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[TRANSLATION]

TSE Stock code: 8303
June 1, 2011
4-3 Nihonbashi-muromachi 2-chome, Chuo-ku, Tokyo
Shinsei Bank, Limited

Notice of the Annual General Meeting of Shareholders for the Eleventh Term

Dear Shareholders,

Shinsei Bank wishes to express its deepest sympathy and its hopes for a swift recovery for all those living in the areas affected by the Great East Japan Earthquake.

We are pleased to invite you to the Annual General Meeting of Shareholders of Shinsei Bank, Limited ("the Bank") for the eleventh term, which will be held as shown below.

If you are not able to attend the meeting in person, we encourage you to examine the accompanying reference materials below and exercise your voting right by either filling out the enclosed Form for Exercising Voting Rights and returning it to the Bank or by an electromagnetic method using the Internet, etc. In either case, please read the "Instructions on Exercising Voting Rights, etc." carefully and exercise your voting right, using either method, so that your vote is received by 5:00 p.m. on Tuesday, June 21, 2011.

Yours faithfully,

Shigeki Toma
Representative Director and
President

Request:

When you attend the meeting in person, please submit the enclosed Form for Exercising Voting Rights to the reception desk at the meeting.

Notes:

Please note that this is a translation of the original document, and is provided for reference only. Although this translation is intended to be complete and accurate, the Japanese original shall take precedence over this translation in case of any discrepancies between this translation and the original.

If it becomes necessary for the Bank to make corrections to the Reference Materials for the General Meeting of Shareholders, business report, financial statements (keisan-shorui) or consolidated financial statements, the Bank will post these matters on its website (<http://www.shinseibank.com>).

For both domestic and foreign institutional shareholders, we will participate in the ICJ electronic voting platform. This system uses Broadridge's ProxyEdge voting platform to provide users instantaneous access to agenda information, proxy statement details as they are officially released and the ability to immediately vote on proposals.

No individual that resides outside Japan may exercise his or her voting right via internet or mobile phone.

We are planning to disclose the Annual General Meeting of Shareholders for the Eleventh Term by posting the media file on the Bank's website at a later date for a certain period in order to enable unattended shareholders to view the images of the meeting. The picture of attended individual shareholders will not be disclosed.

As part of efforts to conserve electricity, the air conditioning at the Meeting venue will be set at 28°C and the executives in attendance will be dressed in "Cool Biz" attire. We ask for your understanding in this regard.

Description of the Meeting

1. **Date and Time:** *Wednesday, June 22, 2011 at 10:00 a.m.*
2. **Place:** *Grand Hall, Nomura Conference Plaza Nihonbashi,
6th floor, Nihonbashi Nomura Building
4-3 Nihonbashi-muromachi 2-chome, Chuo-ku, Tokyo*

3. **Purposes:**

Matters to be reported:

1. *Report on the Business Report, Consolidated Financial Statements and the Results of the Audit of the Consolidated Financial Statements by the Accounting Auditor and the Board of Statutory Auditors for the Eleventh Term (from April 1, 2010 to March 31, 2011).*
2. *Report on the Financial Statements for the Eleventh Term (from April 1, 2010 to March 31, 2011).*

Matters to be voted on:

- Agenda 1:*** *Election of Six (6) Directors*
- Agenda 2:*** *Election of One (1) Statutory Auditor*
- Agenda 3:*** *Election of One (1) Substitute Statutory Auditor*

Instructions on Exercising Voting Rights, etc.

(1) Voting by proxy:

If you are not able to attend the meeting, you can designate another shareholder who is also eligible to vote at the meeting to vote on your behalf at the meeting. Please note, however, that a document must be submitted that provides evidence of this power of representation.

(2) Method of announcing corrections, if any, of descriptions in the Reference Materials of the General Meeting of Shareholders and the Financial Statements, etc.:

If it becomes necessary for the Bank to make corrections in the matters to be described in the Reference Materials of the Annual General Meeting of Shareholders, the financial statements (*keisan-shorui*), consolidated financial statements (*renketsu-keisan-shorui*) and business report (*jigyuu-houkokusho*) for the period from the date on which the Bank issues this notice of convocation to the day immediately prior to the date of the Annual General Meeting of Shareholders, the Bank will post the corrected matters on its website (<http://www.shinseibank.com>).

(3) Treatment of duplicate votes cast by using the Form for Exercising Voting Rights and via Internet:

If you 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.

(4) Treatment of duplicate votes cast via Internet:

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.

(5) Treatment of requests for the Form for Exercising Voting Rights, etc. by shareholders who have agreed to receive the notice of convocation by way of electromagnetic means:

Any shareholder who has agreed to receive the notice of convocation by electromagnetic means, and who wishes to request that the Form for Exercising Voting Rights, etc. be delivered in written form, will be sent these written forms and documents. If any shareholder wishes such treatment, please contact the Stock Transfer Agency Department of Sumitomo Trust & Banking Co., Ltd., the contact details for which are described in the “Procedures for Exercising Voting Rights via Internet” on page 35 below.

(6) Treatment of the voting platform for institutional investors:

Registered Shareholders, such as trust banks acting as administrators (including standing proxies), can use the voting platform in order to exercise their voting rights by electromagnetic means at the Annual General Meeting of Shareholders of the Bank, provided that each has applied in advance to use the electronic voting platform for institutional investors which is operated by ICJ Inc., the joint venture company formed by the Tokyo Stock Exchange, Inc. and other entities.

For details on exercising voting rights via Internet, please see the “Procedure for Exercising Voting Rights via Internet” on page 35 below.

Agenda 1 Election of Six (6) Directors

We would like to seek approval to elect six persons as Directors, since all Directors will have completed their terms of office at the end of this Annual General Meeting of Shareholders.

Career summary of the candidates is as follows.

	Name (Date of Birth)	Personal History/Positions and Responsibilities in the Bank and Important Concurrent Posts	Ownership (# of Shares)
1	Shigeki Toma (September 29, 1948)	1972 Y 4 M Joined The Dai-Ichi Kangyo Bank, Ltd. (Predecessor of Mizuho Bank, Ltd. and Mizuho Corporate Bank, Ltd.) 2000 Y 6 M Executive Officer 2001 Y 5 M Managing Executive Officer 2002 Y 4 M Managing Executive Officer, Mizuho Corporate Bank, Ltd. 2002 Y 11 M Executive Vice President and Director, Isuzu Motors Limited 2007 Y 6 M Director 2010 Y 5 M Advisor, Shinsei Bank, Limited 2010 Y 6 M Representative Director, President, CEO (Current)	Common Shares 36,266
2	Yukio Nakamura (September 5, 1954)	1978 Y 4 M Joined The Long-Term Credit Bank of Japan, Ltd. (Predecessor of Shinsei Bank, Limited) 2000 Y 10 M General Manager, Risk Management Planning and Policy Division, Portfolio and Risk Management Division 2007 Y 4 M General Manager, Risk Management Planning and Policy Division, Portfolio and Risk Management Division, Operational Risk Management Division 2008 Y 6 M Statutory Executive Officer, Executive Head of Institutional Business Sub-Group 2009 Y 10 M Managing Executive Officer, Executive Head of Institutional Business Sub-Group 2010 Y 6 M Representative Director, Senior Managing Executive Officer, Head of Risk Management Group (Current)	Common Shares 6,040
3	J. Christopher Flowers (October 27, 1957)	1979 Y 3 M Joined Goldman Sachs & Co. 1988 Y 12 M Partner 1996 Y 10 M Director, Enstar Group Limited 2000 Y 3 M Director, Shinsei Bank, Limited (Current) 2002 Y 11 M Chairman, J. C. Flowers & Co. LLC (Current) 2007 Y 8 M Director, The Kessler Group (Current) 2008 Y 9 M Chairman and Director, Flowers National Bank (Current)	Common Shares 91,879,634
4	Shigeru Kani (September 20, 1943)	1966 Y 4 M Joined The Bank of Japan 1992 Y 5 M Executive Auditor and Senior Advisor to the Chairman, The Tokyo International Financial Futures Exchange (Predecessor of Tokyo Financial Exchange Inc.) 1996 Y 5 M Director, Administration Department, The Bank of Japan 1999 Y 5 M Executive Managing Director, Tokyo Stock Exchange, Inc. 2002 Y 4 M Advisor, NEC Corporation 2004 Y 6 M Director, Shinsei Bank, Limited (Current) 2006 Y 4 M Professor, Yokohama College of Commerce (Current)	Common Shares 15,846
5	Jun Makihara (January 15, 1958)	1981 Y 9 M Joined Goldman Sachs & Co. 1992 Y 11 M Partner 1996 Y 11 M Co-Head of the Equities Division and Co-Branch Manager, Goldman Sachs Japan Ltd. 2000 Y 7 M Chairman of the Board, Neoteny Co., Ltd. (Current) 2002 Y 3 M Director, Global Dining, Inc. 2005 Y 3 M Director, RHJ International SA (Current) 2005 Y 6 M Advisor, Hakuhodo DY Holdings, Inc. (Current) 2006 Y 6 M Director, Monex Group, Inc. (Current)	Common Shares 200,000
6	Hiroyuki Takahashi (March 1, 1937)	1959 Y 4 M Joined Mitsui & Co., Ltd. 1996 Y 6 M Executive Managing Director, General Manager, Personnel Division 1997 Y 6 M Corporate Auditor 2000 Y 6 M Counselor 2000 Y 10 M Executive Managing Director and Secretary-General, Japan Corporate Auditors Association 2005 Y 10 M Director 2006 Y 6 M Director, Shinsei Bank, Limited (Current) 2006 Y 6 M Statutory Auditor, Matsushita Electric Industrial Co., Ltd. (Predecessor of Panasonic Corporation) (Current) 2007 Y 6 M Statutory Auditor, Kyowa Hakko Kogyo Co., Ltd. (Predecessor of Kyowa Hakko Kirin Co., Ltd.) (Current)	Common Shares 15,846

Notes.

1. The responsibilities in Shinsei Bank, Limited (hereinafter, the Bank) of the candidates for Directors who are current Directors are described on page 21 of the Business Report.
2. Special interests between the Bank and a candidate:
 - (1) The Bank has an outstanding loan to NIBC Bank Ltd., which is wholly owned by NIBC Holding N.V. NIBC Holding N.V. is indirectly controlled by New NIB Limited, 49% of which is owned by Mr. J. Christopher Flowers.
 - (2) The Bank invests as a limited partner in J.C. Flowers II L.P. and J.C. Flowers III L.P. which are investment funds operated by JCF Associates II Ltd. and JCF Associates III Ltd., respectively, and advised by J.C. Flowers & Co. LLC (JCF), an investment advisory firm founded by Mr. J. Christopher Flowers, who serves as Chairman and Managing Director. The Bank and JCF have an advisory arrangement regarding one of JCF's private investment funds.
 - (3) In January 2008, four investment vehicles advised by JCF acquired 358,456 thousand common shares of the Bank through a public tender offer and subsequently subscribed to a primary issue of an additional 117,647 thousand shares to strengthen the capital base of the Bank. In addition, in March 2011, the four investment vehicles and Mr. J. Christopher Flowers acquired in total 172,000 thousand common shares of the Bank through the Bank's international offering of newly issued shares. Mr. J. Christopher Flowers, a Director of the Bank, is the founder and Managing Director of JCF.No special interests exist between any of the other candidates for Directors and the Bank.
3. The following persons are candidates for Outside Directors:
Messrs. J. Christopher Flowers, Shigeru Kani, Jun Makihara and Hiroyuki Takahashi

4. Matters concerning candidates for Outside Directors:

(1) *Reasons for nominating each of the candidates for Outside Director*

- ① Mr. J. Christopher Flowers is asked to stand as a candidate for Outside Director in order to reflect in the Bank's management his experience and expertise in banking, finance and the financial services industry as a whole.
- ② Mr. Shigeru Kani is asked to stand as a candidate for Outside Director in order to reflect in the Bank's management his discernment in the risk management area and his wide range of knowledge concerning banking operations.
- ③ Mr. Jun Makihara is asked to stand as a candidate for Outside Director in order to reflect in the Bank's management his extensive knowledge on financing and his domestic and international experience.
- ④ Mr. Hiroyuki Takahashi is asked to stand as a candidate for Outside Director in order to reflect in the Bank's management his deep insight into corporate audits as well as his experience in a wide range of business spheres.

(2) *Violation of laws or articles of incorporation or other unjust business execution by the relevant joint stock company (kabushiki-kaisha) during the most recent term of office of the Outside Director candidate in the joint stock company, as well as actions actually taken by the Outside Director candidate to prevent recurrence of such violation and subsequent countermeasures taken by him/her.*

On June 30, 2010, based on the Act on Emergency Measures for Early Strengthening of Financial Functions and the Banking Law, the Bank received a Business Improvement Order from the Financial Services Agency (hereinafter, FSA). This is because the Bank's non-consolidated financial results for the fiscal year ended March 2010 were significantly lower than the non-consolidated earnings target set forth in the Revitalization Plan.

In response to the Business Improvement Order, on July 30, 2010, the Bank submitted to the FSA a Business Improvement Plan which clarified the Bank's future business strategy. In advance to the submission, on July 21, 2010, the Board of Directors approved the Plan after confirming the importance of earnings stabilization, risk management and governance enhancement. Even before receiving the Business Improvement Order, the candidates for Outside Directors of the Bank, namely, Messrs. J. Christopher

Flowers, Shigeru Kani and Hiroyuki Takahashi discussed topics including how to further enhance the Bank's profitability at the Board of Directors meetings. After the Bank received the Business Improvement Order, the three candidates performed supervisory/auditing activities in order to contribute to the steady implementation of the Business Improvement Plan and held discussions from various viewpoints in an effort to further improve the Bank's earning base and strengthen its risk management framework at the Board of Directors meetings.

(3) If a candidate for Outside Director had been a Statutory Executive Officer, a Director, or an Auditor in other joint stock companies (kabushiki-kaisha) in the last five years, the fact (if any) of violation of laws or articles of incorporation or other unjust business execution by the relevant joint stock company during his/her term of office in the company, as well as actions actually taken by the relevant candidate to prevent a recurrence of this violation and subsequent countermeasures taken by him/her.

Matsushita Electric Industrial Co., Ltd. (currently Panasonic Corporation), for which Mr. Hiroyuki Takahashi serves as Outside Statutory Auditor, in March 2006, had a trial decision imposed by the Fair Trade Commission in relation to its marketing activities for traffic signal work ordered by the Metropolitan Police Department, and subsequently received an order to pay a surcharge in September 2006. While Mr. Takahashi became the Outside Statutory Auditor of Matsushita Electric Industrial Co., Ltd. in June 2006, he verified the company's recurrence prevention measures after the occurrence of the above events. Panasonic Corporation also agreed with the United States Department of Justice in September 2010 and with the Competition Bureau of Canada in October 2010 on the payment of penalties in relation to the violation of antitrust regulations in its refrigerator compressor business. This violation had not come to Mr. Takahashi's attention before it was detected, but he had, in the ordinary course of undertaking his duties and from a compliance viewpoint, performed his duties and made efforts to prevent violation of laws and regulations. He also verified Panasonic Corporation's efforts to prevent the recurrence after this incident was revealed.

(4) The number of years since candidates for Outside Directors who are currently Outside Directors became Outside Directors:

- ① As of the end of this General Meeting of Shareholders, Mr. J. Christopher Flowers will have been an Outside Director for ten years and three months in total.
- ② As of the end of this General Meeting of Shareholders, Mr. Shigeru Kani will have been Outside Directors for seven years.
- ③ As of the end of this General Meeting of Shareholders, Mr. Hiroyuki Takahashi will have been an Outside Director for five years.

(5) Overview of the contents of the Agreement for Limitations on Liability concluded with Outside Directors

Candidates for Outside Directors, namely, Messrs. J. Christopher Flowers, Shigeru Kani, and Hiroyuki Takahashi have concluded an Agreement for Limitations on Liability with the Bank under Article 427, Paragraph 1 of the Corporation Act. Under this agreement, the Outside Directors' liability for any damage caused through neglect of their duties and responsibilities shall be limited. If the Bank suffers damage as a result of such neglect, the Outside Directors 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.

If the above mentioned three candidates are re-elected as Directors, the Bank will continue the said Agreement for Limitations on Liability with them. The candidate for new Outside Director, Mr. Jun Makihara, once elected as Director, will conclude with the Bank an Agreement for Limitations on Liability with the same conditions as mentioned above.

5. The Bank has submitted to the Tokyo Stock Exchange, Inc. an "independent director statement" (*dokuritsu-yakuin todokede-sho*) that Outside Directors Shigeru Kani and Hiroyuki Takahashi are independent directors.

Agenda 2 Election of One (1) Statutory Auditor

Mr. Akira Watanabe, our Statutory Auditor, will resign as such at the end of this Annual General Meeting of Shareholders. We would like to seek approval to elect one person as new Statutory Auditor. For the avoidance of doubt, the candidate will not be elected as a substitute to the resigned Statutory Auditor, and his term of office will expire at the end of the Annual General Meeting of Shareholders for the fiscal year which is the last of those ending within four (4) years after the appointment.

The Board of Statutory Auditors' consent has been obtained.

Career summary of the candidate is as follows.

	Name (Date of Birth)	Personal History/Positions in the Bank and Important Concurrent Post	Ownership (# of Shares)
1	Akira Kagiichi (February 25, 1948)	1972 Y 4 M Joined The Long-Term Credit Bank of Japan, Ltd. (Predecessor of Shinsei Bank, Limited)	Common Shares 12,383
		1999 Y 11 M Associate Director, General Manager, The Americas Division, New York and General Manager, New York Branch	
		2000 Y 3 M Associate Director, General Manager, Credit Division	
		2002 Y 4 M Managing Director, Green House Co., Ltd.	
		2005 Y 11 M Managing Director, Mother Bird Co., Ltd.	
		2008 Y 9 M President and Representative Director, Comfort Wing Co., Ltd.	
		2010 Y 6 M Senior Managing Executive Officer, Chief of Staff, Shinsei Bank, Limited	
		2010 Y 10 M Senior Managing Executive Officer, Head of Corporate Staff Group, Chief of Staff	
	2011 Y 4 M Senior Managing Executive Officer (Current)		

Note; No special interests exist between the candidate for Statutory Auditor and the Bank.

Agenda 3 Election of One (1) Substitute Statutory Auditor

We would like to seek approval to elect one person as Substitute Statutory Auditor, pursuant to Article 329, Paragraph 2 of the Corporation Act, in order to prepare for the event that the number of Statutory Auditors falls short of the number stipulated by law. The candidate is to be a Substitute Statutory Auditor as a substitute for our Statutory Auditor(s) who is not an Outside Statutory Auditor. (Ms. Makiko Yasuda who was elected as a Substitute Outside Statutory Auditor at our 10th Annual General Meeting of Shareholders held on June 23, 2010 remains a Substitute Statutory Auditor as a substitute for Outside Statutory Auditors.) Until and prior to actually assuming office, the above election as Substitute Statutory Auditor may be cancelled by a resolution of the Board of Directors and with a consent of the Board of Statutory Auditors. The Board of Statutory Auditors' consent has been obtained. Career summary of the candidate is as follows.

	Name (Date of Birth)	Personal History and Important Concurrent Post		Ownership (# of Shares)
1	Satoshi Suzuki (August 26, 1960)	1984 Y 4 M	Joined The Long-Term Credit Bank of Japan, Ltd. (Predecessor of Shinsei Bank, Limited)	Nil
		2005 Y 5 M	General Manager, New York Representative Office	
		2007 Y 10 M	Seconded to Macquarie Shinsei Advisory Co., Ltd.	
		2008 Y 1 M	General Manager, Private Equity Division, Shinsei Bank, Limited	
		2008 Y 4 M	General Manager, International Corporate Banking Division	
		2009 Y 1 M	General Manager, Office of Audit Committee	
		2010 Y 6 M	General Manager, Office of Statutory Auditors (Current)	

Note; No special interests exist between the candidate for Substitute Statutory Auditor and the Bank.

End

(Attachment)

Business Report for the 11th Fiscal Year (From April 1, 2010 to March 31, 2011)

1. Current State of the Bank

(1) Business Development and Performance of the Group

[Principal Business of the Group]

Effective April 1, 2010, the Group applied the “Accounting Standard for Segment Information Disclosures” and “Guidance on Accounting Standard for Segment Information Disclosures” based on the management approach. As a result, reporting of the principal business of the group has been changed from the previous practice of segment reporting based on business type, to segment reporting based on classification for business management.

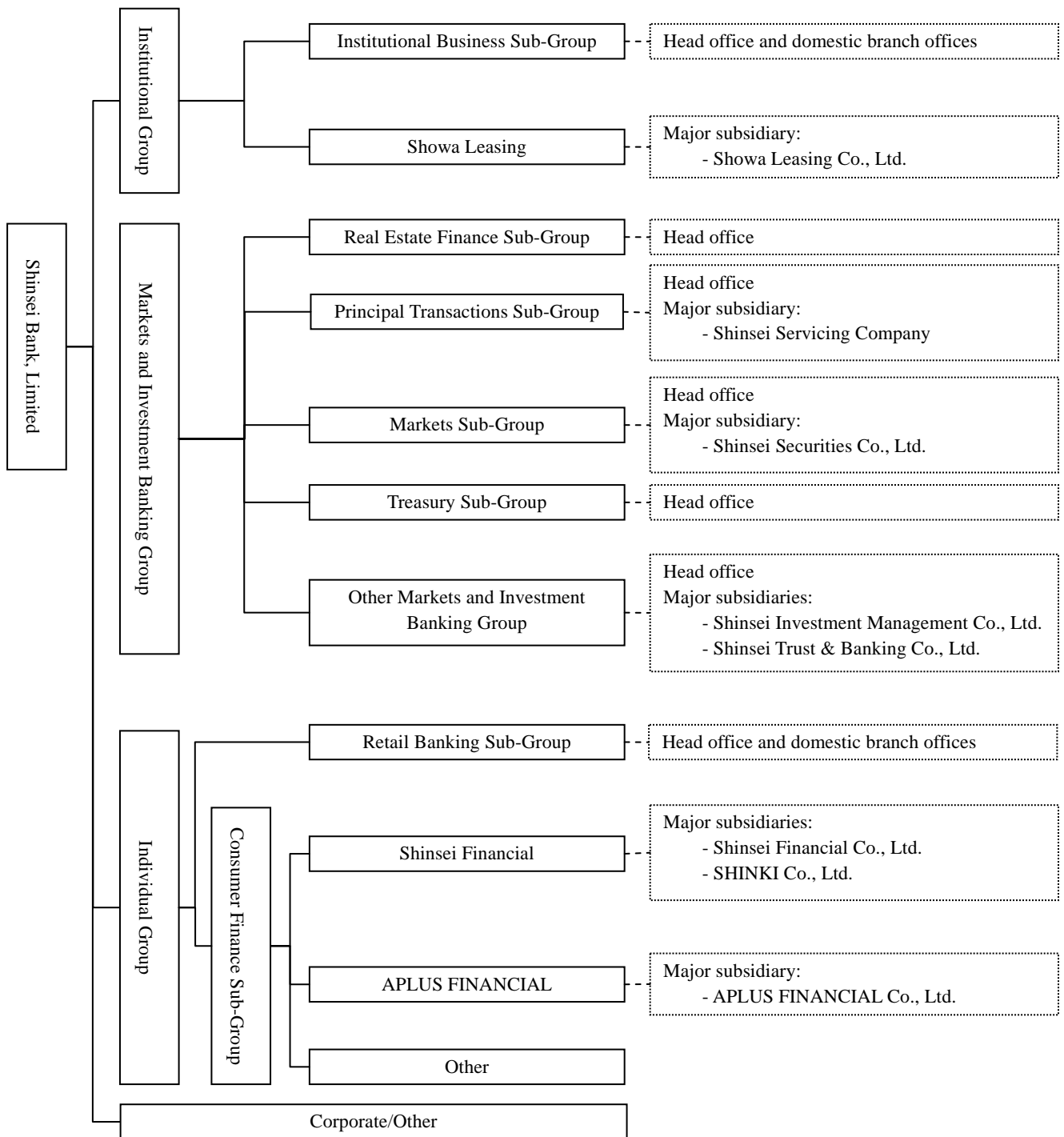
The Group, which consisted of Shinsei Bank, Limited, 205 subsidiaries (comprising 121 consolidated companies including APLUS FINANCIAL Co., Ltd., Showa Leasing Co., Ltd., Shinsei Financial Co., Ltd. and 84 unconsolidated subsidiaries) and 17 affiliated companies (accounted for under the equity method, including Jih Sun Financial Holding Company, Limited) as of March 31, 2011, provides a wide variety of financial products and services to institutional and individual customers through our Institutional Group, Markets and Investment Banking Group and Individual Group. These groups consist of business segments which provide their respective financial products and services. Shinsei Bank Limited, the subsidiaries and the affiliated companies are related to each segments as follows.

In the Institutional Group, the “Institutional Business Sub-Group” provides financial products and services for corporate banking businesses, financial institutions businesses and public sector finance. “Showa Leasing” primarily provides leasing-related financial products and services.

In the Markets and Investment Banking Group, the “Real Estate Finance Sub-Group” provides real estate finance, such as non-recourse loans, and financial products and services for the real state and construction industries. The “Principal Transactions Sub-Group” provides financial products and services related to credit trading and specialty finance such as M&A finance. The “Markets Sub-Group” is engaged in foreign exchange, derivatives, equity trading, securitization and other capital markets transactions, including Shinsei Securities’ businesses. The “Treasury Sub-Group” undertakes ALM related transactions. The “Other Markets and Investment Banking Group” consists of asset-backed investment, alternative investment, trust business, wealth management, advisory services and other products and services in the Markets and Investment Banking Group.

In the Individual Group, the “Retail Banking Sub-Group” provides financial products and services for retail customers, “Shinsei Financial” provides consumer finance, and “APLUS FINANCIAL” provides installment sales credit, credit cards, guarantees and settlement services. “Other” consists of profit and loss attributable to the Consumer Finance Sub-Group and other subsidiaries and affiliates.

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



Note

As of April 1, 2011, Shinsei Bank has reorganized the former Institutional Group and Markets and Investment Banking Group to achieve an even more appropriate provision of financial products and services that meet customer needs, by building a more strategic and systematic business promotion structure for growth businesses centered primarily on the institutional customers. As a result, the structure of the existing Institutional Group and Markets and Investment Banking Group has been reorganized into a newly defined Institutional Group and a newly established Global Markets Group. The new Institutional Group is focusing primarily on corporate and public sector finance and advisory business, while the Global Markets Group will be concentrating on financial markets business and serving financial institution clients.

[Financial and Economic Environment]

While the world economy experienced a slowdown in recovery due to sovereign debt problems in eurozone countries in the first half of this fiscal year, it gradually began recovering in the second half as the economy of emerging countries grew and the excessively pessimistic view of the US economy subsided.

During the period above, the Japanese economy failed to achieve self-sustaining recovery due to decreased government expenditure. Unable to climb out of the deflationary trend, the pace of the recovery slowed down towards the autumn of 2010, fueled also by the abrupt appreciation of the yen caused by the difference between interest rates in Japan and the United States after the additional money easing policy was introduced in the United States.

In this situation, the government and the Bank of Japan (BOJ) intervened in the currency markets by selling yen in September 2010, and the BOJ announced a comprehensive monetary easing policy in October. Although the appreciation of the yen continued even after the announcement, and the yen reached its highest value in the last 15 and-a-half years in November, the yen appreciation trend was curbed after the introduction of an additional monetary easing policy in the United States. As long-term interest rates fell sharply as an effect of the BOJ's monetary easing policy, the interest rate of 10-year Japanese government bonds temporarily reached 0.820% before returning to the 1.3% level. On the other hand, short-term interest rates continued to fall, causing a widening between long-term and short-term rates.

From the beginning of 2011 the Japanese economy gradually showed signs of self-sustaining recovery from its previous lull. However, the Great East Japan Earthquake, which occurred in the middle of March, caused enormous damage to economic activities. As a result, negative impact on the economy from the next fiscal year onwards seems unavoidable. In the financial markets, an unstable market environment continued due to concerns over the future of the Japanese economy, together with the turmoil in the Middle East, which caused a substantial drop in the Nikkei stock average from a year-high of 10,800 yen level in February, and the further appreciation of the yen, which temporarily reached the 76 yen level, its highest ever, against the US dollar.

[Business Development and Performance of the Group in fiscal year 2010]

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 from the viewpoint of its customers. The Institutional Group and Markets and Investment Banking Group focus on institutional banking and leasing operations, and the Individual Group focuses on retail banking and consumer finance operations. In June 2010, the Bank formulated and announced a new 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 in Japan" and "establishing a stabilized earnings base." Following a review of our businesses by the new management team in light of subsequent changes to the economic environment, the Bank made modifications to the original plan in September 2010. Since then, working towards achieving the goals set out therein, we have been pursuing our institutional customer-focused businesses, individual customer-focused businesses and other businesses as described below.

(Institutional Group and Markets and Investment Banking Group)

The Institutional Group, which serves institutional customers, and the Markets and Investment Banking Group, which primarily focuses on developing financial products to meet customers' needs, 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, financial institution and public sector clients, based on their specific characteristics. In particular, the Institutional Group is striving to achieve a leading position in certain industries and sectors that boast high growth potential on the back of rising social needs, and which offer Shinsei the opportunity to demonstrate its unique strengths and expertise. Initial efforts include the establishment of a Healthcare Finance Division in July 2010 to provide financing to support senior care facilities and operators. Furthermore, in September 2010, we established a Corporate Support Division to ramp up efforts in our corporate restructuring business, and in November 2010 we set up a wholly owned investment subsidiary, Shinsei Corporate Support Finance Co., Ltd., to provide capital support to companies undergoing restructuring. As a result, we have made solid progress towards our goal of "rebuilding our customer franchise in Japan", with the number of new corporate customers increasing compared with the previous

fiscal year, and borrower numbers also beginning to grow. In addition, Showa Leasing Co., Ltd., (“Showa Leasing”), which is positioned within the Institutional Group, has pursued alliances with regional banks and shinkin banks to expand its customer base, while working to enhance its range of advanced and effective products and services, including the provision of financing solutions to support customers’ environmental protection efforts.

The Markets and Investment Banking Group is working to provide products and services that satisfy customers’ needs, while carefully managing risks in its core businesses that include credit trading, real estate finance, specialty finance, market-related business and advisory business. Meanwhile, the Group has also made much progress towards the goal of “establishing a stabilized earnings base” through progressively reducing non-core business assets that had built up through past proprietary trading activities, while carefully surveying market movements.

In our Medium-Term Management Plan, we have set out to strengthen our framework for providing support to institutional customers looking to expand their operations in Asia through forging alliances with local financial institutions. As part of these efforts, in November 2011 we announced a wide-ranging business cooperation agreement with Baoviet Holdings, one of Vietnam’s largest financial groups, and a memorandum of understanding on an alliance to promote Japan-India cross-border M&A business with YES BANK, an Indian commercial bank. In March 2011, we signed a memorandum of understanding on a business collaboration with our equity-method affiliate, Jih Sun Financial Holding Co., Ltd., a Taiwanese financial holding company, to build out our framework for supporting the operations of primarily corporate customers looking to enter the Taiwanese market or expand into mainland China with a Taiwanese business partner.

As of April 1, 2011, the Bank has reorganized the former Institutional Group and Markets and Investment Banking Group to achieve an even more appropriate provision of financial products and services that meet customer needs, by building a more strategic and systematic business promotion structure for growth businesses centered primarily around institutional customers. As a result, the structure of the existing Institutional Group and Markets and Investment Banking Group has been reorganized into a newly defined Institutional Group and a newly established Global Markets Group. The new Institutional Group is focusing primarily on corporate and public sector finance and advisory business, while the Global Markets Group will be concentrating on financial markets business and serving financial institution clients.

(Individual Group)

Combining Shinsei Bank’s retail bank with our consumer finance subsidiaries, our Individual Group brings innovative financial solutions to over six million active customers in Japan.

Ever alert to changing and diverse customer needs, our retail bank is successfully shifting focus from deposits to asset management. We have continued to offer a comprehensive selection of financial products including various types of deposits, investment trusts and insurance products, in addition to loan products such as 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 been rolling out new, small-scale and highly cost-effective branches called “*Shinsei Consulting Spots*,” specializing in asset management sales by experienced consultants. We will look to build our physical presence through the establishment of new Consulting Spots, primarily in the Tokyo metropolitan area and the Kansai region, while realigning a portion of our existing branches. Through these measures, we are trying to better serve the needs of our customers by enhancing and expanding the network channels.

As a result of these measures, the retail bank posted steady results and its customer base continued to grow in fiscal year 2010. The number of newly opened “*PowerFlex*” accounts continues to show strong growth. The total number of retail accounts, including existing accounts, as of March 31, 2011, has surpassed 2.57 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 trended steadily, totaling over ¥4.75 trillion as of March 31, 2011 and contributing to our stable funding base. The balance of assets under management, including debentures, mutual funds and insurance investment products also showed a steady performance, and was over ¥5.86 trillion as of March 31, 2011. 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 the consumer finance operations, we continued to face challenging conditions as market contraction accelerated and operating assets continued to decrease following the full-scale implementation of the revised Money-Lending Business and Control Law in June 2010. In addition, we made additional provisions against claims for repayment of “grey zone” interest at our consumer finance subsidiaries including APLUS FINANCIAL Co., Ltd. (“APLUS FINANCIAL”), SHINKI Co., Ltd. (“Shinki”) and Shinsei Financial Co., Ltd. (“Shinsei Financial”) at the end of March 2011. Despite this, however, each subsidiary remained profitable as a result of rigorous cost management and credit control. 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.

Under such business conditions, we have been making efforts to improve the Shinsei Bank Group’s profitability and competitive edge through our consumer finance operations. Shinsei Financial has worked to expand new revenue opportunities by leveraging the Bank’s network of relationships with financial institutions to forge alliances with The Towa Bank, Ltd. and The Daito Bank, Ltd. in the unsecured personal loan guarantee business. From October 2010, APLUS FINANCIAL has been strengthening its collaboration with Shinsei Bank through partnerships in the installment sales credit affiliated loans business and “APLUS Bridge Loan” businesses. In December 2010, we undertook a reorganization of our consumer finance businesses which positioned APLUS FINANCIAL alongside Shinki as a subsidiary of Shinsei Financial in order to build a more efficient and unified management structure for these businesses. We also will strive to improve the operational efficiency and strengthen the competitiveness of Shinsei’s consumer finance business by capitalizing on Shinsei’s information technology capabilities.

(Financial Position)

In September 2010, aiming to enhance the quality of its capital and improve the efficiency of its Tier II capital, the Bank invited the holders of its previously issued subordinated notes (Euro-denominated callable notes and GBP-denominated perpetual notes) to submit offers to exchange any and all of these notes for an amount of newly issued subordinated notes (Euro-denominated, callable). As a result, the Bank issued EUR 347 million of new Euro-denominated notes overseas. Furthermore, in March 2011, the Bank issued 690,000,000 new shares, raising a total of ¥71.8 billion, in order to strengthen the Bank’s core capital ahead of impending new capital regulations (“Basel III”), enhance its credit position and support efforts to expand its customer base and stabilize earnings as it works towards sustainable growth. As a result of the capital policies described above together with rigorous efforts to reduce risk weighted assets, as at March 31, 2011, our total capital adequacy ratio was 9.76%, while our Tier I capital ratio was 7.76%, both marking an improvement over the same period of the previous fiscal year.

(Response to the Great East Japan Earthquake)

While certain of our branches were impacted due to power cuts and other factors, the Bank experienced only a minor impact to operations as a result of the Great East Japan Earthquake which occurred on March 11, 2011. While our Sendai Branch opened over the weekend right after the earthquake, all of our branches, with certain exceptions, resumed normal operations on the next business day after the disaster. Furthermore, 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 ¥136 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. We will continue striving 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, 2011, ordinary income was ¥465.8 billion, a decrease of ¥100.5 billion from the previous fiscal year, while ordinary expenses were ¥441.3 billion, a decrease of ¥197.6 billion from the previous fiscal year. Consequently, our consolidated net ordinary income was ¥24.4 billion compared to an ordinary loss of ¥72.6 billion in the previous fiscal year and our consolidated net income for the fiscal year ended March 31, 2011 was ¥42.6

billion compared to a net loss of ¥140.1 billion in the previous fiscal year. Segment profit under management reporting for Shinsei Bank and its consolidated subsidiaries amounted to ¥80.8 billion for the fiscal year ended March 31, 2011, an increase of ¥76.0 billion from the previous fiscal year.

During the fiscal year ended March 31, 2011, we worked to improve our earnings power through steady implementation of operational strategy by each of our business groups, while continuing to pursue comprehensive expense reductions, and also recording non-recurring gains as a result of certain capital strategies. As a result, our financial performance improved significantly over the previous fiscal year resulting in full year profit for the first time in three fiscal years at a level that was considerably higher than the initial forecast. This occurred despite measures taken to stabilize earnings from the next fiscal year onwards which included the recording of additional reserves for our real estate non-recourse finance and specialty finance businesses, additional provisions against claims for repayment of “grey zone” interest, and reserves relating to the impact of the Great East Japan Earthquake.

Looking at individual business segments, overall, the Institutional Group was able to generate profits at a level approximately comparable with those in the previous fiscal year as a result of efforts to increase new borrowers and strict credit management, despite posting earthquake-related reserves at Showa Leasing in the fourth quarter. The Markets and Investment Banking Group showed a substantial improvement over the net loss posted in the previous fiscal year and generated a high level of profits due to steady performance of core businesses as well as recording gains from sales of non-core business assets. This occurred despite posting additional reserves in the real estate non-recourse finance and specialty finance businesses in an effort to stabilize earnings from the next fiscal year onwards.

In the Individual Group, Retail Banking operations recorded steady profit as a result of our continued provision of products and services that appropriately meet customers’ needs as well as our efforts towards operational efficiency. 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, credit costs also decreased and, as a result of Group-wide efforts to promote operational efficiency, overall financial performance was steady despite earthquake-related reserves recorded in the fourth quarter.

In addition, gains on the cancellation of the above-mentioned subordinated notes of Shinsei Bank, and preferred securities issued by subsidiaries, are included in the Corporate/Other segment.

Each segment attained the following business results for the fiscal year ended March 31, 2010.

(Hundred millions of yen)

Fiscal 2010 (11th Fiscal Period)

	Institutional Group		Markets and Investment Banking Group				Other Markets and Investment Banking Group
	Institutional Business Sub-Group	Showa Leasing	Real Estate Finance Sub-Group	Principal Transactions Sub-Group	Markets Sub-Group	Treasury Sub-Group	
Revenue	13,339	15,330	14,109	20,469	14,223	14,116	13,964
Net Interest Income	10,579	(3,180)	16,219	4,680	2,609	4,088	7,596
Non-interest income	2,759	18,510	(2,109)	15,789	11,614	10,027	6,368
Expense	9,000	8,042	3,643	4,528	6,899	846	6,103
Net Credit costs (Recoveries)	(944)	3,461	19,090	19,267	1,544	-	(3,092)
Segment Profit (loss)	5,283	3,826	(8,624)	(3,326)	5,779	13,270	10,954

	Individual Group				Corporate/ Other	Total
	Retail Banking Sub-Group	Consumer Finance Sub-Group				
	Shinsei Financial	APLUS FINANCIAL	Other			
Revenue	43,326	69,695	50,870	(6,719)	29,429	292,156
Net Interest Income	33,821	75,899	14,489	(6,878)	(3,262)	156,662
Non-interest income	9,504	(6,203)	36,381	158	32,692	135,493
Expense	33,183	38,076	32,811	441	(717)	142,859
Net Credit costs (Recoveries)	2,574	11,423	13,814	830	426	68,397
Segment Profit (loss)	7,567	20,195	4,244	(7,991)	29,720	80,899

Note

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

[Challenges Facing the Shinsei Bank Group]

In fiscal year 2010, the Shinsei Bank Group formulated and announced a new 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 in Japan” and “establishing a stabilized earnings base” in June 2010. Following a review of our businesses by the new management team in light of subsequent changes to the economic environment, the Bank made modifications to the original plan in September 2010, and since then has been working in line with the revised plan to rebuild our business franchise and strengthen our financial base. We will continue to implement various strategies and strengthen 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. With our highly flexible IT infrastructure as our base, utilizing cutting-edge technology, 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.

(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 business 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 support for the development of new industries in the fields of welfare, such as healthcare finance, and environmental protection. 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 the 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 strive to effectively utilize management resources throughout our Group subsidiaries, review expense structures, and implement appropriate credit cost management by leveraging Shinsei’s information technology capabilities. We will also strive to achieve the seamless provision and cross-selling of financial services for individuals, transcending the boundary between retail banking and individual subsidiaries. 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 rating 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”).

As of June 23, 2010, the Bank changed its corporate governance framework from a “Company with Committees” board model to a “Company with Board of Statutory Auditors” board model. In a “Company with Committees” board model, statutory executive officers are engaged in ordinary business execution while directors are mainly responsible for supervising business execution. The switch to a “Company with Board of Statutory Auditors” board model 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.

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, implemented from the end of fiscal year 2008, the Group will continue to improve its internal control systems. Furthermore, as a listed company, the Group will continue to endeavor to make timely, proper, and highly transparent disclosure for the benefit of investors.

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 ¥54.6 billion and a net income of ¥11.1 billion, both on a non-consolidated basis, in the fiscal year ended March 2011. These results were above the targets set in the Revitalization 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 2007 (8th Fiscal Period)	Fiscal 2008 (9th Fiscal Period)	Fiscal 2009 (10th Fiscal Period)	Fiscal 2010 (11th Fiscal Period)
Consolidated ordinary income	5,935	6,016	5,663	4,658
Consolidated net ordinary income (loss)	112	(1,633)	(726)	244
Consolidated net income (loss)	601	(1,430)	(1,401)	426
Consolidated total equity	9,652	7,674	6,349	6,111
Consolidated total assets	115,257	119,491	113,767	102,315

Notes

1. In the amounts shown above, all figures have been truncated to the unit stated.
2. While consecutive losses were recorded during fiscal years 2008 and 2009 as a result of global recession and financial market turmoil during that period, consolidated net income increased to ¥42.6 billion in fiscal year 2010 due to a decrease in credit costs and lower general and administrative expenses.

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

	(Hundred millions of yen)			
	Fiscal 2007 (8th Fiscal Period)	Fiscal 2008 (9th Fiscal Period)	Fiscal 2009 (10th Fiscal Period)	Fiscal 2010 (11th Fiscal Period)
Deposits	58,651	68,974	68,244	57,393
Time deposits	35,329	44,517	44,275	36,081
Others	23,321	24,457	23,969	21,311
Debentures issued	6,631	6,767	4,875	3,525
Coupon debenture	6,631	6,767	4,875	3,525
Discount debenture	—	—	—	—
Corporate bonds	5,199	4,024	3,425	2,222
Loans	53,563	51,680	47,328	39,732
To individuals	8,173	8,683	8,907	9,211
To small- and medium-sized businesses	21,358	20,325	19,091	14,549
Others	24,031	22,671	19,329	15,971
Trading assets	2,751	3,260	2,110	1,828
Trading liabilities	2,037	3,160	1,766	1,443
Securities	23,003	26,260	36,745	37,017
Japanese government bonds	6,453	12,042	23,615	24,625
Others	16,549	14,217	13,129	12,392
Total assets	95,486	107,134	104,885	92,580
Net assets	7,327	5,648	5,559	6,187
Domestic exchange transactions	405,859	320,737	306,443	279,869
	(Millions of dollars)	(Millions of dollars)	(Millions of dollars)	(Millions of dollars)
Foreign exchange transactions	11,417	11,090	7,421	9,524
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
Net ordinary income (loss)	32,528	(164,860)	(44,205)	7,968
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
Net income (loss)	53,203	(157,048)	(47,644)	11,170
	(yen)	(yen)	(yen)	(yen)
Net income (loss) per share	34.46	(79.96)	(24.26)	5.59

Notes

1. In the amounts shown above, all figures have been truncated to the unit stated.
2. "Deposits" and "Deposits-Others" include negotiable certificates of deposits.
3. The decrease in "Debentures issued" is mainly due to a decrease in issues for institutional investors.
4. The decrease in "Corporate Bonds" is mainly due to repurchase and redemption of subordinated bonds.
5. The decrease in "Loans" is mainly due to a decrease in loans to corporate customers.
6. The decrease in "Trading assets" is mainly due to a decrease in derivatives.
7. The decrease in "Trading liabilities" is mainly due to the decrease in derivatives.
8. The increase in "Securities" is mainly due to an increase in Japanese government bonds.
9. While consecutive losses were recorded during fiscal years 2008 and 2009 as a result of global recession and financial market turmoil during that period, net income increased to ¥11.1billion in fiscal year 2010 due to a decrease in credit costs and lower general and administrative expenses.

(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	201	204
Showa Leasing	511	523
Markets and Investment Banking Group		
Real Estate Finance Sub-Group	44	58
Principal Transactions Sub-Group	169	180
Markets Sub-Group	123	138
Treasury Sub-Group	15	12
Other Markets and Investment Banking Group	743	779
Individual Group		
Retail Banking Sub-Group	557	573
Consumer Finance Sub-Group		
Shinsei Financial	1,265	1,463
APLUS FINANCIAL	1,330	1,360
Other	47	51
Corporate / Other	713	775
Total	5,718	6,116

Note

These numbers include overseas local employees.

(4) Principal Offices of the Group

i. The Bank

① Number of business offices

	End of this fiscal year		End of the previous fiscal year	
	(liaison office)		(liaison office)	
Hokkaido・Tohoku area	2	(–)	2	(–)
Kanto area	25	(7)	24	(5)
(Tokyo)	(15)	(2)	(16)	(2)
Chubu area	2	(–)	2	(–)
Kinki area	11	(6)	9	(4)
Chugoku・Shikoku・Kyushu area	3	(–)	3	(–)
Domestic total	43	(13)	40	(9)
Overseas	–	(–)	–	(–)
Grand total.....	43	(13)	40	(9)

Note

ATMs located outside branches were installed at 138 locations at the end of this fiscal year.

② Newly established business offices in this fiscal year

Name of office	Address
Kobe Branch- Ashiya liaison office	2F, East Area, LAPORTE, 9-1, Oharacho, Ashiya-shi, Hyogo
Umeda Branch- Takatsuki liaison office	13-25, Takatsukimachi, Takatsuki-shi, Osaka
Head Office- Chiba liaison office	1-17, Shinmachi, Chuo-ku, Chiba-shi, Chiba
Yokohama Branch- Kawasaki liaison office	11-1, Ekimae-Honcho, Kawasaki-ku, Kawasaki-shi, Kanagawa

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 main office

<u>Company name</u>	<u>Name of office</u>	<u>Address</u>
Showa Leasing Co., Ltd.	Head office	7-12, Shinonome 1-chome, Koto-ku, Tokyo

② Markets and Investment Banking Group

Main company name and main office

<u>Company name</u>	<u>Name of office</u>	<u>Address</u>
Shinsei Securities Co., Ltd.	Head office	4-3, Nihonbashi-Muromachi 2-chome, Chuo-ku, Tokyo
Shinsei Trust & Banking 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
Shinsei Servicing Company	Head office	4-3, Nihonbashi-Muromachi 2-chome, Chuo-ku, Tokyo

③ Individual Group

Main company name and main office

<u>Company name</u>	<u>Name of office</u>	<u>Address</u>
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)	7,157
Subsidiaries	
Institutional Group	515
Markets and Investment Banking Group	629
Individual Group	6,749
Other	14
Total	15,066

Note

This amount is a total amount invested in each business segment on a non-consolidated basis.

ii. New establishment of important facilities

<u>Details</u>	<u>(Millions of yen)</u> <u>Book value as of the end of FY2010</u>
Establishment of new head office of Shinsei Bank, Ltd.	4,893

Notes

1. The Bank controls and promotes all of its businesses from the head office.
2. The Bank disposed of ¥1,023 million in facilities from its previous head office as a result of head office relocation.

(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.	Koto-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 121 consolidated subsidiaries, including the major subsidiaries listed above, as well as 17 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:
The Chuo Mitsui Trust and Banking Co., Ltd.; Mitsubishi UFJ Trust and Banking Corporation; The Sumitomo Trust and Banking Co., Ltd.; 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 and Seven Bank, Ltd. work together by sharing sales channels, jointly developing new products and services under alliances, and offer cash withdrawal and depository services, and mutual fund transfer services through the mutual use of ATMs and managing joint ATM corners.
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 FINANCIAL Co., Ltd., a consolidated subsidiary, and has been processing applications for the Shinsei Visa Card, a credit card issued by APLUS FINANCIAL Co., Ltd.

The bank has also entered into a contract with APLUS FINANCIAL Co., Ltd., whereby APLUS FINANCIAL Co., Ltd., acts as a guarantor for loans made through the Bank's SmartCard Loan Service, which began in June 2008.

7. The Bank has an Operational Alliance Agreement with The Towa Bank, Ltd.
8. 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.
9. The Bank has signed a memorandum of understanding on a business alliance with YES BANK, Limited, an Indian commercial bank, aimed at strengthening collaboration in the Japan-India cross-border M&A business.
10. 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 Jih Sun Financial Holding 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
None.
- iii. Stock, Other Equities or Stock Acquisition (or Disposal) Rights of Other Companies
The Bank has transferred its entire holding of common shares in its consolidated subsidiary APLUS FINANCIAL Co., Ltd. to its consolidated subsidiary Shinsei Financial Co., Ltd., as part of measures to further improve earnings and efficiency in its consumer finance business. As a result, APLUS FINANCIAL Co., Ltd. became a subsidiary of Shinsei Financial Co., Ltd. The outline of this transfer was as below.

Transfer Contract Date	December 20, 2010
Share Transfer Date	December 28, 2010
Number of Shares Held Before Transfer	1,446,036,284 shares (94.9% of total common shares outstanding)
Number of Shares Transferred	1,446,036,284 shares
Number of Shares Held After Transfer	0 shares
Share Transfer Amount	66 billion yen
Extraordinary Loss with Transfer	31.7 billion yen
- 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

1. In September 2010, the Bank invited the holders of its previously issued subordinated notes (Euro-denominated callable notes and GBP-denominated perpetual notes) to submit offers to exchange any and all of these notes for an amount of newly issued subordinated notes (Euro-denominated, callable). As a result, the Bank issued EUR 347 million of new Euro-denominated notes overseas. The EUR 340 million of Euro-denominated callable subordinated notes and GBP 25 million of GBP-denominated perpetual subordinated notes that the Bank repurchased in the exchange offer have been cancelled.
2. In December 2010, the Bank launched a tender offer for U.S. dollar-denominated preferred securities issued by its wholly owned overseas special purpose companies, Shinsei Finance (Cayman) Limited and Shinsei Finance II (Cayman) Limited. As a result of the offer, the Bank repurchased US\$ 1.07 billion of these securities and cancelled them.

3. In March 2011, the Bank issued new shares through an international offering. The total number of new shares issued was 690 million and the total amount paid to the Bank was ¥71.8 billion.

2. Matters Concerning Corporate Directors and Statutory Auditors

(1) Corporate Directors and Statutory Auditors

(As of March 31, 2011)

<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 Outside Director, Enstar Group Limited Outside Director, The Kessler Group Chairman and Director, Flowers National Bank	—
Shigeru Kani	Director (Outside)	Professor, Yokohama College of Commerce	—
Oki Matsumoto	Director (Outside)	Director, Chairman and CEO, Monex Group, Inc. CEO, Monex, Inc. Outside Director, Tokyo Stock Exchange Group, Inc. Outside Director, Kakaku.com, Inc.	—
Hiroyuki Takahashi	Director (Outside)	Outside Statutory Auditor, Panasonic Corporation Outside Statutory Auditor, Kyowa Hakko Kirin Co., Ltd.	—
Akira Watanabe	Standing Statutory Auditor	—	—
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 Independent Directors Network Outside Director, Autobacs Seven Co., Ltd. Outside Director, Nipponkoa Insurance Company, Limited	—

Notes

1. Outside Directors Shigeru Kani, Oki Matsumoto, 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.
2. The Bank has adopted the Executive Officer system. As of March 31, 2011, there were 19 Executive Officers including those who also serve as Directors. (Of these, 6 Executive Officers resigned as of March 31, 2011)

(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	11 (Of whom 5 have already retired)	¥128 million (including ¥2 million for payments other than remuneration)	
Statutory Executive Officers	17 (Of whom 17 have already retired)	¥149 million (including ¥8 million for payments other than remuneration)	
Statutory Auditors	3	¥30 million (including ¥0 million for payments other than remuneration)	
Total	31 (Of whom 22 have already retired)	¥307 million (including ¥10 million for payments other than remuneration)	

Notes

1. Directors who are also statutory executive officers are classified as statutory executive officers in the above table. The Bank did not pay director compensation to the directors who are also statutory executive officers. The amount of compensation paid to the statutory executive officers corresponds to the period between April 1, 2010 and June 23, 2010 because the Bank resolved to switch to a "Company with Board of Statutory Auditors" at the annual general meeting of Shareholders for the tenth term held on June 23, 2010.
2. The Bank does not pay performance-linked remuneration to directors.
3. The Bank did not pay retirement allowance to directors or statutory executive officers during this fiscal year.
4. The limit of the total amount of the directors' remuneration for 11th term was adopted to be ¥180 million (including ¥50 million for the outside directors' remuneration) at the annual general meeting of shareholders for the tenth term on June 23, 2010. In addition, the limit of the total amount of the auditors' remuneration for 11th term was adopted to be ¥60 million. However, the employee portion of their salary is not included in the limit of the total amount of remuneration for directors who are also employees.

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.
	Outside Director, Enstar Group Limited	Enstar Group Limited and the Bank independently participate in certain common private investments.
	Outside Director, 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.
Oki Matsumoto	Director, Chairman and CEO (Executive Officer), Monex Group, Inc.	The Bank has no particular transaction with Monex Group, Inc. including shareholdings, etc.
	CEO (Executive Officer), Monex, Inc.	The Bank has no particular transaction with Monex, Inc. including shareholdings, etc.
	Outside Director, Tokyo Stock Exchange Group, Inc.	The Bank has no particular transaction with Tokyo Stock Exchange Group, Inc. including shareholdings, etc.
	Outside Director, Kakaku.com, Inc.	The Bank has no particular transaction with Kakaku.com, Inc. 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.
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 Independent Directors Network	The Bank has no particular transaction with Japan Independent Directors Network including shareholdings, etc.
	Outside Director, Autobacs Seven Co., Ltd.	The Bank has no particular transaction with Autobacs Seven Co., Ltd. including shareholdings, etc.
	Outside Director, Nipponkoa Insurance Company, Limited	Nipponkoa Insurance Company, Limited owns a certain financial product of the Bank.

(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	10 years as an Outside Director and 1 year as a Director (Non-executive)	Participated in eleven out of thirteen 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	6 years 9 months	Participated in all thirteen meetings of the Board of Directors held during this fiscal year, and three out of four meetings of the Audit Committee held between April 2010 and the date of the annual general meeting of shareholders for the tenth term	Provided timely and necessary remarks and advice on agenda items and deliberations in terms of risk management – his specialty
Oki Matsumoto	2 years 9 months	Participated in eleven out of thirteen meetings of the Board of Directors held during this fiscal year	Provided timely and necessary remarks on general agenda items based on his extensive knowledge and his experience as an executive officer
Hiroyuki Takahashi	4 years 9 months	Participated in twelve out of thirteen meetings of the Board of Directors held during this fiscal year, and all four meetings of the Audit Committee held between April 2010 and the date of the annual general meeting of shareholders for the tenth term	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	9 months	Participated in all eleven meetings of the Board of Directors and all ten meetings of the Board of Statutory Auditors held during this fiscal year after assuming office in June 2010	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	9 months	Participated in ten out of eleven meetings of the Board of Directors and all ten meetings of the Board of Statutory Auditors held during this fiscal year after assuming office in June 2010	Provided necessary remarks and advice on general agenda items and deliberations with extensive professional experience including experience as a director of other companies

Name	Remarks at Meetings of Board of Directors and Other Activities (ii)
J. Christopher Flowers Shigeru Kani Oki Matsumoto Hiroyuki Takahashi Kozue Shiga Tatsuya Tamura	<p>On June 30, 2010, based on the Act on Emergency Measures for Early Strengthening of Financial Functions and the Banking Law, the Bank received a Business Improvement Order from the Financial Services Agency (hereinafter, "FSA"). This is because the Bank's non-consolidated financial results for the fiscal year ended March 2010 were significantly lower than the non-consolidated earnings target set forth in the Revitalization Plan.</p> <p>In response to the Business Improvement Order, on July 30, 2010, the Bank submitted to the FSA a Business Improvement Plan which clarified the Bank's future business strategy. On July 21, 2010, the Board of Directors approved the Plan after confirming the importance of earnings stabilization, risk management and governance enhancement.</p> <p>Even before receiving the Business Improvement Order, Outside Directors had discussed profitability improvement, etc. at the Board of Directors meetings. Since the Order was issued, the Outside Directors have undertaken supervisory activities which contribute to the steady implementation of the Business Improvement Plan, and discussed how to further enhance the Bank's earnings base and risk management framework from various viewpoints at the Board of Directors meetings. Moreover, Outside Statutory Auditors have verified the actions taken by the Board of Directors and expressed opinions, as needed.</p>

(3) Agreement for Limitation on Liability

Name	Overview of Contents of Agreement for Limitation on Liability
J. Christopher Flowers Shigeru Kani Oki Matsumoto Hiroyuki Takahashi Kozue Shiga Tatsuya Tamura	<p>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.</p>

(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	11 persons (5 of them have already retired)	¥72 million (¥2 million of this amount is other than compensation)	—

Note

1. The above-mentioned "¥2 million 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 thousands of shares (same as in the Notes below).

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

53,224

(3) Major Shareholders

Shareholder's name	Investment in the Bank	
	Number of common shares	Shareholding percentage
SATURN IV SUB LP (JPMCB 380111)	456,512,000	17.20%
Deposit Insurance Corporation of Japan	269,128,000	10.14%
THE RESOLUTION AND COLLECTION CORPORATION	200,000,000	7.53%
MORGAN STANLEY & CO. INC	196,514,000	7.40%
GOLDMAN, SACHS & CO. REG	135,819,000	5.11%
SATURN JAPAN III SUB C.V. (JPMCB 380113)	129,462,000	4.87%
ASTYANAX CORPORATION 380098	81,933,000	3.08%
J. P. MORGAN CLEARING CORP - CLEARING	60,883,000	2.29%
JAPAN TRUSTEE SERVICE BANK, LTD (TRUST ACCOUNT)	51,226,000	1.93%
SSBT OD05 OMNIBUS ACCOUNT – TREATY CLIENTS	48,248,000	1.81%

Notes

1. *The number of common shares shown has been rounded down to thousands of shares.*
2. *Shareholding percentages 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, 2011

	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	5 / 1 person	-
Class and number of shares that can be purchased through the exercise of stock acquisition rights	Common stock/ 5,069,000 shares (1,000 shares per stock acquisition right)	Common stock/ 2,329,000 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/ 506,000 shares (1,000 shares per stock acquisition right)	Common stock/ 2,39,000 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/ 532,000 shares (1,000 shares per stock acquisition right)	Common stock/ 1,408,000 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/ 1,423,000 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, 2011

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 Touche Tohmatsu LLC	Audit certification business	460	Business other than audit certification business includes research and reporting on internal control systems for capital adequacy ratios.
	Business other than audit certification business	7	
Total fees		467	

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	816
	Business other than audit certification business	14
Total fees		831

(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 an agenda regarding the dismissal or non-reassignment of the independent accounting auditor to the General Meeting of Shareholders, 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 deemed 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) Risks 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 Risk 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 at the request of the statutory auditors to assist in the performance of their 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 organization independent from individual directors and from business execution, directly reports to the statutory auditors. In addition, the appointment, removal, reassignment, or other change regarding the Assistants shall be decided with prior consent of the Board of Statutory Auditors. Revisions of wages and other remuneration for the Assistants are subject to prior consent of the Board of Statutory Auditors. The aforementioned matters ensure the independence of the employees from the directors in their duties and responsibilities to support the statutory auditors.

- (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 systems, 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 21, 2010. 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, The Sumitomo Trust & Banking Co., Ltd.

【 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.)

End