thousand) and ¥327,881 million, respectively. This “off-balance sheet” treatment was in accordance with the guideline issued by the JICPA.

(3) The amount of loans sold through senior certificates under a collateralized loan obligation (“CLO”) securitization totaled ¥327,289 million (U.S.$2,947,757 thousand) and ¥297,065 million as of September 30, 2004 and 2003, respectively, with the subordinated certificates retained by the Bank totaling ¥121,564 million (U.S.$1,094,881 thousand) and ¥113,238 million as of September 30, 2004 and 2003, respectively, recorded as loans.

A reserve for credit losses was established based on the aggregated amount of the senior and subordinated certificate portions described above, taking into consideration all credit risks to be absorbed by the subordinated certificates.

(4) Bills discounted, such as bank acceptances bought, commercial bills discounted, documentary bills and foreign exchange contracts bought, are accounted for as financing transactions in accordance with the JICPA Industry Audit Committee Report No. 24, although the Bank has the right to sell or pledge them without restrictions. The face values of such bills discounted held as of September 30, 2004 and 2003 were ¥199 million (U.S.$1,797 thousand) and ¥906 million, respectively.

9. Other Assets

Other assets as of September 30, 2004 and 2003 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	As of September 30,		
	2004	2003	**2004**
Accrued income	**¥ 33,285**	¥ 30,496	**$ 299,787**
Prepaid expenses	**2,197**	684	**19,796**
Fair value of derivatives	**22,689**	32,832	**204,356**
Deferred losses on derivatives for hedging purposes	**2,649**	20,899	**23,863**
Financial stabilization fund contribution	**70,239**	70,239	**632,613**
Accounts receivable	**167,260**	135,026	**1,506,441**
Installment receivables	**216,354**	—	**1,948,614**
Intangible assets	**70,222**	—	**632,460**
Other	**126,895**	153,437	**1,142,895**
Total	**¥711,793**	¥443,614	**$6,410,825**

Installment receivables in other assets include credits to bankrupt obligors totaling ¥156 million (U.S.$1,408 thousand) as of September 30, 2004, as well as non-accrual delinquent credits totaling ¥2,281 million (U.S.$20,547 thousand) as of September 30, 2004.

10. Premises and Equipment

Premises and equipment as of September 30, 2004 and 2003 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	As of September 30,		
	2004	2003	2004
Land	¥ 41,344	¥ 38,834	$ 372,370
Buildings	46,021	41,573	414,494
Equipment	13,443	10,085	121,076
Security deposits	17,409	5,613	156,799
Other	703	569	6,341
Subtotal	118,921	96,677	1,071,080
Accumulated depreciation	(12,706)	(10,103)	(114,446)
Net book value	¥106,215	¥ 86,573	$ 956,634

11. Reserve for Credit Losses

Reserve for credit losses as of September 30, 2004 and 2003 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	As of September 30,		
	2004	2003	2004
Reserve for loan losses:			
General reserve	¥ 50,070	¥ 77,821	$ 450,966
Specific reserve	52,743	61,317	475,039
Reserve for loans to restructuring countries	10	28	92
Subtotal	102,824	139,167	926,097
Specific reserve for other credit losses	54,773	53,196	493,318
Total	¥157,597	¥192,363	$1,419,415

12. Deposits, Including Negotiable Certificates of Deposit

Deposits, including negotiable certificates of deposit, as of September 30, 2004 and 2003 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	As of September 30,		
	2004	2003	2004
Current	¥ 13,367	¥ 22,023	$ 120,395
Ordinary	781,697	581,113	7,040,415
Notice	21,202	27,276	190,964
Time	1,592,457	1,422,783	14,342,590
Negotiable certificates of deposit	476,336	394,338	4,290,161
Other	283,769	207,002	2,555,793
Total	¥3,168,831	¥2,654,537	$28,540,318

13. Debentures

Debentures as of September 30, 2004 and 2003 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	As of September 30,		
	2004	2003	2004
Coupon debentures	¥1,273,525	¥1,334,956	$11,470,102
Discount debentures	59,685	72,677	537,564
Total	¥1,333,211	¥1,407,633	$12,007,666

Annual maturities of debentures as of September 30, 2004 were as follows:

	Millions of yen	Thousands of U.S. dollars
	As of September 30, 2004	
Through the year ending September 30,		
2005	¥ 328,858	$ 2,961,889
2006	523,908	4,718,622
2007	150,207	1,352,854
2008	141,415	1,273,669
2009 and thereafter	188,821	1,700,632
Total	¥1,333,211	$12,007,666

14. Trading Liabilities

Trading liabilities as of September 30, 2004 and 2003 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	As of September 30,		
	2004	2003	2004
Derivatives for securities held to hedge trading transactions	¥ 2	¥ 100	$ 23
Trading-related financial derivatives	72,298	116,406	651,159
Other	205	585	1,854
Total	¥72,506	¥117,092	$653,036

15. Borrowed Money

Borrowed money as of September 30, 2004 and 2003 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	As of September 30,		
	2004	2003	2004
Subordinated debt	¥194,000	¥194,000	$1,747,276
Borrowings from the Bank of Japan and other financial institutions	462,108	107,035	4,162,014
Total	¥656,108	¥301,035	$5,909,290

Annual maturities of borrowed money as of September 30, 2004 were as follows:

	Millions of yen	Thousands of U.S. dollars
	As of September 30, 2004	
Through the year ending September 30,		
2005	¥304,736	$2,744,636
2006	49,963	450,003
2007	58,049	522,823
2008	23,388	210,646
2009 and thereafter	219,970	1,981,182
Total	¥656,108	$5,909,290

16. Foreign Exchanges

The assets and liabilities related to foreign currency trade financing activities of the Bank as of September 30, 2004 and 2003 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	As of September 30,		
	2004	2003	2004
Foreign exchange assets:			
Foreign bills bought	¥ 10	¥ 38	$ 95
Foreign bills receivable	2,249	2,415	20,258
Due from foreign banks	10,101	8,229	90,981
Total	¥12,361	¥10,683	$111,334

	Millions of yen		Thousands of U.S. dollars
	As of September 30,		
	2004	2003	2004
Foreign exchange liabilities:			
Foreign bills payable	¥10	¥0	$ 96
Due to foreign banks	1	2	17
Total	¥12	¥2	$113

17. Corporate Bonds

Corporate bonds as of September 30, 2004 and 2003 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	As of September 30,		
	2004	2003	**2004**
Corporate bonds	**¥ 5,420**	¥ 556	**$ 48,822**
Subordinated bonds	**24,107**	27,779	**217,124**
Total	**¥29,528**	¥28,335	**$265,946**

Annual maturities of corporate bonds as of September 30, 2004 were as follows:

	Millions of yen	Thousands of U.S. dollars
	As of September 30, 2004	
Through the year ending September 30,		
2005	¥ 1,000	$ 9,007
2006	—	—
2007	555	5,000
2008	4,865	43,822
2009 and thereafter	23,107	208,117
Total	¥29,528	$265,946

18. Other Liabilities

Other liabilities as of September 30, 2004 and 2003 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	As of September 30,		
	2004	2003	**2004**
Accrued expenses	**¥ 45,126**	¥ 43,858	**$ 406,433**
Unearned income	**8,478**	2,775	**76,364**
Income taxes payable	**1,187**	673	**10,695**
Fair value of derivatives	**20,238**	50,574	**182,283**
Matured debentures, including interest	**49,043**	53,223	**441,711**
Suspense receipts	**84,872**	112,020	**764,414**
Due to trust account	**51,780**	105,510	**466,366**
Account payable	**357,661**	38,681	**3,221,308**
Other	**187,089**	34,894	**1,685,035**
Total	**¥805,479**	¥442,208	**$7,254,609**

19. Acceptances and Guarantees

Acceptances and guarantees as of September 30, 2004 and 2003 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	As of September 30,		
	2004	2003	**2004**
Guarantees	**¥1,237,714**	¥44,674	**$11,147,565**
Letters of credit	**87**	244	**784**
Other	**—**	4	**—**
Total	**¥1,237,801**	¥44,923	**$11,148,349**

20. Assets Pledged as Collateral

Assets pledged as collateral and debts collateralized as of September 30, 2004 and 2003 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	As of September 30,		
	2004	2003	**2004**
Assets:			
Cash and due from banks	**¥ 2,102**	¥ 2,376	**$ 18,935**
Trading assets	**44,942**	481,156	**404,781**
Monetary assets held in trust	**21,268**	—	**191,558**
Securities	**594,422**	616,281	**5,353,710**
Loans and bills discounted	**3,670**	2,294	**33,059**
Other assets	**74,202**	—	**668,306**
Debts:			
Deposits, including negotiable certificates of deposit	**¥ 6,045**	¥ 12,879	**$ 54,449**
Payables under repurchase agreements	**44,994**	431,552	**405,245**
Collateral related to securities lending transactions	**—**	258,157	**—**
Borrowed money	**85,347**	2,834	**768,685**
Other liabilities	**2,056**	3,075	**18,522**
Acceptances and guarantees	**2,092**	2,340	**18,845**

In addition, ¥141,141 million (U.S.$1,271,201 thousand) of securities as of September 30, 2004, and ¥184,847 million of securities and ¥55 million of foreign exchange contracts as of September 30, 2003 were pledged as collateral for transactions, including exchange settlements, swap transactions and the replacement of margin for future trading.

Also, ¥3,263 million (U.S.$29,390 thousand) and ¥1,495 million of margin deposits for futures transactions outstanding were included in other assets as of September 30, 2004 and 2003, respectively.

21. Change in Conversion Price

The Bank's common shareholders approved a 1-for-2 reverse common stock split at the general meeting of shareholders held on June 25, 2003. Consequently, as of July 29, 2003, the capital stock of the Bank consisted of 1,358,537 thousand shares of common stock, 74,528 thousand shares of Class A preferred stock and 600,000 thousand shares of Class B preferred stock.

The Bank's common shareholders approved the amendment of the conversion conditions of preferred stock simultaneously at the general meeting of shareholders held on June 25, 2003. Consequently, as of July 29, 2003, the conversion conditions of preferred stock have been amended as follows:

- For Class A preferred shares, the conversion price is changed to ¥360 from ¥180, and the maximum number of shares of common stock to one share of preferred stock is changed to two shares from four shares at the time of simultaneous conversion to common stock.
- For Class B preferred shares, a minimum conversion price is changed to ¥600 from ¥300, and the maximum conversion price is changed to ¥800 from ¥400. The maximum number of shares of common stock to one share of preferred stock at the time of simultaneous conversion to common stock is changed to 2/3 shares from 4/3 shares, and the minimum is changed to 1/2 share from one share.

In addition, due to the issuance of stock options as of July 1, 2004, the minimum conversion price is changed to ¥599.90 from ¥600, and the maximum conversion price is changed to ¥799.90 from ¥800 for Class B preferred shares as per the market price methodology in the terms and conditions.

22. Net Trading Income (Loss)

Net trading income (loss) for the six months ended September 30, 2004 and 2003 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Six months ended September 30,		
	2004	2003	**2004**
Income from trading securities	**¥ 1,307**	¥ 271	**$ 11,772**
Income from (loss on) derivatives for trading securities	**797**	(615)	**7,184**
Income from trading-related financial derivatives	**13,136**	177	**118,318**
Other, net	**83**	(77)	**756**
Total	**¥15,325**	¥(244)	**$138,030**

23. Other Business Income (Losses)

"Other, net" in other business income (losses) for the six months ended September 30, 2004 and 2003 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Six months ended September 30,		
	2004	2003	**2004**
Net gain on other monetary claims purchased for trading purposes	**¥ 9,544**	¥3,413	**$85,966**
(Losses) income from derivatives for banking purposes, net	**(794)**	4,318	**(7,153)**
Equity in net income of affiliates	**141**	99	**1,279**
Income (losses) from equity related derivatives	**212**	(560)	**1,915**
Amortization of deferred issuance cost for debentures	**(120)**	(104)	**(1,088)**
Other, net	**1,984**	1,021	**17,876**
Total	**¥10,969**	¥8,187	**$98,795**

24. Net Credit Recoveries

Net credit recoveries for the six months ended September 30, 2004 and 2003 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Six months ended September 30,		
	2004	2003	**2004**
Losses on write-off of loans	**¥ 972**	¥ 663	**$ 8,762**
Losses on sale of loans	**—**	7	**—**
Net (reversal) provision of reserve for loan losses:			
Net reversal of general reserve for loan losses	**(10,480)**	(6,694)	**(94,391)**
Net provision (reversal) of specific reserve for loan losses	**234**	(6,685)	**2,108**
Net provision (reversal) of reserve for loan losses to restructuring countries	**4**	(23)	**41**
Subtotal	**(10,241)**	(13,403)	**(92,242)**
Net (reversal) provision of specific reserve for other credit losses	**(2,539)**	4,366	**(22,875)**
Provision of reserve for loss on sale of bonds	**1,157**	1,114	**10,428**
Total	**¥(10,650)**	¥ (7,251)	**$(95,927)**

25. Other (Losses) Gains, Net

Other (losses) gains, net, for the six months ended September 30, 2004 and 2003 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Six months ended September 30,		
	2004	2003	**2004**
Net loss on disposal of premises and equipment	**¥ (367)**	¥(1,228)	**$ (3,313)**
Pension-related costs	**(2,225)**	(562)	**(20,041)**
Gain on prescription of debentures	**70**	59	**632**
Recoveries of written-off claims	**86**	698	**778**
Provision for loss on disposition of premises and equipment	**(153)**	(77)	**(1,378)**
Refund of Tokyo regional bank tax	**—**	2,697	**—**
Other, net	**(523)**	(513)	**(4,712)**
Total	**¥(3,112)**	¥ 1,074	**$(28,034)**

26. Lease Transactions

(1) Finance lease transactions, under which the ownership of the property is not deemed to transfer to the lessee, as of September 30, 2004 and 2003 consisted of the following:

As Lessee

Acquisition cost, accumulated depreciation and the net balance of leased assets as of September 30, 2004 and 2003 were as follows:

	Millions of yen		Thousands of U.S. dollars
	As of September 30,		
	2004	2003	**2004**
Leased assets			
Acquisition cost:			
Equipment	**¥2,355**	¥238	**$21,219**
Other	**243**	179	**2,196**
Total	**¥2,599**	¥417	**$23,415**
Accumulated depreciation:			
Equipment	**¥ 104**	¥119	**$ 943**
Other	**116**	72	**1,053**
Total	**¥ 221**	¥191	**$ 1,996**
Net balance:			
Equipment	**¥2,251**	¥119	**$20,276**
Other	**126**	107	**1,143**
Total	**¥2,378**	¥226	**$21,419**

Lease obligations as of September 30, 2004 and 2003 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	As of September 30,		
	2004	2003	**2004**
Obligations:			
Due within one year	**¥ 655**	¥ 80	**$ 5,903**
Due after one year	**1,804**	150	**16,250**
Total	**¥2,459**	¥230	**$22,153**

For the six months ended September 30, 2004 and 2003, total lease payments were ¥39 million (U.S.$357 thousand) and ¥47 million, depreciation expenses were ¥39 million (U.S.$354 thousand) and ¥45 million and interest expenses were ¥1 million (U.S.$17 thousand) and ¥2 million, respectively.

Depreciation expense is calculated using the straight-line method over the useful life of the respective leased assets with zero residual value. The difference between total lease payments and the acquisition cost of leased assets is charged to interest expense, and is allocated to each period using the interest method.

As Lessor

Acquisition cost, accumulated depreciation and net balance of leased property as of September 30, 2004 were as follows:

	Millions of yen	Thousands of U.S. dollars
	As of September 30, 2004	
Leased assets		
Acquisition cost:		
Equipment	¥5,118	$46,103
Other	530	4,781
Total	¥5,649	$50,884
Accumulated depreciation:		
Equipment	¥ —	$ —
Other	—	—
Total	¥ —	$ —
Net balance:		
Equipment	¥5,118	$46,103
Other	530	4,781
Total	¥5,649	$50,884

Future lease payment receivables as of September 30, 2004 consisted of the following:

	Millions of yen	Thousands of U.S. dollars
	As of September 30, 2004	
Receivables:		
Due within one year	¥2,066	$18,613
Due after one year	4,196	37,794
Total	¥6,262	$56,407

Depreciation expense is calculated using the straight-line method over the lease term. The difference between total lease revenues and acquisition cost of leased assets is charged to interest income, and is allocated to each period using the interest method.

(2) Non-cancelable operating leases as of September 30, 2004 and 2003 consisted of the following:

As Lessee

	Millions of yen		Thousands of U.S. dollars
	As of September 30,		
	2004	2003	**2004**
Obligations:			
Due within one year	**¥1,243**	¥2	**$11,199**
Due after one year	**6,192**	3	**55,765**
Total	**¥7,436**	¥5	**$66,964**

As Lessor

	Millions of yen	Thousands of U.S. dollars
	As of September 30, 2004	
Obligations:		
Due within one year	¥ 183	$ 1,651
Due after one year	1,290	11,623
Total	¥1,473	$13,274

27. Segment Information

(a) Business Segment Information

The Group is engaged in banking and other related activities such as securities, trust and other businesses. Business segment information, however, has not been presented as the percentage of the other activities is not material to the banking business.

(b) Geographic Segment Information

Since the proportion of business that the Group conducts in Japan exceeds 90% of operating income, geographic segment information is not presented.

(c) Foreign Operating Income

Foreign operating income comprises transactions at the Bank's overseas branch and income from the overseas consolidated subsidiaries. The composition of this volume of transactions does not reach 10% of operating income, therefore foreign operating income segment information is not presented.

28. Off-Balance Sheet Lending-Related Financial Instruments

The Bank issues commitments to extend credit and establishes credit lines for overdrafts to meet the financing needs of its customers. The unfunded amounts of these commitments were ¥2,662,311 million (U.S.$23,618,048 thousand) and ¥1,105,188 million, out of which the amounts with original agreement terms of less than one year were ¥2,544,262 million (U.S.$22,915,087 thousand) and ¥966,789 million as of September 30, 2004 and 2003, respectively. Since a large majority of these commitments expire without being drawn upon, the unfunded amounts do not necessarily represent future cash requirements. Many of such agreements include conditions granting the Bank and subsidiaries the right to reject the drawdown or to reduce the amount on the basis of changes in the financial circumstances of the borrower or other reasonable grounds.

In addition, the Bank obtains collateral when necessary to reduce credit risk related to these commitments.

29. Derivative Financial Instruments

(a) Interest Rate-Related Transactions

Interest rate-related transactions as of September 30, 2004 and 2003 were as follows:

	Millions of yen		
	As of September 30, 2004		
	Contractual value or notional principal amount	Market value	Unrealized gain (loss)
Future contracts (listed)	**¥ 71,784**	**¥ (24)**	**¥ (24)**
Interest rate options (listed)	**35,175**	**11**	**(17)**
Interest rate swaps (over-the-counter)	**6,905,260**	**22,576**	**22,576**
Interest rate options (over-the-counter)	**1,467,723**	**(1,925)**	**5,575**
Total		**¥20,638**	**¥28,109**

	Millions of yen		
	As of September 30, 2003		
	Contractual value or notional principal amount	Market value	Unrealized gain (loss)
Future contracts (listed)	¥ 126,583	¥ 8	¥ 8
Interest rate options (listed)	89,994	(56)	(19)
Interest rate swaps (over-the-counter)	6,228,662	12,892	12,892
Interest rate options (over-the-counter)	1,369,386	5,737	5,643
Total		¥18,583	¥18,525

	Thousands of U.S. dollars		
	As of September 30, 2004		
	Contractual value or notional principal amount	Market value	Unrealized gain (loss)
Future contracts (listed)	**$ 646,529**	**$ (219)**	**$ (219)**
Interest rate options (listed)	**316,812**	**104**	**(158)**
Interest rate swaps (over-the-counter)	**62,192,742**	**203,333**	**203,333**
Interest rate options (over-the-counter)	**13,219,166**	**(17,339)**	**50,219**
Total		**$185,879**	**$253,175**

Derivatives included in the table above were marked to market and the unrealized gains and losses were recorded in income. Derivatives for which hedge accounting was adopted were excluded from the table above.

(b) Currency-Related Transactions

Currency-related transactions as of September 30, 2004 and 2003 were as follows:

	Millions of yen					
	As of September 30, 2004			As of September 30, 2003		
	Contractual value or notional principal amount	Market value	Unrealized gain (loss)	Contractual value or notional principal amount	Market value	Unrealized gain (loss)
Currency swaps (over-the-counter)	**¥234,389**	**¥(3,245)**	**¥(3,245)**	¥220,871	¥(1,554)	¥(1,554)
Forward foreign exchange contracts (over-the-counter)	**269,275**	**456**	**456**	202,849	2,169	2,169
Currency options (over-the-counter)	**128,894**	**1,942**	**70**	151,548	711	1,109
Total		**¥ (846)**	**¥(2,718)**		¥ 1,326	¥ 1,723

	Thousands of U.S. dollars		
	As of September 30, 2004		
	Contractual value or notional principal amount	Market value	Unrealized gain (loss)
Currency swaps (over-the-counter)	**$2,111,049**	**$(29,234)**	**$(29,234)**
Forward foreign exchange contracts (over-the-counter)	**2,425,252**	**4,110**	**4,110**
Currency options (over-the-counter)	**1,160,901**	**17,497**	**636**
Total		**$ (7,627)**	**$(24,488)**

(1) Derivatives included in the table above were marked to market and the unrealized gains and losses were recorded in income. Derivatives for which hedge accounting was adopted were excluded from the table above.

(2) Fund swap transactions and currency swap transactions for which hedge accounting was adopted in accordance with Industry Audit Committee Report No. 25 of the JICPA were excluded from the table above.

(c) Equity-Related Transactions

Equity-related transactions as of September 30, 2004 and 2003 were as follows:

	Millions of yen					
	As of September 30, 2004			As of September 30, 2003		
	Contractual value	Market value	Unrealized gain (loss)	Contractual value	Market value	Unrealized gain (loss)
Equity index futures (listed)	**¥ —**	**¥ —**	**¥ —**	¥1,788	¥ 3	¥ 3
Equity index options (listed)	**1,119**	**753**	**(94)**	660	12	(15)
Equity options (listed)	**—**	**—**	**—**	237	(0)	6
Equity options (over-the-counter)	**782**	**9**	**2**	9,400	16	(8)
Other (over-the-corner)	**36,695**	**1,621**	**1,269**	490	28	(0)
Total		**¥2,384**	**¥1,177**		¥60	¥(15)

	Thousands of U.S. dollars		
	As of September 30, 2004		
	Contractual value	Market value	Unrealized gain (loss)
Equity index futures (listed)	**$ —**	**$ —**	**$ —**
Equity index options (listed)	**10,081**	**6,783**	**(853)**
Equity options (listed)	**—**	**—**	**—**
Equity options (over-the-counter)	**7,048**	**85**	**26**
Other (over-the-counter)	**330,505**	**14,607**	**11,436**
Total		**$21,475**	**$10,609**

Derivatives included in the table above were marked to market and the unrealized gains and losses were recorded in income. Derivatives for which hedge accounting was adopted were excluded from the table above.

(d) Bond-Related Transactions

Bond-related transactions as of September 30, 2004 and 2003 were as follows:

	Millions of yen					
	As of September 30, 2004			As of September 30, 2003		
	Contractual value	Market value	Unrealized loss	Contractual value	Market value	Unrealized gain (loss)
Bond futures (listed)	**¥2,895**	**¥(6)**	**¥(6)**	¥11,767	¥(65)	¥(65)
Bond futures options (listed)	**—**	**—**	**—**	1,201	(0)	1
Total		**¥(6)**	**¥(6)**		¥(66)	¥(64)

	Thousands of U.S. dollars		
	As of September 30, 2004		
	Contractual value	Market value	Unrealized loss
Bond futures (listed)	**$26,082**	**$(60)**	**$(60)**
Bond futures options (listed)	**—**	**—**	**—**
Total		**$(60)**	**$(60)**

Derivatives included in the table above were marked to market and the unrealized gains and losses were recorded in income. Derivatives for which hedge accounting was adopted were excluded from the table above.

(e) Commodity Derivatives Transactions
Commodity derivatives transactions as of September 30, 2004 were as follows:

	Millions of yen			Thousands of U.S. dollars		
	As of September 30, 2004					
	Notional principal amount	Market value	Unrealized gain	Notional principal amount	Market value	Unrealized gain
Commodity swap (over-the-counter)	**¥0**	**¥0**	**¥0**	**$6**	**$4**	**$4**

Derivatives included in the table above were marked to market and the unrealized gains and losses were recorded in income. Derivatives for which hedge accounting was adopted were excluded from the table above.

(f) Credit Derivatives Transactions
Credit derivatives transactions as of September 30, 2004 and 2003 were as follows:

	Millions of yen					
	As of September 30, 2004			As of September 30, 2003		
	Notional principal amount	Market value	Unrealized loss	Notional principal amount	Market value	Unrealized gain
Credit default option (over-the-counter)	**¥543,099**	**¥(134)**	**¥(134)**	¥218,965	¥173	¥173

	Thousands of U.S. dollars		
	As of September 30, 2004		
	Notional principal amount	Market value	Unrealized loss
Credit default option (over-the-counter)	**$4,891,469**	**$(1,209)**	**$(1,209)**

Derivatives included in the table above were marked to market and the unrealized gains and losses were recorded in income. Derivatives for which hedge accounting was adopted were excluded from the table above.

30. Net Income per Common Share

A reconciliation of the differences between basic and diluted net income per common share ("EPS") for the six months ended September 30, 2004 and 2003 was as follows:

	Net income (Millions of yen)	Weighted average shares (Thousands)	EPS (Yen)	EPS (U.S. dollars)
For the six months ended September 30, 2004:				
Basic EPS				
Net income available to common shareholders	**¥38,853**	**1,358,535**	**¥28.60**	**$0.26**
Effect of dilutive securities				
Preferred stock	**1,936**	**569,129**		
Diluted EPS				
Net income for computation	**¥40,789**	**1,927,664**	**¥21.16**	**$0.19**

	Net income (Millions of yen)	Weighted average shares (Thousands)	EPS (Yen)
For the six months ended September 30, 2003:			
Basic EPS			
Net income available to common shareholders	¥32,101	1,358,537	¥23.63
Effect of dilutive securities			
Preferred stock	1,936	669,128	
Diluted EPS			
Net income for computation	¥34,038	2,027,666	¥16.79

31. Stock Options

At the annual general meeting of shareholders on June 24, 2004, the Bank obtained approval for the issuance of stock acquisition rights as stock options to directors (except for outside directors), statutory executive officers (*shikkou-yaku*) and employees of Shinsei as well as directors (except for outside directors) and employees of its wholly owned subsidiaries. Up to 10,000 stock acquisition rights, each representing the right to acquire 1,000 common shares, may be allocated in the aggregate under this approval. The Bank has already issued 9,641 of the stock acquisition rights; 9,455 of them have an exercise price of ¥684 per share of common stock, 161 have an exercise price of ¥646 and 25 have an exercise price of ¥697. The exercise period of the stock acquisition rights is from July 1, 2006 to June 23, 2014.

32. Subsequent Events

(1) The following interim dividends were paid on December 10, 2004 upon resolution of the Board of Directors adopted at a meeting held on December 1, 2004 (NY time):

		Millions of yen	Thousands of U.S. dollars
Class A preferred stock	(¥6.50 per share)	¥ 484	$ 4,363
Class B preferred stock	(¥2.42 per share)	1,452	13,078
Common stock	(¥1.29 per share)	1,752	15,784
Total		¥3,688	$33,225

(2) Acquisition of Showa Leasing Co., Ltd.
On January 14, 2005, the Group entered into agreements pursuant to which it will acquire a majority interest of Showa Leasing Co., Ltd. ("Showa Leasing"). The agreements included a sponsorship agreement, in which the Group agreed to support Showa Leasing by acquiring shares of common stock of Showa Leasing through a third-party allotment.
(3) Issuance of shares of preferred stock by Aplus
The board of directors of Aplus resolved at a meeting held on January 24, 2005 to submit an agenda to an extraordinary shareholders' meeting scheduled for February 24, 2005. The agenda includes a proposal to issue an aggregate of ¥241.0 billion in preferred stock to the Group and certain institutional investors on February 28, 2005, as follows:

- ¥98.0 billion in non-voting, redeemable, cumulative, convertible Class D preferred stock, senior to all other classes of capital stock, of which ¥44.0 billion will be issued to third parties and the remaining ¥54.0 billion to the Group; and
- ¥143.0 billion in non-voting, redeemable, non-cumulative, convertible Class E preferred stock, senior to all other classes of capital stock other than the Class D preferred stock, of which ¥142.0 billion will be issued to the Group.

Non-Consolidated Interim Balance Sheets (Unaudited)

Shinsei Bank, Limited
September 30, 2004 and 2003, and March 31, 2004

	Millions of yen			Thousands of U.S. dollars
	Sept. 30, 2004	Sept. 30, 2003	Mar. 31, 2004	**Sept. 30, 2004**
ASSETS				
Cash and due from banks	**¥ 288,759**	¥ 183,753	¥ 305,563	**$ 2,600,738**
Call loans	**50,866**	—	—	**458,129**
Collateral related to securities borrowing transactions	**146,333**	15,972	18,121	**1,317,960**
Other monetary claims purchased	**67,987**	97,268	91,286	**612,335**
Trading assets	**436,893**	594,024	633,488	**3,934,914**
Monetary assets held in trust	**464,325**	362,542	355,327	**4,181,984**
Securities	**1,396,928**	1,458,001	1,508,204	**12,581,541**
Loans and bills discounted	**3,372,519**	3,466,434	3,217,804	**30,374,847**
Foreign exchanges	**12,361**	10,683	9,490	**111,334**
Other assets	**342,755**	434,696	334,547	**3,087,050**
Premises and equipment	**26,170**	22,545	24,123	**235,709**
Deferred discounts on and issuance expenses for debentures	**264**	147	166	**2,386**
Deferred tax assets	**24,942**	23,041	21,790	**224,643**
Customers' liabilities for acceptances and guarantees	**61,723**	73,193	64,358	**555,919**
Reserve for credit losses	**(158,652)**	(192,960)	(177,960)	**(1,428,918)**
Total assets	**¥6,534,178**	¥6,549,344	¥6,406,313	**$58,850,571**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Liabilities:				
Deposits, including negotiable certificates of deposit	**¥3,238,229**	¥2,793,250	¥2,778,482	**$29,165,359**
Debentures	**1,337,451**	1,411,373	1,362,261	**12,045,854**
Call money	**173,397**	109,100	112,559	**1,561,719**
Payables under repurchase agreements	**44,994**	431,552	445,634	**405,245**
Collateral related to securities lending transactions	**—**	258,157	29,275	**—**
Trading liabilities	**71,471**	116,359	90,336	**643,718**
Borrowed money	**338,010**	326,095	335,311	**3,044,317**
Foreign exchanges	**289**	876	280	**2,610**
Other liabilities	**502,298**	319,734	449,169	**4,523,993**
Accrued employees bonuses	**3,774**	3,840	6,971	**33,993**
Reserve for retirement benefits	**1,421**	4,966	473	**12,806**
Reserve for loss on disposition of premises and equipment	**153**	77	—	**1,378**
Reserve for loss on sale of bonds	**1,529**	2,022	1,918	**13,779**
Acceptances and guarantees	**61,723**	73,193	64,358	**555,919**
Total liabilities	**5,774,746**	5,850,599	5,677,033	**52,010,690**
Shareholders' equity:				
Capital stock:				
Common stock	**180,853**	180,853	180,853	**1,628,873**
Preferred stock	**270,443**	270,443	270,443	**2,435,767**
Capital surplus	**18,558**	18,558	18,558	**167,147**
Retained earnings:				
Legal reserve	**5,512**	4,134	4,823	**49,644**
Unappropriated retained earnings	**280,647**	218,140	247,485	**2,527,677**
Net unrealized gain on securities available-for-sale, net of taxes	**3,419**	6,615	7,118	**30,797**
Treasury stock, at cost	**(2)**	(0)	(1)	**(24)**
Total shareholders' equity	**759,431**	698,745	729,280	**6,839,881**
Total liabilities and shareholders' equity	**¥6,534,178**	¥6,549,344	¥6,406,313	**$58,850,571**

Note: U.S. dollar amounts, presented solely for the readers' convenience, are translated at ¥111.03=U.S.$1.00, the rate of exchange prevailing on the Tokyo Foreign Exchange Market on September 30, 2004.

Non-Consolidated Interim Statements of Income (Unaudited)

Shinsei Bank, Limited
For the six months ended September 30, 2004 and 2003, and the fiscal year ended March 31, 2004

	Millions of yen			Thousands of U.S. dollars
	Sept. 30, 2004 (6 months)	Sept. 30, 2003 (6 months)	Mar. 31, 2004 (1 year)	**Sept. 30, 2004 (6 months)**
Interest income:				
Interest on loans and bills	**¥28,775**	¥33,551	¥ 63,584	**$259,166**
Interest and dividends on securities	**6,832**	6,786	16,467	**61,537**
Interest on deposits with banks	**1,633**	530	1,957	**14,714**
Other interest income	**2,808**	2,846	5,824	**25,292**
Total interest income	**40,049**	43,714	87,833	**360,709**
Interest expenses:				
Interest on deposits, including negotiable certificates of deposit	**7,304**	5,766	12,230	**65,792**
Interest and discounts on debentures	**3,214**	4,895	8,397	**28,948**
Interest on other borrowings	**4,992**	5,441	10,345	**44,966**
Other interest expenses	**171**	534	742	**1,541**
Total interest expenses	**15,682**	16,638	31,715	**141,247**
Net interest income	**24,366**	27,075	56,118	**219,462**
Fees and commissions income	**8,731**	8,489	18,883	**78,642**
Fees and commissions expenses	**4,661**	2,914	7,138	**41,980**
Net fees and commissions	**4,070**	5,574	11,745	**36,662**
Net trading income (loss)	**14,483**	(721)	2,154	**130,450**
Other business income, net:				
Income on monetary assets held in trust, net	**15,593**	15,632	25,819	**140,444**
Net gain on securities and foreign exchanges	**3,695**	4,670	11,743	**33,288**
Other, net	**2,454**	5,273	6,474	**22,108**
Net other business income	**21,744**	25,576	44,037	**195,840**
Total revenue	**64,665**	57,505	114,055	**582,414**
General and administrative expenses:				
Personnel expenses	**15,089**	14,444	29,280	**135,900**
Premises expenses	**5,552**	5,285	10,789	**50,006**
Technology and data processing expenses	**3,888**	2,731	6,183	**35,026**
Advertising expenses	**1,856**	1,405	2,782	**16,718**
Consumption and property taxes	**1,968**	1,326	2,563	**17,729**
Deposit insurance premium	**1,057**	969	1,938	**9,526**
Other general and administrative expenses	**6,913**	6,462	11,924	**62,265**
Total general and administrative expenses	**36,325**	32,625	65,462	**327,170**
Net business profit	**28,339**	24,880	48,592	**255,244**
Net credit recoveries	**(10,342)**	(6,576)	(16,722)	**(93,154)**
Other (losses) gains, net	**(2,993)**	1,320	878	**(26,964)**
Income before income taxes	**35,688**	32,777	66,193	**321,434**
Income tax (benefit):				
Current	**(993)**	(164)	(1,095)	**(8,948)**
Deferred	**(614)**	1,099	1,968	**(5,530)**
Net income	**¥37,296**	¥31,843	¥ 65,320	**$335,912**

Note: U.S. dollar amounts, presented solely for the readers' convenience, are translated at ¥111.03=U.S.$1.00, the rate of exchange prevailing on the Tokyo Foreign Exchange Market on September 30, 2004.

Management

As of January 4, 2005

Board of Directors

Masamoto Yashiro	Chairman and CEO, Shinsei Bank, Limited
Thierry Porté	Vice Chairman, Shinsei Bank, Limited
Akira Aoki*	Senior Advisor, Japan Securities Finance Co., Ltd.
Michael J. Boskin*	Professor, Stanford University
Emilio Botín*	Chairman, Grupo Santander
Timothy C. Collins*	CEO, Ripplewood Holdings, LLC
J. Christopher Flowers*	Chairman, J. C. Flowers & Co., LLC
Takashi Imai*	Senior Advisor, Honorary Chairman, Nippon Steel Corporation
Shigeru Kani*	Former Director, Administration Department, The Bank of Japan
Minoru Makihara*	Senior Corporate Advisor, Mitsubishi Corporation
Donald B. Marron*	Chairman and CEO, Lightyear Capital, LLC
Martin G. McGuinn*	Chairman and CEO, Mellon Financial Corporation
Yasuharu Nagashima*	Lawyer
Nobuaki Ogawa*	Lawyer
David Rockefeller*	Former Chairman, The Rockefeller Group

Senior Advisors

Paul A. Volcker	Former Chairman, Board of Governors of the Federal Reserve System
Vernon E. Jordan	Senior Managing Director, Lazard Frères & Co. LLC
John S. Reed	Former Chairman, Citigroup Inc.

Statutory Executive Officers

Representative Statutory Executive Officer, Chairman and CEO	Masamoto Yashiro
Representative Statutory Executive Officer, Vice Chairman	Thierry Porté
Representative Statutory Executive Officer, Senior Managing Executive Officer, Institutional Banking Group	Teruaki Yamamoto
Senior Managing Executive Officer, Institutional Banking Group	Clark Graninger
Senior Managing Executive Officer, Retail Banking Group	K. Sajeeve Thomas
Senior Managing Executive Officer, Chief Financial Officer, Finance Group	John E. Mack
Senior Managing Executive Officer, Banking Infrastructure Group	Dhananjaya Dvivedi
Senior Managing Executive Officer, Risk Management Group	Janak Raj
Managing Executive Officer, Corporate Affairs Group	Tadashi Ishikuro
Managing Executive Officer, Corporate Business Solutions Sub-Group	Junzo Tomii
Managing Executive Officer, Financial Institutions and Capital Markets Sub-Group	Masazumi Kato
Managing Executive Officer, Deputy Head, Retail Banking Group	Satoru Katayama

Notes: 1. * Outside directors as stipulated in Article 188, Paragraph 2, 7-2 of the Commercial Code of Japan
2. Committee memberships:
Nomination Committee: Minoru Makihara (Chairman); Michael J. Boskin, Timothy C. Collins, J. Christopher Flowers, David Rockefeller, Masamoto Yashiro
Audit Committee: Akira Aoki (Chairman); Shigeru Kani, Yasuharu Nagashima, Nobuaki Ogawa
Compensation Committee: J. Christopher Flowers (Chairman); Emilio Botín, Timothy C. Collins, Minoru Makihara, Donald B. Marron, Martin G. McGuinn
3. Shinsei Bank adopted a Company with Committees board model after its annual general meeting of shareholders on June 24, 2004.
4. The Board of Directors agreed to recommend Thierry Porté to be Shinsei Bank's new president and CEO, and Masamoto Yashiro to be its new chairman of the board at the Board of Directors meeting held on December 1, 2004, in New York. Both appointments will be subject to a resolution at the forthcoming annual general meeting of shareholders in late June 2005 ("Next Annual Shareholders' Meeting"). Their new titles will need to be approved at the first meeting of the Board of Directors to be held after the Next Annual Shareholders' Meeting.

Employees

	Sept. 30, 2004	Mar. 31, 2004	Sept. 30, 2003
Number of Employees	**2,131**	2,122	2,117
Male	**1,225**	1,235	1,220
Female	**906**	887	897

Note: Excluding part-time employees.

Corporate Information

Established
1952

Fiscal Year
From April 1 to March 31

Paid-in Capital
¥451,296 million

Number of Shares Authorized
Common Stock(*1):
2,500,000,000
Preferred Stock:
674,528,000

Number of Shares Issued
Common Stock(*2, 3):
1,358,573,606
Preferred Stock:
Class A 74,528,000
Class B 600,000,000

Ten Largest Shareholders(*4)
New LTCB Partners C.V.
(64.26% of common stock)
The Master Trust Bank of Japan, Ltd.
(Trust Account)
(2.17% of common stock)
Japan Trustee Services Bank, Ltd.
(Trust Account)
(1.59% of common stock)
The Chase Manhattan Bank N.A. London
(1.17% of common stock)
Japan Securities Finance Co., Ltd.
(0.78% of common stock)
GGR Cayman L.P.
(0.68% of common stock)
JPM Chase Cref Jasdec Lending Account
(0.55% of common stock)
State Street Bank and Trust Company
(0.43% of common stock)
Trust and Custody Services Bank, Ltd.
(Trust Account B)
(0.39% of common stock)
Mizuho Trust and Banking Company, Ltd.
(Trust Account Z)
(0.38% of common stock)

(As of September 30, 2004)

Network
Americas:
New York Representative Office
Shinsei Capital (USA), Ltd.
Grand Cayman Branch
Shinsei Bank Finance N.V.

Domestic Branches:
Head Office (Tokyo)
Marunouchi Annex
(Housing Loan Center Tokyo)
Ginza Annex
Ginza Corridor Street Annex
Sapporo Branch
Sendai Branch
Kanazawa Branch
Omiya Branch
LaLaport Branch
Tokyo Branch
Ikebukuro Branch
Ueno Branch
Kichijoji Branch
Shinjuku Branch
Shiodome SIO-SITE Branch
Roppongi Hills Branch
Keyakizakadori Annex
Shibuya Branch
Hiroo Branch
Meguro Branch
Futakotamagawa Branch
Hachioji Branch
Yokohama Branch
Fujisawa Branch
Nagoya Branch
Kyoto Branch
Osaka Branch
Umeda Branch
Hankyu-Umeda Annex
Namba Branch
Kobe Branch
Hiroshima Branch
Takamatsu Branch
Fukuoka Branch

(As of December 31, 2004)

Domestic Sub-Branches (ATM only):
Shinsei Bank
19 locations
Keikyu Station Bank
37 locations
Shinsei Daily Bank
36 locations
Co-managed under a tie-up
with IY Bank Co., Ltd.
9,644 locations

(As of December 31, 2004)

(*1) Reduced from 5,000,000,000 to 2,500,000,000 on July 29, 2003.
(*2) There was a 1-for-2 reverse stock split on July 29, 2003.
(*3) Since February 19, 2004, the Bank's common stock has been listed on the First Section of the Tokyo Stock Exchange.
(*4) On February 19, 2004, New LTCB Partners C.V. and GGR Cayman L.P. sold 471,299 thousand shares and 5,001 thousand shares, in total 476,300 thousand shares (including over allotment part), respectively.

Shinsei Bank is a Japanese banking institution founded on global standards of governance and management. With over $60 billion in assets and 29 branches throughout Japan (non-consolidated, as of December 2004), Shinsei provides a broad range of value-added financial solutions to institutional and individual customers under the banner of "Better Banking." Our *PowerFlex* account, free ATM network and internet banking service, along with our customer friendly financial centers, have redefined the Japanese retail banking experience. Shinsei is committed to long-term growth and profitability by expanding its customer-focused business model.

News and other information about Shinsei Bank are available at http://www.shinseibank.com/english/index.html

SHINSEI BANK

SHINSEI BANK, LIMITED

Interim Report 2004

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