

(Attachment)

Business Report for the 12th Fiscal Year (From April 1, 2011 to March 31, 2012)

1. Current State of the Bank

(1) Business Development and Performance of the Group

[Principal Business of the Group]

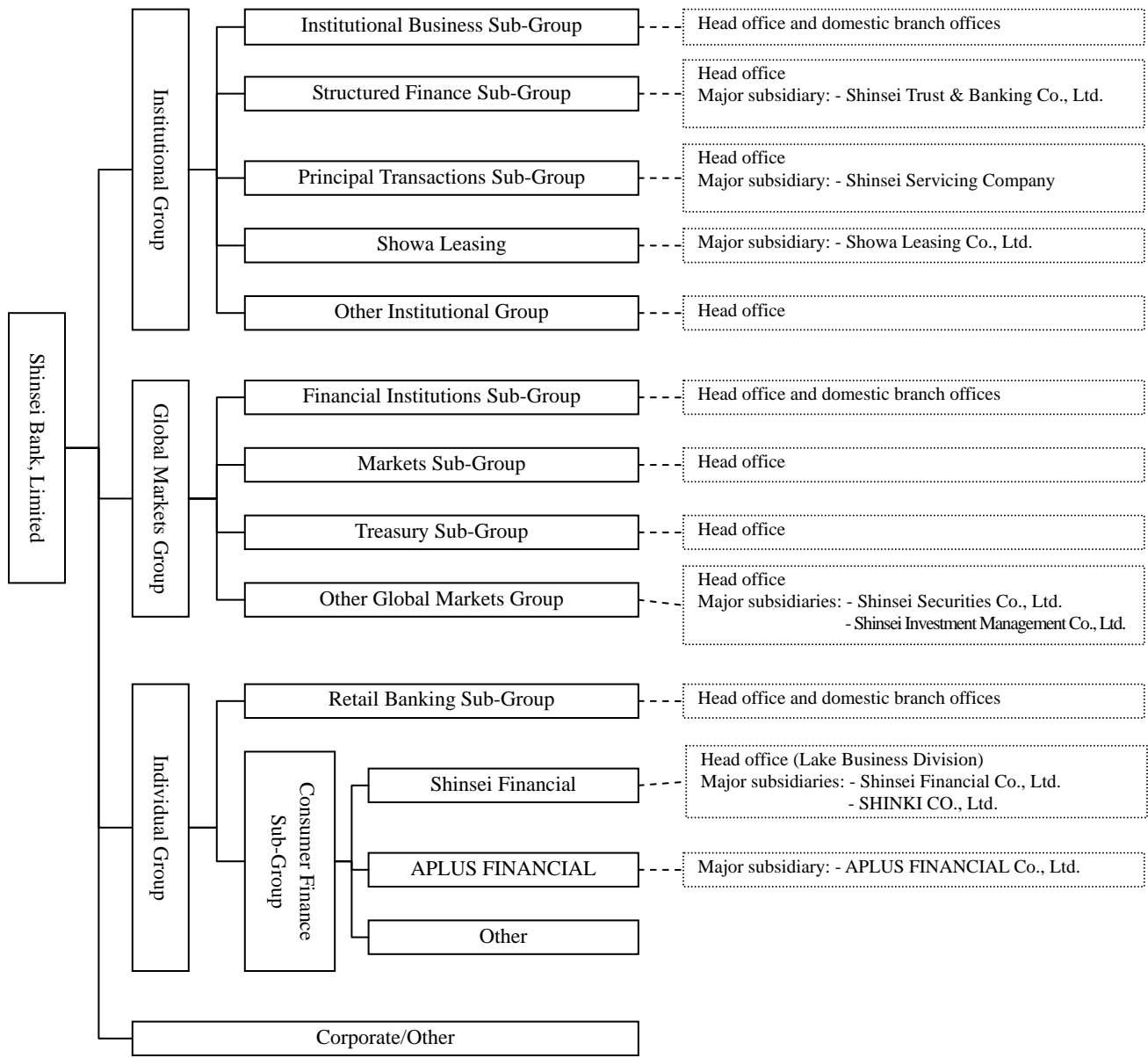
The Group, which consisted of Shinsei Bank, Limited, 213 subsidiaries (comprising 133 consolidated companies including APLUS FINANCIAL Co., Ltd., Showa Leasing Co., Ltd., Shinsei Financial Co., Ltd. and 80 unconsolidated subsidiaries) and 16 affiliated companies (comprising 15 affiliates accounted for under the equity method including Jih Sun Financial Holding Company, Limited and 1 affiliate that is not accounted for under the equity method) as of March 31, 2012, provides a wide variety of financial products and services to institutional and individual customers through our Institutional Group, Global Markets Group and Individual Group. These groups consist of business segments which provide their respective financial products and services. Shinsei Bank, Limited, subsidiaries and affiliated companies are related to each segment as follows.

In the Institutional Group, the “Institutional Business Sub-Group” provides financial products and services for corporate banking business and public sector finance. The “Structured Finance Sub-Group” provides real estate finance, such as non-recourse loans, financial products and services for the real estate and construction industries, specialty finance, such as M&A finance, and trust business. The “Principal Transactions Sub-Group” provides financial products and services related to credit trading. ”Showa Leasing” primarily provides leasing related financial products and services. The “Other Institutional Group” consists of asset-backed investment, advisory services and other products and services in the Institutional Group.

In the Global Markets Group, the “Financial Institutions Sub-Group” provides financial products and services for financial institutions business. The “Markets Sub-Group” is engaged in foreign exchange, derivatives, equity trading and other capital markets transactions. The “Treasury Sub-Group” undertakes ALM related transactions and capital funding. The “Other Global Markets Group” consists of the businesses of Shinsei Securities Co., Ltd., alternative investment, asset management, wealth management, and other products and services in the Global Markets Group.

In the Individual Group, the “Retail Banking Sub-Group” provides financial products and services for retail banking customers, “Shinsei Financial” provides consumer finance, and “APLUS FINANCIAL” provides installment sales credit, credit cards, guarantees and settlement services. The “Other” consists of profit and loss attributable to the Consumer Finance Sub-Group and other subsidiaries. The new unsecured personal card loan business, “Shinsei Bank Card Loan - Lake”, transferred from Shinsei Financial from October 1, 2011, is included in the “Shinsei Financial” segment.

The above can be illustrated in a business organization chart as follows.



[Financial and Economic Environment]

During fiscal year 2011, domestic production activity and individual consumption, which temporarily declined due to the impact of the Great East Japan Earthquake of March 11, 2011 (“Earthquake”), have both recovered. However, many issues related to the Earthquake remain unsolved such as the recovery of the disaster-affected areas, resolution of the nuclear power plant accident in Fukushima and reconstruction of the electric power supply system. This difficult situation for the Japanese economy has been exacerbated by the prolonged strength of the yen, severe employment conditions, deflation, the European debt crisis and the stagnation of the world economy, especially after the summer season and the flooding in Thailand.

In light of these circumstances, the Japanese government (Government) and the Bank of Japan (BOJ) intervened in the foreign exchange market and took other actions to support and achieve continuing economic growth. The Government tried to promote and accomplish important policies, including getting approval of a supplementary budget for post-Earthquake disaster reconstruction. However, it was sometimes difficult to achieve swift decisions on policy due to the instability of the political situation in Japan during fiscal year 2011. Meanwhile, the BOJ promoted an aggressive monetary policy, including further monetary easing measures.

Since January 2012, due to the effects of the governmental policies and expectations for the recovery of the European and US economies, the Japanese economy has partly shown an upward tendency. However, the real recovery of the Japanese economy has been delayed by recent risks, such as the lengthening of the European debt crisis and rising oil prices, and the downward risk for the Japanese economy posed by a slump in the world economy related to these and other factors.

Under these circumstances, the yen’s appreciation, which had continued until the 3rd quarter of fiscal year 2011, relaxed to some degree during the 4th quarter of fiscal year 2011. As of the end of March 2012, the euro-Japanese yen exchange rate was approximately ¥110 (a decline of approximately ¥7 from the end of March 2011) and the U.S. dollar -Japanese yen exchange rate was ¥82 (a slight decline from the end of March 2011). The domestic long-term (10 year government bond yields) interest rate was approximately 1.3% at the beginning of fiscal year, but moved to approximately 1.0% after August 2011 due to the severe domestic and international economic environment and an inflow of capital to the Japanese bond market as a safety asset. The short-term interest rate remained at a low level. Domestic interest rates have continued to decline as a result of the monetary policy described above. The Nikkei 225 recorded over ¥10,000 at one point in July 2011, and then declined to a low point of ¥8,160.01 on November 25, 2011. Since January 2012, the Nikkei 225 has risen again due to expectations of economic recovery. The Nikkei 225 was ¥10,083.56 at the end of March 2012 (an increase of approximately ¥330 from the end of March 2011).

[Business Development and Performance of the Group in fiscal year 2011]

Shinsei Bank has strived to improve its efficiency and responsiveness throughout the Group in order to provide a wide range of financial products and services tailored to the needs of its customers. The Institutional Group and the Global Markets Group focus on institutional banking and leasing operations, and the Individual Group focuses on retail banking and consumer finance operations. The Bank has formulated a Medium-Term Management Plan (“the Plan”), which targets the period from fiscal year 2010 to fiscal year 2012, with the basic concepts of “rebuilding our customer franchise in Japan” and “establishing a stabilized earnings base.” Fiscal year 2011 was the second year of the Plan, and despite the unanticipated severity of the operating environment due to factors such as the Great East Japan Earthquake, we continued to make progress across all of our businesses towards achievement of the Plan, as outlined below.

(Institutional Business)

The Institutional Group, which focuses primarily on corporate and public sector finance and advisory business, and the Global Markets Group, which concentrates on financial markets business and serving financial institution clients, have been working in close cooperation, while clarifying each Group’s roles and responsibilities, to proactively promote the institutional business. The Institutional Group has concentrated on providing optimal solutions to our corporate and public sector clients, based on their specific characteristics. Specifically, the Institutional Group is striving to achieve a leading position in certain industries and sectors,

such as healthcare finance, for which there are expectations for social needs or growth potential, while taking measures to strengthen the corporate restructuring business, such as establishing a dedicated division in fiscal year 2010, and is working on deals in both areas. We also continued work to expand our customer base through initiatives such as approaching potential new borrowers, and began operations to provide assistance to customers planning to enter Asian markets. In fiscal year 2011, we also made organizational changes across the Institutional Group to provide multi-faceted solutions for companies' management issues, focusing on companies with latent growth potential, development of new business domains, and businesses that will lead to regional revitalization, including post-disaster recovery. Furthermore, we continued to strengthen and promote the real estate non-recourse finance, specialty finance including M&A financing, credit trading and advisory businesses. In addition, Showa Leasing Co., Ltd. ("Showa Leasing"), which is positioned within the Institutional Group, worked to strengthen its business base alongside its traditional strengths in providing leasing services to mid-market and SME customers for industrial machinery and machine tools. In fiscal year 2011, Showa Leasing took initiatives in its environmental businesses in areas including LED lighting, wind power and solar power generation for corporate customers, financing for semiconductor equipment, while strengthening its supplier alliances and expanding its asset finance operations. In addition, Showa Leasing continued to expand its customer base through collaboration with the Bank's institutional business.

The Global Markets Group has taken proactive measures to strengthen its support for regional financial institutions' arrangement of syndicated loans, as well as providing investment products such as structured deposits and credit linked loans to these institutions, which face difficulties in finding investment options amid the low-interest rate environment. At the same time, the Global Markets Group continues to promote its "white label" business in which regional financial institutional customers sell structured deposits and other financial products developed by Shinsei Bank under their own brands.

Meanwhile, we have also been progressively reducing non-core assets that had built up through past proprietary trading activities, while carefully surveying market movements and other factors, as we work towards the goal of "establishing a stabilized earnings base."

(Individual Business)

Combining Shinsei Bank's retail bank with the consumer finance services provided primarily by our subsidiaries, our Individual Group brings innovative financial solutions to approximately six million active customers in Japan.

Ever alert to changing and diverse customer needs, our retail bank is successfully shifting focus from yen deposits to asset management. We have continued to offer a comprehensive selection of financial products including various types of foreign currency deposits, structured deposits, investment trusts and insurance products, in addition to our uniquely designed "PowerSmart" home mortgages. We are striving to provide convenient, high quality products and services through various remote channels including the internet and our call center. We have also rolled out small-scale and highly cost-effective branches called "Shinsei Consulting Spots," while realigning a portion of our existing branches. Through these measures, we are trying to better serve the needs of our customers by enhancing our network channels.

As a result of these measures, the retail bank posted steady results and its customer base continued to grow in fiscal year 2011. The number of newly opened "PowerFlex" accounts continues to show strong growth. The total number of retail accounts as of March 31, 2012 has surpassed 2.63 million. We have improved funding efficiency by channeling matured funds from yen time deposits and structured deposits into a two-week maturity deposit, and the balance of deposits from individuals has reached exceeded ¥4.66 trillion as of March 31, 2012, contributing to our stable funding base. The balance of assets under management, including debentures, mutual funds and insurance investment products was at over ¥5.77 trillion as of March 31, 2012. The balance of "PowerSmart" home mortgages has been steady, as our highly flexible range of housing loans with no-penalty automatic early repayment and overdraft services have been favorably received by customers.

In our consumer finance operations, we continued to face challenging conditions due to factors such as the ongoing contraction of the market, even as the impact of the full-scale implementation of the revised

Money-Lending Business and Control Law became less pronounced. However, we progressed with ongoing rationalization and efficiency-improving measures across the Shinsei Bank Group while also taking new, proactive initiatives to develop this business.

From October 2011, the Bank has been operating a new bank-based personal loan service, under the “Shinsei Bank Card Loan – Lake” brand, following regulatory approval for the transfer to the Bank of a portion of the unsecured personal loan business operated by our consolidated subsidiary Shinsei Financial Co., Ltd. (“Shinsei Financial”). As such, Shinsei became the first bank in Japan to offer full-scale unsecured card loan services for individual customers through a large-scale unmanned branch network. By leveraging the highly convenient and rapid service provided until now by Shinsei Financial, and combining this with the peace-of-mind and reassurance of bank-based service, Shinsei Bank aims to offer small-lot personal finance more smoothly and flexibly to individual customers, and to contribute to the development of a sound and healthy market as the leading bank in this sector, while expanding our individual customer base and enhancing our earnings power. This business made a strong start in the third quarter of fiscal year 2011 and we are focused on continued expansion.

APLUS FINANCIAL Co., Ltd. (“APLUS FINANCIAL”) has been expanding the installment sales credit, credit card, settlement, personal loan, debt servicing and other businesses it runs through operating companies, in collaboration with external partners. In fiscal year 2011, APLUS Co., Ltd. (“APLUS”) partnered with Culture Convenience Club Co., Ltd. in May 2011 to introduce “APLUS (Shopping) Credit with T Points,” an installment sales credit service that allows users of APLUS’ installment sales credit service to accumulate T points, as part of the T Point Loyalty Program. Over 3,300 merchant partners are now offering this service as of March 31, 2012, while transaction volume is growing strongly. Meanwhile, Shinsei Financial aims to continue generating stable earnings and pursue further growth by continuing to serve existing customers and through expansion of its credit guarantee business for the Shinsei Bank Card Loan – Lake service and for other financial institutions’ unsecured personal loan businesses.

Both claims for disclosure of past transaction history and the amount of repayments of “grey zone” interest at our consumer finance subsidiaries continue on a generally declining trend and are well below historical peaks. In light of these circumstances, we decided to take the initiative during fiscal year 2011 to eliminate downside risks to our earnings. Specifically, in the third quarter of fiscal year 2011, we recorded additional provisions for grey zone reserves at our consumer finance subsidiaries, and went on to make further additional provisions for interest repayments in the fourth quarter in order to bring reserves to lifetime levels, in consideration of the impact of the income-linked borrowing limitation that came into effect following full-scale implementation of the revised Money Lending Business Law, and the bankruptcy filing of a major consumer finance company in September 2010, aiming to eliminate any so-called grey zone risks in the future. Furthermore, the risk at Shinsei Financial remains limited as the acquisition of the company included a unique indemnity from GE guaranteeing a substantial portion of the company’s grey zone liabilities. Going forward, we will continue to improve the efficiency and strengthen the competitiveness of our consumer finance businesses.

(Financial Position)

As a result of an increase in Tier I capital due to recording positive net income and other factors, coupled with a reduction in risk-weighted assets due to factors including the decline in the balance of our non-core assets in fiscal year 2011, our total capital adequacy ratio was 10.27%, while our Tier I capital ratio was 8.80% as at March 31, 2012, both marking an improvement over the same period of the previous fiscal year.

(Response to the Great East Japan Earthquake)

In response to the Great East Japan Earthquake, employees from Shinsei Bank and Group companies have undertaken volunteer work in the affected areas. We ran these volunteer programs a total of four times throughout the period from July 2011 to March 2012 in disaster-affected areas in Miyagi prefecture. Each program was run over two days with around 40 employee volunteers. A total of approximately 150 employees volunteered across the four programs. In addition, in order to assist people affected by the disaster and to contribute to recovery efforts in the affected areas, the Bank has made a donation of ¥100 million (a total of

¥157 million by Shinsei Bank Group), as well as implementing various measures including the rapid establishment of disaster recovery assistance financing programs for institutional and individual customers who have been affected by the disasters. Furthermore, Shinsei Bank, together with certain subsidiaries, has also made donations of approximately 4,000 items of food and other supplies collected from employees, through local governments and NPOs. We will continue to strive to provide smooth access to financial services in order to help the areas affected by the disaster recover as quickly as possible.

(Business Performance)

Based on the business developments discussed above, for the fiscal year ended March 31, 2012, ordinary income was ¥413.2 billion, a decrease of ¥52.5 billion from the previous fiscal year, while ordinary expenses were ¥396.4 billion, a decrease of ¥44.8 billion from the previous fiscal year. Consequently, our consolidated net ordinary income was ¥16.7 billion, a decrease of ¥7.6 billion from the previous fiscal year and our consolidated net income for the fiscal year ended March 31, 2012 was ¥6.4 billion, a decrease of ¥36.2 billion from the previous fiscal year. Segment profits under management reporting for Shinsei Bank and its consolidated subsidiaries amounted to ¥62.7 billion for the fiscal year ended March 31, 2012, a decrease of ¥18.1 billion from the previous fiscal year.

During the fiscal year ended March 31, 2012, Shinsei Bank's business as a whole showed steady performance as we made steady progress in the implementation of various initiatives aimed at rebuilding our customer franchise and stabilizing our earnings power, continued to pursue cost reductions, and saw net credit costs decrease substantially. Against this backdrop, we took steps to eliminate future downside risks in order to ensure stable earnings. Specifically, we recorded provisions of specific reserves for loan losses and, in our aim to eliminate any so-called grey zone risks in the future, we made additional provisions for interest repayments. As a result, net income for the fiscal year ended March 31, 2012 was below the level recorded in the previous year, which included substantial non-recurring gains related to the repurchase and cancellation of preferred securities and subordinated notes, but was within the range announced at the third quarter earnings as our full-year forecast.

Looking at individual business segments, overall, the Institutional Group's performance improved over the previous fiscal year as a result of pursuing various businesses aimed at rebuilding the customer franchise and improving earnings power, a decline in expenses and net credit costs, and a steady performance by Showa Leasing.

The Global Markets Group's performance was below that of the previous fiscal year due to the impact of the slowdown in the financial markets, as well as the absence of gains on the repurchase and cancellation of preferred securities and subordinated notes that were recorded in the previous fiscal year.

In the Individual Group, the Retail Banking operations continued to record stable profit as a result of our continued provision of products and services that appropriately meet customers' needs as well as our efforts towards further operational efficiency, in spite of the impact of the slowdown in financial markets. At the subsidiaries operating in the Consumer Finance Sub-Group, while interest income declined in line with a decrease in loan assets due to the impact of full-scale implementation of the revised Money Lending Business Control and Regulation Law, net credit costs also decreased and, as a result of continued efforts to promote operational efficiency, overall financial performance was strong. The bank-based personal loan business, "Shinsei Bank Card Loan – Lake," has got off to a steady start, and we will continue to work to build this into a business that makes a large contribution to earnings over the medium- to long-term.

Each segment attained the following business results for the fiscal year ended March 31, 2012.

(Million of yen)

Fiscal 2011 (12th Fiscal Period)

	Institutional Group					Global Markets Group			
	Institutional Business Sub-Group	Structured Finance Sub-Group	Principal Transactions Sub-Group	Showa Leasing	Other Institutional Group	Financial Institutions Sub-Group	Markets Sub-Group	Treasury Sub-Group	Other Global Markets Group
Revenue	9,357	21,030	11,211	12,463	8,273	3,373	6,231	(6,122)	1,681
Net Interest Income	9,254	16,904	4,563	(2,588)	(846)	1,454	1,126	(9,267)	507
Non-interest income	102	4,125	6,648	15,052	9,120	1,918	5,105	3,145	1,173
Expense	5,843	4,826	3,886	7,804	2,655	2,342	3,261	1,079	4,119
Net Credit costs (Recoveries)	1,415	14,145	924	(1,371)	2,717	(490)	(1,471)	-	(727)
Segment Profit (loss)	2,097	2,057	6,401	6,030	2,900	1,521	4,441	(7,202)	(1,710)

	Individual Group				Corporate / Other	Total
	Retail Banking Sub-Group	Consumer Finance Sub-Group	Shinsei APLUS FINANCIAL Other			
Revenue	36,091	51,778	48,531	1,758	(2,697)	202,962
Net Interest Income	29,147	55,506	12,546	1,576	(2,984)	116,900
Non-interest income	6,943	(3,728)	35,985	182	286	86,061
Expense	31,366	30,717	30,232	364	(511)	127,988
Net Credit costs (Recoveries)	1,221	(8,445)	5,206	231	(1,087)	12,267
Segment Profit (loss)	3,503	29,506	13,092	1,162	(1,097)	62,706

Note

In the amount shown above, all figures have been truncated to the unit stated.

[Challenges Facing the Shinsei Bank Group]

The Shinsei Bank Group has formulated a Medium-Term Management Plan, which targets the period from fiscal year 2010 to fiscal year 2012, with the basic concepts of “rebuilding our customer franchise” and “establishing a stabilized earnings base.” The Bank has continued to work towards achieving the Plan’s goals through implementing various strategies and strengthening our operational structure as described below.

1. Striving for long-term and stable profit growth by offering products and services that meet the needs of our customers

In order to provide high quality value-added products and services to meet the increasingly diversified and sophisticated needs of our customers, the Shinsei Bank Group is actively working to develop new product and service categories. We strive for long-term and stable profit growth by offering a broad range of products and services in a timely manner that better meets the needs of our customers. In addition, the Bank is making sincere efforts to support the recovery of areas affected by the Great East Japan Earthquake, and is striving to provide smooth access to financial services, in its role as a financial institution, in order to help these areas recover from the disaster as quickly as possible.

(Institutional Business)

In our institutional business, we are actively pursuing customer-centric businesses and businesses where we can use existing strengths and which allow us to differentiate ourselves from the competition, as our core operations. These include corporate banking such as lending, which has traditionally been at the center of our customers’ needs; real estate finance, where we aim to ensure appropriate levels of risk and return; capital markets, which centers around customer transactions; credit trading, which aims to capture trends in financial markets; specialty finance, which includes M&A finance centering around high value-added transactions; and advisory, which brokers the merger and acquisition of companies. At the same time, we will reduce our investments made for trading purposes as non-core assets, and work to improve overall profitability. In our lending operations to corporate customers, we will pursue transactions with small- and medium-sized corporations, in addition to middle-market companies, to expand our customer base. Furthermore, we will move from a passive to a proactive stance, and ramp up our efforts focused on business domains that will contribute to society’s sustainable growth, including the fields of welfare, such as healthcare finance, and environmental protection, as well as supporting companies with latent growth potential and new business domains and businesses that will help revitalize regional economies, including in the earthquake-affected areas. We aim to expand business with the public sector and strengthen cooperation with regional financial institutions as we look to accelerate transactions with financial institutions, and strive to provide value-added financial products, services and solutions to our customers.

(Individual Business)

In our Retail Banking operations, we aim to strengthen our ability to offer asset management and loan products for every stage of our customers’ lives, while enhancing our ability to appropriately provide solutions through a wide range of channels and solve problems that our customers face regarding financial transactions and products. In our consumer finance operations, where we are facing a difficult operating environment due to factors including legislative changes, market contraction and industry realignment, we will respond smoothly and flexibly to the small-lot financial needs of individual customers through the “Shinsei Bank Card Loan – Lake” branded unsecured personal loan service, which we began operating on a full-scale basis directly from the Bank in October 2011. We continue to strive to effectively utilize management resources throughout our Group subsidiaries, review expense structures, and implement appropriate credit cost management. At the same time, we will also strive to achieve the seamless provision and cross-selling of financial services for individuals, from retail banking to consumer finance, which bring together the functions we possess across the Shinsei Bank Group. Through these measures, we aim to establish highly trusted, comprehensive financial services for individuals.

2. Reinforcement of risk management and the corporate governance system and working to achieve a high level of transparency in management

We will optimally allocate management resources and establish a balanced management of our operations through the smooth implementation of Basel II under the internal ratings based approach, the capitalization ratio parameter under the Banking Act, by the Bank and its Group companies, by enhancing risk management and accurately identifying risk and return. We are also working to put in place the framework and initiatives that are necessary in light of the impending introduction of new capital regulations (“Basel III”).

The Bank has selected a “Company with Board of Statutory Auditors” board model. This corporate governance framework aims to ensure appropriate managerial decision-making and business execution and to establish a governance framework with sufficient organizational checking functions. These are achieved by: 1) the consolidation of business execution authorities and responsibilities in the Board of Directors, the highest decision-making authority; and 2) assigning responsibility for auditing duties that include the auditing and monitoring of the Board of Directors, to statutory auditors and a Board of Statutory Auditors that are independent of business execution and the Board of Directors. The Bank has adopted an Executive Officer system in order to ensure flexible daily business execution. Under this system, as well as the leadership of executive directors including the CEO, executive officers and business group heads entrusted by the Board of Directors will execute their operations in an efficient manner. In addition, based on the Board of Directors’ approval, the Bank established an Executive Committee consisting of executive directors and executive officers who are group heads, with a view to achieving swift and efficient business administration. In fiscal year 2011, we improved the operation of this system in order to strengthen the checking function of the Executive Committee over the representative director and president, while deepening the involvement of the group head executive officers in the Bank’s management and revitalizing the organization as a whole.

The Shinsei Bank Group intends to further enhance our legal compliance by strengthening its compliance system while giving ample consideration to customer protection in line with the Financial Instruments and Exchange Law. While the Group has fully complied with J-SOX, the Group will continue to improve its internal control systems and reinforce its audit function. Furthermore, as a listed company, the Group will continue to endeavor to make timely, proper, and highly transparent disclosure for the benefit of investors.

Shinsei Bank would like to offer its sincere apologies to all customers affected by the system trouble which occurred on January 10, 2012, and which resulted in delays to the processing of a portion of outbound funds transfer transactions to other banks. The trouble occurred due a slowdown in our system processing capabilities caused by a flaw in the network configuration when the Bank transferred its Zengin domestic exchange remittance system from a center in Tokyo to one in Osaka. We have reviewed our network configuration and undertaken tests to ensure that the system operates at a sufficient speed. Going forward, we will take the utmost care to ensure that similar trouble does not occur, and we have now built a framework, centered on a system error headquarters, that will facilitate a rapid response in the event that any such system trouble does occur.

3. Revitalization plan targets

The Bank fell considerably short of its non-consolidated net income targets in its Plan for Restoring Sound Management (“Revitalization Plan”) for the business year ended in March 31, 2010, due mainly to proactively cleaning up risk assets focusing on domestic real estate. As a result, the Bank received a Business Improvement Order from the Financial Services Agency in June 2010 and in October 2010, we formulated a revised Revitalization Plan. As a result of pursuing business operations in line with the revised Revitalization Plan, the Bank recorded a net business profit of ¥32.1 billion and a net income of ¥13.8, both on a non-consolidated basis, in the fiscal year ended March 2012. While non-consolidated net business profit was above the target set in the Revitalization Plan, non-consolidated net income was just less than 10% below the figure in the Plan. As a bank receiving public funds, the Bank continues to make its utmost efforts to strengthen its governance framework, reinforce the earnings base of each of its operations, and make other improvements to its business such as the efficient management of expenses, in order to achieve the targets set in its Revitalization Plan.

Note

The description of item 3. does not refer to subsidiaries.

(2) Overview of Assets, Profit and Loss

i. Overview of Assets, Profit and Loss of the Group

	(Hundred millions of yen)			
	Fiscal 2008	Fiscal 2009	Fiscal 2010	Fiscal 2011
	(9th Fiscal Period)	(10th Fiscal Period)	(11th Fiscal Period)	(12th Fiscal Period)
Consolidated ordinary income	6,016	5,663	4,658	4,132
Consolidated ordinary profit (loss)	(1,633)	(726)	244	167
Consolidated net income (loss)	(1,430)	(1,401)	426	64
Consolidated total equity	7,674	6,349	6,111	6,276
Consolidated total assets	119,491	113,767	102,315	86,096

Notes

1. In the amount shown above, all figures have been truncated to the unit stated.
2. While the Group showed steady performance across all businesses, we recorded provisions of specific reserves for loan losses and made additional provisions for interest repayment in fiscal year 2011 in order to ensure stabilized earnings going forward. As a result, consolidated net income was ¥6.4 billion in fiscal year 2011, a decrease of ¥36.2 billion from fiscal year 2010 when non-recurring gains, such as gains on repurchases of preferred securities and subordinated debt were recorded.

ii. Overview of Assets, Profit and Loss of the Bank

	(Hundred millions of yen)			
	Fiscal 2008	Fiscal 2009	Fiscal 2010	Fiscal 2011
	(9th Fiscal Period)	(10th Fiscal Period)	(11th Fiscal Period)	(12th Fiscal Period)
Deposits	68,974	68,244	57,393	57,882
Time deposits	44,517	44,275	36,081	32,976
Other	24,457	23,969	21,311	24,905
Issuance of Debentures	6,767	4,875	3,525	2,968
Coupon debenture	6,767	4,875	3,525	2,968
Discount debenture	—	—	—	—
Corporate bonds	4,024	3,425	2,222	2,122
Loans and bills discounted	51,680	47,328	39,732	41,026
To individuals	8,683	8,907	9,211	9,561
To small- and medium-sized businesses	20,325	19,091	14,549	16,580
Other	22,671	19,329	15,971	14,884
Trading assets	3,260	2,110	1,828	1,566
Trading liabilities	3,160	1,766	1,443	1,276
Securities	26,260	36,745	37,017	22,866
Japanese national government bonds	12,042	23,615	24,625	12,851
Other	14,217	13,129	12,392	10,015
Total assets	107,134	104,885	92,580	78,744
Total equity	5,648	5,559	6,187	6,441
Domestic exchange transactions	320,737	306,443	279,869	208,650
	(Millions of dollars)	(Millions of dollars)	(Millions of dollars)	(Millions of dollars)
Foreign exchange transactions	11,090	7,421	9,524	12,432
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
Ordinary profits (loss)	(164,860)	(44,205)	7,968	18,119
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
Net income (loss)	(157,048)	(47,644)	11,170	13,894
	(yen)	(yen)	(yen)	(yen)
Net income (loss) per share	(79.96)	(24.26)	5.59	5.23

Note

1. In the amounts shown above, figures are truncated at the unit stated.
2. "Deposits" and "Deposits-Others" include negotiable certificates of deposits. For fiscal year 2011, the total amount of "Deposits" increased by ¥48.9 billion, as the amount of decrease in "Time deposits" was smaller while "Liquid deposits" in "Other" has increased.

3. During fiscal year 2011, there were no repurchases and cancellations of "Corporate bonds." The decrease in "Corporate bonds" is mainly due to translation differences related to foreign currency-denominated "Corporate bonds".
4. For fiscal year 2011, the balance of "Loans and bills discounted" increased by ¥129.4 billion as a result of promotion of lending to middle-market and small- and medium-sized businesses, alongside concurrent and continuous reduction of "Non-core assets".
5. For fiscal year 2011, the balance of "Securities" decreased largely by ¥1,415.1 billion, since the balance of "Japanese national government bonds" has declined to a level comparable with fiscal year 2008, and due to reduction of "Foreign securities" as part of efforts to reduce "Non-core assets".
6. In spite of the absence of profits on sale of Collateralized Bond Obligations, which had been recorded in fiscal year 2010, net income/loss was a gain of ¥13.8 billion in fiscal year 2011, representing an increase of ¥2.7 billion over the previous year, due to a slowdown in the decline in interest income and large decrease in net credit costs.

(3) Employees on consolidated basis

	End of this fiscal year	End of the previous fiscal year
	Number of employees	
Institutional Group		
Institutional Business Sub-Group	133	138
Structured Finance Sub-Group	131	134
Principal Transactions Sub-Group	146	154
Showa Leasing	508	511
Other Institutional Group	57	610
Global Markets Group		
Financial Institutions Sub-Group	53	60
Markets Sub-Group	58	53
Treasury Sub-Group	16	18
Other Global Markets Group	143	136
Individual Group		
Retail Banking Sub-Group	566	557
Consumer Finance Sub-Group		
Shinsei Financial	984	1,265
APLUS FINANCIAL	1,309	1,330
Other	47	47
Corporate / Other	679	705
Total	4,830	5,718

Note

1. These numbers include overseas local employees.
2. There has been a substantial reduction in "Other Institutional Group" due to the sale of a consolidated subsidiary, Specialized Loan Servicing LLC (a loan servicer with 569 employees as of March 31, 2011).

(4) Principal Offices of the Group

i. The Bank

1) Number of business offices

	End of this fiscal year (Annex)		End of the previous fiscal year (Annex)	
Hokkaido · Tohoku area.....	2	(–)	2	(–)
Kanto area.....	24	(7)	25	(7)
(Tokyo)	(14)	(2))	(15)	(2))
Chubu area.....	2	(–)	2	(–)
Kinki area	11	(6)	11	(6)
Chugoku · Shikoku · Kyushu area	3	(–)	3	(–)
Domestic total.....	42	(13)	43	(13)
Overseas	–	(–)	–	(–)
Grand total.....	42	(13)	43	(13)

Notes

ATMs located outside branches and unmanned branch for Lake business were installed at 110 locations and 787 locations, respectively at the end of this fiscal year.

2) Newly established business offices in this fiscal year

Name of office	Address
Head office- Urawa Annex	1-5-1, Takasago, Urawa-Ku, Saitama-shi, Saitama
Umeda Branch- Osaka shiten nai Annex	2-12-4, Sonezaki, Kita-ku, Osaka-shi, Osaka

3) List of agencies of the bank

None

4) Agent activities operated by the Bank

None

ii. Subsidiaries

1) Institutional Group

Main company name and the main office

Company name	Name of office	Address
Shinsei Trust & Banking Co., Ltd.	Head office	4-3, Nihonbashi-Muromachi 2-chome, Chuo-ku, Tokyo
Shinsei Servicing Company	Head office	4-3, Nihonbashi-Muromachi 2-chome, Chuo-ku, Tokyo
Showa Leasing Co., Ltd.	Head office	4-14, Koraku 1-chome, Bunkyo-ku, Tokyo

2) Global Markets Group

Main company name and the main office

Company name	Name of office	Address
Shinsei Securities Co., Ltd.	Head office	4-3, Nihonbashi-Muromachi 2-chome, Chuo-ku, Tokyo
Shinsei Investment Management Co., Ltd.	Head office	4-3, Nihonbashi-Muromachi 2-chome, Chuo-ku, Tokyo

3) Individual Group

Main company name and the main office

Company name	Name of office	Address
Shinsei Financial Co., Ltd.	Head office	7-7, Kajicho 1-chome, Chiyoda-ku, Tokyo
Shinki Co., Ltd.	Head office	1-1, Higashi-ikebukuro 3-chome, Toshima-ku, Tokyo
APLUS FINANCIAL Co.,Ltd.	Tokyo Head office	4-1, Shin-ogawa-machi, Shinjuku-ku, Tokyo

(5) Facility Investment of the Group

i. Total facility investment

<u>Business segment</u>	<u>(Millions of yen)</u> <u>Amount</u>
Shinsei Bank (Note)	5,976
Subsidiaries	
Institutional Group.....	1,295
Global Markets Group.....	26
Individual Group	5,347
Corporate/Other	0
Total	12,646

Note

1. In the amount shown above, all figures have been truncated to the unit stated.
2. This amount is the total amount invested in each business segment on a non-consolidated basis.

ii. New establishment of important facilities

None

(6) Significant Parent Company and Subsidiaries

i. Parent Company

None

ii. Subsidiaries

<u>Name</u>	<u>Address</u>	<u>Major business</u>	<u>Establishment date</u>	<u>Capital (million)</u>	<u>Shinsei's Voting Shareholding Ratio (%)</u>	<u>Other</u>
APLUS FINANCIAL Co., Ltd.	Osaka City Osaka	Consumer credit business	October 6, 1956	¥15,000	95.06 (91.50)	—
Showa Leasing Co., Ltd.	Bunkyo-ku, Tokyo	Leasing business	April 2, 1969	¥29,360	97.02	—
Shinki Co., Ltd.	Toshima-ku, Tokyo	Consumer finance business	December 1, 1954	¥24,119	100.00 (100.00)	—
Shinsei Financial Co., Ltd.	Chiyoda-ku, Tokyo	Consumer finance business	June 3, 1991	¥91,518	100.00	—
Shinsei Trust & Banking Co., Ltd.	Chuo-ku, Tokyo	Trust business	November 27, 1996	¥5,000	100.00	—
Shinsei Securities Co., Ltd.	Chuo-ku, Tokyo	Securities business	August 11, 1997	¥8,750	100.00	—

Notes

1. Fractions smaller than one million yen have been omitted.

2. Numbers included in parentheses in the "Shinsei's Voting Shareholding Ratio" column indicate indirect holdings.

3. Shinsei has 133 consolidated subsidiaries, including the major subsidiaries listed above, as well as 15 affiliated companies that are accounted for under the equity method.

Summary of Important Business Alliances

1. The Bank offers automated cash withdrawal services through the mutual use of ATMs under alliance relationships with the following financial institutions:

Commercial banks:

The Bank of Tokyo-Mitsubishi UFJ, Ltd.; Mizuho Bank, Ltd.; Sumitomo Mitsui Banking Corporation; Resona Bank, Ltd.; and Saitama Resona Bank, Ltd.

Trust and banking companies:

Sumitomo Mitsui Trust Bank, Limited; Mitsubishi UFJ Trust and Banking Corporation; and Mizuho Trust & Banking Co., Ltd.

Others:

The Shoko Chukin Bank, Ltd., Aozora Bank, Ltd., and Miura Fujisawa Shinkin

2. The Bank offers cash withdrawal and depository services, and mutual fund transfer services through the mutual use of ATMs under an alliance with Japan Post Bank Co., Ltd.
3. The Bank offers cash withdrawal and depository services through the use of ATMs installed primarily in convenience stores, and managing joint ATM corners under an alliance with Seven Bank, Ltd.
4. The Bank offers automated cash withdrawal services through ATMs located in railway and subway

stations under contracts with the following railway companies:

Tokyo Metro Co., Ltd.; Kintetsu Corporation.

In addition, the Bank has installed ATMs at JR Nagoya station, JR Kyoto station, and JR Mitaka station, and offers automated cash withdrawal services.

5. The Bank offers automated local currency cash withdrawal services through overseas ATMs in the PLUS network under alliance relationships with Visa International.
6. The Bank has an alliance with APLUS Co., Ltd., a consolidated subsidiary, and has been processing applications for the Shinsei APLUS Card and the Shinsei APLUS Gold Card, a credit card issued by APLUS Co., Ltd. since April 2012 (and ceased processing applications for the Shinsei Visa Card which was the object of a similar alliance with APLUS Co., Ltd.).
The Bank has also entered into a contract with APLUS Co., Ltd., whereby APLUS Co., Ltd. acts a guarantor for loans made through the Bank's SmartCard Loan Service, which began in June 2008 (and for which new applications are currently not accepted).
7. The Bank entered into a contract with Shinsei Financial Co., Ltd, a consolidated subsidiary, which acts as a guarantor for the unsecured personal card loan service ("Shinsei Bank Card Loan – Lake") which started from October 2011.
8. The Bank has an Operational Alliance Agreement with The Towa Bank, Ltd.
9. The Bank has signed a business alliance on broad business cooperation regarding business matching, loans, trade finance, advisory services, and provision of financial instruments with Baoviet Holdings, a Vietnamese financial holding company.
10. The Bank has signed a memorandum of understanding on a business alliance with YES BANK, Limited, an Indian commercial bank, aimed strengthening collaborative relationship in the Japan-India cross-border M&A business.
11. The Bank has signed a memorandum of understanding on broad business cooperation regarding business matching, loans, trade finance, advisory services, and provision of financial instruments with Jin Sun Financial Holdings Co., Ltd which is a Taiwanese equity-method affiliate of the Bank.

(7) State of Business Transfer, etc.

i. Significant Business Transfer, Merger and Splitting, New Establishment and Splitting

None

ii. Transfer of Business from Other Companies

The Bank took over a portion of the unsecured personal loan business of consolidated subsidiary Shinsei Financial Co., Ltd ("Shinsei Financial"), effective October 1, 2011. Specifically, in order to provide customers with unsecured personal card loan services ("Shinsei Bank Card Loan –Lake") utilizing the "Lake" brand directly, and to contribute to the development of a sound unsecured personal loan market, as a leading company in this area, the Bank acquired the Lake brand, the entire network of unmanned branches and automated contract machines (ACM) and ATMs, and a part of other assets and liabilities necessary for personal loan business (except all claims and obligations related to the loan contracts which were concluded by "Shinsei

Financial” (including excess interest repayment liabilities) and status on the contracts).

iii. Stock, Other Equities or Stock Acquisition (or Disposal) Rights of Other Companies

None

iv. Material Succession of Rights and Obligations regarding Other Corporations’ Businesses through Merger or Company Split

None

(8) Other Important Items Regarding the Current State of the Group

None

2. Matters Concerning Corporate Directors and Statutory Auditors

(1) Corporate Directors and Statutory Auditors

(As of March 31, 2012)

<u>Name</u>	<u>Position/Responsibilities</u>	<u>Important Concurrent Post</u>	<u>Others</u>
Shigeki Toma	Representative Director, President and CEO	—	—
Yukio Nakamura	Representative Director	—	—
J. Christopher Flowers	Director (Outside)	Chairman, J. C. Flowers & Co. LLC Member of the Advisory Board, The Kessler Group Chairman and Director, Flowers National Bank	—
Shigeru Kani	Director (Outside)	Professor, Yokohama College of Commerce	—
Jun Makihara	Director (Outside)	Chairman of the Board, Neoteny Co., Ltd. Outside Director, RHJ International Outside Director, Monex Group, Inc.	—
Hiroyuki Takahashi	Director (Outside)	Outside Statutory Auditor, Panasonic Corporation Outside Statutory Auditor, Kyowa Hakko Kirin Co., Ltd.	—
Satoshi Suzuki	Standing Statutory Auditor	—	Appointed on March 1, 2012
Akira Kagiichi	Standing Statutory Auditor	—	Resigned on February 29, 2012
Kozue Shiga	Statutory Auditor (Outside)	Lawyer Outside Statutory Auditor, Nipponkoa Insurance Company, Limited Outside Statutory Auditor, FX Prime Corporation Outside Statutory Auditor, Tokushu Tokai Paper, Co., Ltd. Outside Director, Toyoko Inn Co., Ltd.	—
Tatsuya Tamura	Statutory Auditor (Outside)	President, Global Management Institute Inc. Chairman, Japan Corporate Governance Network Outside Director, Autobacs Seven Co., Ltd.	—

Notes

1. Statutory Auditor Akira Watanabe resigned at the end of the Annual Meeting of Shareholders for the 11th term held on June 22, 2011.
2. Statutory Auditor Satoshi Suzuki was appointed as a Substitute Statutory Auditor as a substitute for our Statutory Auditor who is not an Outside Statutory Auditor at the Annual Meeting of Shareholders for the 11th term held on June 22, 2011 and was appointed as Statutory Auditor due to the resignation of Mr. Akira Kagiichi, and was elected as Standing Statutory Auditor at the Board of Statutory Auditors held on March 16, 2012.
3. Outside Directors Shigeru Kani, Jun Makihara, and Hiroyuki Takahashi, and Outside Statutory Auditors Kozue Shiga and Tatsuya Tamura submitted an “independent director statement” (*dokuritsu-yakuin todokede-sho*) to the Tokyo Stock Exchange, Inc.
4. The Bank has adopted the Executive Officer system. As of March 31, 2012, there were 18 Executive Officers including those who also serve as Directors.

(2) Compensation for Corporate Directors and Officers

Total Amount of Compensation, etc. for Corporate Directors and Officers for this Fiscal Year

Classification	Number	Compensation, etc.	Remarks
Directors	7 (Of whom 1 has already retired)	¥131 million (including 0 million yen for payments other than remuneration)	
Statutory Auditors	5 (Of whom 2 have already retired)	¥40 million (including - million yen for payments other than remuneration)	
Total	12 (Of whom 3 have already retired)	¥171 million (including 0 million yen for payments other than remuneration)	

Notes

1. In the amount shown above, all figures have been truncated to the unit stated.
2. The above-mentioned "0 million yen other than compensation" includes expenses related to equity-linked allowance which was paid as consideration for execution of duties in the past fiscal year. These amounts were expensed in this fiscal year.
3. In the above categories, two Directors also work as Executive Officers.
4. The Bank does not pay performance-linked compensation to its Directors.
5. The Bank did not pay retirement allowance to its Directors or Statutory Auditors during this fiscal year.
6. The 10th General Meeting of Shareholders held on June 23, 2010 adopted a resolution to set ceilings for the total amount of compensation, etc. paid to Directors at 180 million yen a year (including 50 million yen for outside Directors) and for the total amount of compensation, etc. paid to Statutory Auditors at 60 million yen a year. However, these amounts do not include salaries payable to Directors as the Bank's employees when they also work as the Bank's employees. For the Director who also works as Executive Officer, 5 million yen a year was paid as an Executive Officer bonus.

3. Matters concerning Outside Directors and Outside Statutory Auditors

(1) Concurrent Posts and Other Details of Outside Directors and Outside Statutory Auditors

Name	Concurrent Posts and Other Details	Relationship between the Bank and the company in question
J. Christopher Flowers	Chairman (Executive Officer), J. C. Flowers & Co. LLC	Investors in private investment funds advised by J.C. Flowers & Co. LLC (JCF) are also investors in Shinsei through certain of the Bank's major shareholders that are also advised by JCF. The Bank has invested in private investment funds advised by JCF. The Bank and JCF have an advisory arrangement regarding one of JCF's private investment funds.
	Member of the Advisory Board, The Kessler Group	The Bank has no particular transaction with The Kessler Group including shareholdings, etc.
	Chairman and Director, Flowers National Bank	The Bank has no particular transaction with Flowers National Bank including shareholdings, etc.
Shigeru Kani	Professor, Yokohama College of Commerce	The Bank has no particular transaction with Yokohama College of Commerce including shareholdings, etc.
Jun Makihara	Chairman of the Board (Executive Officer), Neoteny Co., Ltd.	The Bank has no particular transaction with Neoteny Co., Ltd. including shareholdings, etc.
	Outside Director, RHJ International	The Bank has no particular transaction with RHJ International including shareholdings, etc.
	Outside Director, Monex Group, Inc.	The Bank extends loans to Monex Group, Inc. The Bank has no other relationship, including shareholdings, etc.
Hiroyuki Takahashi	Outside Statutory Auditor, Panasonic Corporation	The Bank has no particular transaction with Panasonic Corporation including shareholdings, etc.
	Outside Statutory Auditor, Kyowa Hakko Kirin Co., Ltd.	The Bank has no particular transaction with Kyowa Hakko Kirin Co., Ltd. including shareholdings, etc.

Name	Concurrent Posts and Other Details	Relationship between the Bank and the company in question
Kozue Shiga	Outside Statutory Auditor, Nipponkoa Insurance Company, Limited	Nipponkoa Insurance Company, Limited owns a certain financial product of the Bank.
	Outside Statutory Auditor, FX Prime Corporation	The Bank has no particular transaction with FX Prime Corporation including shareholdings, etc.
	Outside Statutory Auditor, Tokushu Tokai Paper, Co., Ltd.	The Bank has no particular transaction with Tokushu Tokai Paper, Co., Ltd. including shareholdings, etc.
	Outside Director, Toyoko Inn Co., Ltd.	The Bank has no particular transaction with Toyoko Inn, Co., Ltd. including shareholdings, etc.
Tatsuya Tamura	President (Executive Officer), Global Management Institute Inc.	The Bank has no particular transaction with Global Management Institute Inc including shareholdings, etc.
	Chairman (Executive Officer), Japan Corporate Governance Network	The Bank has no particular transaction with Japan Corporate Governance Network including shareholdings, etc.
	Outside Director, Autobacs Seven Co., Ltd.	The Bank has no particular transaction with Autobacs Seven Co., Ltd. including shareholdings, etc.

(2) Major Activities of Outside Directors and Outside Statutory Auditors

Name	Term of Office	Participation in Meetings of Board of Directors etc.	Remarks at Meetings of Board of Directors and Other Activities
J. Christopher Flowers	11 years as an Outside Director and 1 year as a Director (Non-executive)	Participated in six out of seven meetings of the Board of Directors held during this fiscal year	Provided timely and necessary remarks and advice on general agenda items and deliberations based on his wide-ranging financial knowledge.
Shigeru Kani	7 years 9 months	Participated in all seven meetings of the Board of Directors held during this fiscal year	Provided timely and necessary remarks and advice on agenda items and deliberations in terms of risk management – his specialty.
Jun Makihara	9 months	Participated in all five meetings of the Board of Directors held during this fiscal year after assuming office in June 2011	Provided timely and necessary remarks and advice on general agenda items based on his wide-ranging financial knowledge.
Hiroyuki Takahashi	5 years 9 months	Participated in all seven meetings of the Board of Directors held during this fiscal year	Provided necessary remarks and advice on general agenda items and deliberations with extensive professional experience including experience as an auditor of other companies.
Kozue Shiga	1 year 9 months	Participated in all seven meetings of the Board of Directors and all thirteen meetings of the Board of Statutory Auditors held during this fiscal year	Provided necessary remarks and advice on agenda items and deliberations mainly from her special viewpoint as a lawyer and experienced outside auditor and director of other companies.
Tatsuya Tamura	1 year 9 months	Participated in all seven meetings of the Board of Directors and all thirteen meetings of the Board of Statutory Auditors held during this fiscal year	Provided necessary remarks and advice on general agenda items and deliberations with extensive professional experience including experience as a director of other companies.

(3) Agreement for Limitation on Liability

Name	Overview of Contents of Agreement for Limitation on Liability
J. Christopher Flowers Shigeru Kani Jun Makihara Hiroyuki Takahashi Kozue Shiga Tatsuya Tamura	The Outside Directors and the Outside Statutory Auditors' liability for any damage caused through neglect of their duties and responsibilities shall be limited under Article 427, Paragraph 1 of the Corporation Act. If the Bank suffers damage as a result of such neglect, the Outside Directors and the Outside Statutory Auditors shall be liable up to the lowest maximum liability provided for in Article 425, Paragraph 1 of the Corporation Act, provided that there should be no willful misconduct or gross negligence involved in their duties and responsibilities.

(4) Compensation for Outside Directors and Outside Statutory Auditors

	Number	Compensation received from the Bank	Compensation received from the Bank's parent company
Total compensation for outside directors and outside statutory auditors	7 persons (1 of them have already retired)	56 million yen (0 million yen of this amount is other than compensation)	—

Notes

1. In the amount shown above, all figures have been truncated to the unit stated.
2. The above-mentioned "0 million yen other than compensation" includes expenses related to equity-linked allowance which was paid as consideration for execution of duties in the past fiscal year. These amounts were expensed in this fiscal year.

(5) Opinions from Outside Directors and Outside Statutory Auditors

None

4. Matters concerning Common Shares of the Bank

(1) The Number of Shares

- Aggregate number of shares authorized to be issued
4,000,000,000
- Aggregate number of shares issued
2,750,346,000

Note

The number of shares shown has been rounded down to the nearest thousand (same as in the Notes below).

(2) The Number of Shareholders at the End of the Fiscal Year 2011

50,188

(3) Major Shareholders

Shareholder's name	Investment in the Bank	
	Number of common shares	Shareholding percentage
SATURN IV SUB LP (JPMCB 380111)	399,676,000	15.05%
Deposit Insurance Corporation of Japan	269,128,000	10.14%
THE RESOLUTION AND COLLECTION CORPORATION	200,000,000	7.53%
SATURN JAPAN III SUB C.V. (JPMCB 380113)	110,449,000	4.16%
UBS SECURITIES LLC-HFS CUSTOMER SEGREGATED ACCOUNT	90,540,000	3.41%
THE MASTER TRUST BANK OF JAPAN, LTD. (TRUST ACCOUNT)	80,090,000	3.01%
GOLDMAN, SACHS & CO. REG	78,858,000	2.97%
ASTYANAX CORPORATION 380098	76,742,000	2.89%
SSBT OD05 OMNIBUS ACCOUNT - TREATY CLIENTS	61,880,000	2.33%
JAPAN TRUSTEE SERVICE BANK,LTD. (TRUST ACCOUNT)	56,507,000	2.12%

Notes

1. *The number of common shares shown has been rounded down to the nearest thousand.*
2. *Percentages of investment have been calculated by deducting the treasury shares (96,427,000 shares) from the denominator and rounding down to the second decimal place.*
3. *The Bank has been notified that the shares under the name "ASTYANAX CORPORATION 380098" are substantially held by Mr. J. Christopher Flowers, a director of the Bank.*

5. Stock Acquisition Rights of the Bank

(1) Stock acquisition rights of the Bank owned by the directors, outside directors, and statutory auditors of the Bank as of the end of the fiscal year ended March 31, 2012.

	1st Issuance of Stock Acquisition Rights	5th Issuance of Stock Acquisition Rights
Date of resolution at Board of Directors meeting	June 24, 2004	June 24, 2005
Issue date	July 1, 2004	June 27, 2005
Number of stock acquisition rights issued	9,455	4,826
Holdings by Directors (excluding Outside Directors)	21 / 1 person	4 / 1 person
Holdings by Outside Directors and Outside Statutory Auditors	-	50 / 2 persons
Holdings by Standing Statutory Auditor	-	-
Class and number of shares that can be purchased through the exercise of stock acquisition rights	Common stock/ 4,913,000 shares (1,000 shares per stock acquisition right)	Common stock/ 2,219,000 shares (1,000 shares per stock acquisition right)
Per-share amount to be paid upon exercise of stock acquisition rights	¥684	¥601
Exercise period of stock acquisition rights	From July 1, 2006 to June 23, 2014	From July 1, 2007 to June 23, 2015
Conditions for exercising stock acquisition rights	<p>1) In case a Stock Acquisition Rights holder dies and his or her legal heir completes the succession procedures within a term fixed by the Bank, Stock Acquisition Rights may be inherited by the legal heir of the Stock Acquisition Rights holder.</p> <p>2) Holders may exercise up to half of their rights between July 1, 2006 and June 30, 2007 (any amount less than one shall be rounded up).</p> <p>3) Stock Acquisition Rights may not be pledged as collateral or disposed of in any other way.</p> <p>4) Other conditions shall be stipulated in the "Agreement on the granting of Stock Acquisition Rights" between the Bank and Stock Acquisition Rights holders based on resolutions of the annual general meeting of shareholders for the fourth term and the Board of Directors meeting held on the day shown above.</p>	<p>1) In case a Stock Acquisition Rights holder dies and his or her legal heir completes the succession procedures within a term fixed by the Bank, Stock Acquisition Rights may be inherited by the legal heir of the Stock Acquisition Rights holder.</p> <p>2) In principle, holders may exercise up to half of these rights between July 1, 2007 and June 30, 2008 (any amount less than one shall be rounded up). However, in certain cases as stipulated in the "Agreement on the granting of Stock Acquisition Rights," all stock acquisition rights may be exercised from the first day of the exercise period.</p> <p>3) Stock Acquisition Rights may not be pledged as collateral or disposed of in any other way.</p> <p>4) Other conditions shall be stipulated in the "Agreement on the granting of Stock Acquisition Rights" between the Bank and Stock Acquisition Rights holders based on resolutions of the annual general meeting of shareholders for the fifth term and the Board of Directors meeting held on the day shown above.</p>
Favorable terms	Stock Acquisition Rights that have been issued without charge.	

	7th Issuance of Stock Acquisition Rights	13th Issuance of Stock Acquisition Rights
Date of resolution at Board of Directors meeting	June 24, 2005	May 23, 2006
Issue date	June 27, 2005	May 25, 2006
Number of stock acquisition rights issued	1,255	5,342
Holdings by Directors (excluding Outside Directors)	2 / 1 person	4 / 1 person
Holdings by Outside Directors and Outside Statutory Auditors	-	50 / 2 persons
Holdings by Standing Statutory Auditor	-	-
Class and number of shares that can be purchased through the exercise of stock acquisition rights	Common stock/ 474,000 shares (1,000 shares per stock acquisition right)	Common stock/ 2,236,000 shares (1,000 shares per stock acquisition right)
Per-share amount to be paid upon exercise of stock acquisition rights	¥601	¥825
Exercise period of stock acquisition rights	From July 1, 2007 to June 23, 2015	From July 1, 2008 to June 23, 2015
Conditions for exercising stock acquisition rights	<p>1) In case a Stock Acquisition Rights holder dies and his or her legal heir completes the succession procedures within a term fixed by the Bank, Stock Acquisition Rights may be inherited by the legal heir of the Stock Acquisition Rights holder.</p> <p>2) In principle, holders may exercise their rights after July 1, 2008. They may exercise up to half of these rights between July 1, 2008 and June 30, 2010 (any amount less than one shall be rounded up). However, in certain cases as stipulated in the "Agreement on the granting of Stock Acquisition Rights," all stock acquisition rights may be exercised from the first day of the exercise period.</p> <p>3) Stock Acquisition Rights may not be pledged as collateral or disposed of in any other way.</p> <p>4) Other conditions shall be stipulated in the "Agreement on the granting of Stock Acquisition Rights" between the Bank and Stock Acquisition Rights holders based on resolutions of the annual general meeting of shareholders for the fifth term and the Board of Directors meeting held on the day shown above.</p>	<p>1) In case a Stock Acquisition Rights holder dies and his or her legal heir completes the succession procedures within a term fixed by the Bank, Stock Acquisition Rights may be inherited by the legal heir of the Stock Acquisition Rights holder.</p> <p>2) In principle, holders may exercise up to half of these rights between June 1, 2008 and May 31, 2009 (any amount less than one shall be rounded up). However, in certain cases as stipulated in the "Agreement on the granting of Stock Acquisition Rights," all stock acquisition rights may be exercised from the first day of the exercise period.</p> <p>3) Stock Acquisition Rights may not be pledged as collateral or disposed of in any other way.</p> <p>4) Other conditions shall be stipulated in the "Agreement on the granting of Stock Acquisition Rights" between the Bank and Stock Acquisition Rights holders based on resolutions of the annual general meeting of shareholders for the fifth term and the Board of Directors meeting held on the day shown above.</p>
Favorable terms	Stock Acquisition Rights that have been issued without charge.	

	15th Issuance of Stock Acquisition Rights	17th Issuance of Stock Acquisition Rights
Date of resolution at Board of Directors meeting	May 23, 2006	May 9, 2007
Issue date	May 25, 2006	May 25, 2007
Number of stock acquisition rights issued	1,439	3,306
Holdings by Directors (excluding Outside Directors)	2 / 1 person	-
Holdings by Outside Directors and Outside Statutory Auditors	-	30 / 3 persons
Holdings by Standing Statutory Auditor	-	-
Class and number of shares that can be purchased through the exercise of stock acquisition rights	Common stock/ 512,000 shares (1,000 shares per stock acquisition right)	Common stock/ 1,339,000 shares (1,000 shares per stock acquisition right)
Per-share amount to be paid upon exercise of stock acquisition rights	¥825	¥555
Exercise period of stock acquisition rights	From June 1, 2008 to June 23, 2015	From June 1, 2009 to May 8, 2017
Conditions for exercising stock acquisition rights	<p>1) In case a Stock Acquisition Rights holder dies and his or her legal heir completes the succession procedures within a term fixed by the Bank, Stock Acquisition Rights may be inherited by the legal heir of the Stock Acquisition Rights holder.</p> <p>2) In principle, holders may exercise their rights after June 1, 2009. They may exercise up to half of these rights between June 1, 2009 and May 31, 2011 (any amount less than one shall be rounded up). However, in certain cases as stipulated in the "Agreement on the granting of Stock Acquisition Rights," all stock acquisition rights may be exercised from the first day of the exercise period.</p> <p>3) Stock Acquisition Rights may not be pledged as collateral or disposed of in any other way.</p> <p>4) Other conditions shall be stipulated in the "Agreement on the granting of Stock Acquisition Rights" between the Bank and Stock Acquisition Rights holders based on resolutions of the annual general meeting of shareholders for the fifth term and the Board of Directors meeting held on the day shown above.</p>	<p>1) In case a Stock Acquisition Rights holder dies and his or her legal heir completes the succession procedures within a term fixed by the Bank, Stock Acquisition Rights may be inherited by the legal heir of the Stock Acquisition Rights holder.</p> <p>2) In principle, holders may exercise up to half of these rights between June 1, 2009 and May 31, 2011 (any amount less than one shall be rounded up). However, in certain cases as stipulated in the "Agreement on the granting of Stock Acquisition Rights," all stock acquisition rights may be exercised from the first day of the exercise period.</p> <p>3) Stock Acquisition Rights may not be pledged as collateral or disposed of in any other way.</p> <p>4) Other conditions shall be stipulated in the "Agreement on the granting of Stock Acquisition Rights" between the Bank and Stock Acquisition Rights holders based on resolutions of the annual general meeting of shareholders for the sixth term and the Board of Directors meeting held on the day shown above.</p>
Favorable terms	Stock Acquisition Rights that have been issued without charge.	

	20th Issuance of Stock Acquisition Rights
Date of resolution at Board of Directors meeting	May 14, 2008
Issue date	May 30, 2008
Number of stock acquisition rights issued	2,830
Holdings by Directors (excluding Outside Directors)	-
Holdings by Outside Directors and Outside Statutory Auditors	30 / 3 persons
Holdings by Standing Statutory Auditor	-
Class and number of shares that can be purchased through the exercise of stock acquisition rights	Common stock/ 1,228,000 shares (1,000 shares per stock acquisition right)
Per-share amount to be paid upon exercise of stock acquisition rights	¥416
Exercise period of stock acquisition rights	From June 1, 2010 to May 13, 2018
Conditions for exercising stock acquisition rights	<p>1) In case a Stock Acquisition Rights holder dies and his or her legal heir completes the succession procedures within a term fixed by the Bank, Stock Acquisition Rights may be inherited by the legal heir of the Stock Acquisition Rights holder.</p> <p>2) In principle, holders may exercise up to half of these rights between June 1, 2010 and May 31, 2012 (any amount less than one shall be rounded up). However, in certain cases as stipulated in the "Agreement on the granting of Stock Acquisition Rights," all stock acquisition rights may be exercised from the first day of the exercise period.</p> <p>3) Stock Acquisition Rights may not be pledged as collateral or disposed of in any other way.</p> <p>4) Other conditions shall be stipulated in the "Agreement on the granting of Stock Acquisition Rights" between the Bank and Stock Acquisition Rights holders based on resolutions of the annual general meeting of shareholders for the seventh term and the Board of Directors meeting held on the day shown above.</p>
Favorable terms	Stock Acquisition Rights that have been issued without charge.

(2) Stock Acquisition Rights of the Bank issued to employees, etc. during the fiscal year ended March 31, 2012

None

6. Matters concerning the Bank's Independent Accounting Auditor

(1) The Bank's Independent Accounting Auditor

Name	Fees for This Fiscal Year (millions of yen)		Others
Deloitte	Audit certification business	387	Business other than audit certification business includes research and reporting on internal control systems for capital adequacy ratios.
Touche Tohmatsu LLC	Business other than audit certification business	38	
	Total fees	425	

Notes

1. Seno Tezuka, Masahiro Ishizuka and Shigehiko Matsumoto are managing partners.
2. The audit certification business is the business that falls under Article 2, Paragraph 1 of the Certified Public Accountant Law.
3. Compensation for independent accounting auditors of the Bank and the consolidated subsidiaries of the Bank for this fiscal year is as follows.

Fees for This Fiscal Year (millions of yen)		
	Audit certification business	736
	Business other than audit certification business	43
Total fees		779

(2) Agreement for Limitation on Liability

None

(3) Other Matters Concerning the Bank's Independent Accounting Auditor

- i) Policy to determine dismissal or non-reassignment of independent accounting auditor
The Board of Statutory Auditors has a policy to discuss the dismissal or non-reassignment of the independent accounting auditor if it falls under any of the provisions in each item of Article 340, Paragraph 1 of the Corporation Act.
In addition, the Board of Directors' policy is to submit the agenda regarding the dismissal or non-reassignment of the independent accounting auditor to the General Meeting of Shareholder's based on a consent or upon request of the Board of Statutory Auditors, if it is determined that the independent accounting auditor can not exercise its duties properly or as otherwise demanded necessary.
- ii) Policy concerning exercise of authorities granted to the Board of Directors in accordance with the provisions of the Articles of Incorporation under the provision of Article 459, Paragraph 1 of the Corporation Act.

We plan to exercise the authorities granted to the Board of Directors in accordance with Article 36 of our Articles of Incorporation under the provision of Article 459, Paragraph 1 of the Corporation Act from the viewpoint of flexible and agile capital policy implementation, taking into consideration the soundness, stability and efficiency of finance.

7. Basic Policy for Persons Who Determine Financial and Business Policies

None

8. Systems to Ensure Business Relevance

As for the systems to ensure business relevance (internal control systems) to be resolved by the Board of Directors in accordance with Article 362, Paragraph 4, Item 6 of the Corporation Act and Article 100, Paragraphs 1 and 3 of the Enforcement Regulations of the Corporation Act, we provide for those matters in detail mainly in the "Internal Control Rules" and their related rules pursuant to the Board of Directors' resolutions. The executive directors and executive officers are required to establish and operate the internal control system for their respective businesses, and all the executive directors, executive officers and employees are required to follow them. The status of our internal control systems is verified and the policy of building adequate internal control systems is resolved regularly at the Board of Directors. The outline of the system is as follows.

- (1) Systems to ensure that directors and employees perform their duties and responsibilities in conformity with the applicable laws, ordinances, regulations and the Articles of Incorporation (Article 362, Paragraph 4,

Item 6 of the Corporation Act; Article 100, Paragraph 1, Item 4 of the Enforcement Regulations of the Corporation Act)

We have established the “Shinsei Bank Code of Conduct” as a base for systems to ensure that the directors and employees perform their duties and responsibilities in conformity with applicable laws, ordinances, regulations, and the Articles of Incorporation, and all directors and employees must comply with it.

The “Shinsei Bank Code of Conduct” stipulates that anyone breaching laws, regulations, or internal rules could be subject to disciplinary action including dismissal, and directors and employees are required to promptly report any breaches of laws, regulations, or internal rules. In addition, all the directors and employees are required to regularly pledge and affirm in writing that they understand and comply with the Code of Conduct. Actions of directors and employees have been regulated in detail in the individual internal rules as required under the Code of Conduct.

(2) Systems for retention and management of information regarding the execution of the duties and responsibilities of directors (Article 100, Paragraph 1, Item 1 of the Enforcement Regulations of the Corporation Act)

We must retain and manage the information regarding the performance by the directors of their duties and responsibilities with the due care required for each type of storage media so that it is not divulged, and we must also provide it to the statutory auditors from time to time upon request. In addition, we must manage information regarding the performance of the duties and responsibilities of the directors and employees pursuant to the “Information Security Policy” established by the Bank.

The objectives of the “Information Security Policy” are to recognize information as an important asset, and appropriately manage and protect information assets. In addition, we define information security as appropriately managing information assets based on their characteristics and ensuring and maintaining their confidentiality, completeness, and usability, and the purpose of the “Information Security Policy” is to realize information security described above. The Policy stipulates the legal compliance, granting of access authorities based on the principle of minimal disclosure, establishment and operation of the required systems, classification and management of information assets, and implementation of education and training, etc.

(3) Risk of loss management regulations and other systems (Article 100, Paragraph 1, Item 2 of the Enforcement Regulations of the Corporation Act)

The “Shinsei Bank Risk Management Policy” has been prescribed as the basis for risk of loss management, and we have constructed the risk management system based on the Policy.

The basic policy for monitoring the total risks held by the Bank and the Bank Group and actively managing them has been determined in the “Shinsei Bank Risk Management Policy,” and the system for the risk control is based on the integration of the “macro approach” (distribution and evaluation of capital and resources by the management organization) and the “standardized operation management framework” (a progressively decentralized transaction approval process). The Policy stipulates as the specific “operation management framework” 1) risk classifications including credit risks, market risks, liquidity risks, operational risks, and investment risks, 2) formation, objectives, missions, and functions of various committee organizations responding to risks including the Risk Policy Committee, Transaction Approval Committee, Credit Committee, Doubtful Debt Committee, ALM Committee, Market Business Management Committee, and New Business and Product Committee and 3) functions, roles and responsibilities of the Risk Management Group.

- (4) Systems to ensure that the directors efficiently perform their duties and responsibilities (Article 100, Paragraph 1, Item 3 of the Enforcement Regulations of the Corporation Act)

Executive directors and executive officers are to perform their daily duties and responsibilities in accordance with the “Regulations of Business Execution”.

The “Regulations of Business Execution” provide for basic matters to ensure the efficient execution of the duties and responsibilities of the executive directors and executive officers including the legal compliance, duty of care of a good manager and duty of loyalty, duty not to compete, prohibition of actions in conflict of interest, duty of reporting to the Board of Directors, responsive actions to be taken if significant damage is likely to be caused to the Bank, storage and management of information for the execution of duties and responsibilities, duties and authorities and the selection and dismissal of them.

- (5) Systems to ensure business relevance of the corporate group consisting of a stock corporation, its parent company, and subsidiaries (Article 100, Paragraph 1, Item 5 of the Enforcement Regulations of the Corporation Act)

To ensure our business operations are consistent with our overall management policies, business plans, and risk and compliance control, we have determined the division in charge of each subsidiary and affiliated company, and established systems in which the divisions in charge of subsidiaries instruct and manage the overall management of each subsidiary and affiliated company. In addition, we conduct the management instruction and control of our subsidiaries and affiliated companies in accordance with our “Subsidiaries and Affiliates Policy.”

The objective of the “Subsidiaries and Affiliates Policy” is to maximize our group value clarifying the following three responsibilities with respect to the management of subsidiaries and affiliated companies; 1) supporting and guiding the subsidiaries and affiliated companies in their autonomous management, while ensuring that their initiatives are consistent with the Bank's strategy and goals as a whole, 2) assisting the subsidiaries and affiliated companies in managing risks and their operations, in line with the Bank's standards, 3) ensuring that the subsidiaries and affiliated companies comply with various rules (including firewall rules) and maintain their reputation and appropriate internal controls. The Policy provides for the management instruction and control of the subsidiaries and affiliated companies including the roles and responsibilities of the divisions in charge of subsidiaries and affiliated companies and other related divisions of the Bank, responsibilities of subsidiaries and affiliated companies, responsibilities of our directors and employees involved with our subsidiaries and affiliated companies, and other responsibilities of our directors and employees.

- (6) Matters concerning employees with the duties and responsibilities to support the statutory auditors (Article 100, Paragraph 3, Item 1 of the Enforcement Regulations of the Corporation Act)

It is stipulated that the Office of Statutory Auditors shall be established to assist in the performance of the duties and responsibilities of the statutory auditors and the employees belonging to the Office of Statutory Auditors shall be employees who should assist in the duties and responsibilities of the statutory auditors (“Assistants”). The Assistants have an obligation to report to the statutory auditors on the results of their businesses.

- (7) Matters concerning the independence of employees from directors provided for in the previous paragraph (Article 100, Paragraph 3, Item 2 of the Enforcement Regulations of the Corporation Act)

The Office of Statutory Auditors, which is established as an independent organization from each directors and business execution on request of statutory auditors, directly reports to the statutory auditors. In addition, the appointment, removal, reassignment, or other change regarding the Assistants shall be decided with a prior consent of the Board of Statutory Auditors. Revisions of wages and other remuneration for the Assistants are subject to a prior consent of the Board of Statutory Auditors. The aforementioned matters ensure the

independence of the employees in the duties and responsibilities to support the statutory auditors from the directors.

- (8) System for directors and employees to report to the statutory auditors and systems for reporting other matters to the statutory auditors (Article 100, Paragraph 3, Item 3 of the Enforcement Regulations of the Corporation Act)

If any directors or employees become aware of any facts that could cause the Bank substantial damage, they must report on such facts and other matters designated by the Board of Directors or the Board of Statutory Auditors without delay. The said report shall be made in writing in principle. The Office of Statutory Auditors questions the directors or employees who have reported in the manner described above in accordance with orders from the statutory auditors.

- (9) Other systems to ensure effective auditing by the statutory auditors (Article 100, Paragraph 3, Item 4 of the Enforcement Regulations of the Corporation Act)

It is stipulated that the directors and employees shall cooperate on auditing by the statutory auditors and may not act in a manner to prevent such cooperation, and the statutory auditors may use external professionals as required within the range permitted by law, at the expense of the Bank.

- (10) Others

We declare in “The Charter of Corporate Ethics” pursuant to the Board of Directors’ resolutions that we will take a firm and resolute stand against anti-social organizations which threaten the order and security of our society. We will consistently prevent and immediately eliminate illegal interference by such anti-social organizations.

In order to verify the effectiveness of the above-mentioned internal control system, the Internal Audit Division conducts internal audits in accordance with the “Internal Audit Policy” established by the Bank and reports the audit results to the President and the Board of Statutory Auditors.

9. Matters Concerning Accountants

None

10. Others

None

【 Procedures for Exercising Voting Rights via Internet 】

Please take note of the following instructions before exercising voting rights via Internet.

(1) Voting rights can be exercised via Internet only by accessing the following website for exercising voting rights from a personal computer or cell phone.

【 Website for exercising voting rights <http://www.webdk.net> 】

(2) When exercising voting rights via Internet, you must enter the “Voting Rights Exercise Code” and “Password”, both of which are contained in the enclosed Form for Exercising Voting Rights. Please follow the instructions on the screen to vote in favor of or against the proposed items.

(3) Shareholders may exercise their voting rights via Internet until 5:00 p.m. on Tuesday, June 19, 2012. However, we urge shareholders to exercise their voting rights at their earliest convenience for the purpose of tallying voting rights.

(4) If you have cast your votes twice by using the Form for Exercising Voting Rights and via Internet, the Bank will consider the vote cast via Internet to be the valid vote.

(5) If you have cast your votes more than once via Internet, the Bank will consider the vote last cast via Internet to be the valid vote.

(6) Any costs incurred to access the website for exercising voting rights, such as Internet connection costs payable to a provider or telecommunication fees (telephone charges, etc.) shall be borne by the shareholder exercising the voting rights.

【 System Environment for Exercising Voting Rights via Internet 】

The following computer system environment is necessary in order to use the website for exercising voting rights.

(1) Ability to access the website via Internet

(2) In order to exercise voting rights using a personal computer, it is necessary to be able to use an Internet browser as well as software such as Internet Explorer 6.0 or higher from Microsoft®. It is necessary to have a hardware environment that allows for the use of the above internet browser and software.

(3) In order to exercise voting rights via a cell phone, the cell phone must be a model that allows for 128bitSSL transmissions (encrypted transmissions). (For security purposes, the website is accessible only by models that allow for 128bitSSL transmissions (encrypted transmissions) so that some models may not be able to access the website.)

(“Microsoft” is a trademark owned by the Microsoft Corporation in the United States and other countries.)

【 Inquiries concerning Exercising Voting Rights via Internet 】

For inquiries concerning exercising voting rights via Internet, please contact the following:

Shareholder List Administrator:

Stock Transfer Agency Department, Sumitomo Mitsui Trust Bank, Limited.

【 Hotline 】 0120-186-417 (available from 9 a.m. to 9 p.m.)

【 Request for forms, and other inquiry 】 0120-176-417 (available weekdays from 9 a.m. to 5 p.m.)

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