[TRANSLATION]

TSE Stock code: 8303
June 4, 2008
1-8 Uchisaiwaicho 2-chome, Chiyoda-ku, Tokyo
Shinsei Bank, Limited

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

Dear Shareholders,

We are pleased to invite you to the Annual General Meeting of Shareholders of Shinsei Bank, Limited (“the Bank”) for the eighth 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 24, 2008.

Very truly yours,

Thierry Porté
Director
Representative Statutory Executive Officer 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 one’s voting right via internet or mobile phone.

We are planning to disclose the Annual General Meeting of Shareholders for the Eighth 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.

Description of the Meeting

1. Date and Time: Wednesday, June 25, 2008 at 10:00 a.m.

2. Place: Shinsei Hall, First Floor of Head Office, Shinsei Bank, Limited
1-8, Uchisaiwaicho 2-chome, Chiyoda-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 Audit Committee for the Eighth Term (from April 1, 2007 to March 31, 2008).
2. Report on the Financial Statements for the Eighth Term (from April 1, 2007 to March 31, 2008).

Matters to be voted on:

Agenda 1: Partial Amendment to Articles of Incorporation

Agenda 2: Election of fourteen (14) Directors

Agenda 3: Issuance of Stock Acquisition Rights as Stock Options to Directors, Officers and Employees of the Bank and its Subsidiaries

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 and business report 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, these written forms and documents are granted. 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 108 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 108 below.

(Attachment)

Business Report for the 8th Fiscal Year

(From April 1, 2007 to March 31, 2008)

1. Current State of the Bank

(1) Business Development and Performance of the Group

[Principal Business of the Group]

As of March 31, 2008, the Shinsei Bank Group consisted of Shinsei Bank, Limited, 204 subsidiaries (comprising 104 consolidated companies including APLUS Co., Ltd. and Showa Leasing Co., Ltd. and 100 unconsolidated subsidiaries) and 30 affiliated companies (accounted for under the equity method, including Jih Sun Financial Holding Company, Limited). The Shinsei Bank Group is an integrated financial services group which engages principally in the banking business and conducts securities, trust and other businesses.

The positioning of the Group's businesses is as follows:

(Banking Business)

The following businesses are conducted at our head office and domestic branch offices, and also by some of our consolidated subsidiaries and our affiliated companies (accounted for under the equity method): deposit business, bond business, loan and debt guarantee business, domestic exchange business, foreign exchange business, securities investment business, product securities trading business, securitization business, credit trading business, non-recourse finance business, M&A business, corporate revitalization business and consumer and commercial finance business.

(Securities Business)

Shinsei Securities Co., Ltd., a domestic consolidated subsidiary, conducts the securitization business and bond underwriting sales business.

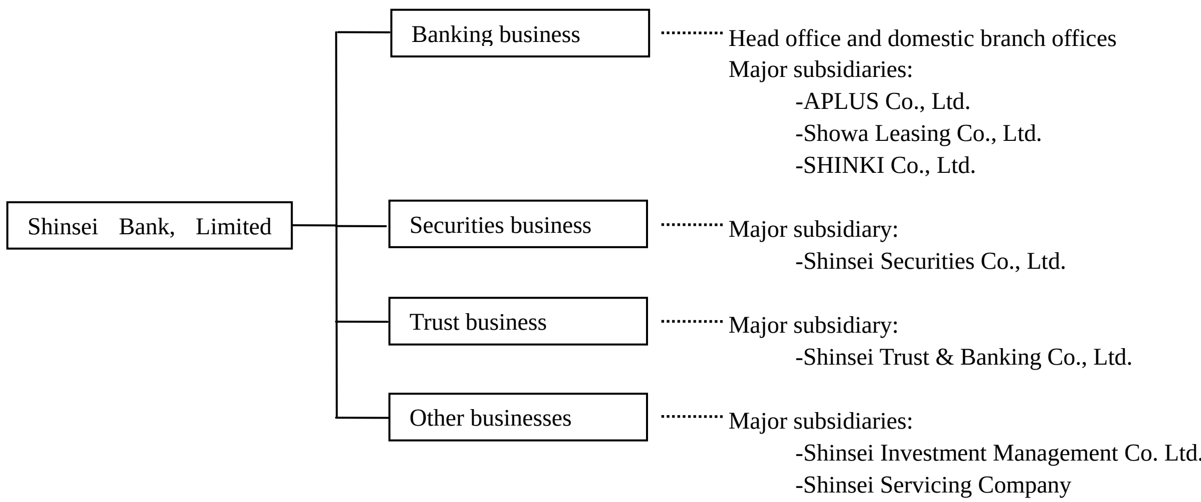
(Trust Business)

Shinsei Trust & Banking Co., Ltd., a domestic consolidated subsidiary, conducts the money credit trust business, securities trust business and specified non-money trust business.

(Other Businesses)

Shinsei Investment Management Co., Ltd., a domestic consolidated subsidiary, conducts the investment trust entrustment business and investment advisory business. Shinsei Servicing Company, also a domestic consolidated subsidiary, conducts the credit management and collection business.

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



[Financial and Economic Environment]

As for the business environment in fiscal year 2007, the Japanese economy expanded moderately, with solid exports and steady domestic consumption. However, the risk of an economic slowdown in export-dependant Japan is starting to gain recognition as the impact of the U.S. subprime mortgage problem on the U.S. economy becomes more apparent. In addition, a sharp deterioration of overseas financials' earnings, led by huge losses in mortgage-related securities, has induced higher stock market volatility, particularly for financial institutions, and widened credit spreads. The global economic outlook has been clouded, as evidenced by worsening consumer and business confidence. The impact of the subprime mortgage problem has spread to Japanese financial institutions, with losses on debt securities held in their portfolio.

The Bank of Japan (the "BoJ") has gradually stepped back from its policy of interest rate normalization, mainly due to the global financial market instability triggered by the subprime mortgage problem. The BoJ revised down Japan's economic outlook on the back of a larger-than-expected decline in the number of new constructions (due to the enactment of the revised Building Standard Law), and the increased risk of a U.S. recession. As a result, the BoJ has maintained the overnight call rate at 0.5% throughout the fiscal year.

Overseas economies, in particular Europe and emerging markets, remained on a solid growth track. However, the U.S. economy is suffering from a widespread housing sector slump. U.S. GDP growth sharply decelerated from +4.9% annualized in the 3rd Quarter to +0.6% in the 4th Quarter. There are increasing signs of a recession, such as the decrease in non-farm payrolls in two consecutive months.

The subprime mortgage problem resulted in a significant reduction in earnings of those overseas financial institutions, which held a lot of securitized products with subprime loans as collateral. In addition, with a widening slump in housing markets, losses on relatively credible securities, such as Alt-A and other securitized products which are secured by residential loans, are spreading. If this trend continues, it is expected that these losses will damage not only revenue but also the capital of overseas financial institutions. As a consequence, the subprime mortgage problem has triggered an overall re-assessment of credit risk and widened credit spreads, in particular those of overseas financials.

In light of such turmoil in the credit market, the Federal Reserve Board of the U.S. (the "Fed") has been aggressively pursuing liberalizing measures since last September. Specifically, since January when economic figures started to precipitously deteriorate, the Fed has cut its policy rate, the federal funds rate, by 2.00%. Thus, the policy rates decreased from 5.25% to 2.25% (the end of March). At the same time, the Fed, in cooperation with other central banks, has provided large and timely funding facilities to banks and securities companies to reduce concerns regarding the international financial system, which were brought by the credit crunch.

Commodities markets, including crude oil and grains, continue to soar owing to solid demand from emerging economies. As a result, developed countries, which are largely dependant on importation of such commodities, have been confronted with inflationary pressures. On the one hand, those pressures have created increasing inflationary expectations in developed countries. On the other hand, the credit turmoil mentioned above has increased expectations of aggressive easing by the Fed, resulting in the yield curve steepening in developed countries.

The interest market, after the start of fiscal year 2007, showed an increase in interest rates, mainly short-term, due to the expectation of an interest-rate-normalization policy by the BoJ. However last summer's credit fears, as well as the increased expectation of a U.S. recession due to a housing slump, have resurrected the safe haven preference for government debt. As a result, yields on the short and middle sectors lowered.

Credit spreads have been widening for financial institutions, especially those with a large subprime loan exposure. Credit spreads for credit default swaps (CDS) for overseas financial institutions have widened by about 1%~2% (AA or better) since last summer. Although overseas financial institutions have tried to strengthen their capital base by accepting funds from Asian or Middle Eastern sovereign funds, the credit fears prevailing in the markets have not been wiped away.

Stock indices have fallen dramatically since last summer, due to a decline in corporate earning power in the face of a global economic slump, a widening of credit spreads resulting in deterioration in performance of financial institutions, the Fukuda cabinet's passive attitude toward structural reform and the current Japanese political situation where each of the two Diet chambers are controlled by opposing political parties.

In currency markets, the US dollar has been falling dramatically against the Yen, breaking below ¥100 in March for the first time in twelve years. This is mainly due to increased US economic uncertainty, a reduction in the interest rate differential between the two countries, and an erosion in confidence in the US dollar as an international currency.

All in all, the Japanese economy is mildly expanding based on the increasing exports to Europe and emerging countries, and steady domestic consumption. However, the international financial turmoil triggered by the subprime mortgage problem, a sharp decline in consumer and business confidence, and the more visible risk of a US recession resulting from the decline in its housing investment, are expected to slow the Japanese economy.

At the end of last September, the Financial Instruments and Exchange Law, with its main focus on investor protection, came into effect. This law is aimed at investor protection, and regulates sales and advertisements for financial products by a uniform rule. In particular, sellers of financial products are now required to have a certain level of awareness of its customer's qualification. As a result, the items that need to be confirmed by customers in the application process have become more numerous and problems between salespersons and customers are now more easily induced in transactions. In order to avoid these kinds of problems, some banks have become more cautious on sales of investment trust funds. This trend has reduced the banking sector's share of overall sales of investment trust funds, which had been expanding.

[Business Development and Performance]

Shinsei Bank's business model has been based on the three strategic business pillars of Institutional Banking, Consumer and Commercial Finance, and Retail Banking, providing a wide range of financial products and services to both corporate and retail customers. Each of our three business pillars is in a different stage of growth, and faces unique business opportunities and challenges.

(Institutional Banking)

In Institutional Banking, our customer relationship managers and specialists in financial products and services effectively work together. By utilizing the innovation and agility unique to investment banks, we provide not only traditional financial products and services for corporate customers but also value-added financial products, services and solutions to customers in the corporate, financial services and public sectors to diversify and stabilize our revenue streams.

Although we faced some challenges in fiscal year 2007, mainly in our securitization operations due to the turmoil in the U.S. residential mortgage market, our loan, real estate non-recourse finance, credit trading and principal investment operations performed steadily, and solid results were recorded in the high-growth areas of asset management and advisory operations.

In our lending operations, a solid performance was recorded for our corporate loans while maintaining the profitability and quality of our assets, by meeting the funding demands of our new and existing corporate customers. In order to provide highly specialized solutions to our customers, we implemented an organizational reform in December 2007 to categorize our corporate relationship managers by industry sectors.

In our real estate non-recourse finance operations, we have striven for efficient asset management and security in profits through highly selective loan transaction management, by taking into account the credit concentration risks and ensuring an appropriate level of risk and return, in addition to securitizing non-recourse loans.

Our credit trading operations performed steadily as we actively pursued investments in and collections of distressed assets, non-performing loans and substandard loans in Japanese and overseas markets. Strong performance of our transactions and collection in both Japan and overseas, in addition to an increase in real estate prices, also contributed.

In our principal investment operations, we formed a business alliance with Japan Asia Investment Co., Ltd., subscribed to its third party allotment of new shares in August 2007, and established a private equity fund with the Development Bank of Japan, to be managed by our affiliate's subsidiary, in February 2008. By utilizing our vast experience in private equity investment operations and wide range of financial services, we are looking to capture new investment opportunities and offer management assistance to improve the corporate value of the invested company to actively develop our business.

In our asset management operations, we formed a business alliance with a leading Indian investment firm, UTI Asset Management Company Pvt. Ltd. ("UTI"), to offer products managed by the UTI group in India for our customers in Japan. In August 2007, we formed a business alliance with a subsidiary of UTI and established a joint venture company in Singapore to provide asset management and sell financial products in South East Asia.

To offer our customers a broader range of innovative solutions and to meet their needs, we have been boosting our capital markets-related operations both at the Bank and at our subsidiary, Shinsei Securities Co., Ltd. Also, to meet our customers' needs, we have been active in a wide range of areas including foreign exchange, interest rate and credit derivatives and equity and equity derivatives trading.

In February 2008, we concluded an operational alliance agreement with Towa Bank, Limited, to mutually cooperate in developing and promoting high value-added financial products and services to our customers. We aim to contribute to regional finance by utilizing our broad network with regional financial institutions built up over the years, and strengthening our partnership with each financial institution.

During the fiscal year ending March 2008, we recorded losses of ¥29.1 billion (mark-downs of ¥15.6 billion and reserve provisions etc. of ¥13.4 billion) in our U.S. residential mortgage portfolio, due to the effects of the market turmoil stemming from the U.S. subprime loan problem.

(Consumer and Commercial Finance)

Consumer and Commercial Finance became one of the core businesses for the Bank in fiscal year 2004 with the purchase of APLUS Co., Ltd. and Showa Leasing Co. Ltd., and provides a wide variety of products and services including installment sales credit, credit cards, consumer loans and leases to small/medium sized enterprises and individuals. In December 2007, SHINKI Co., Ltd., previously an equity-method affiliate, became a consolidated subsidiary after Shinsei's full subscription to the new shares offered by SHINKI Co., Ltd. to its shareholders.

Although the business environment surrounding Consumer and Commercial Finance continues to be challenging, including a lower maximum lending rate due to the revision of consumer lending laws, the implementation of a lending limit for each borrower, and the exposure accompanying reimbursements of excess interest payments, we are striving to improve our profitability and competitive edge by further strengthening our sales force, in addition to enforcing rigorous streamlining and cost-cutting efforts, and promoting management efficiency by utilizing the Bank's know-how in IT and risk management.

APLUS Co., Ltd. is aiming to achieve its medium-term strategy of building the next generation Shinpan, which will entail the provision of competitive financial services with a high level of expertise in credit assessment and collection while utilizing the advanced IT infrastructure. Although operating assets decreased as planned due to measures such as the re-examination of transactions with merchant partners, focusing on quality customers by providing loans to new customers within the interest restriction laws and enforcing stricter screening standards, APLUS Co., Ltd. recorded a consolidated net income of ¥6.1 billion for fiscal year 2007, marking a significant turnaround in profits from the previous fiscal year, in which significant losses were recorded. In March 2008, the Bank announced its subscription to ¥50 billion in shares issued by APLUS Co., Ltd. through a third party allotment, in an effort to strengthen APLUS Co., Ltd.'s capital base.

Although SHINKI Co., Ltd., which became a subsidiary in December 2007, recorded a loss of ¥17.5 billion due to large increases in reserve provisions and charges for default and interest repayment losses in the first half of the fiscal year, the company was profitable in the second half of the fiscal year, recording profits of ¥2.7 billion.

(Retail Banking)

In Retail Banking, we strive to provide convenient and quality products and services through the implementation of a business model that effectively combines branches with various remote channels including internet and the call center.

The number of newly opened "PowerFlex" comprehensive accounts continued to record strong growth. The total number of retail accounts, including existing accounts, as of April 30, 2008, has surpassed 2.2 million. Although the pace of product sales has slightly declined with the implementation of the Financial Instruments Exchange Law on September 30, 2007, the balance of deposits from individuals, including structured deposits and annuity and insurance investment products, was at ¥5,092.2 billion as of March 31, 2008, due to efforts to develop our customer base and expand our product offering. In terms of our housing loans, the balance of "PowerSmart" home mortgages has surpassed ¥800 billion as of April 30, 2008, as products with automatic early repayment without penalty, overdraft services and a highly flexible design have been favorably accepted by customers.

The Bank introduced a new “Shinsei Platinum Services” in July 2007 to customers who meet certain requirements. Eligible customers can enjoy better interest rates on yen time deposits, make an overseas remittance at no charge and receive consultation with a financial planner. With a further emphasis on investment management consultation services, the Bank aims to be the “Best Money Advisor” for our customers.

We started an advertising campaign in October 2007 with the key message: “Please give Shinsei Bank five minutes”, which targets the demand for asset management services mainly among retirees and those who are making plans for their retirement years, and has been very well received among our customers.

Regarding the expansion of our branch and ATM network, Shinsei Bank opened the Kashiwa Financial Center (Chiba Prefecture) in May 2007 and commenced mutual use of ATMs with Miura Fujisawa Shinkin Bank in September 2007, allowing us to provide better services to customers on a wider scale. The Bank also expanded its own ATM network by opening new ATMs inside JR Mitaka (Tokyo) and Kyoto stations in December 2007 and January 2008, respectively. Our ATM network also includes stations on the Tokyo Metro, Keikyu and Kintetsu Railway. 76 ATMs at 49 stations (as of March 31, 2008) on the Tokyo Metro comprise our largest ATM network. Furthermore, the Bank reached an agreement with Seven Bank Ltd. in January 2008 regarding the cooperative installation of ATMs. Going forward, the Bank will continue to enhance customer convenience through strategic measures for channel enhancement,

Shinsei Bank’s Retail Banking business provides services one step ahead of the competitors, and has taken measures to further enhance convenience to our customers, such as upgrading our products and services, as well as opening more branches and new call centers and developing our ATM network. We look to expand our customer base and further enhance convenience to our customers by introducing products and services that meet the needs of our customers in a timely manner.

(Financial Position)

Shinsei’s claims classified under the Financial Revitalization Law as those to be disclosed to public, totaled ¥53.1 billion as of March 31, 2008, and the non-performing ratio (based upon the classification under the Financial Revitalization Law) was at 0.95%. In terms of funding, we have continued to diversify our funding structure, centered around deposits from individual customers. We have developed a solid funding base, as the number of transactions with retail customers has steadily increased due to improvements in credit ratings and continued confidence from our customers. In terms of our ratings, Moody’s raised our long-term credit rating from A3 to A2, financial strength rating from D to C- both in May 2007, and Standard and Poor’s raised the long-term counter-party credit rating from BBB+ to A- in June 2007.

In an initiative to further enhance its balance sheet, Shinsei Bank issued ¥50 billion of new common shares by third-party allotment to a newly formed group of investors, including affiliates of J.C. Flowers & Co. LLC, at ¥425 per common share, in February 2008. Including the tender offer completed in January 2008 (the investors acquired 358,456,000 shares at a price of ¥425 per share), the investors hold approximately 32.6% of Shinsei’s outstanding shares, excluding treasury shares, as at March 31, 2008.

Regarding public funds, Class-B preferred shares owned by the Resolution and Collection Corporation (300,000,000 shares, balance of ¥120 billion) were converted to 200,000,000 common shares on August 1, 2007, and Class-A preferred shares owned by the Deposit Insurance Corporation (74,528,000 shares, balance of ¥96.8 billion) were also converted to 269,128,888 common shares on March 31, 2008. As of March 31, 2008, in total, the Deposit Insurance Corporation and the Resolution and Collection Corporation hold 469,128,888 common shares or 23.9% of Shinsei’s outstanding shares, excluding treasury shares.

In a strategic measure to enhance efficient utilization of our assets, we sold our headquarters building (more precisely, the beneficial interest in the trust which owns the headquarters building as trust assets) in

March 2008. We expect to move to a new location within three years. We will aim to improve our business processes while striving to achieve higher efficiency in our assets.

(Business Performance)

Based on the business developments discussed above, Shinsei Bank and its consolidated subsidiaries attained the following business results for the fiscal year ended March 31, 2008.

Consolidated subsidiaries partly operate in the securities and trust businesses in addition to the banking business, but since the proportion of such businesses is insignificant in terms of all segments, we have stated the results of the business as a whole. SHINKI Co., Ltd. was an equity method affiliate from April 1, 2007 to September 30, 2007. However, as a result of the acquisition of its shares by Shinsei Bank, it became a consolidated subsidiary and its balance sheet and income statement from October 1, 2007 to March 31, 2008 were consolidated into Shinsei Bank's.

<Financial Highlights>

As of March 31, 2008, the total consolidated assets of the Shinsei Bank Group amounted to ¥11,525.7 billion, an increase of ¥688.0 billion from the end of the previous fiscal year. The main components of this was ¥5,806.6 billion in deposits and negotiable certificates of deposit (up ¥385.7 billion from the previous year), ¥662.4 billion in debentures (down ¥40.8 billion from the previous year) and ¥5,622.2 billion in loans and bills discounted (up ¥475.9 billion from the previous year).

For the fiscal year ended March 31, 2008, ordinary income was ¥593.5 billion, an increase of ¥33.4 billion from the previous year, while ordinary expenses were ¥582.2 billion, an increase of ¥45.4 billion from the previous year. Consequently, our consolidated net ordinary income was ¥11.2 billion, down ¥11.9 billion from the previous year; and our consolidated net gain for the fiscal year ended March 31, 2008, after extraordinary gains of ¥88.9 billion, extraordinary losses of ¥7.5 billion, income tax expenses (losses) of ¥4.9 billion, income tax adjustments (losses) of ¥9.5 billion, and minority interests (losses) of ¥18.0 billion, was ¥60.1 billion compared to net loss of ¥60.9 billion in the previous year.

<Deposits including negotiable certificates of deposit>

For the fiscal year ended March 31, 2008, deposits increased by ¥288.7 billion, mainly because of an increase in retail deposits with one year maturity dates. On the other hand, during the fiscal year ended March 31, 2007, negotiable certificates of deposit increased by ¥96.9 billion. As a result, deposits including negotiable certificates of deposit totaled ¥5,806.6 billion, up ¥385.7 billion from the previous fiscal year.

<Debt securities and corporate bonds>

We have continued to shift our financing emphasis from debentures to deposits to reflect our transition to an ordinary bank, and therefore our outstanding debentures have been decreasing steadily. For the fiscal year ended March 31, 2008, debentures decreased by ¥40.8 billion to ¥662.4 billion. In contrast, corporate bonds increased by ¥25.8 billion for the fiscal year ended March 31, 2008 to ¥426.2 billion.

<Loans and bills discounted>

We have provided a wide variety of financing solutions to corporate clients with new type of loans and housing loans to retail clients. In light of these varied business efforts, our outstanding loans and discounted bills totaled ¥5,622.2 billion as of March 31, 2008, an increase of ¥475.9 billion from the previous fiscal year.

<Securities and trading assets>

As of March 31, 2008, securities were valued at ¥1,980.2 billion, up ¥125.6 billion from the previous fiscal year. In addition, trading account assets increased by ¥11.8 billion to ¥315.2 billion as of March 31, 2008.

<Ordinary income>

Interest income increased by ¥69.3 billion from the previous fiscal year to ¥242.1 billion, principally because interest on loans and bills increased by ¥59.9 billion from the previous fiscal year to ¥186.7 billion largely due to the growth in loan balances and increases in interest, and interest and dividends on securities increased by ¥10.4 billion. On the other hand, trading revenue decreased by ¥8.4 billion from the previous fiscal year to ¥9.7 billion mainly due to the decrease in interest rate option revenue generated from the new type of deposits under retail business. Other ordinary income decreased by ¥24.6 billion from the previous fiscal year to ¥246.6 billion due to the mark down of securities resulting from the turmoil in U.S. residential mortgage market. Total ordinary income has increased by ¥33.4 billion, compared to the previous fiscal year, to ¥593.5 billion, reflecting the increase in the interest income offsetting the reduction in non-interest income.

On the other hand, although interest expenses increased by ¥27.0 billion from the previous fiscal year to ¥104.3 billion, net interest income (interest income less interest expense) increased by ¥42.2 billion from the previous fiscal year to ¥137.7 billion. General and administrative expenses experienced a slight increase by ¥0.2 billion from the previous fiscal year to ¥171.2 billion despite SHINKI Co., Ltd.'s consolidation of income statement from October 1, 2007 to March 31, 2008, offset by the decrease in goodwill and intangible amortization. However, other operating expenses increased by ¥12.8 billion from the previous fiscal year to ¥93.4 billion due to an increase in loan loss reserve arising from U.S. residential mortgage related loans. As a result, ordinary expenses increased by ¥45.4 billion from the previous fiscal year to ¥582.2 billion, and our net ordinary income for the fiscal year ended March 31, 2008 (ordinary income less ordinary expenses) decreased by ¥11.9 billion from the previous fiscal year to ¥11.2 billion.

In addition, ordinary business profit [(*)] , a benchmark for the profits of a bank's primary business operations, amounted to ¥104.9 billion, down ¥13.4 billion from the previous fiscal year. We have been placing emphasis on our credit trading business as one of our primary businesses and have included it in our ordinary business profit. The income and losses from monetary assets held in trust are generated mainly from this business. At the same time, we have not included the amortization of consolidation goodwill and other intangibles of APLUS Co., Ltd., Showa Leasing Co., Ltd. and SHINKI Co., Ltd. in our ordinary business profit.

<Net income/losses>

For the fiscal year ended March 31, 2008, extraordinary gains increased by ¥73.6 billion to ¥88.9 billion compared with the previous fiscal year, mainly because we recorded a gain of ¥66.0 billion on the sale of beneficiary interest in the trust backed by Shinsei head office building held by Dolphin Japan Investment Y.K., a consolidated subsidiary of Shinsei Bank, to Fujisawa Holding Special Purpose Company, sponsored by a real estate fund managed by Morgan Stanley. Also, a gain of ¥20.3 billion was recorded resulting from the sale of the entire shares of Life Housing Loan Co., Ltd. held by Shinsei Property Finance Co., Ltd. to Sumitomo Trust Banking Corporation. On the other hand, although we posted impairment of goodwill and intangible assets of consolidated subsidiary APLUS Co., Ltd. and others in the amount of ¥104.1 billion in the previous fiscal year, we only recorded the amount of ¥7.5 billion in this fiscal year. As a result, net income before income

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[(*)] *Ordinary business profit is the figure used for management purposes and reflects almost the same items as those used to calculate non-consolidated ordinary business profit under our revitalization plan (i.e., the sum of net business income and income/losses on monetary assets held in trust, less general and administrative expenses (except one time expenses)).*

taxes and minority interests was ¥92.5 billion for the fiscal year ended March 31, 2008, while net loss before income taxes and minority interests in the previous fiscal year was ¥65.7 billion.

Our Income Tax Adjustment was ¥9.5 billion (losses) due to the recording of a large amount of extraordinary gains in this fiscal year. Minority interests mainly represent the dividend payment for preferred investment certificates issued by consolidated subsidiaries, and these increased by ¥1.4 billion from the previous fiscal year to ¥18.0 billion (losses). As a result, net income after income taxes and minority interests was ¥60.1 billion for the fiscal year ended March 31, 2008, a significant improvement over the net loss in the previous fiscal year of ¥60.9 billion.

Also, net income after income taxes of Shinsei Bank on a non-consolidated basis was ¥53.2 billion for the fiscal year ended March 31, 2008, compared with the net loss after income taxes and minority interests in the previous fiscal year of ¥41.9 billion.

<Equity>

Total equity as of March 31, 2008 increased by ¥107.0 billion from the previous fiscal year to ¥749.8 billion due to an increase in Retained Earning by ¥57.0 billion as compared to the previous fiscal year coupled with third party allotments amounting to ¥50.0 billion to investors including J. C. Flowers & Co. LLC. Although Other Comprehensive Income was negative ¥35.0 billion as compared to positive ¥5.0 billion in the previous fiscal year due to the turmoil in the U.S. residential mortgage market, this year's net asset increased by ¥32.0 billion to ¥965.2 billion due to a large increase in shareholder's equity.

[Challenges to be met by the Shinsei Bank Group]

1. Revitalization plan targets[1]

Shinsei Bank posted a net loss of ¥41.9 billion on a non-consolidated basis in the fiscal year ended March 2007 due mainly to the impact of the drastic changes in the business environment surrounding the consumer finance sector. This figure was significantly below the net income plan to be posted in the term ended March 2007 under the Plan for Restoring Sound Management ("Revitalization Plan"), and the Bank received a Business Improvement Order from the Financial Services Agency ("FSA") in June 2007 as a result. Shinsei Bank submitted the Business Improvement Plan to the FSA in July 2007 and a new Revitalization Plan in August 2007. However, for the fiscal year ended March 2008, Shinsei Bank posted a net profit of ¥53.2 billion on a non-consolidated basis, which was again lower than the target set in the Revitalization Plan, due to the impairment of investments in our subsidiaries and affiliates, as well as losses related to our exposure in the U.S. residential mortgage market. As a bank receiving public funds, we deeply regret not having achieved the target. In order to achieve the target on the new Revitalization Plan, the Bank will make its utmost efforts to promote business through further reinforcing the profitability of our individual operations, and the improvement of our businesses including the efficient management of our expenses.

2. Response to the Financial Instruments and Exchange Law

The Financial Instruments and Exchange Law, which became effective on September 30, 2007, regulates financial institutions in relation to advertising practices, solicitation and explanation methods as well as the delivery of explanatory documents prior to and upon the sale of financial products. In terms of advertisements, although the Bank received a cease and desist order from the Fair Trade Commission in March 2007 for a leaflet on a time deposit called *Powered Time-deposit Plus*, the Bank had already been using an entirely new brochure since January 2007 indicating both the advantages and disadvantages (risks) of these products on the front of the brochure, and has continued making improvements. Long before other financial institutions, as a preventative measure, the Bank established a "consumer advertisement monitoring system," whereby Shinsei Bank's advertisements are reviewed from the consumers' point of view. In addition, the Bank is reviewing the monitoring system of its advertisements through the establishment of an Advertisement Review Board. Going forward, with the expected increase in customer requirements for asset management services, the Bank continues to strive to ensure that our customers can make deals with the Bank in risk investment products with a sense of security, through such advertisement methods, solicitation and explanation procedures and the delivery of explanatory documents.

To fully comply with J-SOX, a regulation based upon the Financial Instruments and Exchange Law, which will be implemented from the fiscal year ended March 2009, we established the "J-SOX Program Steering Committee" as the decision-making body for the advancement of the J-SOX program, as well as the Group J-SOX Program Office, as the secretariat and daily administrative body of the J-SOX Program, in May 2007. We will strive to strengthen not only our financial controls but also our overall internal control system through coordination with, and assistance to, the divisions in charge of documentation, testing and remedying of each operation process under the Program, as well as formulation of detailed measures for advancement and daily management of the Program.

3. Implementation of corporate sustainability

Shinsei Bank strives for thorough enforcement of its principles. The "Shinsei Vision" is to the effect that "we are Japan's pre-eminent financial services firm, delivering trusted solutions to grow sustainable value with our customers, our employees and our shareholders." To achieve this goal, the Bank has been implementing five "Shinsei Values," comprised of "Customer Focus," "Integrity," "Accountability," "Teamwork" and "Community," which serve as a code of conduct for the Bank and each employee.

To promote the realization of corporate sustainability, Shinsei Bank established the Corporate Value Division in September 2007, aimed at responding to the expectations of all stakeholders while maximizing profits, and creating and sustaining the growth of corporate value in a way that will reflect the bank's core values. By maintaining corporate value through assessing and managing risks in areas such as the environment, society, and corporate governance, while using the world's best practices as a benchmark, the division is expected to contribute greatly to the long-term growth in profits and corporate value. Through our efforts to develop a new corporate brand, we are aiming to establish a unique position within the market by differentiating ourselves from our peers via branding and strengthening the relationship with our customers.

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

In order to providing high 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 system, utilizing cutting-edge technology, as our base, we will continue to strive for long-term and stable profit growth by offering a broad array of products and services in a timely manner that better meets the needs of our customers.

5. Enhancement of the competitive edge and profitability of the Group

We will strive to enhance the competitive edge and profitability of the Group by optimally allocating management resources and establishing a balanced management of our operations, in addition to enforcing strict streamlining measures, through the smooth implementation of Basel II, the new capitalization ratio parameter, for the Bank and its Group companies, enhancement of risk management, and accurate identification of risk and return. By doing this while undertaking thorough streamlining initiatives, we will strive to expand our businesses by effectively utilizing our capital resources while maintaining our capital quality.

6. Reinforcement of corporate governance system and achieving a high level of transparency in management

The Bank has adopted a "Company with Committees" board model, and, as such, has established a management system which enables it to reinforce its management supervision functions and make decisions expeditiously. In addition to the Board of Directors, we have a Nomination Committee, an Audit Committee and a Compensation Committee, with the responsibilities of overseeing our operations. The majority of these committees are comprised of outside directors. We also delegate substantial business execution authority to the Statutory Executive Officers in order to enable them to run the operations of the Bank in a flexible and efficient manner. We intend to further ensure our legal compliance system by establishing and operating an internal control system and improving the level of our audit function, as well as strengthening our compliance system, by considering the convenience of our users and customer protection. Further, we continue to endeavor to make timely, proper, and highly transparent disclosure from the investor's point of view.

In addition, with the introduction of a management method called SPB (Shinsei Strategy, Plans and Budgets), we continue to develop strategic objectives and establish action plans according to these objectives and manage them in conjunction with our budget, not only in the sales divisions but also in our back-office operations. By monitoring our progress regularly, we are better positioning ourselves to achieve objectives of the "Shinsei Vision." We have made efforts to confirm and share our strategic objectives, which are the purpose of SPB, and promote the introduction of SPB to our major subsidiaries, as well as handle medium- and long-term challenges from the viewpoint of our customers and regularly hold meetings as an opportunity for management to further focus on strategies and discuss cross-sectional issues.

Note:
1. The description of the first item does not refer to subsidiaries and affiliates.

(2) State of Assets, Profit and Loss

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

(Hundred millions of yen)

	Fiscal 2004 (5th Fiscal Period)	Fiscal 2005 (6th Fiscal Period)	Fiscal 2006 (7th Fiscal Period)	Fiscal 2007 (8th Fiscal Period)
Consolidated ordinary income	2,486	5,290	5,600	5,935
Consolidated net ordinary income	544	714	231	112
Consolidated net income (losses)	674	760	(609)	601
Consolidated shareholders' equity	7,866	8,553	9,332	9,652
Consolidated total assets	85,763	94,050	108,376	115,257

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

(Hundred millions of yen)

	Fiscal 2004 (5th Fiscal Period)	Fiscal 2005 (6th Fiscal Period)	Fiscal 2006 (7th Fiscal Period)	Fiscal 2007 (8th Fiscal Period)
Deposits	35,288	41,581	54,714	58,651
Time deposits	17,860	23,431	29,380	35,329
Others	17,428	18,150	25,334	23,321
Debentures issued	12,468	10,214	7,039	6,631
Coupon debenture	12,186	10,214	7,039	6,631
Discount debenture	282	—	—	—
Corporate bonds	500	4,470	5,624	5,199
Loans	34,437	39,612	50,752	53,563
To individuals	2,921	4,578	5,669	8,173
To small and medium-sized businesses	17,444	16,150	22,691	21,358
Others	14,071	18,883	22,391	24,031
Trading assets	1,668	1,733	2,841	2,751
Trading liabilities	642	1,290	873	2,037
Securities	18,207	18,097	20,620	23,003
Japanese government bonds	5,867	4,744	7,472	6,453
Others	12,339	13,353	13,147	16,549
Total assets	63,963	72,086	87,289	95,486
Equity	7,889	8,530	6,588	7,327
Domestic exchange transactions	278,344	241,715	311,040	405,859
	(Millions of dollars)	**(Millions of dollars)**	**(Millions of dollars)**	**(Millions of dollars)**
Foreign exchange transactions	14,200	15,533	11,559	11,417
	(Millions of yen)	**(Millions of yen)**	**(Millions of yen)**	**(Millions of yen)**
Net ordinary income	46,697	60,497	47,146	32,528
	(Millions of yen)	**(Millions of yen)**	**(Millions of yen)**	**(Millions of yen)**
Net income (losses)	68,097	74,890	(41,960)	53,203
	(Yen)	**(Yen)**	**(Yen)**	**(Yen)**
Net income (losses) per share	47.27	52.27	(32.14)	34.46

Notes:

1. In the amount shown above, figures below the first decimal place have been omitted.

2. "Deposits" and "Deposits-Others" include negotiable certificates of deposits.

3. The "Accounting Standard for Presentation of Equity in the Balance Sheet" (Corporate Accounting Standard No. 5, December 9, 2005) and the "Guidelines for Application of Accounting Standard for Presentation of Equity in the Balance Sheet" (Corporate Accounting Standard Guidelines No. 8, December 9, 2005) are applied from fiscal year 2006.

4. Net income/loss changed from loss of ¥41.9 billion in fiscal year 2006 to profit of ¥53.2 billion in fiscal year 2007 due mainly to special gains as dividend on investment in Tokumei Kumiai system (silent partnership) of ¥66.0 billion.

(3) Employees on Consolidated bases

	End of this fiscal year	End of the previous fiscal year
	Number of employees (persons)	
Banking business	4,592	4,848
Securities business	168	126
Trust business	99	95
Other	386	295
Total	5,245	5,364

Note:
The number of the "End of the previous fiscal year" contains overseas local employees.

(4) Principal Offices of the group

i. Banking Business of the Bank

① Number of business office

	End of this fiscal year	(liaison office)	End of the previous fiscal year	(liaison office)
Hokkaido・Tohoku area	2	(–)	2	(–)
Kanto area	24	(6)	24	(7)
(Tokyo metropolis)	(19	(6))	(20	(7))
Chubu area	2	(–)	2	(–)
Kinki area	7	(2)	7	(2)
Chugoku・Shikoku・Kyushu area	3	(–)	3	(–)
Domestic total	38	(8)	38	(9)
Overseas	1	(–)	1	(–)
Grand total	39	(8)	39	(9)

Notes:
Besides the above, the Group has no overseas representative office (1 on March 31, 2007).
In addition, ATMs outside the branches were installed at 184 locations at the end of this fiscal year.

② Newly established business office in this fiscal year

Name of office	Address
Kashiwa branch	4-3, Kashiwa 1-chome, Kashiwa-city, Chiba-prefecture

③ List of agencies of the bank

None.

④ Agent activities operated by the Bank

None.

ii. Banking Business of the Group (except for those listed in i. above)

The main company name and the main office.

Company name	Name of office	Address
APLUS Co., Ltd.	Tokyo Head office	1, Shin-ogawacho 4-chome, Shinjuku-ku, Tokyo
Showa Leasing Co., Ltd.	Head office	12, Yotsuya 3-chome, Shinjuku-ku, Tokyo
SHINKI Co., Ltd.	Head office	6-1, Nishi-shinjuku 1-chome, Shinjuku-ku, Tokyo

iii Securities business

The main company name and the main office

Company name	Name of office	Address
Shinsei Securities Co., Ltd.	Head office	1-8, Uchisaiwaicho 2-chome, Chiyoda-ku, Tokyo

iv. Trust and Banking business

The main company name and the main office

Company name	Name of office	Address
Shinsei Trust & Banking Co., Ltd.	Head office	1-8, Uchisaiwaicho 2-chome, Chiyoda-ku, Tokyo

v. Other

The main company name and the main office

Company name	Name of office	Address
Shinsei Investment Management Co., Ltd.	Head office	1-8, Uchisaiwaicho 2-chome, Chiyoda-ku, Tokyo
Shinsei Servicing Company	Head office	1-8, Uchisaiwaicho 2-chome, Chiyoda-ku, Tokyo

(5) Facility Investment of the Group

i. Total facility investment

(Millions of yen)

Business segment	Amount
Banking business	15,467
Securities business	400
Trust business	4
Other	314
Total	16,186

ii. New establishment of important facilities

(Millions of yen)

Business segment	Details	Amount
Other Business	Sale of head office building of Shinsei Bank, Ltd.	52,436

(6) Significant Parent Company and Subsidiaries

i. Parent Company
None.

ii. Subsidiaries

Name	Address	Major business	Establishment date	Capital (million)	Shinsei's Voting Shareholding Ratio (%)	Other
APLUS Co., Ltd.	Osaka Prefecture Osaka City	Consumer credit business	October 6, 1956	¥40,000	74.05 (74.05)	—
Showa Leasing Co., Ltd.	Tokyo Metropolis Shinjuku Ward	Leasing business	April 2, 1969	¥24,300	96.42	—
SHINKI Co., Ltd.	Tokyo Metropolis Shinjuku Ward	Consumer finance business	December 1, 1954	¥16,709	67.78	—
Shinsei Trust & Banking Co., Ltd.	Tokyo Metropolis Chiyoda Ward	Trust business	November 27, 1996	¥5,000	100.00	—
Shinsei Securities Co., Ltd.	Tokyo Metropolis Chiyoda Ward	Securities business	August 11, 1997	¥7,000	100.00	—

Notes:

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

2. Numbers included in parentheses in the "Shinsei shares" column indicate indirect holdings.

3. Shinsei has 104 consolidated subsidiaries, including the major subsidiaries listed above, as well as 30 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; Aozora Bank, Ltd. and Miura Fujisawa Shinkin Bank.

2. The Bank offers cash withdrawal and depository services as well as fund transfer services through the mutual use of ATMs under an alliance with Japan Post Bank Co., Ltd.

3. The Bank offers automated cash withdrawal and depository services through ATMs located in railway and subway stations under alliance relationships with the following railway companies:
   Tokyo Metro Co., Ltd.; Keihin Electric Express Railway Co., Ltd.; and Kintetsu Corporation.
   In addition, the Bank has installed ATMs at JR Kyoto station and JR Mitaka station, and offers automated cash withdrawal and depository services.

4. The Bank offers automated local currency cash withdrawal services through the PLUS ATM network located overseas under the alliance relationship with Visa International.

5. The Bank established Guaranteed Pensions LLP with other alliance partners to solve the pension liabilities of companies through capital markets in the UK, and the Bank holds 22.5% of its equity.

6. The Bank has an alliance with APLUS Co., Ltd., which is the Bank's subsidiary and has been processing the application for Shinsei Visa Card, as credit card issued by APLUS Co., Ltd.

7. On July 20, 2007, the Bank has reached an agreement with Japan Asia Investment Co., Ltd. to form a business alliance and subscribe to new shares issued by third party allotment by Japan Asia Investment Co., Ltd.

8. The Bank entered into a business alliance with UTI Asset Management Company Ltd., the largest investment company in India, and agreed to provide fund management services in India conducted by the UTI Group to investors in Japan.
   And, on August 8, 2007, the Bank has signed a joint venture agreement with UTI International Ltd. a 100% subsidiary of UTI Asset Management Company Ltd. to set up UTI International (Singapore) Pte Limited.

9. On January 17, 2008, the Bank and Seven Bank, Ltd. have reached an agreement to cooperate with each other by sharing sales channels and jointly developing new products and services.

10. On February 27, 2008, the Bank and the Development Bank of Japan established the Raffia II L. P. a private equity fund. The fund invests in medium-sized companies in the form of buyouts or by providing growth capital and business revitalization, and will be managed by a subsidiary of Raffia Capital Co., Ltd. (Raffia Capital).

11. On February 28, 2008, the Bank has concluded an operational alliance agreement with Towa Bank, Ltd. to mutually cooperate in developing and promoting high value-added financial products and services for customers.

(7) State of Business Transfer, etc.

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

None.

ii. Business Transfer of Business of Other Companies

None.

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

Date	Details
May 18, 2007	Shinsei Property Finance Co., Ltd. , a subsidiary of the Bank, completed the sale of all shares of Life Housing Loan, Ltd. to Sumitomo Trust & Banking Co., Ltd.
August 6, 2007	The Bank purchased common shares of Japan Asia Investment Co., Ltd. , which amounts to 3.47% of its shares.
September 27, 2007	The Bank entered into a stock purchase agreement with Duff & Phelps Corporation, a Delaware corporation, pursuant to which it purchased 3,375,000 shares of D&P's Class A common stock.
December 13, 2007	Subsequent to the Bank's full subscription to the new shares offered by SHINKI Co., Ltd. to its shareholders, the Shinsei Bank holds 67.7% of SHINKI Co., Ltd.'s outstanding shares. SHINKI Co., Ltd. has been accounted for as a consolidated subsidiary of Shinsei Bank from the start of the second half of fiscal year 2007.
March 28, 2008	The Bank purchased class G preferred shares of ¥50 billion issued by APLUS Co., Ltd., which is Shinsei Bank's subsidiary, and the payment was completed on March 28, 2008.

Material Succession of Rights and Obligations regarding Other Corporations' Businesses through Merger or Company Split

None.

(8) Other Current State of the Group

None.

2. Matters Concerning Corporate Directors and Officers

(1) States of Corporate Directors and Officers

i. Corporate Directors

(As of March 31, 2008)

Name	Position/Responsibilities, and Committee	Important Concurrent Post	Others
Thierry Porté	Director, Nomination	—	—
Junji Sugiyama	Director	—	—
Michael J. Boskin	Director (Outside) Nomination	Professor, Stanford University	—
Emilio Botín	Director (Outside) Compensation	Chairman, Grupo Santander	—
J. Christopher Flowers	Director Nomination, Compensation	Chairman, J. C. Flowers & Co. LLC	—
Yukinori Ito	Director (Outside) Audit	President and CEO, Centennial Economic Advisors (Japan), Inc.	—
Shigeru Kani	Director (Outside) Audit	Professor, Yokohama College of Commerce	—
Fred H. Langhammer	Director (Outside) Compensation	Chairman, Global Affairs, The Estée Lauder Companies, Inc.	—
Minoru Makihara	Director (Outside) Nomination*, Compensation	Senior Corporate Advisor, Mitsubishi Corporation	—
Yasuharu Nagashima	Director (Outside) Audit	Lawyer	—
Lucio A. Noto	Director (Outside) Nomination	Managing Partner, Midstream Partners, LLC	—
Nobuaki Ogawa	Director (Outside) Audit	Lawyer	—
Hiroyuki Takahashi	Director (Outside) Audit*	—	—
John S. Wadsworth, Jr.	Director (Outside) Compensation*	Advisory Director, Morgan Stanley	—

Note:
*Directors with * are the chairmen of their respective committees.*

ii. Statutory Executive Officers

(As of March 31, 2007)

Name	Position and Responsibilities	Important Concurrent Post	Others
Thierry Porté	Representative Statutory Executive Officer, President Chief Executive Officer	—	—
Junji Sugiyama	Representative Statutory Executive Officer, Chairman	Director, Chairman of APLUS Co., Ltd.	—
Dhananjaya Dvivedi	Senior Managing Executive Officer Group Chief Information Officer Head of Banking Infrastructure Group	—	—
Rahul Gupta	Senior Managing Executive Officer Chief Financial Officer, Head of Finance Group	—	—
Masazumi Kato	Senior Managing Executive Officer Head of Institutional Banking Group	—	—
Sang-Ho Sohn	Senior Managing Executive Officer Head and Chief Executive of Institutional Banking Group	—	—
Hirotaka Terai	Senior Managing Executive Officer Head of Retail Banking Group	—	—
Junzo Tomii	Senior Managing Executive Officer Head of Institutional Banking Group	—	—
Kazumi Kojima	Managing Executive Officer Head of Corporate Affairs Group	—	—
Kazuya Fujimoto	Statutory Executive Officer Head of Public Sector Finance Sub-Group	—	—
Norio Funayama	Statutory Executive Officer GM of Office of Strategy Management	—	—
Michimasa Honda	Statutory Executive Officer GM of Financial Institutions Business and Public Sector Finance Division	—	—
Michiyuki Okano	Statutory Executive Officer Head of Operations Sub-Group, Head of Retail Services Sub-Group	—	—
Yoshikazu Sato	Statutory Executive Officer Head of Technology Sub-Group	—	—
Takashi Tsuchiya	Statutory Executive Officer Head of Advisory Sub-Group	—	—

(2) Compensation for Corporate Directors and Officers

Classification	Compensation, etc.
Directors	¥156 million (Includes ¥20 million for consideration other than compensation)
Accountants	—
Auditors	—
Statutory Executive Officers	¥ 1,727million (Includes ¥239 million for consideration other than compensation)
Total	¥ 1,883million (Includes ¥259 million for consideration other than compensation)

Notes:

1. The Bank did not pay director compensation to directors that are also statutory executive officers.

2. The Bank does not pay performance-linked remuneration to directors.

3. The above-mentioned amounts include the following amounts recorded and borne by the Bank as expenses for this fiscal year in relation to stock acquisition rights granted in consideration for the execution of duties and responsibilities:

Directors:	*¥ 20million*
Statutory Executive Officers:	*¥ 239million*

4. Policies of compensation for directors and statutory executive officers determined by the Compensation Committee are as follows:

(1) Basic Policy

Compensation of directors and Officers shall be determined based on:

- *Individual performance*
- *The Bank's performance*
- *Market competitiveness*

Compensation of directors and Officers shall be determined from the Total Reward point of view.

(2) Directors' Compensation

Total Reward shall be set at a global standard level. Total Reward shall consist of fixed remuneration, equity-linked awards, a retirement allowance, and other appropriate awards.

(3) Statutory Executive Officers' Compensation

Total Reward objectives:

- *Attract and retain high performing individuals*
- *Provide appropriate incentive to improve the Bank's performance*

Total Reward shall consist of fixed remuneration, performance linked remuneration, equity-linked awards, a retirement allowance and other appropriate awards. Total Reward shall be determined with consideration of individual contributions to the Bank's business performance. Certain amount of fringe benefits shall be provided to expatriate Statutory Executive Officers. Statutory Executive Officers that are also Directors are classified as Statutory Executive Officers in terms of compensation here.

3. Matters concerning Outside Directors and Officers

(1) Concurrent Posts and Other Details of Outside Directors and Officers

Name	Concurrent Posts and Other Details
Michael J. Boskin	Outside Director, Exxon Mobil Corporation Outside Director, Oracle Corporation Outside Director, Vodafone Group PLC
Emilio Botín	Chairman (Executive Officer), Banco Santander Central Hispano S.A. Chairman (Executive Officer), Santander Investment S.A. Chairman (Executive Officer), Santander Chile Holding S.A. Chairman (Executive Officer), Portal Universia S.A. & affiliates
Yukinori Ito	President and CEO, Centennial Economic Advisors (Japan), Inc.
Shigeru Kani	Affiliate Professor, Graduate School, Takushoku University
Fred H. Langhammer	Co-Chairman, American Institute for Contemporary German Studies Outside Director, The Walt Disney Company Outside Director, American International Group, Inc.
Minoru Makihara	Outside Director, Mitsubishi UFJ Securities Co., Ltd. Outside Director, Mitsubishi Logistics Corporation Outside Director, Mitsubishi Research Institute, Inc. Outside Director, Millea Holdings, Inc. Outside Director, International Business Machines Corporation (IBM) Outside Director, Ripplewood Holdings, LLC
Yasuharu Nagashima	Outside Director, Nippon Otis Elevator Company Outside Auditor, Isuzu Motors Limited Outside Auditor, Osaka Hilton Co., Ltd.
Lucio A. Noto	Outside Director, Philip Morris International Outside Director, International Business Machines Corporation (IBM) Outside Director, Penske Automotive Group, Inc. Outside Director, Commercial International Bank
Nobuaki Ogawa	Outside Auditor, T. HASEGAWA CO., LTD.
Hiroyuki Takahashi	Outside Auditor, Matsushita Electric Industrial Co., Ltd. Outside Auditor, Kyowa Hakko Kogyo Co., Ltd.
John S. Wadsworth, Jr.	Partner, Manitou Ventures Chairman, Ceyuan Ventures Outside Director, Diversified Credit Investments

Note:
There is no significant transaction between the bank and the companies at which the outside directors listed above serve as executives.

(2) Major Activities of Outside Directors and Officers

Name	Term of Office	Participation in Meetings of Board of Directors Participation in Meetings of Audit Committee	Remarks at Meetings of Board of Directors and Other Activities (i)
Michael J. Boskin	8 years	Participated in eleven out of thirteen meetings of the Board of Directors held during this fiscal year	Provided timely and necessary remarks on agenda items, etc. in terms of economics – his specialty
Emilio Botín	7 years 11months	Participated in four out of thirteen meetings of the Board of Directors held during this fiscal year	Provided timely and necessary remarks and advice mainly on agenda items related to Shinsei Bank's retail banking from his special viewpoint as an executive officer of a bank

Name	Term of Office	Participation in Meetings of Board of Directors Participation in Meetings of Audit Committee	Remarks at Meetings of Board of Directors and Other Activities (i)
Shigeru Kani	3 years 9 months	Participated in all thirteen meetings of the Board of Directors and all thirteen meetings of the Audit Committee held during this fiscal year	Provided timely and necessary remarks and advice on agenda items and deliberations in terms of risk management – his specialty
Fred H. Langhammer	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 and advice specifically on retail banking from his special viewpoint as an experienced executive officer in the consumer field
Minoru Makihara	8 years	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 long experience as an executive officer
Yasuharu Nagashima	3 years 9 months	Participated in twelve out of thirteen meetings of the Board of Directors and eleven out of thirteen meetings of the Audit Committee held during this fiscal year	Provided necessary remarks and advice on agenda items and deliberations mainly from his special viewpoint as a lawyer and experienced outside director of other companies
Lucio A. Noto	2 years 9 months	Participated in nine 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 focusing on internal controls based on his long experience as an executive officer
Nobuaki Ogawa	1 year as a Standing Statutory Auditor and 8 years as an Outside Director	Participated in all thirteen meetings of the Board of Directors and all thirteen meetings of the Audit Committee held during this fiscal year	Provided necessary remarks and advice on agenda items and deliberations mainly from his special viewpoint as a lawyer and experienced outside auditor of other companies
Hiroyuki Takahashi	1year 9 months	Participated in eleven out of thirteen meetings of the Board of Directors and all thirteen meetings of the Audit Committee held during this fiscal year	Provided necessary remarks and advice on general agenda items and deliberations as the Chairman of the Audit Committee with extensive professional experience including experience as an auditor of other companies
John S. Wadsworth, Jr.	2 years 9 months	Participated in all 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 business experience

Name	Remarks at Meetings of Board of Directors and Other Activities (ii)
Michael J. Boskin Emilio Botín Yukinori Ito Shigeru Kani Fred H. Langhammer Minoru Makihara Yasuharu Nagashima Lucio A. Noto Nobuaki Ogawa Hiroyuki Takahashi John S. Wadsworth, Jr.	On June 28, 2007, the Financial Services Agency issued a Business Improvement Order (the "Order") against the Bank, based on the Law concerning Emergency Measures for Early Strengthening of Financial Functions and Banking Law. This is because the Bank's non-consolidated financial performance for the fiscal year 2007 was substantially below the non-consolidated net income target set out in the Revitalization Plan. In response to the Order, on July 27, 2007, the Bank submitted a Business Improvement Plan (the "Improvement Plan") that incorporated measures to strengthen the Bank's profitability. Prior to the submission of Improvement Plan, the Board of Directors held a meeting on July 25, 2007, and discussed the need to maintain a balance between cost reductions and increase in earnings. The Board of Directors also discussed the managerial status and finance policy of the Bank Group's consumer finance companies, whose performance had been primarily responsible for the failure to achieve the Revitalization Plan. The Improvement Plan was approved by the Board of Directors after careful deliberations regarding its potential effectiveness. Even before receiving the Order, the Outside Directors of the Bank had been provided with reports from the Statutory Executive Officers through meetings of the Board of Directors and the Audit Committee. These reports covered, in particular, the possible impact that the legislative changes in respect of the consumer-financing business would have on the management/financial position of the Bank Group companies and the Bank's financial results, and the Bank's systems for supervising these companies in the consumer-financing business. After receiving the Order, the Outside Directors carried out activities which will contribute to the steady implementation of the Improvement Plan. Also, the Outside Directors confirmed the need to clarify the Group-wide strategies, involving the Bank's subsidiaries, and to implement more specific measures for strengthening the Bank's business base and profitability. At meetings of the Board of Directors, Outside Directors have been actively discussing and putting forward their differing views on these matters.

(3) Agreement for Limitation on Liability

Name	Overview of Contents of Agreement for Limitation on Liability
Michael J. Boskin Emilio Botín Yukinori Ito Shigeru Kani Fred H. Langhammer Minoru Makihara Yasuharu Nagashima Lucio A. Noto Nobuaki Ogawa Hiroyuki Takahashi John S. Wadsworth, Jr.	The Outside Directors' 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 shall be liable up to the lowest maximum liability provided for in Article 425, Paragraph 1 of the Corporation Act, provided that there should be no willful misconduct or gross negligence involved in their duties and responsibilities.

(4) Compensation, etc. for Outside Directors

	Compensation received from the Bank	Compensation received from the Bank's parent company and other related bodies.
Total of compensation, etc.	¥ 143 million (of which, amount other than compensation: ¥ 18 million)	—

Note:
The amount other than compensation of ¥ 18 million is the amount recorded and borne by the Bank as expenses for stock acquisition rights granted to outside directors in consideration for the execution of their duties and responsibilities.

(5) Opinions from Outside Directors and Officers

None

4. Matters concerning Common and Preferred Shares of the Bank

(1) The Number of Common and Preferred Shares

- Aggregate number of shares authorized to be issued

Common shares	2,500,000,000
Class A preferred shares	74,528,000
Class B preferred shares	600,000,000

- Aggregate number of shares issued

Common shares	2,060,346,000
Class A preferred shares	—
Class B preferred shares	—

Note:
1. The number of shares shown has been rounded down to thousands of shares (same as in the below Notes).

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

Common shares	51,239
Class A preferred shares	0
Class B preferred shares	0

Notes:
1. The Bank acquired all of Class B Preferred Shares on a mandatory basis on August 1, 2007 and issued 200,000,000 Common Shares in exchange. The Bank also cancelled the 300,000,000 Class B Preferred Shares as treasury shares on the same day.
2. The Bank issued 117,647,000 Common Shares by way of the third party allotment on February 4, 2008.
3. The Bank acquired 74,528,000 Class A Preferred Shares by the shareholder's request on March 31 2008 and issued 269,128,000 Common Shares in exchange. The Bank also cancelled the 74,528,000 Class A Preferred Shares as treasury shares at the same day.

(3) Major Shareholders

Common shares

Shareholder's name	Investment in the Bank	
	Number of common shares	Shareholding percentage
SATURN SUB LP (JPMCB 380111)	322,964,000	16.44%
Deposit Insurance Corporation of Japan	269,128,000	13.70%
THE RESOLUTION AND COLLECTION CORPORATION	200,000,000	10.18%
SATURN JAPAN SUB C.V. (JPMCB 380113)	110,449,000	5.62%
JP MORGAN CHASE BANK 380055	82,367,000	4.19%
THE CHASE NANHATTAN BANK, N. A. LONDON	80,058,000	4.07%
STATE STREET BANK AND TRUST COMPANY	78,015,000	3.97%
UBS-FINANCIAL SRV INC SPECIAL RESERVE ACCT-EXCLUSIVE BENE CUS	44,138,000	2.24%
ASTYANAX CORPORATION	44,138,000	2.24%
THE MASTER TRUST BANK OF JAPAN LTD. (TRUST ACCOUNT)	34,447,000	1.75%

Notes:

1. The number of common shares shown has been rounded down to thousands of shares.

2. Percentages of investment have been calculated by deducting the treasury shares (96,422,000 shares) from denominator and rounded down to the second decimal place.

3. The shareholders which hold at or more than one tenth of number of the Bank's shares issued (excluding the treasury shares) as at the end of this fiscal year are Saturn VI Sub LP (JPMCV380111), Deposit Insurance Corporation and Resolution and Collection Corporation.

4. The Bank has been notified that the shares under the name "UBS-FINANCIAL SRV INC SPECIAL RESERVE ACCT-EXCLUSIVE BBNE CUS" are actually held by Mr. J. Christopher Flowers, a director of the Bank.

5. The Bank has been notified that the shares under the name "Astyanax Corporation 380098" are actually held by Mr. J. Christopher Flowers, a director of the Bank.

6. Astyanax Corporation and other co-holders (totaling 5 companies) have filed the Amendment Report No. 1 with the head of the Kanto Local Finance Bureau on November 27, 2007 (the filing obligation arose on November 19, 2007), which describes that Saturn Japan V C.V., one of the co-holders, holds 70,708,000 common shares; however, as it is not feasible for the Bank to confirm the name of the shareholder, the above information is based on the register of shareholders.

7. Templeton Global Advisors Limited and other co-holders (totaling 4 companies) have filed the amendment report No. 4 with the head of the Kanto Local Finance Bureau on March 24, 2008 (the filing obligation arose on March 14, 2008), which describes that the total number of common shares held by the co-holders is 103,789,000; however, as it is not feasible to confirm the name of the shareholders and the number of shares held by each shareholder, the above information is based on the register of shareholders.

5. Matters concerning Stock Acquisition Rights of the Bank

(1) Stock acquisition rights of the Bank owned by the directors and officers of the Bank as of the end of the fiscal year ended March 31, 2008.

	Stock Acquisition Rights No.1	Stock Acquisition Rights No.5
Resolution date of Board of Directors meeting	June 24, 2004	June 24, 2005
Issuing date	July 1, 2004	June 27, 2005
Number of the stock acquisition rights issued	9,455	4,922
Held by Directors and Statutory Executive Officers (Excluding outside directors)	855/12 persons	678/11 persons
Held by outside directors	—	250/10 persons
Class and number of shares that are subject of stock acquisition rights	Common stock/ 6,343,000shares (1,000 shares per stock acquisition right)	Common stock/ 3,589,000shares (1,000 shares per stock acquisition right)
Amount per a share to be paid upon exercising the stock acquisition rights	684 yen	601 yen
Exercise period of stock acquisition rights	From July1, 2006 to June 23, 2014	From July1, 2007 to June 23, 2015
Conditions for exercising stock acquisition rights	1) In case a Stock Acquisition Rights holder dies and its 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. 2) Stock Acquisition Rights holders may exercise their rights between July 1, 2006 and June 30, 2007 with respect to only one half of Stock Acquisition Rights granted to them (any amount less than one shall be rounded up). 3) Stock Acquisition Rights may not be pledged as collateral or disposed of in any other ways. 4) Other conditions shall be stipulated in the "Agreement on the grant of Stock Acquisition Rights" between the Bank and Stock Acquisition Rights holders based on resolutions of the 4th Annual General Meeting of Shareholders of the Bank, held on June 24, 2004, and Board of Directors meeting held on the day shown above.	1) In case a Stock Acquisition Rights holder dies and its 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. 2) Basically Stock Acquisition Rights holders may exercise their rights between July 1, 2007 and June 30, 2008 with respect to only a half of the number of Stock Acquisition Rights granted to them (any amount less than one shall be rounded up). However, the entire Stock Acquisition Rights may be exercisable from the first day of the exercise period in accordance with the provisions of the "Agreement on the Grant of Stock Acquisition Rights". 3) Stock Acquisition Rights may not be pledged as collateral or disposed of in any other ways. 4) Other conditions shall be stipulated in the "Agreement on the grant of Stock Acquisition Rights" between the Bank and Stock Acquisition Rights holders based on resolutions of the 5th Annual General Meeting of Shareholders of the Bank, held on June 24, 2005, and Board of Directors meeting held on the day shown above.
Favorable terms	Stock Acquisition Rights that have been issued without charge.	

	Stock Acquisition Rights No.6	**Stock Acquisition Rights No.7**
Resolution date of Board of Directors meeting	June 24, 2005	June 24, 2005
Issuing date	June 27, 2005	June 27, 2005
Number of the stock acquisition rights issued	2,856	1,287
Held by Directors and Statutory Executive Officers (Excluding outside directors)	1,241/4 persons	176/9 persons
Held by outside directors	—	—
Class and number of shares that are subject of stock acquisition rights	Common stock/ 2,400,000shares (1,000 shares per stock acquisition right)	Common stock/ 947,000shares (1,000 shares per stock acquisition right)
Amount per a share to be paid upon exercising the stock acquisition rights	601 yen	601 yen
Exercise period of stock acquisition rights	From July1, 2005 to June 23, 2015	From July1, 2007 to June 23, 2015
Conditions for exercising stock acquisition rights	1) In case a Stock Acquisition Rights holder dies and its 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. 2) Generally Stock Acquisition Rights shall be exercised after July 1, 2007 and also the Stock Acquisition Rights holders may exercise their rights between July 1, 2007 and June 30, 2008 with respect to only a half of the number of Stock Acquisition Rights (any amount less than one shall be rounded up). However, the entire Stock Acquisition Rights may be exercisable from the first day of the exercise period in accordance with the provisions of the "Agreement on the Grant of Stock Acquisition Rights". 3) Stock Acquisition Rights may not be pledged as collateral or disposed of in any other ways. 4) Other conditions shall be stipulated in the "Agreement on the grant of Stock Acquisition Rights" between the Bank and Stock Acquisition Rights holders based on resolutions of the 5th Annual General Meeting of Shareholders of the Bank, held on June 24, 2005, and Board of Directors meeting held on the day shown above.	1) In case a Stock Acquisition Rights holder dies and its 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. 2) Basically the Stock Acquisition Rights shall be exercised after July 1, 2008 and also the Stock Acquisition Rights holders may exercise their rights between July 1, 2008 and June 30, 2010 with respect to only a half of the number of Stock Acquisition Rights (any amount less than one shall be rounded up). However, the entire Stock Acquisition Rights may be exercisable from the first day of the exercise period in accordance with the provisions of the "Agreement on the Grant of Stock Acquisition Rights". 3) Stock Acquisition Rights may not be pledged as collateral or disposed of in any other ways. 4) Other conditions shall be stipulated in the "Agreement on the grant of Stock Acquisition Rights" between the Bank and Stock Acquisition Rights holders based on resolutions of the 5th Annual General Meeting of Shareholders of the Bank held on June 24, 2005, and Board of Directors meeting held on the day shown above.
Favorable terms	Stock Acquisition Rights that have been issued without charge.	

	Stock Acquisition Rights No.8	**Stock Acquisition Rights No.9**
Resolution date of Board of Directors meeting	June 24, 2005	September 23,2005
Issuing date	June 27, 2005	September 28, 2005
Number of the stock acquisition rights issued	561	157
Held by Directors and Statutory Executive Officers (Excluding outside directors)	84/2 persons	108/1 persons
Held by outside directors	—	—
Class and number of shares that are subject of stock acquisition rights	Common stock/ 386,000shares (1,000 shares per stock acquisition right)	Common stock/ 157,000shares (1,000 shares per stock acquisition right)
Amount per a share to be paid upon exercising the stock acquisition rights	601 yen	697 yen
Exercise period of stock acquisition rights	From July1, 2005 to June 23, 2015	From July1, 2007 to June 23, 2015
Conditions for exercising stock acquisition rights	1) In case a Stock Acquisition Rights holder dies and its 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. 2) Generally the Stock Acquisition Rights shall be exercised after July 1, 2008 and also the Stock Acquisition Rights holders may exercise their rights between July 1, 2008 and June 30, 2010 with respect to only a half of the number of Stock Acquisition Rights (any amount less than one shall be rounded up). However, the entire Stock Acquisition Rights may be exercisable from the first day of the exercise period in accordance with the provisions of the "Agreement on the Grant of Stock Acquisition Rights". 3) Stock Acquisition Rights may not be pledged as collateral or disposed of in any other ways. 4) Other conditions shall be stipulated in the "Agreement on the grant of Stock Acquisition Rights" between the Bank and Stock Acquisition Rights holders based on resolutions of the 5th Annual General Meeting of Shareholders of the Bank, held on June 24, 2005, and Board of Directors meeting held on the day shown above.	1) In case a Stock Acquisition Rights holder dies and its 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. 2) Basically Stock Acquisition Rights holders may exercise their rights between July 1, 2007 and June 30, 2008 with respect to only a half of the number of Stock Acquisition Rights granted to them (any amount less than one shall be rounded up). However, the entire Stock Acquisition Rights may be exercisable from the first day of the exercise period in accordance with the provisions of the "Agreement on the Grant of Stock Acquisition Rights". 3) Stock Acquisition Rights may not be pledged as collateral or disposed of in any other ways. 4) Other conditions shall be stipulated in the "Agreement on the grant of Stock Acquisition Rights" between the Bank and Stock Acquisition Rights holders based on resolutions of the 5th Annual General Meeting of Shareholders of the Bank, held on June 24, 2005, and Board of Directors meeting held on the day shown above.
Favorable terms	Stock Acquisition Rights that have been issued without charge.	

	Stock Acquisition Rights No.10	Stock Acquisition Rights No.13
Resolution date of Board of Directors meeting	September 23,2005	May 23, 2006
Issuing date	September 28, 2005	May 25, 2006
Number of the stock acquisition rights issued	53	5,342
Held by Directors and Statutory Executive Officers (Excluding outside directors)	36/1 persons	648/14 persons
Held by outside directors	―	250/10 persons
Class and number of shares that are subject of stock acquisition rights	Common stock/ 53,000shares (1,000 shares per stock acquisition right)	Common stock/ 4,132,000shares (1,000 shares per stock acquisition right)
Amount per a share to be paid upon exercising the stock acquisition rights	697 yen	825 yen
Exercise period of stock acquisition rights	From July1, 2007 to June 23, 2015	From June 1, 2008 to June 23, 2015
Conditions for exercising stock acquisition rights	1) In case a Stock Acquisition Rights holder dies and its 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. 2) Generally Stock Acquisition Rights shall be exercised after July 1, 2008 and also the Stock Acquisition Rights holders may exercise their rights between July 1, 2008 and June 30, 2010 with respect to only a half of the number of Stock Acquisition Rights (any amount less than one shall be rounded up). However, the entire Stock Acquisition Rights may be exercisable from the first day of the exercise period in accordance with the provisions of the "Agreement on the Grant of Stock Acquisition Rights". 3) Stock Acquisition Rights may not be pledged as collateral or disposed of in any other ways. 4) Other conditions shall be stipulated in the "Agreement on the grant of Stock Acquisition Rights" between the Bank and Stock Acquisition Rights holders based on resolutions of the 5th Annual General Meeting of Shareholders of the Bank, held on June 24, 2005, and Board of Directors meeting held on the day shown above.	1) In case a Stock Acquisition Rights holder dies and its 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. 2) Basically Stock Acquisition Rights holders may exercise their rights between June 1, 2008 and May 31, 2009 with respect to only a half of the number of Stock Acquisition Rights granted to them (any amount less than one shall be rounded up). However, the entire Stock Acquisition Rights may be exercisable from the first day of the exercise period in accordance with the provisions of the "Agreement on the Grant of Stock Acquisition Rights". 3) Stock Acquisition Rights may not be pledged as collateral or disposed of in any other ways. 4) Other conditions shall be stipulated in the "Agreement on the grant of Stock Acquisition Rights" between the Bank and Stock Acquisition Rights holders based on resolutions of the 5th Annual General Meeting of Shareholders of the Bank, held on June 24, 2005, and Board of Directors meeting held on the day shown above.
Favorable terms	Stock Acquisition Rights that have been issued without charge.	

	Stock Acquisition Rights No.14	Stock Acquisition Rights No.15
Resolution date of Board of Directors meeting	May 23, 2006	May 23, 2006
Issuing date	May 25, 2006	May 25, 2006
Number of the stock acquisition rights issued	3,027	1,439
Held by Directors and Statutory Executive Officers (Excluding outside directors)	1,659/3 persons	193/12 persons
Held by outside directors	—	—
Class and number of shares that are subject of stock acquisition rights	Common stock/ 2,614,000shares (1,000 shares per stock acquisition right)	Common stock/ 1,135,000shares (1,000 shares per stock acquisition right)
Amount per a share to be paid upon exercising the stock acquisition rights	825 yen	825 yen
Exercise period of stock acquisition rights	From June 1, 2006 to June 23, 2015	From June 1, 2008 to June 23, 2015
Conditions for exercising stock acquisition rights	1) In case a Stock Acquisition Rights holder dies and its 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. 2) Generally the Stock Acquisition Rights shall be exercised after June 1, 2008 and also the Stock Acquisition Rights holders may exercise their rights between June 1, 2008 and May 31, 2009 with respect to only a half of the number of Stock Acquisition Rights (any amount less than one shall be rounded up). However, the entire Stock Acquisition Rights may be exercisable from the first day of the exercise period in accordance with the provisions of the "Agreement on the Grant of Stock Acquisition Rights". 3) Stock Acquisition Rights may not be pledged as collateral or disposed of in any other ways. 4) Other conditions shall be stipulated in the "Agreement on the grant of Stock Acquisition Rights" between the Bank and Stock Acquisition Rights holders based on resolutions of the 5th Annual General Meeting of Shareholders of the Bank , held on June 24, 2005,and Board of Directors meeting held on the day shown above.	1) In case a Stock Acquisition Rights holder dies and its 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. 2) Generally the Stock Acquisition Rights shall be exercised after June 1, 2009 and also the Stock Acquisition Rights holders may exercise their rights between June 1, 2009 and May 31, 2011 with respect to only a half of the number of Stock Acquisition Rights (any amount less than one shall be rounded up). However, the entire Stock Acquisition Rights may be exercisable from the first day of the exercise period in accordance with the provisions of the "Agreement on the Grant of Stock Acquisition Rights". 3) Stock Acquisition Rights may not be pledged as collateral or disposed of in any other ways. 4) Other conditions shall be stipulated in the "Agreement on the grant of Stock Acquisition Rights" between the Bank and Stock Acquisition Rights holders based on resolutions of the 5th Annual General Meeting of Shareholders of the Bank, held on June 24, 2005, and Board of Directors meeting held on the day shown above.
Favorable terms	Stock Acquisition Rights that have been issued without charge.	

	Stock Acquisition Rights No.17	Stock Acquisition Rights No.18
Resolution date of Board of Directors meeting	May 9, 2007	May 9, 2007
Issuing date	May 25, 2007	May 25, 2007
Number of the stock acquisition rights issued	3,306	1,480
Held by Directors and Statutory Executive Officers (Excluding outside directors)	820/13 persons	761/3 persons
Held by outside directors	110/11 persons	—
Class and number of shares that are subject of stock acquisition rights	Common stock/ 3,132,000shares (1,000 shares per stock acquisition right)	Common stock/ 1,457,000shares (1,000 shares per stock acquisition right)
Amount per a share to be paid upon exercising the stock acquisition rights	555 yen	555 yen
Exercise period of stock acquisition rights	From June 1, 2009 to May 8, 2017	From June 1, 2007 to May 8, 2017
Conditions for exercising stock acquisition rights	1) In case a Stock Acquisition Rights holder dies and its 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. 2) Basically Stock Acquisition Rights holders may exercise their rights between June 1, 2009 and May 31, 2011 with respect to only a half of the number of Stock Acquisition Rights granted to them (any amount less than one shall be rounded up). However, the entire Stock Acquisition Rights may be exercisable from the first day of the exercise period in accordance with the provisions of the "Agreement on the Grant of Stock Acquisition Rights". 3) Stock Acquisition Rights may not be pledged as collateral or disposed of in any other ways. 4) Other conditions shall be stipulated in the "Agreement on the grant of Stock Acquisition Rights" between the Bank and Stock Acquisition Rights holders based on resolutions of the 6th Annual General Meeting of Shareholders of the Bank, held on June 27, 2006, and Board of Directors meeting held on the day shown above.	1) In case a Stock Acquisition Rights holder dies and its 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. 2) Generally the Stock Acquisition Rights shall be exercised after June 1, 2009 and also the Stock Acquisition Rights holders may exercise their rights between June 1, 2009 and May 31, 2011 with respect to only a half of the number of Stock Acquisition Rights (any amount less than one shall be rounded up). However, the entire Stock Acquisition Rights may be exercisable from the first day of the exercise period in accordance with the provisions of the "Agreement on the Grant of Stock Acquisition Rights". 3) Stock Acquisition Rights may not be pledged as collateral or disposed of in any other ways. 4) Other conditions shall be stipulated in the "Agreement on the grant of Stock Acquisition Rights" between the Bank and Stock Acquisition Rights holders based on resolutions of the 6th Annual General Meeting of Shareholders of the Bank, held on June 27, 2006, and Board of Directors meeting held on the day shown above.
Favorable terms	Stock Acquisition Rights that have been issued without charge.	

(2) Stock Acquisition Rights, etc. of the Bank issued to the employees, etc. during the fiscal year ended March 31, 2008

	Stock Acquisition Rights No.17	**Stock Acquisition Rights No.18**
Resolution date of Board of Directors meeting	May 9, 2007	May 9, 2007
Issuing date	May 25, 2007	May 25, 2007
Number of the stock acquisition rights issued	3,306	1,480
Number of rights issued to the employees	2,366/110 persons	719/23 persons
Number of rights issued to the corporate directors and employees of (consolidated) subsidiaries.	—	—
Class and number of shares that are subject of stock acquisition rights	Common stock/ 3,306,000shares (1,000 shares per stock acquisition right)	Common stock/ 1,480,000shares (1,000 shares per stock acquisition right)
Amount per a share to bepaid upon exercising the stock acquisition rights	555 yen	555 yen
Exercise period of stock acquisition rights	From June 1, 2009 to May 8, 2017	From June 1, 2007 to May 8, 2017
Conditions for exercising stock acquisition rights	1) In case a Stock Acquisition Rights holder dies and its 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. 2) Basically Stock Acquisition Rights holders may exercise their rights between June 1, 2009 and May 31, 2011 with respect to only a half of the number of Stock Acquisition Rights granted to them (any amount less than one shall be rounded up). However, the entire Stock Acquisition Rights may be exercisable from the first day of the exercise period in accordance with the provisions of the "Agreement on the Grant of Stock Acquisition Rights". 3) Stock Acquisition Rights may not be pledged as collateral or disposed of in any other ways. 4) Other conditions shall be stipulated in the "Agreement on the grant of Stock Acquisition Rights" between the Bank and Stock Acquisition Rights holders based on resolutions of the 6th Annual General Meeting of Shareholders of the Bank, held on June 27, 2006, and Board of Directors meeting held on the day shown above.	1) In case a Stock Acquisition Rights holder dies and its 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. 2) Generally the Stock Acquisition Rights shall be exercised after June 1, 2009 and also the Stock Acquisition Rights holders may exercise their rights between June 1, 2009 and May 31, 2011 with respect to only a half of the number of Stock Acquisition Rights (any amount less than one shall be rounded up). However, the entire Stock Acquisition Rights may be exercisable from the first day of the exercise period in accordance with the provisions of the "Agreement on the Grant of Stock Acquisition Rights". 3) Stock Acquisition Rights may not be pledged as collateral or disposed of in any other ways. 4) Other conditions shall be stipulated in the "Agreement on the grant of Stock Acquisition Rights" between the Bank and Stock Acquisition Rights holders based on resolutions of the 6th Annual General Meeting of Shareholders of the Bank, held on June 27, 2006, and Board of Directors meeting held on the day shown above.
Favorable terms	Stock Acquisition Rights that have been issued without charge	

	Stock Acquisition Rights No.19
Resolution date of Board of Directors meeting	June 20, 2007
Issuing date	July 2, 2007
Number of the stock acquisition rights issued	140
Number of rights issued to the employees	—
Number of rights issued to the corporate directors and employees of (consolidated) subsidiaries.	140/32 persons
Class and number of shares that are subject of stock acquisition rights	Common stock/ 140,000shares (1,000 shares per stock acquisition right)
Amount per a share to bepaid upon exercising the stock acquisition rights	527 yen
Exercise period of stock acquisition rights	From July 1, 2009 to June 19, 2017
Conditions for exercising stock acquisition rights	1) In case a Stock Acquisition Rights holder dies and its 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. 2) Basically Stock Acquisition Rights holders may exercise their rights between July 1, 2009 and June 30, 2011 with respect to only a half of the number of Stock Acquisition Rights granted to them (any amount less than one shall be rounded up). However, the entire Stock Acquisition Rights may be exercisable from the first day of the exercise period in accordance with the provisions of the "Agreement on the Grant of Stock Acquisition Rights". 3) Stock Acquisition Rights may not be pledged as collateral or disposed of in any other ways. 4) Other conditions shall be stipulated in the "Agreement on the grant of Stock Acquisition Rights" between the Bank and Stock Acquisition Rights holders based on resolutions of the 7th Annual General Meeting of Shareholders of the Bank, held on June 20, 2007, and Board of Directors meeting held on the day shown above.
Stock Acquisition Rights that have been issued without charge	

Note:
The number of Stock Acquisition Rights mentioned above include the number of Stock Acquisition Rights issued to the employees who have become the Bank's executive officers after issuance. Said number is also included in the "(1) stock acquisition rights held by the Bank's executive officers at the end of the fiscal year".

6. Matters concerning Shinsei's Independent Accounting Auditor

(1) State of Shinsei's Independent Accounting Auditor

<table>
<tr><th>Name</th><th colspan="2">Fees for This Fiscal Year (millions of yen)</th><th>Others</th></tr>
<tr><td rowspan="3">Deloitte Touche Tohmatsu</td><td>Audit certification business</td><td>¥268</td><td rowspan="3">Business other than audit certification business includes research and report of internal control system for capital adequacy ratio.</td></tr>
<tr><td>Business other than audit certification business</td><td>¥ 66</td></tr>
<tr><td>Total fees</td><td>¥335</td></tr>
</table>

Notes:

1. Yoriko Goto, Shigeru Miyazaki and Shigehiko Matsumoto are designated 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.

<table>
<tr><th colspan="2">Fees for This Fiscal Year (millions of yen)</th></tr>
<tr><td>Audit certification business</td><td>¥500</td></tr>
<tr><td>Business other than audit certification business</td><td>¥101</td></tr>
<tr><td>Total fees</td><td>¥601</td></tr>
</table>

(2) Agreement for Limitation on Liability

None.

(3) Other Matters Concerning Shinsei's Independent Accounting Auditor

i) Policy to determine dismissal or non-reassignment of independent accounting auditor
The Audit Committee has a policy to discuss the dismissal or non-reassignment of the independent accounting auditor if it falls under any of the following categories. In addition, the Audit Committee' policy is to make necessary resolutions when dismissal or the non-reassignment is appropriate.

1. It infringes on any of the provisions in each item of Article 337, Paragraph 3 of the Corporation Act.
2. It falls under any of the provisions in each item of Article 340, Paragraph 1 of the Corporation Act.
3. The proper execution of the business by the independent accounting auditor is otherwise deemed to have been difficult.

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 1of the Corporation Act

We plan to exercise the authorities granted to the Board of Directors in accordance with Article 35 of our Articles of Incorporation under the provision of Article 459, Paragraph 1of the Corporation Act from the viewpoint of flexible and mobile capital policy implementation, taking into consideration the soundness, stability and efficiency of finance.

Further, our basic dividend policy in the medium to long term for ordinary stock is to distribute profits to shareholders based on the global standard considering management results, including profit trends etc. and our future prospects. We will, however, determine our policies in a comprehensive manner in accordance with the revitalization plan that govern banks that have received public funds, while also paying attention to the balance between stability and retained earnings.

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 of the company with committees in accordance with Article 416, Paragraph 1, Items 1b and e of the Corporation Act and Article 112, Paragraphs 1 and 2 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 statutory executive officers are required to establish and operate the internal control system for their respective businesses, and all the statutory executive officers and employees are required to follow them. The outline of the system is as follows.

The Board of Directors adopted by resolution the “Internal Control Rules” as the matter required to implement operations of the Audit Committee provided for in the former Commercial Code and the Enforcement Regulations of the Commercial Code to establish internal control systems when the Bank was transformed into a company with committees based on the former Commercial Code and the former Law for Special Exemptions to the Commercial Code Concerning Audit, etc. of Stock Companies in June 2004. Following the effectuation of the Corporation Act in May 2006, we made revisions required for the “Internal Control Rules,” and the Board of Directors newly made a resolution on the matter. The status of our internal control systems is regularly reported to the Board of Directors.

(1) Matters concerning directors and employees with the duties and responsibilities to support the Audit Committee (Article 112, Paragraph 1, Item 1 of the Enforcement Regulations of the Corporation Act)

It is stipulated that the Office of Audit Committee shall be established to assist in the performance of the duties and responsibilities of the Audit Committee; and the General Manager of the Office of Audit Committee, the head of the Office of Audit Committee, and the employees belonging to the office of Audit Committee shall be employees who should assist in the duties and responsibilities of the Audit Committee (“Assistants”). The Assistants have an obligation to report to the Audit Committee on the results of their businesses.

(2) Matters concerning the independence of directors and employees provided for in the previous paragraph (Article 112, Paragraph 1, Item 2 of the Enforcement Regulations of the Corporation Act)

The Office of Audit Committee directly reports to the Audit Committee, which is established as an independent organization from each statutory executive officer and business execution. In addition, the appointment, removal, reassignment, or other change regarding the Assistants shall be decided with consent of the Audit Committee, and those important matters of the General Manager of the office of the Audit Committee shall be determined by the Board of Directors subject to consent of the Audit Committee. Revisions of wages and other allowances for the Assistants are subject to the prior consent of the Audit Committee. The aforementioned matters ensure the independence of the employees in the duties and responsibilities to support the Audit Committee from the statutory executive officers.

(3) System for statutory executive officers and employees to report to the Audit Committee and systems for reporting other matters to the Audit Committee (Article 112, Paragraph 1, Item 3 of the Enforcement Regulations of the Corporation Act)

If any statutory executive officers 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 Audit Committee without delay. The said report shall be made to the Audit Committee directly by statutory executive officers, and by employees through the Office of Audit Committee, in writing in principle. The Office of Audit Committee questions the statutory executive officers or employees who have reported in the manner described above in accordance with the order from the Audit Committee or the Audit Committee member previously designated.

(4) Other systems to ensure effective auditing by the Audit Committee (Article 112, Paragraph 1, Item 4 of the Enforcement Regulations of the Corporation Act)

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

(5) Systems to ensure that statutory executive officers and employees perform their duties and responsibilities in conformity with the applicable laws, ordinances, regulations and the Articles of Incorporation (Article 416, Paragraph 1,Item 1e of the Corporation Act; Article 112, Paragraph 2, 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 statutory executive officers and employees perform their duties and responsibilities in conformity with the 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.

(6) Systems for retention and management of information regarding the execution of the duties and responsibilities of the statutory executive officers (Article 112, Paragraph 2, Item 1 of the Enforcement Regulations of the Corporation Act)

We must retain and manage the information regarding the performance by the statutory executive officers 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 Audit Committee from time to time upon request. In addition, we must manage information regarding the performance of the duties and responsibilities of the statutory executive officers 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.

(7) Risks of loss management regulations and other systems (Article 112, Paragraph 2, 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 and Investment Committee, Credit Committee, ALM/Market Risk Committee, and New Business and Product Committee and 3) functions, roles and responsibilities of Risk Management Group.

(8) Systems to ensure that the statutory executive officers efficiently perform their duties and responsibilities (Article 112, Paragraph 2, Item 3 of the Enforcement Regulations of the Corporation Act)

Statutory Executive Officers are to perform their daily duties and responsibilities in accordance with the "Regulations of the Statutory Executive Officers" that stipulate the duties and responsibilities of the statutory executive officers.

The "Regulations of the Statutory Executive Officers" provide for basic matters to ensure the efficient execution of the duties and responsibilities of the statutory 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, and the selection and dismissal of the statutory executive officers.

(9) Systems to ensure business relevance of the corporate group consisting of a stock corporation, its parent company, and subsidiaries (Article 112, Paragraph 2, 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.

(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 inspect how the above-mentioned internal control system is being implemented, the Internal Audit Division conducts internal audits in accordance with the "Internal Audit Policy" established by the Bank and submits reports on its results to the Statutory Executive Officer/President and the Audit Committee.

9. Matters concerning accountants

None.

10. Others

None.

SHINSEI BANK, LIMITED, AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
As of March 31, 2008

	Millions of yen
ASSETS	
Cash and due from banks	¥505,630
Receivables under resale agreements	2,014
Collateral related to securities borrowing transactions	18,753
Other monetary claims purchased	468,880
Trading assets	315,287
Monetary assets held in trust	371,572
Securities	1,980,292
Loans and bills discounted	5,622,266
Foreign exchanges	17,852
Other assets	1,100,151
Premises and equipment	305,771
Building	20,996
Land	10,689
Construction in progress	83
Tangible leased assets	264,970
Other tangible fixed assets	9,031
Intangible fixed assets	233,174
Software	27,499
Goodwill	142,239
Intangible assets	23,676
Intangible leased assets	39,668
Other intangible fixed assets	89
Deferred issuance expenses for debentures	125
Deferred tax assets	28,238
Customers' liabilities for acceptances and guarantees	701,717
Reserve for credit losses	(145,966)
[Total assets]	11,525,762
LIABILITIES AND EQUITY	
Deposits	5,229,444
Negotiable certificates of deposit	577,189
Debentures	662,434
Call money	632,117
Collateral related to securities lending transactions	148,421
Trading liabilities	205,011
Borrowed money	1,127,227
Foreign exchanges	39
Short - term corporate bonds	73,600
Corporate bonds	426,286
Other liabilities	708,749
Accrued employees' bonuses	14,572
Accrued directors' bonuses	249
Reserve for employees' retirement benefits	4,660
Reserve for directors' retirement benefits	132
Reserve for losses on interest repayments	39,333
Reserve for losses on disposal of premises and equipment	5,025
Reserve under special law	4
Deferred tax liabilities	4,283
Acceptances and guarantees	701,717
[Total liabilities]	10,560,501
EQUITY	
Shareholders' equity:	
Capital stock	476,296
Capital surplus	43,558
Retained earnings	302,535
Treasury stock, at cost	(72,566)
[Total shareholders' equity]	749,823
Net unrealized gain (loss) and translation adjustments:	
Unrealized gain (loss) on available-for-sale securities	(35,073)
Deferred gain (loss) derivatives under hedge accounting	(1,057)
Foreign currency translation adjustments	1,872
[Total net unrealized gain (loss) and translation adjustments]	(34,258)
Stock acquisition rights	1,257
Minority interests in subsidiaries	248,437
[Total equity]	965,261
[Total liabilities and equity]	¥11,525,762

SHINSEI BANK, LIMITED, AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME
From April 1, 2007 to March 31, 2008

	Millions of yen
ORDINARY INCOME	
Interest income	¥242,171
Interest on loans and bills discounted	186,747
Interest and dividends on securities	42,768
Interest on call loans and bills discounted	1,034
Interest on receivables under resale agreements	24
Interest on collateral related to securities borrowing transactions	1,005
Interest on deposits with banks	5,359
Other interest income	5,231
Fees and commissions income	65,977
Trading profits	9,719
Other business income	246,601
Other ordinary income	29,032
Total ordinary income	593,503
ORDINARY EXPENSES	
Interest expenses	104,395
Interest on deposits	43,467
Interest on negotiable certificates of deposit	4,458
Interest on debentures	3,398
Interest on call money and bills discounted	14,919
Interest on payables under repurchase agreements	5
Interest on collateral related to securities lending transactions	1,159
Interest on commercial paper	18
Interest on borrowings	15,256
Interest on short-term corporate bonds	1,112
Interest on corporate bonds	15,278
Other interest expenses	5,322
Fees and commissions expenses	25,141
Trading losses	629
Other business expenses	187,320
General and administrative expenses	171,295
Amortization of goodwill	9,277
Amortization of intangible assets	3,257
Other general and administrative expenses	158,761
Other ordinary expenses	93,498
Provision of reserve for loan losses	66,966
Other ordinary expenses	26,531
Total ordinary expenses	582,281
NET ORDINARY INCOME	11,222
Special gains	88,916
Gains on disposal of premises and equipment	67,059
Recoveries of written-off claims	1,057
Other special gains	20,799
Special losses	7,582
Losses on disposal of premises and equipment	897
Impairment losses	919
Provision of reserve for losses on disposal of premises and equipment	5,025
Provision of reserve for contingent liabilities from financial transactions	0
Other special losses	738
Income before income taxes and minority interests	92,556
Income taxes (benefit) - current	4,902
Income taxes (benefit) - deferred	9,500
Minority interest in net income of subsidiaries	18,044
NET INCOME	¥60,108

SHINSEI BANK, LIMITED, AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the fiscal years ended March 31, 2008

(millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at beginning of period	¥451,296	¥18,558	¥245,499	(¥72,560)	¥642,794
Changes in amounts during the period					
Shares issued in the year	25,000	25,000			50,000
Dividends from surplus			(3,072)		(3,072)
Net income			60,108		60,108
Acquisition of treasury stock				(1)	(1)
Increase by increase of consolidated subsidiaries			0	(4)	(4)
Decrease by increase of consolidated subsidiaries	(0)		(0)		(0)
Net change of items other than shareholders' equity					
Total changes during the period	25,000	25,000	57,035	(6)	107,029
Balance at end of period	¥476,296	¥43,558	¥302,535	(¥72,566)	¥749,823

(millions of yen)

	Net unrealized gain (loss) and translation adjustments				Stock acquisition rights	Minority interests in subsidiaries	Total equity
	Unrealized gain (loss) on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Foreign currency translation adjustments	Total net unrealized gain (loss) and translation adjustments			
Balance at beginning of period	¥5,091	(¥7,744)	¥2,952	¥299	¥517	¥289,642	¥933,253
Changes in amounts during the period							
Shares issued in the year							50,000
Dividends from surplus							(3,072)
Net income							60,108
Acquisition of treasury stock							(1)
Increase by increase of consolidated subsidiaries							(4)
Decrease by increase of consolidated subsidiaries							(0)
Net change of items other than shareholders' equity	(40,165)	6,686	(1,079)	(34,558)	740	(41,204)	(75,022)
Total changes during the period	(40,165)	6,686	(1,079)	(34,558)	740	(41,204)	32,007
Balance at end of period	(¥35,073)	(¥1,057)	¥1,872	(¥34,258)	¥1,257	¥248,437	¥965,261

<Policy for Preparation of Consolidated Financial Statements>

The definitions of subsidiaries and affiliates are based on the 8th clause of Article 2 of the Banking Law and the 2 of Article 4 of the Banking Law enforcement ordinance.

1. Scope of consolidation

(a) Consolidated subsidiaries: 104 companies

Major Companies;

APLUS Co., Ltd.
Showa Leasing Co., Ltd.
SHINKI Co., Ltd.
Shinsei Trust & Banking Co., Ltd.
Shinsei Securities Co., Ltd.

From this fiscal year, Lexia LLP and 11 other companies are included as newly established subsidiaries, and S.S.Solutions Co., Ltd. and 4 other companies are included due to the increased materiality, SHINKI Co., Ltd. and other 2 companies (*Note*) are included due to additional share purchase.

Also, the followings are excluded during this fiscal year:

Shinsei FP Yugen Kaisha and 3 other companies due to the dissolution, Life Housing Loan Co., Ltd. due to the sale of shares, and Albemarle Capital GmbH and 4 other companies due to the loss of Shinsei group’s controlling rights. Showa HiTech Rent was liquidated due to the merger with Showa Leasing Co., Ltd.

Note:
SHINKI Co., Ltd. and its 2 subsidiaries became subsidiaries of Shinsei Bank on December 13, 2007. Profits and losses attributed to the period after October 1, 2007 for these companies are included in the Consolidated Statement of Income.

(b) Unconsolidated subsidiaries: 100 companies

Major Company;

HUA-HE INTERNATIONAL LEASING CO.,LTD.

SL PACIFIC LIMITED and other 70 unconsolidated subsidiaries are mainly operating companies who undertake lease business based on *Tokumei-kumiai* system and their assets and profits (losses) belong not to them or their parent company but to the silent partners substantially. Also, there is no material transaction with them. Therefore, they are excluded from the scope of consolidation pursuant to Article 95 Paragraph 1 Item 2 of the Corporation Act.

Other unconsolidated subsidiaries are also excluded from the scope of consolidation because they are not material to the financial condition or result of operations such as assets, ordinary income, net income (our interest portion), retained earnings (our interest portion) and net deferred gains(losses) on hedge(our interest portion) of Shinsei Bank Group.

2. Application of the equity method

(a) Unconsolidated subsidiaries accounted for using the equity method: none

(b) Affiliates accounted for using the equity method: 30 companies

Major Companies;

Hillcot Holdings Limited
Jih Sun Financial Holding Company Limited

UTI International (Singapore) Private Limited and 6 other companies are newly established affiliates accounted for by the equity method from this fiscal year.

Consus SB First Securitization Specialty Co.,Ltd. and 1 other company are excluded from the scope of affiliates due to liquidation and Rakuten-Mortgage Co., Ltd. is excluded due to the sale of the shares.

SHINKI Co., Ltd. is excluded from the scope of affiliates by becoming a consolidated subsidiary for the period after October 1, 2007 due to the increase of Shinsei's ownership share through additional share purchase on December 13, 2007.

(c) Unconsolidated subsidiaries accounted for not applying the equity method: 100 companies
Major Company;
HUA-HE INTERNATIONAL LEASING CO.,LTD.

SL PACIFIC LIMITED and other 70 unconsolidated subsidiaries and affiliates are mainly operating companies who undertake lease business based on Tokumei-kumiai system and their assets and profits (losses) belong not to them or their parent company but to the silent partners substantially. Also, there is no material transaction with them. Therefore, they are excluded from the scope of consolidation pursuant to Article 101 Paragraph 1 Item 2 of Corporation Act.

Other unconsolidated subsidiaries are also excluded from the scope of consolidation because they are not material to the financial condition or result of operations such as net income (our interest portion), retained earnings (our interest portion) and net deferred gains (losses) on hedge (our interest portion) of Shinsei Bank Group.

(d) Affiliates accounted for not applying the equity method: none

3. End of fiscal year of consolidated subsidiaries

(a) The ends of the respective fiscal year of consolidated subsidiaries are as follows;

December 31	:	38 companies
March 31	:	66 companies

(b) 5 consolidated subsidiaries with fiscal year ending on December 31 are consolidated using their provisional financial statements as of March 31.

The other consolidated subsidiaries are consolidated using their financial statements as of their respective fiscal year with appropriate adjustments for significant transactions occurred for the period between their respective fiscal year end and March 31.

4. Valuation of assets and liabilities of acquired subsidiaries

Assets and liabilities of acquired subsidiaries are recorded primarily on the basis on the basis of their estimated fair values at the date of the acquisition.

All yen amounts are rounded down to millions of yen.

Significant accounting policies

1. Valuation and revenue recognition of Trading Account Activities

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

Trading securities and monetary claims purchased for trading purposes are stated at market value and derivative financial instruments related to trading positions are stated at fair value based on estimated amounts that would be settled in cash if such position were terminated at the end of the fiscal year.

Trading profits and trading losses include interest received and paid, the amounts of increases (decreases) in valuation gains (losses) for the fiscal year for securities and monetary claims, and the net change in valuation gains (losses) for the fiscal year using the estimated settlement prices assuming settlement in cash on the balance sheet date for derivatives.

In estimating fair values of derivative financial instruments related to trading positions, liquidation and credit risks are reflected.

2. Valuation of Securities

(a) Securities for trading purposes (except those included in trading accounts) are stated at fair value (sales cost is calculated by the moving-average method). Securities being held to maturity are carried at amortized cost by the moving average method. Securities of subsidiaries and affiliated companies are stated at cost calculated by the moving-average method. Securities available-for-sale whose fair value is readily determinable are stated at fair value at the end of the fiscal year (sales cost is determined by the moving-average method) and other non-marketable securities are stated at cost or amortized cost computed by the moving-average method. Unrealized gains (losses) on available-for-sale securities are included in Equity

(b) The values of securities included in monetary assets held in trust are determined using at the same method as stated in (1) and (2) (a) above.

3. Valuation of Derivatives

Derivatives (except for those included in trading accounts) are stated at fair value.

4. Valuation of Other monetary claims purchased

Other monetary claims purchased and held for trading purposes (except for those included in trading accounts) are stated at fair value.

5. Depreciation method of fixed assets

(i) Premises and Equipment

Depreciation of buildings and computers other than personal computers in the category of equipment, such as ATMs, is computed using the straight-line method, and depreciation for other equipment is computed using the declining-balance method. Principal estimated useful lives are as follows:

Buildings: 3 – 50 years
Equipment: 2 – 15 years

（Change in Accounting Policy）

In conjunction with the change in tax law which is effective from April 1, 2007, new depreciation methods are applied to premises and equipment acquired after April 1, 2007. As a result, net ordinary income and income before income taxes for the fiscal year ended March 31, 2008 has decreased by ¥295 million.

（Supplementary information）

From this fiscal year, premises and equipment acquired before March 31, 2007, the residual values of those assets that once reached the final depreciable limit are depreciated over 5 years starting from the following fiscal year. The impact of this change on the interim balance sheet is insignificant.

(ii) Intangible assets other than goodwill

The amortization method and the amortization period of identified intangible assets recorded by applying the fair value method to the acquisitions of APLUS Co., Ltd., Showa Leasing Co., Ltd., SHINKI Co., Ltd., and their consolidated subsidiaries are as follows.

(a) APLUS Co., Ltd.

	Amortization method	Amortization period
Trade name and trademarks	Straight-line	10 years
Customer relationship	Sum-of-years-digits	10 years
Merchant relationship	Sum-of-years-digits	20 years

(b) Showa Leasing Co., Ltd.

	Amortization method	Amortization period
Trade name	Straight-line	10 years
Existing customer relationship	Sum-of-years-digits	20 years
Maintenance component contracts	Straight-line	Subject to the remaining contract years
Sublease contracts	Straight-line	Subject to the remaining contract years

(c) SHINKI Co., Ltd.

	Amortization method	Amortization period
Trade name	Straight-line	10 years
Existing customer relationship	Sum-of-years-digits	10 years

In addition, goodwill and negative goodwill are amortized on a straight-line basis mainly over 20 years. When there is no importance, the total amount is written off in the fiscal year during which they occurred.

Intangible assets other than the above-mentioned (excluding intangible leased assets) are amortized using the straight-line method.

Capitalized software for internal use is amortized using the straight-line method based on the estimated useful lives (mainly 5 or 8 years) determined by the Bank and its consolidated subsidiaries.

(iii) Other

Tangible and intangible leased assets held by consolidated domestic subsidiaries as lessor included in “Premises and equipment” and “Intangible assets” are depreciated using the straight-line method over the leasing period.

6. Deferred Charges

(a) Stock issuance costs

Stock issuance costs are expensed in the period incurred.

(b) Deferred expenses for issuance of bonds and notes

Deferred expenses for issuance of bonds and notes are amortized using the straight-line method over the term of bonds and notes.

With regard to the unamortized balance of issuance costs of bonds as of March 31, 2006, we applied the previous accounting treatment based on transitional measures under “Tentative Solution on Accounting for Deferred Assets” (August 11, 2006; Practical Solutions Report No. 19 issued by the Accounting Standards Board of Japan (ASBJ)) and amortized such costs over the term of the bonds within the maximum period (3 years) stipulated in the former Commercial Code Enforcement Regulations.

Bonds are stated at their amortized costs using the straight-line method.

With regard to the unamortized balance of deferred bond discounts as of March 31, 2006, the previous accounting treatment was applied based on transitional measures under “Tentative Solution on Accounting for Deferred Assets” (August 11, 2006; Practical Solutions Report No. 19 issued by the Accounting Standards Board of Japan (ASBJ)) and is being amortized over the term of the bonds using the annual straight-line method. The unamortized balance was directly deducted from the balance of the bonds.

(c) Deferred expenses for issuance of debentures

Deferred expenses for issuance of debentures are amortized using the straight-line method over the term of debentures.

With regard to the unamortized balance of issuance costs of debentures as of March 31, 2006, we applied the previous accounting treatment based on transitional measures under “Tentative Solution on Accounting for Deferred Assets” (August 11, 2006; Practical Solutions Report No. 19 issued by the Accounting Standards Board of Japan (ASBJ)) and amortized such costs over the redemption period of the bonds within the maximum period (3 years) stipulated in the former Commercial Code Enforcement Regulations.

Formation costs and issuance costs of subsidiaries are expensed as incurred.

Deferred expenses for the issuance of corporate bonds of the consolidated subsidiaries are amortized by the straight-line method over the terms of the corporate bonds.

7. Reserve for Credit Losses

A reserve for credit losses of the Bank and the domestic trust and banking subsidiary is provided as detailed below pursuant to the predetermined internal rules for providing such a reserve.

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

For claims to obligors who are possibly bankrupt (that is, those that are not presently bankrupt but are very likely to go bankrupt in the future), except claims to obligors with larger claims than a predetermined amounts as described below, a specific reserve is provided for the amount considered to be necessary based on an overall solvency assessment performed for the amount of claims, net of amounts expected to be collected through the disposal of collateral or execution of guarantees.

With regard to claims to possibly bankrupt obligors, restructured loans and certain claims for which the reserve has been provided based on the discounted cash flow method (as mentioned below) in previous fiscal years, provided that obligors’ cash flows for debt service are reasonably estimable and the balance of claims to such obligors are at or larger than a predetermined amount, the reserve for credit losses is provided for the difference between the present value of estimated cash flows discounted at the contractual interest rates that have been determined prior to any concession on lending conditions and the carrying value of the claim (discounted cash flow method). For claims to obligors whose future cash flows are not reasonably estimable and the balance is at or larger than a predetermined amount, the reserve is provided by estimating the expected loss amount for the remaining term of the respective claims.

For claims other than those mentioned above, a general reserve is provided based on historical loan loss experience

The reserve for loans to restructuring countries is provided based on the amount of expected losses due to the political and economic situation in their respective countries.

All claims are assessed by business divisions and branches based on the predetermined internal rules for the self-assessment of asset quality. The Asset-Assessment management division, which is independent from business divisions and branches, conducts verifications of these assessments, and an additional reserve may be provided based on the verification results.

The consolidated subsidiaries other than the domestic trust bank calculate the general reserve for “normal” and “caution, including special supervision segment,” categories based on the specific actual past loss ratio, and the specific reserve for “possible bankruptcy,” “virtual bankruptcy” and “legal bankruptcy” categories based on estimated loss, considering the recoverable value.

For collateralized or guaranteed claims to obligors who are legally bankrupt or virtually bankrupt, the amount of claims exceeding the estimated value of collateral or guarantees, which is deemed uncollectible, has been charged off and the amount is ¥96,378 million.

8. Accrued Bonuses for Employees

Accrued bonuses for employees are provided for the payment of employees’ bonuses based on estimated amounts of future payments attributed to this fiscal year.

9. Accrued Bonuses for Directors

Accrued bonuses for employees are provided in the amount of the estimated bonuses which are attributable to this fiscal year.

10. Actuarial difference: Reserve for Employees' Retirement Benefit

A reserve for retirement benefits is provided for the payment of employees' retirement benefits as of the end of this fiscal year, based on the estimated amounts of the actuarial retirement benefit obligation, net of the estimated value of the pension assets as of the end of the fiscal year. The prior service cost and the actuarial difference are treated in the following manner:

Prior service cost:	Amortized using the straight-line method over the average remaining service period from the fiscal year of occurrence.
Actuarial difference:	Amortized using the straight-line method over the average remaining service period from the fiscal year of occurrence.

The Bank's transitional unrecognized net retirement benefit obligation of ¥9,081 million is being amortized using the straight-line method over 15 years.

11. Reserve for Directors' Retirement Benefits

The reserve for Directors' Retirement Benefits is provided for the payment of directors' retirement benefits for certain subsidiaries based on estimated amounts of future payments attributed to this fiscal year.

(Change in Accounting Policy)

Previously, retirement benefits for directors in some of consolidated subsidiaries had been expensed as incurred. From this fiscal year, reserve for directors' retirement benefits is provided for the payment of directors' retirement benefits based on estimated amounts of future payments attributed to this fiscal year. This reserve is in accordance with "Auditing Treatment for Reserves under Special Taxation Measures Law, Allowances or Reserves under Special Law and Reserves for directors' retirement benefits" (April 13, 2007; Audit and Assurance Implementation Committee Report No.42) effective from the consolidated fiscal year starting from April 1, 2007. As a result, general and administrative expense increased by ¥132 million, net ordinary income and income before income taxes for the fiscal year ended March 31, 2008 decreased by ¥132 million.

12. Reserve for Losses on Interest Repayments

A reserve for losses on interest repayments of consolidated subsidiaries is provided for possible losses arising from reimbursement of excess interest payments, based on the average period to maturity of the affected loans, an estimate of the percentage of such loan transactions that will be subject to a future refund request based on past experience and an estimate of the average amount to be refunded based on past experience.

13. Reserve for losses on disposal of premises and equipment

A reserve for losses on disposal of premises and equipment is as the estimated amount of loss reasonably calculable with respect to expenses for the future relocation of headquarters of the Bank and some of its subsidiaries, as well as restoration cost associated with the planned closure of some of the BankSpots and ATM sites for retail banking.

14. Reserve under Special Law

Reserve under special law is a reserve for financial products transaction responsibilities. It is provided for contingent liabilities from brokering of securities transactions by a consolidated domestic subsidiary, in accordance with the 5 of Article 46, paragraph 1 of the Financial Products and Exchange Law of Japan.

Previously, reserve for security transaction responsibilities was provided in accordance with Article 51 of the Securities Transactions and Exchange Law of Japan. From this fiscal year, it is provided as a reserve for financial products transaction responsibilities, due to the enforcement of Financial Products and Exchange Law, effective from September 30, 2007.

15. Translation of Foreign Currency Financial Statements and Transactions

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

Assets and liabilities of consolidated subsidiaries are translated at the exchanged rates of balance sheet date.

16. Accounting for Lease Transactions

Equipment used by the Bank and its domestic subsidiaries under finance lease agreements, except those cases where ownership of equipment is deemed to be transferred to the lessee, is accounted for as equipment leased under operating leases.

17. Hedge accounting

(a) Hedge of Interest rate risks

The bank applies the deferral hedge accounting for derivative transactions that meet the hedge accounting criteria for mitigating interest risks of the Bank's financial assets and liabilities.

The Bank adopted portfolio hedging in accordance with Industry Audit Committee Report No. 24 issued by the Japanese Institute of Certified Public Accountants (the "JICPA"). Under portfolio hedging, a portfolio of hedged items such as deposits or loans with common maturities is matched with a group of hedging instruments such as interest rate swaps, which offset the effect of fair value fluctuations of the hedged items by identified maturities, and are designated as a hedge of the portfolio. The effectiveness of the portfolio hedge is assessed by each group.

The Bank principally applied a "macro hedge" approach for interest rate derivatives used to manage interest rate risks, and its ALM activities based on the transitional treatment prescribed in Industry Audit Committee Report No. 15 issued by the JICPA prior to April 1, 2003. Deferred hedge losses and deferred hedge gains previously recorded on the balance sheet as a result of macro hedge accounting are being amortized as expenses or income over the remaining lives of the hedging instruments.

The unamortized balance of deferred hedge losses attributable to macro hedge accounting before the deduction of tax effect as of the consolidated balance sheet date was ¥11 million.

The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not re-measured at market value but the net payments or receipts under the swap agreements are recognized and included in interest expenses or income.

(b) Hedge of foreign exchange fluctuation risks

The bank applies deferral hedge accounting or fair value hedge accounting for derivative transactions for the purpose of hedging foreign exchange risk arising from financial assets and liabilities denominated in a foreign currency.

Under deferral hedge accounting, which is in accordance with "Accounting and Auditing Treatment of Accounting Standards for Financial Instruments in the Banking Industry" (Industry Audit Committee Report No. 25 of the JICPA), hedged items are identified by grouping the foreign currency-denominated financial assets and liabilities by currencies and designating derivative transactions such as currency swap transactions and forward exchange contracts as hedging instruments. Hedge effectiveness is reviewed by comparing the total foreign currency position of the hedged items and hedging instruments by currency.

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

(c) Inter-company derivative transactions

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

18. Consumption Tax

The National Consumption Tax and the Local Consumption Tax of the Bank and its domestic consolidated subsidiaries are excluded from transaction amounts.

19. Other significant items for the preparation of Consolidated Financial Statements

(a) Consolidated tax system

The consolidated corporation tax system has been adopted by the Bank and some domestic consolidated subsidiaries.

(b) Revenue recognition for credit business

Income from shopping credit business is calculated mainly using installment bases as follows:

(Contracts based on add-ons)

Installment credit	Sum-of-the-month digits method
Guarantees (batch acceptance of guarantee fee when contracted)	Sum-of-the-month digits method
Guarantees (division acceptance of guarantee fee)	Straight-line method

(Contracts based on charge on the declining balances)

Installment credit	Credit-balance method
Guarantees (batch acceptance of guarantee fee)	Credit-balance method

Notes:

1. In "Sum-of-the-month digits method", the commission amount regarded as income at the time of each installment payment is calculated by dividing the total commission amount by the number of installment payments.

2. In "Credit-balance method", the commission amount regarded as income at the time of each installment payment is calculated by multiplying the respective outstanding principal by a certain ratio.

(c) Revenue recognition for leasing business

Lease and rental income is recognized at the due date of each lease payment according to the lease contracts.

(d) Revenue recognition for interest on consumer finance business

In some of the Bank's subsidiaries conducting consumer finance business, accrued interest income at the balance sheet date is accrued at the lower of the amount determined using a rate permissible under the Interest Rate Restriction Law of Japan or the amount determined using rates on contracts with customers.

Change in presentation

1. (Short-term corporate bond)

The balance of electronic commercial paper issued by consolidated subsidiaries, which was previously included in "commercial paper", is displayed as "short-term corporate bonds (liabilities)" from this consolidated fiscal year according to the change in its legal status.

2. (Provision of reserve for contingent liabilities from financial transactions)

"Reserve for contingent liabilities from securities transactions", previously provided in "Special losses", is presented as "Provision of reserve for contingent liabilities from financial transactions" from this consolidated fiscal year due to the amendment of Banking Law enforcement regulations, which has become effective from September 30, 2007.

Notes to Consolidated financial statements

（Consolidated Balance Sheet as of March 31, 2008）

1. The total net book value of equity investments in affiliates (Except for equity in consolidated subsidiaries) was ¥49,541million.

2. The balance of securities held in relation to securities borrowing transactions with or without cash collateral, securities purchased under resale agreements and securities accepted as collateral based on derivative transactions, where the Group has the right to sell or pledge such securities without restrictions at the balance sheet date is ¥84,384 million, and the amount further pledged is ¥3,058 million

3. Loans and bills discounted held by the Bank and its subsidiaries include loans to bankrupt obligors and non-accrual delinquent loans, totaling ¥2,173 million and ¥42,528 million, respectively, at the balance sheet date.

Included in loans placed on non-accrual status (because the ultimate collectability of either principal or interest is in doubt or a delay in payments of either principal or interest is judged to last for a certain period of time) are loans to bankrupt obligors, as defined in Article 96, Paragraph 1, Subparagraphs 3 and 4 of the Enforcement Ordinance for the Corporation Tax Law (Ordinance No.97 of 1965). Non-accrual delinquent loans are non-accrual loans other than loans to obligors in bankruptcy and loans for which interest payments are deferred in order to facilitate the rehabilitation of the obligor or to assist in the financial recovery of the obligors.

Installment receivables in other assets include claims to bankrupt obligors and non-accrual delinquent claims, totaling ¥2,635 million and ¥4,908 million, respectively, at the consolidated balance sheet date.

4. Loans past due for three months or more of ¥4,792 million are included in loans bills discounted.

Loans past due for three months or more are loans other than loans to bankrupt obligors and non-accrual delinquent loans for which the principal and/or interest is past due for three months or more.

Installment receivables in other assets include claims past due for three months or more totaling ¥1,340 million at the consolidated balance sheet date.

5. Restructured loans of ¥54,980 million are included in loans and bills discounted.

Restructured loans are loans other than loans of bankrupt obligors, non-accrual delinquent loans or loans past due for three months or more, on which concessions such as reduction of the stated interest rate, a deferral of interest payment, an extension of the maturity date, debt forgiveness, or other agreements which give advantages to obligors in financial difficulties have been grated to obligors to facilitate their rehabilitation.

Restructured installment receivables of ¥6,782 million are included in other assets.

6. The total amount of loans to bankrupt obligors, non-accrual delinquent loans, loans past due for three months or more, and restructured loans reflected in the Notes 3 through 6 above respectively are ¥104,474 million which represent the contractual gross receivable balance prior to reduction of the reserve for credit losses.

The total installment receivables in other assets of claims to bankrupt obligors, non-accrual delinquent claims, claims past due for three months or more, and restructured claims reflected in the Notes 3 through 6 above respectively are ¥15,666 million which represent the contractual gross receivable balance prior to reduction of the reserve for credit losses.

7. Bills discounted, such as bank acceptances purchased, commercial bills discounted, documentary bills and foreign exchange contracts purchased, are accounted for as financing transactions in accordance with Industry Audit Committee Report No.24 of the JICPA, although the Bank has the right to sell or pledge them without restrictions. The face values of such bills discounted held are ¥2,199 million.

8. The total principal amount of loans accounted for as a sale through loan participations was ¥61,144 million. This off-balance sheet treatment is in accordance with Report No. 3 issued by the Framework Committee of the JICPA on June 1, 1995.

Of the loan participation principal amount posted as loans to original obligors, the outstanding balance on the consolidated balance sheet was ¥157,021 million.

9. Assets pledged as collateral are as follows:

Cash and due from banks	¥ 643 million
Monetary claims purchased	47,380
Securities	530,791
Loans and bills discounted	19,192
Buildings	855
Land	1,365

Liabilities related to pledged assets are as follows:

Deposits	¥ 1,058 million
Call money	180,000
Collateral related to securities lending transactions	148,421
Borrowed money	80,294
Acceptances and guarantees	908

¥33,429 million of lease receivables are pledged as collateral for the above borrowed money.

In addition, securities of ¥162,420 million are pledged as collateral for transactions, including exchange settlements, swap transactions and the substitution of margin on futures transactions.

In addition, ¥91 million of margin deposits for futures transactions outstanding, and ¥17,623 million of security deposits and ¥5,603 million of cash collateral pledged for derivative transactions are included in other assets.

10. The Bank and certain of its consolidated subsidiaries issue commitments to extend credit and establish credit lines for overdrafts to meet the financing needs of their customers.

The unfunded amount of these commitments is ¥4,436,578 million, out of which the amount with original agreement terms of less than one year or which are cancelable is ¥4,064,768 million. Since a large majority of these commitments expire without being drawn upon, the unfunded amounts do not necessarily represent future cash requirements. Many of such agreements include conditions granting the Bank and consolidated subsidiaries the right to reject the drawdown or to reduce the amount on the basis of changes in the financial circumstances of the borrower or other reasonable grounds.

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

11. Installment receivables of ¥421,817 million are included in other assets.

12. Accumulated depreciation on premises and equipments is ¥303,401 million.

13. Deferred gains on sales of real estate of ¥2,902 million are deducted from the acquisition cost of newly acquired premises and equipments.

14. Goodwill and Negative goodwill are set off and presented as “Goodwill” in intangible assets by the net amount. The gross amounts are the followings:

Goodwill	149,314 million
Negative goodwill	7,075
Net	142,239 million

15. Subordinated debt of ¥108,000 million is included in borrowed money.

16. Subordinated bonds of ¥341,243 million are included in corporate bonds.

17. The amount of guarantee obligations for privately-placed bonds (Financial Instruments and Exchange Law, Article 2, Paragraph 3), out of "bonds" included in the "Securities" category, stands at ¥ 78,691 million.

18. Common shareholders' equity per share is ¥364.35

19. Some vehicles and other equipments are used under leasing agreements besides the fixed assets recorded on the consolidated balance sheet.

20. Retirement benefit obligations, etc, as of the end of this fiscal year is as follows:

Projected benefit obligations	(¥ 69,056) million
Plan assets（fair market value）(including retirement benefit trust)	61,589
Funded status	(7,467)
Unrecognized obligation at transition	4,237
Unrecognized net actuarial losses	10,070
Unrecognized prior service cost (reduction of liabilities)	(3,823)
Net amount accrued on the balance sheet	3,016
Prepaid pension cost	7,677
Reserve for retirement benefits	(4,660)

21. Stock Option

The matter concerning the stock option is as follows.

(1) Expenses amount and accounting item related to stock options in this consolidated fiscal year

Stock reward expenses in operating expenses ¥ 740 million

(2) Details of stock options, number of eligible shares and grantees, and changes in them

① Details of stock options

Stock options existed during this consolidated fiscal year

	The 1st stock acquisition right		The 2nd stock acquisition right	
Number of grantees by category	Statutory Executive Officers: 11 Employees: 2,185		Employees: 3	
Number of options granted (Note:1)	Common Shares: 5,343,000 shares	Common Shares: 4,112,000 shares	Common Shares: 82,000 shares	Common Shares: 79,000 shares
Grant date	July 1, 2004		October 1, 2004	
Vesting conditions	(Note: 2)		(Note: 2)	
Vesting period	From July 1, 2004 to July 1, 2006	From July 1, 2004 to July 1, 2007	From October 1, 2004 to July 1, 2006	From October 1, 2004 to July 1, 2007
Contractual period	From July 1, 2006 to June 23, 2014	From July 1, 2007 to June 23, 2014	From July 1, 2006 to June 23, 2014	From July 1, 2007 to June 23, 2014

	The 3rd stock acquisition right		The 4th stock acquisition right	
Number of grantees by category	Employees: 1		Statutory Executive Officers: 1	
Number of options granted (Note:1)	Common Shares: 13,000 shares	Common Shares: 12,000 shares	Common Shares: 125,000 shares	Common Shares: 125,000 shares
Grant date	December 10, 2004		June 1, 2005	
Vesting conditions	(Note: 2)		(Note: 2)	
Vesting period	From December 10, 2004 to July 1, 2006	From December 10, 2004 to July 1, 2007	From June 1, 2005 to July 1, 2006	From June 1, 2005 to July 1, 2007
Contractual period	From July 1, 2006 to June 23, 2014	From July 1, 2007 to June 23, 2014	From July 1, 2006 to June 23, 2014	From July 1, 2007 to June 23, 2014

	The 5th stock acquisition right		The 6th stock acquisition right	
Number of grantees by category	Directors: 15 Statutory Executive Officers: 10 Employees: 437		Statutory Executive Officers: 5 Employees: 35	
Number of options granted (Note:1)	Common Shares: 2,609,000 shares	Common Shares: 2,313,000 shares	Common Shares: 1,439,000 shares	Common Shares: 1,417,000 shares
Grant date	June 27, 2005		June 27, 2005	
Vesting conditions	(Note: 2)		(Note: 2)	
Vesting period	From June 27, 2005 to July 1, 2007	From June 27, 2005 to July 1, 2008	From June 27, 2005 to July 1, 2007	From June 27, 2005 to July 1, 2008
Contractual period	From July 1, 2007 to June 23, 2015	From July 1, 2008 to June 23, 2015	From July 1, 2007 to June 23, 2015	From July 1, 2008 to June 23, 2015

	The 7th stock acquisition right		The 8th stock acquisition right	
Number of grantees by category	Statutory Executive Officers: 8 Employees: 127		Statutory Executive Officers: 1 Employees: 34	
Number of options granted (Note:1)	Common Shares: 678,000 shares	Common Shares: 609,000 shares	Common Shares: 287,000 shares	Common Shares: 274,000 shares
Grant date	June 27, 2005		June 27, 2005	
Vesting conditions	(Note: 2)		(Note: 2)	
Vesting period	From June 27, 2005 to July 1, 2008	From June 27, 2005 to July 1, 2010	From June 27, 2005 to July 1, 2008	From June 27, 2005 to July 1, 2010
Contractual period	From July 1, 2008 to June 23, 2015	From July 1, 2010 to June 23, 2015	From July 1, 2008 to June 23, 2015	From July 1, 2010 to June 23, 2015

	The 9th stock acquisition right		The 10th stock acquisition right	
Number of grantees by category	Employees: 2		Employees: 2	
Number of options granted (Note:1)	Common Shares: 79,000 shares	Common Shares: 78,000 shares	Common Shares: 27,000 shares	Common Shares: 26,000 shares
Grant date	September 28, 2005		September 28, 2005	
Vesting conditions	(Note: 2)		(Note: 2)	
Vesting period	From September 28, 2005 to July 1, 2007	From September 28, 2005 to July 1, 2008	From September 28, 2005 to July 1, 2008	From September 28, 2005 to July 1, 2010
Contractual period	From July 1, 2007 to June 23, 2015	From July 1, 2008 to June 23, 2015	From July 1, 2008 to June 23, 2015	From July 1, 2010 to June 23, 2015

	The 11th stock acquisition right		The 12th stock acquisition right	
Number of grantees by category	Employees: 2		Employees: 2	
Number of options granted (Note:1)	Common Shares: 26,000 shares	Common Shares: 24,000 shares	Common Shares: 9,000 shares	Common Shares: 8,000 shares
Grant date	March 1, 2006		March 1, 2006	
Vesting conditions	(Note:2)		(Note:2)	
Vesting period	From March 1, 2006 to July 1, 2007	From March 1, 2006 to July 1, 2008	From March 1, 2006 to July 1, 2008	From March 1, 2006 to July 1, 2010
Contractual period	From July 1, 2007 to June 23, 2015	From July 1, 2008 to June 23, 2015	From July 1, 2008 to June 23, 2015	From July 1, 2010 to June 23, 2015

	The 13th stock acquisition right		The 14th stock acquisition right	
Number of grantees by category	Directors: 15 Statutory Executive Officers: 14 Employees: 559		Statutory Executive Officers: 3 Employees: 28	
Number of options granted (Note:1)	Common Shares: 2,854,000 shares	Common Shares: 2,488,000 shares	Common Shares: 1,522,000 shares	Common Shares: 1,505,000 shares
Grant date	May 25, 2006		May 25, 2006	
Vesting conditions	(Note: 2)		(Note: 2)	
Vesting period	From May 25, 2006 to June 1, 2008	From May 25, 2006 to June 1, 2009	From May 25, 2006 to June 1, 2008	From May 25, 2006 to June 1, 2009
Contractual period	From June 1, 2008 to June 23, 2015	From June 1, 2009 to June 23, 2015	From June 1, 2008 to June 23, 2015	From June 1, 2009 to June 23, 2015

	The 15th stock acquisition right		The 16th stock acquisition right	
Number of grantees by category	Statutory Executive Officers: 12 Employees: 159		Employees: 19	
Number of options granted (Note:1)	Common Shares: 749,000 shares	Common Shares: 690,000 shares	Common Shares: 170,000 shares	Common Shares: 161,000 shares
Grant date	May 25, 2006		May 25, 2006	
Vesting conditions	(Note: 2)		(Note: 2)	
Vesting period	From May 25, 2006 to June 1, 2009	From May 25, 2006 to June 1, 2011	From May 25, 2006 to June 1, 2009	From May 25, 2006 to June 1, 2011
Contractual period	From June 1, 2009 to June 23, 2015	From June 1, 2011 to June 23, 2015	From June 1, 2009 to June 23, 2015	From June 1, 2011 to June 23, 2015

	The 17th stock acquisition right		The 18th stock acquisition right	
Number of grantees by category	Directors: 12 Statutory Executive Officers: 13 Employees: 110		Statutory Executive Officers: 3 Employees: 23	
Number of options granted (Note:1)	Common Shares: 1,691,000 shares	Common Shares: 1,615,000 shares	Common Shares: 747,000 shares	Common Shares: 733,000 shares
Grant date	May 25, 2007		May 25, 2007	
Vesting conditions	(Note: 2)		(Note: 2)	
Vesting period	From May 25, 2007 to June 1, 2009	From May 25, 2007 to June 1, 2011	From May 25, 2007 to June 1, 2009	From May 25, 2007 to June 1, 2011
Contractual period	From June 1, 2009 to May 8, 2017	From June 1, 2011 to May 8, 2017	From June 1, 2009 to May 8, 2017	From June 1, 2011 to May 8, 2017

	The 19th stock acquisition right	
Number of grantees by category	Directors and employees in subsidiaries and affiliates: 32	
Number of options granted (Note:1)	Common Shares: 86,000 shares	Common Shares: 54,000 shares
Grant date	July 2, 2007	
Vesting conditions	(Note: 2)	
Vesting period	From July 2, 2007 to July 1, 2009	From July 2, 2007 to July 1, 2011
Contractual period	From July 1, 2009 to June 19, 2017	From July 1, 2011 to June 19, 2017

Notes:

1. Stated in terms of the number of shares.

2. In principle, grantees must continue to be employed by the company during the service period. However, the right will be granted if the grantee leaves the company for certain reasons specified in the "Agreement on Granting Stock Acquisition Rights"

② Number of stock options and movements of them

Stock options existed any time during this consolidated fiscal year are covered. Number of stock options is stated in terms of the number of shares.

a. Number of Stock Options

	1st	2nd	3rd	4th
Before vested (share)				
Outstanding at the beginning of the period	2,880,000	79,000	12,000	125,000
Granted during the period	-	-	-	-
Forfeited during the period	52,000	-	-	-
Vested during the period	2,828,000	79,000	12,000	125,000
Outstanding at the end of the period	-	-	-	-
After vested (Share)				
Outstanding at the beginning of the period	4,072,000	22,000	13,000	125,000
Vested during the period	2,828,000	79,000	12,000	125,000
Exercised during the period	-	-	-	-
Forfeited during the period	557,000	59,000	-	-
Exercisable at the end of the period	6,343,000	42,000	25,000	250,000

	5th	6th	7th	8th
Before vested (share)				
Outstanding at the beginning of the period	3,400,000	2,328,000	827,000	406,000
Granted during the period	-	-	-	-
Forfeited during the period	204,000	83,000	94,000	46,000
Vested during the period	1,898,000	1,249,000	18,000	-
Outstanding at the end of the period	1,298,000	996,000	715,000	360,000
After vested (Share)				
Outstanding at the beginning of the period	527,000	220,000	214,000	26,000
Vested during the period	1,898,000	1,249,000	18,000	-
Exercised during the period	-	-	-	-
Forfeited during the period	134,000	65,000	-	-
Exercisable at the end of the period	2,291,000	1,404,000	232,000	26,000

	9th	10th	11th	12th
Before vested (share)				
Outstanding at the beginning of the period	157,000	53,000	50,000	17,000
Granted during the period	-	-	-	-
Forfeited during the period	-	-	4,000	3,000
Vested during the period	79,000	-	26,000	-
Outstanding at the end of the period	78,000	53,000	20,000	14,000
After vested (Share)				
Outstanding at the beginning of the period	-	-	-	-
Vested during the period	79,000	-	26,000	-
Exercised during the period	-	-	-	-
Forfeited during the period	-	-	5,000	-
Exercisable at the end of the period	79,000	-	21,000	-

	13th	14th	15th	16th
Before vested (share)				
Outstanding at the beginning of the period	4,457,000	2,680,000	1,195,000	215,000
Granted during the period	-	-	-	-
Forfeited during the period	552,000	66,000	126,000	21,000
Vested during the period	69,000	5,000	14,000	2,000
Outstanding at the end of the period	3,836,000	2,609,000	1,055,000	192,000
After vested (Share)				
Outstanding at the beginning of the period	227,000	-	66,000	-
Vested during the period	69,000	5,000	14,000	2,000
Exercised during the period	-	-	-	-
Forfeited during the period	-	-	-	-
Exercisable at the end of the period	296,000	5,000	80,000	2,000

	17th	18th	19th
Before vested (share)			
Outstanding at the beginning of the period	-	-	-
Granted during the period	3,306,000	1,480,000	140,000
Forfeited during the period	174,000	23,000	-
Vested during the period	47,000	-	-
Outstanding at the end of the period	3,085,000	1,457,000	140,000
After vested (Share)			
Outstanding at the beginning of the period	-	-	-
Vested during the period	47,000	-	-
Exercised during the period	-	-	-
Forfeited during the period	-	-	-
Exercisable at the end of the period	47,000	-	-

b. Unit Price Information

	1st	2nd	3rd	4th
Exercise Price (yen)	684	646	697	551
Weighted average stock price at the date of exercise	721	739	-	-

	5th	6th	7th	8th
Exercise Price (yen)	601	601	601	601
Weighted average stock price at the date of exercise	-	-	-	-

	9th	10th	11th	12th
Exercise Price (yen)	697	697	774	774
Weighted average stock price at the date of exercise	-	-	-	-

	13th		14th	
Exercise period	From June 1, 2008 to June 23, 2015	From June 1, 2009 to June 23, 2015	From June 1, 2008 to June 23, 2015	From June 1, 2009 to June 23, 2015
Exercise Price (yen)	825		825	
Weighted average stock price at the date of exercise	-		-	
Fair value of the grant date	163	173	163	173

	15th		16th	
Exercise period	From June 1, 2009 to June 23, 2015	From June 1, 2011 to June 23, 2015	From June 1, 2009 to June 23, 2015	From June 1, 2011 to June 23, 2015
Exercise Price (yen)	825		825	
Weighted average stock price at the date of exercise	-		-	
Fair value of the grant date	173	192	173	192

	17th		18th	
Exercise period	From June 1, 2009 to May 8, 2017	From June 1, 2011 to May 8, 2017	From June 1, 2009 to May 8, 2017	From June 1, 2011 to May 8, 2017
Exercise Price (yen)	555		555	
Weighted average stock price at the date of exercise	-		-	
Fair value of the grant date	131	143	131	143

	19th	
Exercise period	From July 1, 2009 to June 19, 2017	From July 1, 2011 to June 19, 2017
Exercise Price (yen)	527	
Weighted average stock price at the date of exercise	-	
Fair value of the grant date	121	132

(3) Measurement of the fair values of stock options

The following is the method to measure a fair value of stock options from 17th to 19th granted in this consolidated fiscal year

a) Used method: Black-Scholes option pricing model

b) Major inputs and variables to the model used

	17th		18th	
Exercise period	From June 1, 2009 to May 8, 2017	From June 1, 2011 to May 8, 2017	From June 1, 2009 to May 8, 2017	From June 1, 2011 to May 8, 2017
Expected volatility (Note: 1)	26.4%	26.4%	26.4%	26.4%
Expected life (Note: 2)	6Years	7Years	6Years	7Years
Expected dividends (Note: 3)	2.66Yen/Share	2.66Yen/Share	2.66Yen/Share	2.66Yen/Share
Risk-free interest rate (Note: 4)	1.42%	1.50%	1.42%	1.50%

	19th	
Exercise period	From July 1, 2009 to June 19, 2017	From July 1, 2011 to June 19, 2017
Expected volatility (Note: 1)	25.9%	25.9%
Expected life (Note: 2)	6Years	7Years
Expected dividends (Note: 3)	2.66Yen/Share	2.66Yen/Share
Risk-free interest rate (Note: 4)	1.59%	1.67%

Notes:

1. Measured based on the historical stock price of the past 2 years (from May 2005 to May 2007 for 17th and 18th, from July 2005 to July 2007 for 19th).

2. Estimated based on the assumption that the option is exercised at the mid point of the contractual period, as the reasonable estimate is difficult without enough data.

3. Based on the actual dividend for the period ended in March, 2007.

4. Used the yield of JGB with the maturity that is equivalent of expected life.

(4) Method of determining the vested number of stock options

Incorporated only the actual forfeited options, as the reasonable estimate of future forfeiture is difficult.

（Consolidated Statement of Income for the fiscal year ended March 31, 2008）

1. “Other business income” includes leasing revenue of ¥155,278 million.

2. “Other ordinary income” includes income on monetary assets held in trust of ¥21,261 million.

3. “Other business expenses” includes leasing cost of ¥141,398 million.

4. “Other ordinary expenses” includes loss on monetary assets held in trust of ¥293 million.

5. “Gains on disposal of fixed assets” includes gain on sale of the headquarter premises of ¥66,054 million.

6. “Other special gains” includes gain on sale of subsidiaries stocks of ¥20,368 million.

7. “Impairment losses” includes the Bank’s impairment loss for the following asset groups.

Location	Usage	Asset type	Amount（million）
Tokyo, Aichi, Hyogo (Total 11 sites)	BankSpots and ATM sites	Buildings and Other tangible fixed assets	¥896

The Bank determines its asset groups based on its business lines.

During this consolidated fiscal year, some of the BankSpots and ATM sites for Retail banking are segregated as idle assets following a decision to close them down, impairment losses for those assets are recognized for total carrying values of assets that are subject to disposal.

In the above impairment loss amount, ¥793 million is for “Buildings”, ¥102 million is for “Other tangible fixed assets”.

8. Net income per common share for the fiscal year ¥38.98

9. Diluted net income per common share for the fiscal year ¥32.44

（Consolidated Statement of Changes in Equity for the fiscal year ended March 31, 2008）

1. The types and numbers of issued shares and treasury stock

(Unit: thousand shares)

	Number of shares as of the end of the previous fiscal year	Increase in number of shares during this fiscal year	Decrease in number of shares during this fiscal year	Number of shares at the end of this fiscal year	Notes
Issued shares					
Common shares	1,473,570	586,775	—	2,060,346	(Notes: 1, 2, 3)
Series 2 Class A Preferred shares	74,528	—	74,528	—	(Note: 4)
Series 3 Class B Preferred shares	300,000	—	300,000	—	(Note: 5)
Total	1,848,098	586,775	374,528	2,060,346	
Treasury stock					
Common shares	96,425	10	—	96,436	
Series 2 Class A Preferred shares	—	74,528	74,528	—	(Note: 4)
Series 3 Class B Preferred shares	—	300,000	300,000	—	(Note: 5)
Total	96,425	374,538	374,528	96,436	

Notes:

1. *On August 1, 2007, pursuant to the provisions of Shinsei Bank's Articles of Incorporation concerning the mandatory acquisition of Series 3 Class B Preferred Shares of 300,000 thousands, the Bank acquired all relevant preferred shares and issued common shares of 200,000 thousands in return for the preferred shares.*
2. *On February 4, 2008, Shinsei Bank issued 117,647 thousand new common shares by third-party allotment.*
3. *On March 31, 2008, pursuant to a request by the Deposit Insurance Corporation of Japan, Shinsei Bank acquired all Series 2 Class A Preferred Shares of 74,528 thousands and converted to common shares of 269,128 thousands.*
4. *Acquisition and cancellation of Series 2 Class A Preferred Shares associated with the conversion in above 3.*
5. *Acquisition and cancellation of Series 3 Class B Preferred Shares associated with the conversion in above 1.*

2. All of stock acquisition rights are Shinsei Bank's stock option.

3. The Bank's dividend is as follows;

Dividend paid during this fiscal year

Resolution	Type of shares	Total amount of dividend	Per share	Record date	Effective date
The Board of Director meeting on 9 May,2007	Common shares	¥1,377 million	¥1.00	31 March, 2007	30 May, 2007
	Class A preferred shares	484	6.50	31 March, 2007	30 May, 2007
	Class B preferred shares	726	2.42	31 March, 2007	30 May, 2007
The Board of Director meeting on 14 November,2007	Class A preferred shares	¥484 million	¥6.50	30 September, 2007	7 December, 2007

Dividend of which effective date is after the end of this fiscal year

Resolution	Type of shares	Total amount of dividend	Source of dividend	Per share	Record date	Effective date
The Board of Director meeting on 14 May,2008 (planned)	Common shares	¥5,773 million	Other retained earnings	¥2.94	31 March, 2008	5 June, 2008

（Securities）

The estimated fair value and unrealized gains and losses for securities investments are as follows. Securities below include trading securities recorded in trading assets.

1． Trading securities (as of March 31, 2008）

(Millions of yen)

	Carrying amount on balance sheet	Net unrealized gains (losses) recognized in the current fiscal year
Trading securities	¥151,679	(¥6,266)

2． Securities being held to maturity with readily determinable fair value (as of March 31, 2008）

(Millions of yen)

	Carrying amount	Fair value	Net unrealized gain(loss)	Gross unrealized gain	Gross unrealized loss
Japanese government bonds	¥304,333	¥306,168	¥1,835	¥1,901	¥66
Japanese corporate bonds	75,138	76,519	1,381	1,381	-
Other	11,023	12,371	1,347	1,347	-
Total	¥390,495	¥395,059	¥4,564	¥4,630	¥66

Notes:

1．Fair value is based on the market prices or quotes as of the fiscal year end.

2．"Gross unrealized gain" and "Gross unrealized loss" are components of "Net unrealized gain (loss)".

3． Available-for-sale securities with readily determinable fair value (as of March 31, 2008）

(Millions of yen)

	Amortized cost	Carrying amount (fair value)	Net unrealized gain (loss)	Gross Unrealized gain	Gross unrealized loss
Equity securities	¥22,300	¥19,142	(¥3,157)	¥1,068	¥4,226
Domestic bonds:	¥548,322	¥544,921	(¥3,401)	¥1,084	¥4,485
Japanese government bonds	344,819	341,048	(3,770)	378	4,148
Japanese municipal bonds	2,205	2,264	58	58	-
Japanese corporate bonds	201,297	201,608	310	647	337
Other	¥520,220	¥491,537	(¥28,683)	¥8,479	¥37,162
Total	¥1,090,844	¥1,055,601	(¥35,242)	¥10,631	¥45,874

Notes:

1. *Fair value is based on the market prices or quotes as of the fiscal year end.*
2. *"Gross unrealized gain" and "Gross unrealized loss" are components of "Net unrealized gain (loss)".*
3. *"Other" mainly consists of foreign bonds.*

4. *The net unrealized gain (loss) on securities available for sale, net of taxes, included in equity (¥35,073) million, which consists of:*
   - *the above (¥35,242) million of net unrealized losses add up ¥154 million representing net unrealized gain attributable to our interests in investment business limited liability unions which are recorded as "Securities carried at cost"*
   - *the addition of ¥17 million of deferred tax asset*
   - *the addition of ¥48 million representing equivalent value of minority interests*
   - *the reduction of (¥51) million of the Bank's interest equivalent of unrealized loss on available-for-sale securities held by affiliates to which the equity method is applied.*
5. *If the decline in fair value of Available-for-sale Securities with readily determinable fair value is deemed to be significant, impairment loss is recognized in the book values of the securities since the decline in fair values is deemed to be other than temporary. Impairment loss recognized in this fiscal year is ¥5,454 million. To determine whether an other-than-temporary impairment has occurred, the Bank applies the following rule depending on the credit risk category the issuer of a security falls under based on the Bank's internal rules for establishing the reserve for credit losses:*

Securities issued by "Legally and virtually bankrupt" obligors and "possibly bankrupt" obligors	*The Fair value of a security is less than its book value*
Securities issued by "need caution" obligors	*The decline if fair value of a security is more than 30% of its book value*
Securities issued by "normal" obligors	*The decline in fair value of a security is in excess of 50% of its book value*

"Legally bankrupt" is obligors who have already gone bankrupt from a legal and /or formal perspective.
"Virtually bankrupt" is obligors who have not yet gone legally or formally bankrupt but who are substantially bankrupt because they are in serious financial difficulties and are not deemed to be capable of restructuring.
"Possibly bankrupt" is obligors who are not yet bankrupt but are in financial difficulties and are very likely to go bankrupt in the future.
"Need Caution" is obligors who require close attention because there are problems with their borrowings.
"Normal" is obligors whose business conditions are favorable and who are deemed not to have any particular problems in terms of their financial position.

4. No Held-to-maturity securities was sold during the fiscal year (from April 1, 2007 to March 31, 2008)

5. Available-for-sale Securities sold during the fiscal year (from April 1, 2007 to March 31, 2008)

(Millions of yen)

Sales amounts	Gain on sale	Loss on sale
¥536,145	¥6,025	¥1,235

6. The balance and description of major securities whose fair value is not readily determinable

(as of March 31, 2008)

	Carrying amount on balance sheet
Equity of unconsolidated subsidiaries and affiliates	¥ 42,158 million
Available-for-sale securities	428,913
Equity securities	14,989
Japanese municipal bonds	4
Japanese corporate bonds	283,743
Foreign securities	65,300
Other	64,876

7. The redemption schedules for securities being held to maturity and available-for-sale securities with contractual maturity (as of March 31, 2008)

(Millions of yen)

	Due within 1 year	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Bonds:	¥462,795	¥671,384	¥ 27,876	¥ 46,083
Japanese government bonds	298,680	300,618	-	46,083
Japanese municipal bonds	4	1,738	525	-
Japanese corporate bonds	164,110	369,027	27,351	-
Other	26,086	203,360	165,234	162,753
Total	¥488,882	¥874,744	¥193,111	¥208,836

（Monetary assets held in trust）

1. Monetary assets held in trust for trading purposes (as of March 31, 20008)

(Millions of yen)

	Carrying amount (Fair Value)	Net unrealized gains (losses) included in current earnings
Monetary assets held in trust for trading purposes	¥248,752	(¥5,603)

2. There are no monetary assets held in trust held to maturity (as of March 31, 2008)

3. Other monetary assets held in trust (other than trading purposes and held to maturity) (as of March 31, 2008)

(Millions of yen)

	Acquisition Cost	Carrying amount	Net Unrealized gain (loss)	Gross Unrealized gain	Gross unrealized loss
Other monetary assets held in trust for other than trading purposes	¥122,819	¥122,819	—	—	—

Notes:

1. Fair value is based on the market prices or quotes as of the fiscal year end.

2. “Gross unrealized gain” and “Gross unrealized loss” are components of “Net unrealized gain (loss)”.

(Monetary claims purchased for trading purpose)

Monetary claims purchased for trading purpose (as of March 31, 2008)

(Millions of yen)

	Carrying amount (Fair Value)	Net unrealized gains (losses) included in current earnings
Monetary assets held in trust for trading purposes	¥280,630	(¥12,697)

(TRANSLATION)

INDEPENDENT AUDITORS' REPORT

May 7, 2008

To the Board of Directors of
Shinsei Bank, Limited:

Deloitte Touche Tohmatsu

Designated Partner,
Engagement Partner,
Certified Public Accountant:

Yoriko Goto

Designated Partner,
Engagement Partner,
Certified Public Accountant:

Shigeru Miyazaki

Designated Partner,
Engagement Partner,
Certified Public Accountant:

Shigehiko Matsumoto

Pursuant to the fourth clause of Article 444 of the Corporate Law, we have audited the consolidated financial statements, namely, the consolidated balance sheet as of March 31, 2008 of Shinsei Bank, Limited (the "Bank") and consolidated subsidiaries, and the related statements of income and changes in equity for the 8th fiscal year from April 1, 2007 to March 31, 2008. These consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Bank as of March 31, 2008, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in Japan.

Our firm and the engagement partners do not have any financial interest in the Bank for which disclosure is required under the provisions of the Certified Public Accountants Law.

The above represents a translation, for convenience only, of the original report issued in the Japanese language.

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SHINSEI BANK, LIMITED
NON-CONSOLIDATED BALANCE SHEET
As of March 31, 2008

	Millions of yen
ASSETS	
Cash and due from banks	¥272,940
Cash	10,939
Due from banks	262,001
Receivables under resale agreements	2,014
Collateral related to securities borrowing transactions	13,850
Other monetary claims purchased	161,344
Trading assets	275,136
Trading securities	92
Securities related to trading transactions	65,927
Derivatives of securities related to trading transactions	16,637
Trading-related financial derivatives	192,262
Other trading assets	215
Monetary assets held in trust	606,018
Securities	2,300,303
Japanese national government bonds	645,346
Japanese local government bonds	2,268
Japanese corporate bonds	561,183
Equity securities	301,975
Other securities	789,528
Valuation allowance for investments	(3,370)
Loans and bills discounted	5,356,363
Bills discounted	12
Loans on bills	100,439
Loans on deeds	4,534,409
Overdrafts	721,502
Foreign exchanges	17,852
Due from foreign banks	15,534
Foreign bills bought	162
Foreign bills receivable	2,155
Other assets	577,856
Prepaid expenses	2,041
Accrued income	24,212
Margin on futures transactions	69
Derivatives held in banking account	388,976
Deferred expenses for issuance of bonds and notes	574
Other assets	161,983
Premises and equipment	20,895
Buildings	14,517
Construction in progress	83
Other tangible fixed assets	6,293
Intangible fixed assets	14,560
Software	14,495
Other intangible fixed assets	65
Deferred issuance expenses for debentures	125
Deferred expenses for issuance of debentures	125
Deferred tax assets	14,697
Customers' liabilities for acceptances and guarantees	11,746
Reserve for credit losses	(93,662)
[Total assets]	¥9,548,673

SHINSEI BANK, LIMITED
NON-CONSOLIDATED BALANCE SHEET (CONTINUED)
As of March 31, 2008

	Millions of yen
LIABILITIES AND EQUITY	
Liabilities	
Deposits	¥5,287,941
Current accounts	26,045
Ordinary deposits	1,420,397
Notice deposits	20,376
Time deposits	3,532,995
Other deposits	288,125
Negotiable certificates of deposit	577,189
Debentures	663,134
Issuance of debentures	663,134
Call money	632,117
Collateral related to securities lending transactions	148,421
Trading liabilities	203,716
Derivatives of securities related to trading transactions	16,606
Trading-related financial derivatives	187,110
Borrowed money	304,078
Borrowed money	304,078
Foreign exchanges	269
Due to foreign banks	232
Foreign bills payable	36
Corporate bonds	519,902
Other liabilities	450,643
Income taxes payable	767
Accrued expenses	38,579
Unearned income	910
Suspense receipt on futures transactions	83
Derivatives held in banking account	356,340
Other liabilities	53,961
Accrued employees' bonuses	10,341
Reserve for retirement benefits	1,554
Reserve for loss on disposal of premises and equipment	4,913
Acceptances and guarantees	11,746
[Total liabilities]	8,815,970
Equity	
Shareholders' equity	
Capital stock	476,296
Capital surplus	43,558
Additional paid-in capital	43,558
Retained earnings	317,276
Legal reserve	9,880
Other retained earnings	307,395
Unappropriated retained earnings	307,395
Treasury stock, at cost	(72,557)
[Total shareholders' equity]	764,573
Net unrealized gain (loss)	
Unrealized gain (loss) on available-for-sale securities	(35,024)
Deferred gain (loss) on derivatives under hedge accounting	1,896
[Total net unrealized gain (loss)]	(33,128)
Stock acquisition rights	1,257
[Total equity]	732,703
[Total liabilities and equity]	¥9,548,673

SHINSEI BANK, LIMITED
NON-CONSOLIDATED STATEMENT OF INCOME
From April 1, 2007 to March 31, 2008

	Millions of yen
ORDINARY INCOME	
Interest income	¥199,803
Interest on loans and bills discounted	110,567
Interest and dividends on securities	76,969
Interest on call loans	1,034
Interest on receivables under resale agreement	24
Interest on collateral related to securities borrowing transactions	976
Interest on deposits with banks	4,695
Interest on swaps	304
Other interest income	5,231
Fees and commissions income	27,459
Domestic and foreign exchange commissions income	1,114
Other fees and commissions income	26,344
Trading profits	7,133
Income from trading securities	1
Revenue from securities and derivatives related to trading transactions	430
Profits from trading-related financial derivatives	6,701
Other business income	3,845
Gains on sales of bonds	1,222
Income from derivatives in banking account	1,281
Other business income - others	1,341
Other ordinary income	41,442
Gains on sales of equity securities and others	2,617
Gains on monetary assets held in trust	37,633
Other ordinary income - others	1,192
Total ordinary income	279,684
ORDINARY EXPENSES	
Interest expenses	100,993
Interest on deposits	43,560
Interest on negotiable certificates of deposit	4,458
Interest on debentures	3,398
Interest on call money	14,919
Interest on payables under repurchase agreements	5
Interest on collateral related to securities lending transactions	1,187
Interest on borrowings	3,798
Interest on corporate bonds	24,564
Other interest expenses	5,099
Fees and commissions expenses	15,960
Domestic and foreign exchange commissions expenses	2,320
Other fees and commissions expenses	13,640
Trading losses	142
Other trading losses	142
Other business expenses	15,202
Foreign exchange loss	727
Losses on sales of bonds	4,496
Devaluation of investment bonds	3,185
Amortization of deferred expenses for issuance of debentures	75
Amortization of deferred expenses for issuance of corporate bonds	434
Other business expenses - others	6,282
General and administrative expenses	85,681
Other ordinary expenses	29,174
Provision of reserve for loan losses	19,253
Losses on write-offs of loans	1,298
Losses on sales of equity securities and others	920
Losses on write-down of equity securities and others	2,231
Losses on monetary assets held in trust	293
Other ordinary expenses - others	5,177
Total ordinary expenses	247,155
NET ORDINARY INCOME	32,528
Special gains	67,699
Gains on dispositions fixed assets	905
Recoveries of written-off claims	315
Dividend on investment in Tokumei Kumiai system (silent partnership)	66,054
Other special gains	424
Special losses	41,910
Losses on dispositions of fixed assets	620
Loss on impairment of fixed assets	896
Provision of reserve for loss on disposal of premises and equipment	4,913
Other special losses	35,480
Income before income taxes	58,317
Income taxes (benefit) - current	(7,666)
Income taxes (benefit) - deferred	12,780
NET INCOME (LOSS)	¥53,203

SHINSEI BANK, LIMITED
NON-CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the fiscal years ended March 31, 2008

(millions of yen)

	Shareholders' equity							
		Capital surplus		Retained earnings				
	Capital stock	Additional paid-in capital	Total capital surplus	Appropriated for legal reserve	Other retained earnings: Earned surplus brought forward	Total retained earnings	Treasury stock, at cost	Total of share-holders' equity
Balance at beginning of period	¥451,296	¥18,558	¥18,558	¥9,266	¥257,878	¥267,144	(¥72,555)	¥664,444
Changes in amounts during the period								
Shares issued in the year	25,000	25,000	25,000					50,000
Dividends from surplus				614	(3,686)	(3,072)		(3,072)
Net income					53,203	53,203		53,203
Acquisition of treasury stock							(1)	(1)
Net change of items other than shareholders' equity								
Total changes during the period	25,000	25,000	25,000	614	49,517	50,131	(1)	100,129
Balance at end of period	¥476,296	¥43,558	¥43,558	¥9,880	¥307,395	¥317,276	(¥72,557)	¥764,573

(millions of yen)

	Net unrealized gain/loss and translation adjustments				
	Net unrealized gain/loss on securities available-for-sale, net of taxes	Net deferred gain /loss on hedge, net of taxes	Total net unrealized gain/loss and translation adjustments	Stock acquisition rights	Total equity
Balance at beginning of period	¥4,181	(¥10,275)	(¥6,094)	¥517	¥658,866
Changes in amounts during the period					
Shares issued in the year					50,000
Dividends from surplus					(3,072)
Net income					53,203
Acquisition of treasury stock					(1)
Net change of items other than shareholders' equity	(39,206)	12,172	(27,034)	740	(26,293)
Total changes during the period	(39,206)	12,172	(27,034)	740	73,836
Balance at end of period	(¥35,024)	¥1,896	¥33,128	¥1,257	¥732,703

All yen amounts are rounded down to millions of yen.

Significant accounting policies

1. Valuation and revenue recognition of Trading Account Activities

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

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

Trading profits and trading losses include interest received and paid, the amounts of increases (decreases) in valuation gains (losses) for the fiscal year for securities and monetary claims, and the net change in valuation gains (losses) for the fiscal year using the estimated settlement prices assuming settlement in cash on the balance sheet date for derivatives.

2. Valuation of Securities

(1) Securities for trading purposes (except those included in trading accounts) are stated at fair value (sales cost is calculated by the moving-average method). Securities being held to maturity are carried at amortized cost by the moving average method. Securities of subsidiaries and affiliated companies are stated at cost calculated by the moving-average method. Securities available-for-sale whose fair value is readily determinable are stated at fair value at the end of the fiscal year (sales cost is determined by the moving-average method) and other non-marketable securities are stated at cost or amortized cost computed by the moving-average method. Unrealized gains (losses) on available-for-sale securities are included in Equity.

(2) The values of securities included in monetary assets held in trust are determined using at the same method as stated in (1) above.

3. Valuation of Derivatives

Derivatives (except for those included in trading accounts) are stated at fair value.

Other monetary claims purchased and held for trading purposes (except for those included in trading accounts) are stated at fair value.

4. Valuation of Other monetary claims purchased

Other monetary claims purchased and held for trading purposes (except for those included in trading accounts) are stated at fair value.

5. Depreciation method of fixed assets

(1) Premises and Equipment

Depreciation of buildings and computers other than personal computers in the category of equipment, such as ATMs, is computed using the straight-line method, and depreciation for other equipment is computed using the declining-balance method. Principal estimated useful lives are as follows:

Buildings: 13 – 50 years

Equipment: 2 – 15 years

（Change in Accounting Policy）

In conjunction with the change in tax law which is effective from April 1, 2007, new depreciation methods are applied to premises and equipment acquired after April 1, 2007. As a result, net ordinary income and income before income taxes for the fiscal year ended March 31, 2008 has decreased by ¥98 million.

（Supplementary information）

From this fiscal year, premises and equipment acquired before March 31, 2007, the residual values of those assets that once reached the final depreciable limit are depreciated over 5 years starting from the following fiscal year. The impact of this change on the balance sheet is insignificant.

(2) Intangible Assets

Amortization of intangible assets is computed using the straight-line method. Capitalized software for internal use is amortized using the straight-line method over the estimated useful lives (5 years).

6. Deferred Charges

(1) Stock issuance costs

Stock issuance costs are expensed in the period incurred.

(2) Deferred expenses for issuance of bonds and notes

Deferred expenses for issuance of bonds and notes are amortized using the straight-line method over the term of bonds and notes.

With regard to the unamortized balance of issuance costs of bonds as of March 31, 2006, we applied the previous accounting treatment based on transitional measures under "Tentative Solution on Accounting for Deferred Assets" (August 11, 2006; Practical Solutions Report No. 19 issued by the Accounting Standards Board of Japan (ASBJ)) and amortized such costs over the term of the bonds within the maximum period (3 years) stipulated in the former Commercial Code Enforcement Regulations.

Bonds are stated at their amortized costs using the straight-line method.

With regard to the unamortized balance of deferred bond discounts as of March 31, 2006, the previous accounting treatment was applied based on transitional measures under "Tentative Solution on Accounting for Deferred Assets" (August 11, 2006; Practical Solutions Report No. 19 issued by the Accounting Standards Board of Japan (ASBJ)) and is being amortized over the term of the bonds using the annual straight-line method. The unamortized balance was directly deducted from the balance of the bonds.

(3) Deferred expenses for issuance of debentures

Deferred expenses for issuance of debentures are amortized using the straight-line method over the term of debentures.

With regard to the unamortized balance of issuance costs of debentures as of March 31, 2006, we applied the previous accounting treatment based on transitional measures under "Tentative Solution on Accounting for Deferred Assets" (August 11, 2006; Practical Solutions Report No. 19 issued by the Accounting Standards Board of Japan (ASBJ)) and amortized such costs over the term of the redemption period within the maximum period (3 years) stipulated in the former Commercial Code Enforcement Regulations.

7. Translation of Foreign Currency-denominated assets and liabilities

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

8. Reserves and accruals

(1) Reserve for Credit Losses

A reserve for credit losses is provided as detailed below, pursuant to the predetermined internal rules for providing such a reserve.

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

For claims to obligors who are possibly bankrupt (that is, those that are not presently bankrupt but are very likely to go bankrupt in the future), except claims to obligors with larger claims than a predetermined amount as described below, a specific reserve is provided for the amount considered to be necessary based on an overall solvency assessment performed for the amount of claims, net of amounts expected to be collected through the disposal of collateral or execution of guarantees.

With regard to claims to possibly bankrupt obligors, restructured loans and certain claims for which the reserve has been provided based on the discounted cash flow method (as mentioned below) in previous fiscal years, provided that obligors' cash flows for debt service are reasonably estimable and the balance of claims to such obligors are at or larger than a predetermined amount, the reserve for credit losses is provided for the difference between the present value of estimated cash flows discounted at the contractual interest rates that have been determined prior to any concession on lending conditions and the carrying value of the claim (discounted cash flow method). For claims to obligors whose future cash flows are not reasonably estimable and the balance is at or larger than a predetermined amount, the reserve is provided by estimating the expected loss amount for the remaining term of the respective claims.

For claims other than those mentioned above, a general reserve is provided based on historical loan loss experience.

The reserve for loans to restructuring countries is provided based on the amount of expected losses due to the political and economic situation in their respective countries.

All claims are assessed by business divisions and branches based on the predetermined internal rules for the self-assessment of asset quality. The Asset-Assessment management division, which is independent from business divisions and branches, conducts verifications of these assessments, and an additional reserve may be provided based on the verification results.

For collateralized or guaranteed claims to obligors who are legally bankrupt or virtually bankrupt, the amount of claims exceeding the estimated value of collateral or guarantees, which is deemed uncollectible, has been charged off and the amount was ¥34,561 million.

(2) Valuation Allowance for investment

Valuation allowance for investment is set aside in amounts that are deemed to be necessary for possible losses on investments, in light of the financial status, etc. of the issuers of the securities.

(3) Accrued Bonuses for Employees

Accrued employees bonuses are provided for the payment of employees' bonuses based on estimated amounts of future payments attributed to this fiscal year.

(4) Reserve for Retirement Benefits

A reserve for retirement benefits is provided for payment of employees' retirement benefits based on the estimated amounts of the actuarial retirement benefit obligation, net of the estimated value of pension assets as of the end of the fiscal year. The prior service cost and the actuarial difference are treated in the following manner:

Prior service cost:	Amortized using the straight-line method over the average remaining service period from the fiscal year of occurrence.
Actuarial differences:	Amortized using the straight-line method over the average remaining service period from the fiscal year of occurrence.

The transitional unrecognized net retirement benefit obligation of ¥9,081 million is being amortized using the straight-line method over 15 years.

(5) Reserve for losses on disposal of premises and equipment

A reserve for losses on disposal of premises and equipment is as the estimated amount of loss reasonably calculable with respect to expenses for the future relocation of headquarters of the Bank and some of its subsidiaries, as well as restoration cost associated with the planned closure of some of the BankSpots and ATM sites for retail banking.

9. Accounting for Lease Transactions

Equipment used under finance lease agreements, except those cases where ownership of equipment is deemed to be transferred to the lessee, is accounted for as equipment leased under operating leases.

10. Hedge accounting

(1) Hedge of Interest rate risks

The bank applies the deferral hedge accounting for derivative transactions that meet the hedge accounting criteria for mitigating interest risks of the Bank's financial assets and liabilities.

The Bank adopted portfolio hedging in accordance with Industry Audit Committee Report No. 24 issued by the Japanese Institute of Certified Public Accountants (the "JICPA"). Under portfolio hedging, a portfolio of hedged items such as deposits or loans with common maturities is matched with a group of hedging instruments such as interest rate swaps, which offset the effect of fair value fluctuations of the hedged items by identified maturities, and are designated as a hedge of the portfolio. The effectiveness of the portfolio hedge is assessed by each group.

The Bank principally applied a "macro hedge" approach for interest rate derivatives used to manage interest rate risks, and its ALM activities based on the transitional treatment prescribed in Industry Audit Committee Report No. 15 issued by the JICPA prior to April 1, 2003. Deferred hedge losses and deferred hedge gains previously recorded on the balance sheet as a result of macro hedge accounting are being amortized as expenses or income over the remaining lives of the hedging instruments.

The unamortized balance of deferred hedge losses attributable to macro hedge accounting before the deduction of tax effect as of the balance sheet date was ¥11 million.

(2) Hedge of foreign exchange fluctuation risks

The bank applies deferral hedge accounting or fair value hedge accounting for derivative transactions for the purpose of hedging foreign exchange risk arising from financial assets and liabilities denominated in a foreign currency.

Under deferral hedge accounting, which is in accordance with “Accounting and Auditing Treatment of Accounting Standards for Financial Instruments in the Banking Industry” (Industry Audit Committee Report No. 25 of the JICPA), hedged items are identified by grouping the foreign currency-denominated financial assets and liabilities by currencies and designating derivative transactions such as currency swap transactions and forward exchange contracts as hedging instruments. Hedge effectiveness is reviewed by comparing the total foreign currency position of the hedged items and hedging instruments by currency.

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

(3) Intra-company derivative transactions

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

11. Consumption Tax

The National Consumption Tax and the Local Consumption Tax are excluded from transaction amounts.

12. The consolidated corporation tax system has been adopted.

Notes to Non-Consolidated financial statements

（Balance Sheet as of March 31, 2008）

1. The total net book value of equity investments in affiliates is ¥389,537 million.

2. The balance of securities held in relation to securities borrowing transactions with or without cash collateral, securities purchased under resale agreements and securities accepted as collateral based on derivative transactions, where the Group has the right to sell or pledge such securities without restrictions at the balance sheet date is ¥78,629 million.

3. Loans to bankrupt obligors and non-accrual delinquent loans of ¥596 million and ¥22,890 million, respectively, are included in loans and bills discounted.

Included in loans placed on non-accrual status (because the ultimate collectability of either principal or interest is in doubt or a delay in payments of either principal or interest is judged to last for a certain period of time) are loans to bankrupt obligors, as defined in Article 96, Paragraph 1, Subparagraphs 3 and 4 of the Enforcement Ordinance for the Corporation Tax Law (Ordinance No.97 of 1965).

Non-accrual delinquent loans are non-accrual loans other than loans to obligors in bankruptcy and loans for which interest payments are deferred in order to facilitate the rehabilitation of the obligor or to assist in the financial recovery of the obligors.

4. Loans past due for three months or more of ¥147 million are included in loans and bills discounted.

Loans past due for three months or more are loans other than loans to bankrupt obligors and non-accrual delinquent loans for which the principal and/or interest is past due for three months or more.

5. Restructured loans of ¥29,437 million are included in loans and bills discounted.

Restructured loans are loans other than loans to bankrupt obligors, non-accrual delinquent loans or loans past due for three months or more, on which concessions such as reduction of the stated interest rate, a deferral of interest payment, an extension of the maturity date, debt forgiveness, or other agreements which give advantages to obligors in financial difficulties have been granted to obligors to facilitate their rehabilitation.

6. The total amount of loans to bankrupt obligors, non-accrual delinquent loans, loans past due for three months or more and restructured loans is ¥53,072 million. The amounts of loans mentioned in the above Notes 3 through 6 respectively represent the gross receivable amount prior to the reserve for credit losses.

7. Bills discounted, such as bank acceptances bought, commercial bills discounted, documentary bills and foreign exchange contracts bought, are accounted for as financing transactions in accordance with Industry Audit Committee Report No. 24 of the JICPA, although the Bank has the right to sell or pledge them without restrictions. The face values of such bills discounted held as of March 31, 2008 are ¥175 million.

8. The total principal amount of loans accounted for as a sale through loan participations is ¥61,144 million as of March 31, 2008. This off-balance sheet treatment is in accordance with Report No. 3 issued by the Framework Committee of the JICPA on June 1, 1995.

Of the loan participation principal amount posted as loans to original obligors, the outstanding balance is ¥157,021 million as of March 31, 2008.

9. Assets pledged as collateral are as follows:

Cash and due from banks	¥ 10 million
Other monetary claims purchased	47,380
Securities	530,569
Loans and bills discounted	14,000

Liabilities related to pledged assets are as follows:

Deposits, including negotiable certificates of deposits	¥ 1,058 million
Call money	180,000
Collateral related to securities lending transactions	148,421
Borrowed money	51,480
Acceptances and guarantees	908

In addition, securities of ¥162,385 million are pledged as collateral for transactions, including exchange settlements, swap transactions and the substitution of margin on futures transactions.

¥8,081 million of security deposits and ¥3,234 million of cash collateral pledged for derivative transactions are included in other assets.

10. The Bank issues commitments to extend credit and establish credit lines for overdrafts to meet the financing needs of its customers. The unfunded amount of these commitments is ¥3,110,134 million, out of which the amount with original agreement terms of less than one year or which were cancelable was ¥2,738,325 million. Since a large majority of these commitments expire without being drawn upon, the unfunded amounts do not necessarily represent future cash requirements. Many of such agreements include conditions granting the Bank the right to reject the drawdown or to reduce the amount on the basis of changes in the financial circumstances of the borrower or other reasonable grounds.

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

11. Accumulated depreciation on premises and equipments is ¥16,727 million.

12. Deferred gains on sales of real estate of ¥2,902 million are deducted from the acquisition cost of newly acquired premises and equipments.

13. Subordinated debt of ¥108,500 million is included in borrowed money.

14. Subordinated bonds of ¥ 490,538 million are included in corporate bonds.

15. The amount of guarantee obligations for privately-placed bonds (Financial Instruments and Exchange Law, Article 2, Paragraph 3), out of "bonds" included in the "Securities" category, stands at ¥78,691 million.

16. Common shareholders' equity per share is ¥372.44.

17. Equipment used under finance lease agreements, except those cases where ownership of equipment is deemed to be transferred to the lessee, is accounted for as equipment leased under operating leases.

18. Total monetary claims against affiliated companies stand at ¥266,934 million.

19. Total monetary liabilities against affiliated companies stand at ¥220,582 million.

20. According to the stipulations of Article 18 of the Banking Law, there is a limitation on dividend payments from retained earnings.

When dividends are paid out from retained earnings, notwithstanding the provisions of Article 445, Item 4 of the Corporation Act (Amounts of Capital and Amount of Reserves), the following amount is accrued as capital surplus reserves or earned surplus reserves. Specifically, the amount of retained earnings to be decreased by such dividend payments multiplied by 1/5.

The amount of earned surplus reserves to be accrued in connection with such dividend payments from retained earnings in this term is ¥614 million.

21. Retirement benefit obligations, etc, as of the end of this fiscal year is as follows:

Projected benefit obligations	(¥53,135) million
Plan assets（fair market value）(including retirement benefit trust)	47,472
Funded status	(5,662)
Unrecognized obligation at transition	4,237
Unrecognized net actuarial losses	7,156
Unrecognized prior service cost (reduction of liabilities)	(3,002)
Net amount accrued on the balance sheet	2,729
Prepaid pension cost	4,283
Reserve for retirement benefits	(1,554)

(Statement of Income for the Fiscal Year Ended March 31, 2008)

1. Earnings from transactions with affiliate companies

Total net interest income: ¥46,017 million

Total non-interest income: ¥1,308 million

Total earnings from “other operations and other ordinary transactions”: ¥1,183 million

Total earnings from “other transactions”: ¥66,196 million

Expenses from transactions with affiliate companies

Total net interest expense: ¥11,042 million

Total non-interest expense: ¥4,510 million

Total expense s from “other operations and other ordinary transactions”: ¥10,410 million

Total expense s from “other transactions”: ¥23,817 million

2. **“**Income from investment in Tokumei Kumiai (Silent Partnership)” of ¥66,054 million in extraordinary income is from the sale of the building of the Bank’s headquarter, which was included in the earnings distributed by Dolphin Japan Investment Y.K., the Bank’s consolidated subsidiary.

3. “Loss on impairment of fixed assets”, is impairment loss for the following asset groups of the Bank.

Location	Usage	Asset type	Amount（million）
Tokyo, Aichi, Hyogo (Total 11 sites)	BankSpots and ATM sites	Buildings and Other tangible fixed assets	¥896

The Bank determines its asset groups based on its business lines.

During this fiscal year, some of the BankSpots and ATM sites for Retail banking are segregated as idle assets following a decision to close them down, impairment losses for those assets are recognized for total carrying values of assets that are subject to disposal.

In the above impairment loss amount, ¥793 million is for “Buildings”, ¥102 million is for “Other tangible fixed assets”.

4. “Other special losses” includes impairment loss from investment in subsidiaries and affiliates of ¥32,109 million and valuation allowance for investments of ¥3,370 million.

5. Basic net income per common share ¥34.46

6. Diluted net income per common share ¥28.72

7. Significant related party transactions to be disclosed are as follows:

(1) Parent company and major corporate share holders

There is no significant transactions to be disclosed.

(2) Subsidiaries and affiliates

(Millions of yen)

Attributes	Name of corporation or organization	Ratio of voting rights held (or ratio of own voting rights that are held by other parties)	Relationship	Details of transaction (done in this fiscal year)	Trans-action amount of this fiscal year (JPY million)	B/S account	Balance at the year end (JPY million)
Subsidiaries	Shinsei Finance (Cayman) Ltd.	Direct holding 100%	Lending	Interest payment on subordinated bond (Note:1)	4,978	Corporate bonds	78,787
	Shinsei Finance II (Cayman) Ltd.	Direct holding 100%	Lending	Interest payment on subordinated bond (Note:2)	5,013	Corporate bonds	71,008
	Dolphin Japan Investment Y.K.	[100%] (Note:3)	Manager of *Tokumei-Kumiai* (silent partnership)	Earnings distribution on *Tokumei-Kumiai* (silent partnership) investment (Note:4)	66,054	-	-

Notes:

1. *The bond is subordinated note. The notes bear interests at the fixed rate per annum of 6.318% through July 2016, and floating rate with step-up callable thereafter.*
2. *The bond is subordinated note. The notes bear interests at the fixed rate per annum of 7.06% through July 2016, and floating rate thereafter. It is not subject to step-up call.*
3. *[100%] in "Ratio of voting rights held (or ratio of own voting rights that are held by other parties)" is the share owned by the closely related party. Shinsei Bank does not own voting rights of Dolphin Japan Investment Y.K. either directly or indirectly. However, the Bank has the right to exercise control over the entity, the ownership share held by closely related party is provided.*
4. *The earnings distribution on Tokumei-kumiai (silent partnership) investment is associated with the sale of the Bank's headquarter building.*

(3) Fellow subsidiaries

Not applicable.

(4) Directors and major individual shareholders

(Millions of yen)

Attributes	Name of corporation or organization	Ratio of voting rights held (or ratio of own voting rights that are held by other parties)	Relationship	Details of transaction (done in this fiscal year)	Trans-action amount of this fiscal year (JPY million)	B/S account	Balance at the year end (JPY million)
Corporations and organizations in which the majority of the voting rights are held by major shareholders (individuals) or their family members (including subsidiaries of such corporations)	J.C. Flowers II L.P. (Note: 1)	-	Providing Service Concurrent Post	Receipt of Management Fee (Note: 2)	215	Unearned Fee	43
				Investment (Note: 3)	4,172	-	-
				Dividend	1,686	-	-
	NIBC Bank N.V. (Note: 4)	-	-	Commitment line (Note: 5)	15,742	-	-
	NIBC Bank Ltd (Note: 6)	-	-	Loan Participation (Note: 7)	456	Loans on deeds	570
	Hillcot Re Limited (Note: 8)	Indirect holding 33.7%	Subsidiary of an affiliate Concurrent Post	Guarantee (Note: 9)	-	Customer's Liability for Acceptance and guarantees	397
	Saturn I Sub (Cayman) Exempt Ltd. (Note: 10)	-	Concurrent Post	Third-Party Allotment (Note: 12)	2,148	-	-
	Saturn Japan II Sub C.V. (Note: 11)	-	Concurrent Post	Third-Party Allotment (Note: 12)	2,334	-	-
	Saturn Japan III Sub C.V. (Note: 11)	-	Concurrent Post	Third-Party Allotment (Note: 12)	11,599	-	-
	Saturn IV Sub LP (Note: 11)	-	Concurrent Post	Third-Party Allotment (Note: 12)	33,917	-	-

Notes:

1. *The fund is operated by J.C. Flowers & Co. LLC of which a director of the Bank, J. Christopher Flowers, serves as chairman.*
2. *The management fee is determined based on the proportion of investment amounts by limited liability partner.*
3. *The committed investment amounts are US$200 million based on the limited partnership agreement.*
4. *NIBC Holding N.V. indirectly owns 100% of voting rights and J.C. Flowers & Co. LLC of which a director of the Bank, J. Christopher Flowers, serves as chairman, substantially controls NIBC holding N.V.*
5. *Considering the market circumstances, the transaction was concluded with the general terms and conditions that are identical to ones with independent third parties. The transaction amounts indicated herein are established commitment line amounts.*
6. *NIBC Holding N.V. owns 100% of voting rights and J.C. Flowers & Co. LLC of which a director of the Bank, J. Christopher Flowers, serves as chairman, substantially controls NIBC holding N.V.*
7. *Considering the market circumstances, the transaction was concluded with the general terms and conditions that are identical to ones with independent third parties. Commitment line established is US$11 million and the transaction amount indicated herein is the amount of loan outstanding.*
8. *The company is a wholly owned subsidiary of Hillcot Holdings Limited which is the affiliate of the Bank accounted for by the equity method.*
9. *Even after the acquisition by Hillcot Holdings Limited, the seller continues to guarantee Hillcot Re Limited against contingent liability arising from reinsurance agreements which Hillcot Re Limited assumed, and the Bank guarantees the seller against the contingent payment to be made by Hillcot Re Limited. This is part of agreement reached at the acquisition and a guarantee fee is not specified. The remaining period of the guarantee is 2 years.*
10. *The investment vehicle represented by J. Christopher Flowers, a Director of the bank.*
11. *The investment vehicle, of which a board member of the general partner is J. Christopher Flowers, a Director of the bank.*
12. *Terms of Third party allotment*

    (1) Number of Common Shares to Be Issued 117,647,059 shares
    (2) Issue Price ¥425 per share
    (3) Aggregate Issue Price ¥50,000,000,075
    (4) Amount to be Appropriated into Capital ¥25,000,000,038
    (5) Offering Period February 1, 2008
    (6) Payment Date February 4, 2008
    (7) Delivery Date of New Share Certificates February 5, 2008
    (8) Allottees and Allotted Shares

    Saturn I Sub (Cayman) Exempt Limited 5,056,452 shares
    Saturn Japan II Sub C.V. 5,492,190 shares
    Saturn Japan III Sub C.V. 27,292,678 shares
    Saturn IV Sub LP 79,805,739 shares

（Statement of Changes in Equity）

1. The types and number of treasury shares are summarized as follows:

(Unit: thousand shares)

	Number of shares as of the end of the previous fiscal year	Increase in number of shares during this fiscal year	Reduction in number of shares during this fiscal year	Number of shares at the end of this fiscal year	Notes
Treasury stock:					
Common stock	96,418	4	-	96,422	
Series 2 Class A Preferred shares	—	74,528	74,528	—	(Note: 1)
Series 3 Class B Preferred shares	—	300,000	300,000	—	(Note: 2)
Total	96,418	374,532	374,528	96,422	

Notes:

1. *The increase and decrease of 74,528 thousand shares are associated with the acquisition of all relevant preferred shares for which a request for acquisition was made by the Deposit Insurance Corporation on March 31, 2008, and cancellation of all the acquired shares on the same day.*
2. *The increase and decrease of 300,000 thousand shares are associated with the mandatory acquisition of all relevant preferred shares pursuant to the provisions of Shinsei Bank's Articles of Incorporation on August 1, 2007, and cancellation of all the acquired shares on the same day.*

2. The Bank's dividend is as follows;

Dividend paid during this fiscal year

Resolution	Type of shares	Total amount of dividend	Per share	Record date	Effective date
The Board of Directors meeting on 9 May,2007	Common stock	¥1,377 million	¥1.00	31 March, 2007	30 May,2007
	Series 2 Class A Preferred Shares	484	6.50	31March, 2007	30 May,2007
	Series 3 Class B Preferred Shares	726	2.42	31 March, 2007	30 May,2007
The Board of Directors meeting on 14 November,2007	Series 2 Class A Preferred Shares	¥484 million	¥6.50	30 September, 2007	7 December, 2007

Dividend of which effective date is after the end of this fiscal year

Resolution	Type of shares	Total amount of dividend	Source of dividend	Per share	Record date	Effective date
The Board of Directors meeting on 14 May,2008	Common stock	¥5,773, million	Other retained earnings	¥2.94	31 March, 2008	5 June, 2008

（Securities）

The estimated fair value and unrealized gains and losses for securities investments are as follows. Securities below include trading securities recorded in trading assets.

1. Trading securities (as of March 31, 2008）

(Millions of yen)

	Carrying amount on balance sheet	Net unrealized gains (losses) recognized in the current fiscal year
Trading securities	¥131,863	(¥3,780)

2. Securities being held to maturity with readily determinable fair value (as of March 31, 2008）

(Millions of yen)

	Carrying amount	Fair value	Net unrealized gain (loss)	Gross unrealized gain	Gross unrealized loss
Japanese government bonds	¥304,333	¥306,168	¥1,835	¥1,901	¥66
Japanese corporate bonds	75,138	76,519	1,381	1,381	—
Other	11,023	12,371	1,347	1,347	—
Total	¥390,495	¥395,059	¥4,564	¥4,630	¥66

Notes:

1. Fair value is based on the market prices or quotes as of the fiscal year end.

2. "Gross unrealized gain" and "Gross unrealized loss" are components of "Net unrealized gain (loss)".

3. Equity securities of subsidiaries and affiliates with readily determinable fair value (as of March 31, 2008）

(Millions of yen)

	Carrying amount	Fair value	Net unrealized gain (loss)
Equity securities of subsidiaries	¥10,166	¥10,140	(¥25)

Note:

During this fiscal year, impairment loss on Equity securities of subsidiaries with readily determinable fair value of ¥12,666 million, net of gain from the reversal of valuation allowance on them of ¥6,622 million was recognized.

4. Available-for-sale securities with readily determinable fair value (as of March 31, 2008）

(Millions of yen)

	Amortized cost	Carrying amount (fair value)	Net unrealized gain (loss)	Gross Unrealized gain	Gross unrealized loss
Equity securities	¥16,179	¥13,067	(¥3,112)	¥385	¥3,498
Domestic bonds:	548,982	545,580	(3,402)	1,084	4,486
Japanese government bonds	344,784	341,013	(3,770)	378	4,148
Japanese municipal bonds	2,205	2,264	58	58	—
Japanese corporate bonds	201,993	202,302	308	647	338
Other	516,306	487,625	(28,680)	8,479	37,159
Total	¥1,081,469	¥1,046,272	(¥35,196)	¥9,949	¥45,145

Notes:

1. *Fair value is based on the market prices or quotes as of the fiscal year end.*
2. *"Gross unrealized gain" and "Gross unrealized loss" are components of "Net unrealized gain (loss)".*
3. *"Other" mainly consists of foreign bonds.*
4. *The net unrealized gain (loss) on securities available for sale, net of taxes, included in equity is (¥35,024) million, which consists of :the above (¥35,196) million of net unrealized gains add up ¥171 million representing net unrealized gain attributable to our interests in investment business limited liability unions which are recorded as "Securities carried at cost"*
5. *If the decline in fair value of Available-for-sale Securities with readily determinable fair value is deemed to be significant, impairment loss is recognized in the book values of the securities since the decline in fair values is deemed to be other than temporary. Impairment loss recognized in this fiscal year is ¥4,598 million. To determine whether an other-than-temporary impairment has occurred, the Bank applies following rule depending on the credit risk category the issuer of a security fall under based on the Bank's internal rules for establishing the reserve for credit losses:*

Securities issued by "Legally and virtually bankrupt" obligors and "possibly bankrupt" obligors	*The Fair value of a security is less than its book value*
Securities issued by "need caution" obligors	*The decline if fair value of a security is more than 30% of its book value*
Securities issued by "normal" obligors	*The decline in fair value of a security is in excess of 50% of its book value*

"Legally bankrupt" is obligors who have already gone bankrupt from a legal and /or formal perspective.
"Virtually bankrupt" is obligors who have not yet gone legally or formally bankrupt but who are substantially bankrupt because they are in serious financial difficulties and are not deemed to be capable of restructuring.
"Possibly bankrupt" is obligors who are not yet bankrupt but are in financial difficulties and are very likely to go bankrupt in the future.
"Need Caution" is obligors who require close attention because there are problems with their borrowings.
"Normal" is obligors whose business conditions are favorable and who are deemed not to have any particular problems in terms of their financial position.

5. There are no Held-to-maturity securities sold during the fiscal year (from April 1, 2007 to March 31, 2008).

6. Available-for-sale Securities sold during the fiscal year (from April 1, 2007 to March 31, 2008)

(Millions of yen)

	Sales amounts	Gain on sale	Loss on sale
Available-for-sale Securities	¥532,454	¥3,484	¥1,188

7. The balance and description of major securities whose fair value is not readily determinable (as of March 31, 2008)

(Millions of yen)

	Carrying amount on balance sheet
Equity securities of subsidiaries and affiliates	¥ 342,956
Equity securities of subsidiaries	337,715
Equity securities of affiliates	5,240
Available-for-sale securities	444,785
Equity securities	13,102
Japanese municipal bonds	4
Japanese corporate bonds	283,743
Foreign securities	70,715
Other	77,219

8. The redemption schedules for securities being held to maturity and available-for-sale securities with contractual maturity (as of March 31, 2008)

(Millions of yen)

	Due within 1 year	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Bonds:	¥462,760	¥672,078	¥ 27,876	¥ 46,083
Japanese government bonds	298,645	300,618	—	46,083
Japanese municipal bonds	4	1,738	525	—
Japanese corporate bonds	164,110	369,721	27,351	—
Other	26,072	244,934	169,714	158,866
Total	¥488,833	¥917,012	¥197,591	¥204,949

（Monetary assets held in trust）

1. Monetary assets held in trust for trading purposes (as of March 31, 20008)

(Millions of yen)

	Carrying amount (Fair Value)	Net unrealized gains (losses) included in current earnings
Monetary assets held in trust for trading purposes	¥487,978	(¥7,746)

2. There are no monetary assets held in trust held to maturity (as of March 31, 2008)

3. Other monetary assets held in trust (other than trading purposes and held to maturity) (as of March 31, 2008)

(Millions of yen)

	Acquisition Cost	Carrying amount	Net Unrealized gain (loss)	Gross Unrealized gain	Gross unrealized loss
Other monetary assets held in trust for other than trading purposes	¥118,040	¥118,040	—	—	—

Notes:

1. Fair value is based on the market prices or quotes as of the fiscal year end.

2. "Gross unrealized gain" and "Gross unrealized loss" are components of "Net unrealized gain (loss)".

（Other Monetary Claims Purchased for trading purpose）

Other Monetary Claims Purchased for trading purpose （as of March 31, 2008）

(Millions of yen)

	Carrying amount (Fair Value)	Net unrealized gains (losses) included in current earnings
Other Monetary Claims Purchased for trading purpose	¥20,659	¥14

（Deferred Tax）

Breakdowns of deferred tax assets and deferred tax liabilities by reason of their occurrence are as follows.

	(Millions of yen)
Deferred tax assets	
Securities	76,887
Reserve for credit losses	52,174
Tax loss carryforwards	21,978
Net unrealized loss on securities available-for-sale	14,391
Net deferred loss on hedge	6,785
Accrued employees' bonuses	4,207
Reserve for retirement benefit	2,283
Reserve for losses on disposal of premises and equipment	1,999
Valuation allowance for investments	1,371
Other	19,912
Deferred tax assets sub-total	201,993
Valuation allowance	(174,613)
Deferred tax assets total	27,380
Deferred tax liabilities	
Net deferred gain on hedge	12,682
Deferred tax liabilities total	12,682
Net deferred tax assets	14,697

(TRANSLATION)

INDEPENDENT AUDITORS' REPORT

May 7, 2008

To the Board of Directors of
Shinsei Bank, Limited:

Deloitte Touche Tohmatsu

Designated Partner,
Engagement Partner,
Certified Public Accountant:

Yoriko Goto

Designated Partner,
Engagement Partner,
Certified Public Accountant:

Shigeru Miyazaki

Designated Partner,
Engagement Partner,
Certified Public Accountant:

Shigehiko Matsumoto

Pursuant to the first item, second clause of Article 436 of the Corporate Law, we have audited the financial statements, namely, the balance sheet as of March 31, 2008 of Shinsei Bank, Limited (the "Bank"), and the related statements of income and changes in Equity for the 8th fiscal year from April 1, 2007 to March 31, 2008, and the accompanying supplemental schedules. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the accompanying supplemental schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and the accompanying supplemental schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement and the accompanying supplemental schedules presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements and the accompanying supplemental schedules referred to above present fairly, in all material respects, the financial position of the Bank as of March 31, 2008, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in Japan.

Our firm and the engagement partners do not have any financial interest in the Bank for which disclosure is required under the provisions of the Certified Public Accountants Law.

The above represents a translation, for convenience only, of the original report issued in the Japanese language.

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(Translation)
This translation is made for convenience only. The original report was issued in Japanese.

REPORT OF THE AUDIT COMMITTEE

The Audit Committee of Shinsei Bank, Limited (the "Bank") audited the execution of duties by the Bank's Directors and Statutory Executive Officers during the 8th fiscal year (from April 1, 2007 to March 31, 2008). The following report is based on the process and results of this audit.

1. Audit Process and Details

The Audit Committee monitored and examined the contents of Board of Directors resolutions concerning matters listed in Article 416, Paragraph 1, Item 1 "*ro*" and "*ho*" of the Corporation Act and the status of the Bank's system of internal controls created based on such resolutions. Furthermore, in accordance with the audit policy, audit plan, the assignment of audit duties and other matters determined by the Audit Committee, we investigated the state of the Bank's business activities and property by attending or having employees assisting in the duties of the Audit Committee attend important meetings, by receiving reports and requesting explanations as necessary from Directors, Statutory Executive Officers and so forth on matters concerning the execution of their duties, including internal control-related issues, by inspecting or having employees assisting in the duties of the Audit Committee inspect important decision-making documents and so forth. With respect to the Bank's subsidiaries, we communicated and exchanged information with their Directors, Statutory Auditors and so forth and received reports on their business, as necessary.

In addition, we monitored and examined whether the Bank's Accounting Auditors were maintaining their independence and conducting appropriate audits; received their reports on the status of the execution of their duties; and requested explanations, as necessary. Moreover, we received from the Accounting Auditors a notice on the "System for Ensuring the Appropriate Execution of Duties" (the matter listed in each item in Article 159 of the Corporate Calculation Rules) and requested explanations, as necessary.

Based on the above process, we examined the Bank's business report, financial statements (balance sheet, income statement, and statement of change in shareholders' equity etc.), the schedules attached thereto, and consolidated financial statements (consolidated balance sheet, consolidated income statement and consolidated statement of change in shareholders' equity etc.), for the relevant business year.

2. Results of the Audit

(1) Results of the audit of the business report etc.

A. We acknowledge that the business report and its attached schedules fairly present the state of the Bank in accordance with laws, ordinances and its Articles of Incorporation.

B. We acknowledge that there is nothing came to our attention which falls within the definition of misconduct or a material violation of laws, ordinances or the Bank's Articles of Incorporation with respect to the execution of duties by Directors and Statutory Executive Officers.

C. We acknowledge that the contents of the Board of Directors resolutions concerning the system of internal controls were reasonable. In addition, we acknowledge that there is nothing came to our attention which should be pointed out concerning the execution of duties by Directors and Statutory Executive Officers in relation to the said internal control system.

(2) Results of the audit of financial statements and attached schedules

We acknowledge that the process and results of the audit by the Bank's Accounting Auditors, Deloitte Touche Tohmatsu, are appropriate.

(3) Results of the audit of consolidated financial statements

We acknowledge that the process and results of the audit by the Bank's Accounting Auditors, Deloitte Touche Tohmatsu, are appropriate.

May 9, 2008

The Audit Committee of Shinsei Bank, Limited

Hiroyuki Takahashi	(seal)
Yukinori Ito	(seal)
Nobuaki Ogawa	(seal)
Shigeru Kani	(seal)
Yasuharu Nagashima	(seal)

Note: All five members of the Audit Committee are outside directors as stipulated in Article 2, Item 15 of the Corporation Act.

Reference Materials for the Annual General Meeting of Shareholders

Agenda 1. Partial Amendment to Articles of Incorporation

1. Reasons for the Amendment to the Articles of Incorporation

(1) A partial amendment to the Articles of Incorporation is proposed in order to delete the provisions relating to Class-A and Class-B preferred shares (in CHAPTER II-2 and other related articles), because all of Class-A and Class-B preferred shares have been converted into common shares.

(2) An amendment to Article 6 of the Articles of Incorporation is proposed in order to increase the number of the authorized shares to the appropriate level to reinforce our bank's financial basis and to appropriately manage our capital strategy, because our bank has limited capacity to raise funds by way of stock issue in view of the current number of the issued and outstanding shares having increased to 2,060,346 thousand shares. For the avoidance of doubt, we do not intend to introduce any anti-takeover measures in connection with this amendment.

2. Details of the Amendment

The details of the amendments are indicated as follows:

(Amended parts are underlined.)

Current Articles	Proposed Amendments
CHAPTER II SHARES	**CHAPTER II SHARES**
Article 6. (Aggregate Number of Shares Authorized to Be Issued) The aggregate number of shares which the Bank shall have the authority to issue shall be <u>three billion one hundred seventy four million five hundred twenty eight thousand (3,174,528,000)</u> shares<u>, out of which two billion five hundred million (2,500,000,000) shares shall be common shares, seventy four million five hundred twenty eight thousand (74,528,000) shares shall be Class-A preferred shares and six hundred million (600,000,000) shares shall be Class-B preferred shares (Class-A preferred shares and Class-B preferred shares being hereinafter collectively referred to as the "Preferred Shares")</u>.	**Article 6. (Aggregate Number of Shares Authorized to Be Issued)** The aggregate number of shares which the Bank shall have the authority to issue shall be <u>four billion (4,000,000,000)</u> shares.
Article 8. (Number of Shares Constituting One Predetermined Minimum Unit of Shares (tan-gen kabu)) 1. One predetermined minimum unit of shares (tan-gen kabu) <u>for all the classes of the Bank</u> shall be one thousand (1,000) shares. 2. (Paragraph omitted) 3. (Paragraph omitted)	**Article 8. (Number of Shares Constituting One Predetermined Minimum Unit of Shares (tan-gen kabu))** 1. One predetermined minimum unit of shares (tan-gen kabu) shall be one thousand (1,000) shares. 2. (No change) 3. (No change)

Current Articles	Proposed Amendments
CHAPTER II-2 PREFERRED SHARES	(Deleted)
Article 11-2. (Preferred Dividends) 1. In the event that year-end dividends are to be paid by the Bank as provided for in Article 36 Paragraph 1, the Bank shall pay the year-end dividend in respect of a Preferred Share (hereinafter referred to as the "Preferred Dividend") in the amount determined by resolution of the Board of Directors of the Bank at the time of issue of such Preferred Shares which shall not exceed one hundred (100) yen in respect of one Class-A preferred share or ten (10) yen in respect of one Class-B preferred share, as the case may be, to each of the shareholders who hold the Preferred Shares (hereinafter referred to as the "Preferred Shareholders") or each of the registered share pledgees in respect of the Preferred Shares (hereinafter referred to as the "Registered Preferred Share Pledgees") in priority to the shareholders who hold the common shares (hereinafter referred to as the "Common Shareholders") or registered share pledgees in respect of the common shares (hereinafter referred to as the "Registered Common Share Pledgees"); provided, however, that, if the Preferred Interim Dividends as provided for in the following article were paid during the relevant fiscal year, such Preferred Interim Dividends shall be subtracted therefrom. As far as payment of the Preferred Dividends is concerned, Class-A preferred shares and Class-B preferred shares shall rank pari passu. 2. If the amount of year-end dividend paid to a Preferred Shareholder or a Registered Preferred Share Pledgee is less than the amount of the Preferred Dividend to be paid in respect of Class-A preferred shares or Class-B preferred shares, as the case may be, in any fiscal year, the deficiency shall not accumulate to the succeeding fiscal years. 3. Any amount in excess of the Preferred Dividends in respect of Class-A preferred shares or Class-B preferred shares, as the case may be, shall not be paid to any Preferred Shareholder or Registered Preferred Share Pledgee as dividend in any fiscal year.	(Deleted)

Current Articles	Proposed Amendments
Article 11-3. (Preferred Interim Dividends) In the event that the Interim Dividends are to be paid by the Bank as provided for in Article 36, Paragraph 2, the Bank shall make money distribution in the amount determined by resolution of the Board of Directors of the Bank at the time of issue of the Preferred Shares which shall not exceed the amount equal to one half of the Preferred Dividend to be paid in respect of a Preferred Share (which is referred to as the "Preferred Interim Dividend" in these Articles of Incorporation) to each Preferred Shareholder or Registered Preferred Share Pledgee in priority to the Common Shareholders or Registered Common Share Pledgees. As far as payment of the Interim Dividends is concerned, Class-A preferred shares and Class-B preferred shares shall rank pari passu.	(Deleted)
Article 11-4. (Distribution of Residual Assets) 1. In the event of distribution of residual assets of the Bank, one thousand three hundred (1,300) yen in respect of Class-A preferred shares and four hundred (400) yen in respect of Class-B preferred shares shall be payable to each Preferred Shareholder or Registered Preferred Share Pledgee in priority to the Common Shareholders or Registered Common Share Pledgees. As far as distribution of residual assets is concerned, Class-A preferred shares and Class-B preferred shares shall rank pari passu. 2. No other distribution of surplus assets shall be made to any Preferred Shareholder and Registered Preferred Share Pledgee.	(Deleted)
Article 11-5. (Cancellation of Preferred Shares) The Bank may at any time purchase Preferred Shares and cancel them at the purchase prices thereof out of surplus to the shareholders.	(Deleted)
Article 11-6. (Voting Rights) No Preferred Shareholder shall be entitled to vote at a meeting of shareholders. Provided, however, that Preferred Shareholder shall be entitled to vote from the time of an annual meeting if, by the time of dispatching a convocation notice for an annual meeting of shareholders of each fiscal year, the Board of Directors has neither approved the agenda item to the effect that the Preferred Shareholders shall receive a preferred dividend nor resolved to submit it to that annual meeting of shareholders or from the time of the close of the annual meeting of shareholders if the agenda item	(Deleted)

Current Articles	Proposed Amendments
has been rejected at that annual meeting of shareholders, to the time when a resolution to the effect that the Preferred Shareholder shall receive a preferred dividend has been adopted by the Board of Directors or annual meeting of shareholders.	
Article 11-7. (Consolidation or Split, Right to be Allotted Shares in Proportion to Number of Shares Held by Shareholders, Etc.) 1. No consolidation or split in respect of the Preferred Shares shall be made by the Bank unless otherwise provided for in laws or ordinances. 2. No rights to be allotted offered shares or offered share purchase rights in proportion to number of shares held by shareholders shall be granted to the Preferred Shareholders.	(Deleted)
Article 11-8. (Request for Acquisition of Preferred Shares) Any Preferred Shareholder may request the Bank to deliver common shares in compensation for acquisition of Preferred Shares by the Bank on the terms and conditions determined by the Board of Directors of the Bank at the time of issue of such Preferred Shares; such request shall be made during the specified period (hereinafter referred to as the "Acquisition Request Period") determined by the same meeting of the Board of Directors of the Bank.	(Deleted)
Article 11-9. (Mandatory Acquisition of Preferred Shares) 1. The Bank shall mandatorily acquire each Preferred Share in respect of which a request for acquisition has not been made during the Acquisition Request Period on the day (hereinafter referred to as the "Mandatory Acquisition Date") next following the expiry date of the Acquisition Request Period for Class-A preferred shares or Class-B preferred shares, as the case may be, and shall deliver such number of common shares as shall be obtained by dividing the subscription price in respect of the relevant Preferred Share by a certain amount stipulated in the following paragraph for Class-A preferred shares and Class-B preferred shares respectively. 2. A certain amount referred to in the immediately preceding paragraph means, with respect to Class-A preferred shares, the average of the daily closing prices (including closing bid or offered price if no closing price is reported) of the common shares of the Bank traded in regular way and as reported by the Tokyo Stock Exchange for	(Deleted)

Current Articles	Proposed Amendments
the 30 consecutive trading days (excluding those trading days on which no such closing price or closing bid or offered price is reported) commencing on the 45th trading day prior to the Mandatory Acquisition Date, and, with respect to Class-B preferred shares, if common shares of the Bank are listed on any Stock Exchange or registered on any Register Book of Securities Traded Over-the-Counter on the 45th trading day prior to the Mandatory Acquisition Date, the average of the daily closing prices (including closing bid or offered price if no closing price is reported) of the common shares of the Bank traded in regular way as reported by the Stock Exchange concerned or Over-the-Counter Securities Market established by the Securities Dealers' Association holding the Register Book of Securities Traded Over-the-Counter concerned (hereinafter referred to as "Over-the-Counter Market") for the 30 consecutive trading days (excluding those trading days on which no such closing price or closing bid or offered price is reported) commencing on the 45th trading day prior to the Mandatory Acquisition Date, and if common shares of the Bank are neither listed on any Stock Exchange nor registered on any Register Book of Securities Traded Over-the-Counter on the 45th trading day prior to the Mandatory Acquisition Date, the amount of net assets per share calculated pursuant to a certain formula to be separately decided by the Board of Directors based on the consolidated financial statements prepared according to the Regulation concerning the Terms, Form and Method of Preparation of Consolidated Financial Statements as of the last day of fiscal year or semi-annual fiscal year. Provided, however, that there are two (2) or more Stock Exchanges or Over-the-Counter Markets in total where common shares of the Bank are listed or traded as of the 45th trading day prior to the Mandatory Acquisition Date, the average price shall be calculated based on the daily closing prices of the common shares of the Bank traded in regular way on the Exchange or in the Over-the-Counter Market where the volume of trade was the largest during the period commencing on the 45th trading day prior to the Mandatory Acquisition Date up to the day immediately preceding the Mandatory Acquisition Date. The average price shall be calculated by rounding to the nearest first decimal with less than five-hundredth of one (0.05) yen being disregarded. 3. The number of common shares to be delivered in compensation for the acquisition as provided for	

Current Articles	Proposed Amendments
in the two preceding paragraphs shall not exceed two (2) common shares per Class-A preferred share, and shall not exceed two-thirds (2/3) of one common share per Class-B preferred share and shall not fall below one-half (1/2) common share per Class-B preferred share. Provided, however, that in case of consolidation or split in respect of common shares after the issue of the relevant Preferred Shares, the number of common shares so issued by the mandatory conversion shall not exceed the number obtained by multiplying two (2) shares with respect to Class-A preferred share or two-thirds (2/3) of one share with respect to Class-B preferred share by the number (or fraction) of shares assigned to an common share as a result of such consolidation or split, and shall not fall with respect to Class-B preferred share below the number obtained by multiplying one half (1/2) share by the number (or fraction) of shares assigned to an common share as a result of such consolidation or split. 4. In the calculation of the number of common shares as aforesaid in the preceding three paragraphs, any number less than one (1) share shall be dealt with in the manner applied to share consolidation as provided for in the Corporation Act, *mutatis mutandis.*	
CHAPTER III MEETINGS OF SHAREHOLDERS	**CHAPTER III MEETINGS OF SHAREHOLDERS**
Article 17-2. (Meetings of Holders of Particular Classes of Shares) The provisions of Article 12, paragraphs 3 and 4 of Articles 15 and the preceding article shall be applied, mutatis mutandis, to meetings of holders of particular classes of shares.	(Deleted)
CHAPTER VII ACCOUNTING	**CHAPTER VII ACCOUNTING**
Article 35. (Decision-Making Body concerning Dividend from the Surplus, Etc) Unless otherwise provided for by laws and regulations, the Bank shall make decisions concerning dividend from the surplus and any other matters set forth in Article 459, Paragraph 1, Item 1 (other than those matters referred to in each Item of Paragraph 1 of Section 156 of the Corporation Act with respect to preferred shares,) and Items 2 through 4 of the Corporation Act by a resolution of the Board of Directors and not by a resolution of a meeting of shareholders.	**Article 35. (Decision-Making Body concerning Dividend from the Surplus, Etc)** Unless otherwise provided for by laws and regulations, the Bank shall make decisions concerning dividend from the surplus and any other matters set forth in Article 459, Paragraph 1, Items 1 through 4 of the Corporation Act by a resolution of the Board of Directors and not by a resolution of a meeting of shareholders.

Agenda 2. Election of fourteen (14) Directors

This is to propose to elect following 14 directors, since all directors shall have completed their terms of office at the end of this General Meeting of Shareholders.

Career summary of the candidates is as follows.

	Name (Date of Birth)		Personal History/Positions and Responsibilities in the Bank (Representative positions in Other Companies)	Ownership (# of Shares)
1	Thierry Porté (June 28, 1957)	1979 Y 9 M 1991 Y 1 M 1995 Y 9 M 2003 Y 11 M 2004 Y 6 M 2005 Y 6 M	Joined Morgan Stanley, New York Managing Director President, Morgan Stanley Japan Corporate Executive Officer and Vice Chairman, Shinsei Bank, Limited Director, Vice Chairman Director, President, CEO (Current)	Common Shares 514,756
2	Michael J. Boskin (September 23, 1945)	1970 Y 9 M 1978 Y 9 M 1989 Y 1 M 1993 Y 9 M 1994 Y 4 M 1996 Y 1 M 1999 Y 6 M 2000 Y 3 M	Assistant Professor, Stanford University Professor Chairman, President's Council of Economic Advisers T.M.Friedman Professor of Economics and Senior Fellow, Hoover Institution, Stanford University (Current) Director, Oracle Corporation (Current) Director, Exxon Corporation (Predecessor of Exxon Mobil Corporation) (Current) Director, Vodafone Group PLC (Current) Director, Shinsei Bank, Limited (Current)	Common Shares 105,783
3	Emilio Botín (October 1, 1934)	1958 Y 10 M 1977 Y 10 M 1986 Y 12 M 1999 Y 4 M 2000 Y 4 M 2003 Y 7 M	Joined Banco Santander CEO Chairman Chairman, Banco Santander Central Hispano S.A. (Current) Director, Shinsei Bank, Limited (Current) Chairman, Grupo Santander (Current)	Nil
4	J. Christopher Flowers (October 27, 1957)	1979 Y 3 M 1988 Y 12 M 1996 Y 10 M 2000 Y 3 M 2002 Y 11 M 2005 Y 12 M 2006 Y 6 M 2006 Y 10 M	Joined Goldman Sachs Partner Director, Enstar Group Limited (Current) Director, Shinsei Bank, Limited (Current) Chairman, J.C.Flowers & Co. LLC (Current) Supervisory Board Member, NIBC Bank N.V. (Current) Director, Fox-Pitt, Kelton, LLC (Predecessor of Fox-Pitt, Kelton Cochran Caronia Waller LLC) (Current) Supervisory Board Member, HSH Nordbank AG (Current)	Common Shares 92,670,463
5	Yukinori Ito (March 8, 1936)	1962 Y 4 M 1991 Y 6 M 1995 Y 4 M 2002 Y 4 M 2003 Y 1 M 2007 Y 3 M 2007 Y 6 M 2007 Y 6 M	Joined The Export-Import Bank of Japan (Predecessor of Japan Bank for International Cooperation) Senior Executive Director Corporate Advisor, Mitsubishi Corporation Professor of Department of Economics, Teikyo University Auditor, AOC Holdings, Ltd. President and CEO, Centennial Economic Advisors (Japan), Inc. (Current) Director, Shinsei Bank, Limited (Current) Auditor, Latin America Society (Current)	Common Shares 3,000
6	Shigeru Kani (September 20, 1943)	1966 Y 4 M 1992 Y 5 M 1996 Y 5 M 1999 Y 5 M 2002 Y 4 M 2004 Y 6 M 2006 Y 4 M	Joined The Bank of Japan Executive Auditor and Senior Advisor to the Chairman, The Tokyo International Financial Futures Exchange Director, Administration Department, The Bank of Japan Executive Managing Director, Tokyo Stock Exchange Advisor, NEC Corporation Director, Shinsei Bank, Limited (Current) Professor, Yokohama College of Commerce (Current)	Nil

	Name (Date of Birth)		Personal History/Positions and Responsibilities in the Bank (Representative positions in Other Companies)	Ownership (# of Shares)
7	Fred H. Langhammer (January 13, 1944)	1970 Y 9 M	General Manager of Import Division, Dodwell Japan	Nil
		1975 Y 1 M	President, Estée Lauder, Japan	
		1985 Y 9 M	COO, The Estée Lauder Companies, Inc.	
		1995 Y 9 M	President and COO	
		2000 Y 1 M	President and CEO	
		2004 Y 7 M	Chairman, Global Affairs (Current)	
		2005 Y 1 M	Director, The Walt Disney Company (Current)	
		2005 Y 6 M	Director, Shinsei Bank, Limited (Current)	
		2006 Y 1 M	Director, American International Group, Inc. (Current)	
8	Minoru Makihara (January 12, 1930)	1956 Y 3 M	Joined Mitsubishi Corporation, Tokyo	Nil
		1987 Y 6 M	President, Mitsubishi International Corporation, New York	
		1992 Y 6 M	President, Mitsubishi Corporation, Tokyo	
		1998 Y 4 M	Chairman	
		2000 Y 3 M	Director, Shinsei Bank, Limited (Current)	
		2000 Y 5 M	Vice Chairman, Japan Business Federation (Nippon Keidanren)	
		2004 Y 6 M	Senior Corporate Advisor, Mitsubishi Corporation, Tokyo (Current)	
9	Oki Matsumoto (December 19, 1963)	1987 Y 4 M	Joined Salomon Brothers Asia Ltd.	Nil
		1990 Y 4 M	Joined Goldman Sachs (Japan) Ltd.	
		1994 Y 11 M	Co-head of fixed income & currency business in Japan	
		1994 Y 11 M	General Partner, The Goldman Sachs Group, L.P.	
		1999 Y 4 M	CEO, Monex, Inc.	
		2004 Y 8 M	CEO, Monex Beans Holdings, Inc. (Current)	
		2005 Y 5 M	CEO, Monex Beans, Inc. (Predecessor of Monex, Inc.) (Current)	
10	Yasuharu Nagashima (June 22, 1926)	1953 Y 4 M	Attorney at Law in Japan	Nil
		1961 Y 1 M	Partner, Nagashima & Ohno (Predecessor of Nagashima Ohno & Tsunematsu)	
		1997 Y 1 M	Advisor (Current)	
		2003 Y 4 M	Member, Advisory Committee of Tokyo University Law School (Current)	
		2004 Y 6 M	Director, Shinsei Bank, Limited (Current)	
11	Nobuaki Ogawa (March 13, 1939)	1968 Y 4 M	Attorney at Law in Japan	Nil
		1970 Y 8 M	Partner, Ogawa Law Office (Predecessor of Ogawa Tomono Law Office) (Current)	
		1992 Y 4 M	Vice Chairman, Tokyo Bar Association	
		1996 Y 4 M	Secretary General, Japan Federation of Bar Associations	
		1998 Y 11 M	Statutory Auditor, The Long-Term Credit Bank of Japan, Ltd (Under Temporary Nationalization)	
		2000 Y 3 M	Director, Shinsei Bank, Limited (Current)	
12	Hiroyuki Takahashi (March 1, 1937)	1959 Y 4 M	Joined Mitsui & Co., Ltd.	Nil
		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	Auditor, Matsushita Electric Industrial Co., Ltd. (Current)	
		2007 Y 6 M	Auditor, Kyowa Hakko Kogyo Co., Ltd. (Current)	
13	John S. Wadsworth, Jr. (September 12, 1939)	1963 Y 8 M	Joined The First Boston Corporation	Common Shares 70,000
		1978 Y 10 M	Joined Morgan Stanley	
		1987 Y 3 M	President, Morgan Stanley Japan	
		1992 Y 1 M	Chairman, Morgan Stanley Asia Limited	
		2001 Y 2 M	Advisory Director, Morgan Stanley (Current)	
		2001 Y 8 M	Partner, Manitou Ventures (Current)	
		2005 Y 5 M	Chairman, Ceyuan Ventures (Current)	
		2005 Y 6 M	Director, Shinsei Bank, Limited (Current)	

	Name (Date of Birth)	Personal History/Positions and Responsibilities in the Bank (Representative positions in Other Companies)		Ownership (# of Shares)
14	Masamoto Yashiro (February 14, 1929)	1958 Y 6 M	Joined Standard-Vacuum Oil Company Japan Division (Predecessor of Exxon Mobil Private Limited)	Nil
		1974 Y 6 M	President, Esso Sekiyu K.K.	
		1989 Y 11 M	Country Corporate Officer-Japan, Citibank, N.A.	
		2000 Y 3 M	Director, Chairman and CEO, Shinsei Bank, Limited	
		2004 Y 8 M	Member of the Council of International Advisers, China Banking Regulatory Commission (Current)	
		2005 Y 6 M	Chairman of the Board, Shinsei Bank, Limited	
		2006 Y 6 M	Senior Advisor (Current)	
		2007 Y 6 M	Advisor, China Construction Bank Corporation (Current)	

Notes:

1. The responsibilities (Committee) in the Bank of the candidates for Directors who are current Directors are described on page 21 of Business Report.

2. Special Interests between the Bank and a candidate:

① The Bank has established a commitment line of finance to NIBC Bank N.V., which is substantially controlled by Mr. J. Christopher Flowers through an investment partnership in which he serves as the general partner.

② The Bank provides loans to NIBC Bank Ltd. (Singapore subsidiary of NIBC Bank N.V.), which is substantially controlled by Mr. J. Christopher Flowers through an investment partnership in which he serves as the general partner.

③ The Bank has an equity interest in J.C. Flowers II L.P. established and operated by J.C. Flowers & Co. LLC in which Mr. J. Christopher Flowers serves as a representative.

④ In January 2008, four investment vehicles advised by J.C. Flowers & Co. LLC 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. Mr. J. Christopher Flowers, a Director of the Bank, is the founder and managing member of J.C. Flowers & Co. LLC.

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. Michael J. Boskin, Emilio Botín, J. Christopher Flowers, Yukinori Ito, Shigeru Kani, Fred H. Langhammer, Minoru Makihara, Oki Matsumoto, Yasuharu Nagashima, Nobuaki Ogawa, Hiroyuki Takahashi, and John S. Wadsworth, Jr.

4. Matters concerning candidates for Outside Directors:

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

① Mr. Michael J. Boskin is asked to stand as a candidate for Outside Director in order to reflect in the Bank's management his deep insight as an expert in economics as well as his experience as an Outside Director in other companies.

② Mr. Emilio Botín is asked to stand as a candidate for Outside Director in order to reflect in the Bank's management his extensive experience as a bank management executive and deep insight particularly into retail banking operations.

③ Mr. J. Christopher Flowers is asked to stand as a candidate for Outside Director in order to reflect in the Bank's management his extensive experience as a management executive and his discernment in various areas.

④ Mr. Yukinori Ito is asked to stand as a candidate for Outside Director in order to reflect in the Bank's management his wide range of knowledge and extensive experience concerning international financing and his banking expertise.

⑤ 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.

⑥ *Mr. Fred H. Langhammer is asked to stand as a candidate for Outside Director in order to reflect in the Bank's management his extensive experience as a management executive and deep insight into consumer-related operations.*

⑦ *Mr. Minoru Makihara is asked to stand as a candidate for Outside Director in order to reflect in the Bank's management his extensive experience as a management executive and deep insight into the field of corporate management.*

⑧ *Mr. Oki Matsumoto is asked to stand as a candidate for Outside Director in order to reflect in the Bank's management his extensive knowledge and his experience as a management executive.*

⑨ *Mr. Yasuharu Nagashima is asked to stand as a candidate for Outside Director in order to reflect in the Bank's management his expert knowledge and experience, etc. as a lawyer.*

⑩ *Mr. Nobuaki Ogawa is asked to stand as a candidate for Outside Director in order to reflect in the Bank's management his expert knowledge and experience, etc. as a lawyer.*

⑪ *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.*

⑫ *Mr. John S. Wadsworth, Jr. is asked to stand as a candidate for Outside Director in order to reflect in the Bank's management his wide range of knowledge and experience, etc. in investment banking.*

(2) *Violation of laws or articles of incorporation 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 28, 2007, the Financial Services Agency issued a Business Improvement Order (the "Order") against the Bank, based on the Law concerning Emergency Measures for Early Strengthening of Financial Functions and Banking Law. This is because the Bank's non-consolidated financial performance for the fiscal year ended March 2007 was substantially below the non-consolidated net income target set out in the Revitalization Plan.

In response to the Order, on July 27, 2007, the Bank submitted a Business Improvement Plan (the "Improvement Plan") that incorporated measures to strengthen the Bank's profitability. Prior to the submission of Improvement Plan, the Board of Directors held a meeting on July 25, 2007, and discussed the need to maintain a balance between cost reductions and increase in earnings. The Board of Directors also discussed the managerial status and finance policy of the Bank Group's consumer finance companies, whose performance had been primarily responsible for the failure to achieve the Revitalization Plan. The Improvement Plan was approved by the Board of Directors after careful deliberations regarding its potential effectiveness.

Even before receiving the Order, the candidates for Outside Directors of the Bank, namely, Messrs. Michael J. Boskin, Emilio Botín, Yukinori Ito, Shigeru Kani, Fred H. Langhammer, Minoru Makihara, Yasuharu Nagashima, Nobuaki Ogawa, Hiroyuki Takahashi, and John S. Wadsworth, Jr. had been provided with reports from the Statutory Executive Officers through meetings of the Board of Directors and the Audit Committee. These reports covered, in particular, the possible impact that the legislative changes in respect of the consumer-financing business would have on the management/financial position of the Bank Group companies and the Bank's financial results, and the Bank's systems for supervising these companies in the consumer-financing business. After receiving the Order, the Outside Directors carried out activities which will contribute to the steady implementation of the Improvement Plan. Also, the Outside Directors confirmed the need to clarify the Group-wide strategies, involving the Bank's subsidiaries, and to implement more specific measures for strengthening the Bank's business base and profitability. At meetings of the Board of Directors, Outside Directors have been actively discussing and putting forward their differing views on these matters.

(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 willful misconduct 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.*

Mitsubishi UFJ Securities Co., Ltd., for which Mr. Minoru Makihara serves as a Director received a Business Improvement Order from the Financial Services Agency in January 2007, on the grounds that the company (then Mitsubishi Securities Co., Ltd.) contravened the former Securities and Exchange Law in July 2005 with regard to "trading securities for 'proprietary purposes' (jikono-keisan) based on corporate information." He had not recognized this fact until the matter was discovered. However, even before this incident occurred, he had made *every effort to prevent any misconduct by emphasizing the significance of compliance. After its discovery, he supervised the business improvement plan which had been proposed by management at the Board meeting and had expressed his opinions from the viewpoint of a director.*

Monex, Inc., for which Mr. Oki Matsumoto serves as the CEO, received a Business Improvement Order from the Financial Services Agency in June 2006 based on the results of the inspection carried out in November 2005 by the Securities and Exchange Surveillance Commission. This order was issued on the grounds that there were violations in such facts that customer securities trading, among others, was not being adequately monitored to prevent suspicious unfair trading, and that the management of the organization for electronic information processing related to securities operations was not adequate. In July 2006, the Company submitted to the Financial Services Agency a report on the business improvement measures taken on the issue, and the report was accepted by the Agency

(4) The ground on which the Bank judges that a candidate for Outside Director can appropriately implement his/her duties, in the case where the relevant candidate has not been involved in the management of a company by means other than by assuming the office of an Outside Director or Outside Auditor.

① *Given that Mr. Michael J. Boskin has great discernment as an economist and further that he has extensive experience as an Outside Director in other companies, he is expected to function appropriately as an Outside Director of the Bank.*

② *Given that Messrs. Yasuharu Nagashima and Nobuaki Ogawa have, from their specialist viewpoints as lawyers, distinguished track records in activities related to corporate laws and further that they have extensive experience, they are expected to function appropriately as Outside Directors of the Bank.*

(5) 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, Messrs. Michael J. Boskin, Minoru Makihara, and Nobuaki Ogawa will have been Outside Directors for eight years three months.*

② *As of the end of this General Meeting of Shareholders, Mr. Emilio Botín will have been an Outside Director for eight years two months.*

③ *As of the end of this General Meeting of Shareholders, Mr. Yukinori Ito will have been Outside Director for one year.*

④ *As of the end of this General Meeting of Shareholders, Messrs. Shigeru Kani and Yasuharu Nagashima will have been Outside Directors for four years.*

⑤ *As of the end of this General Meeting of Shareholders, Messrs. Fred H. Langhammer and John S. Wadsworth, Jr. will have been Outside Directors for three years.*

⑥ *As of the end of this General Meeting of Shareholders, Mr. Hiroyuki Takahashi will have been an Outside Director for two years.*

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

Candidates for Outside Directors, namely, Messrs. Michael J. Boskin, Emilio Botín,. Yukinori Ito, Shigeru Kani, Fred H. Langhammer, Minoru Makihara, Yasuharu Nagashima, Nobuaki Ogawa, Hiroyuki Takahashi, and John S. Wadsworth, Jr. 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 ten candidates are re-elected as Directors, the Bank will continue the said Agreement for Limitations on Liability with them.

The candidates for new Outside Directors, Messrs. J. Christopher Flowers and Oki Matsumoto when elected as Directors, are to conclude with the Bank an Agreement for Limitations on Liability with the same conditions as mentioned above.

Agenda 3. Issuance of Stock Acquisition Rights as Stock Options to Directors, Officers and Employees of the Bank and its Subsidiaries

This Agenda is to request approval on the delegation to the Board of Directors of determination of the terms and conditions of the offering of stock acquisition rights issued as stock options (the "Stock Acquisition Rights") to directors, statutory executive officers and employees of the Bank and its subsidiaries in the following manner, pursuant to the provisions of Articles 238 and 239 of the Corporation Act.

1. Reason for the necessity of making the offering without the payment of money

The Stock Acquisition Rights shall be issued to directors, statutory executive officers and employees of the Bank and its subsidiaries free of charge for the purpose of improving their morale and willingness to improve the performance of the Bank group, thus increasing the corporate value of the Bank group.

The Board of Directors of the Bank may issue Stock Acquisition Rights which have different exercise periods and exercise conditions within the scope approved in "3. Items for the offering of Stock Acquisition Rights" below.

2. Persons receiving stock acquisition rights

Up to 12,000 Stock Acquisition Rights shall be allocated to directors, statutory executive officers and employees of the Bank and its subsidiaries.

3. Items for the offering of stock acquisition rights

(1) Maximum number of stock acquisition rights to be offered
Up to 12,000

(2) Content of stock acquisition rights to be offered

① Class and number of shares that can be purchased through the exercise of stock acquisition rights

One thousand (1,000) common shares of the Bank per Stock Acquisition Right

If the Bank carries out a stock split, reverse stock split or a stock allocation made free of charge, then the number of shares that can be purchased through the exercise of Stock Acquisition Rights shall be adjusted in accordance with the following formula. Provided, however, that such adjustments shall be made only to the number of shares that can be purchased through the exercise of Stock Acquisition Rights that have not yet been exercised at the time of such stock split, reverse stock split or stock allocation made free of charge and any fractional shares less than one (1) share that may result from such adjustments shall be rounded off.

Number of shares after adjustment = number of shares before adjustment x ratio of split, reverse split or allocation made free of charge

Furthermore, if the Bank merges with another company and is the surviving company, if the Bank acquires all of the issued shares of another company through share exchange and the Bank becomes its 100% parent company, if the Bank spins off its business to establish a new company (shinsetsu bunkatsu) or if the Bank spins off its business to an existing company (kyuushuu bunkatsu) or acquires all or part of rights and obligations of another company concerning its business through kyuusyuu bunkatsu, the Bank may adjust the number of shares that can be obtained through the exercise of Stock Acquisition Rights as considered necessary.

② Value of property payable for the exercise of stock acquisition rights

The value of property (limited to money) for one Stock Acquisition Right payable upon exercising Stock Acquisition Rights shall be the amount calculated by multiplying the payment amount per share as stipulated below (the "Exercise Price") and the number of common shares of the Bank that can be purchased through the exercise of one Stock Acquisition Right as determined in ① above.

The Exercise Price shall be the average value of the closing price of the Bank's common shares on the Tokyo Stock Exchange in the 30 trading days commencing 45 trading days immediately preceding the day that is immediately after the date of allocation of Stock Acquisition Rights (excluding days on which no transactions are concluded) and rounded up to the nearest yen. However, if said value is lower than the closing price on the allocation date, the closing price of the allocation date itself shall be the Exercise Price.

If the Bank issues shares at a price lower than market value in a stock split, reverse stock split or allotment to shareholders after the date of issuance of the Stock Acquisition Rights, the Exercise Price shall be adjusted in accordance with the following formula, and any amount less than 1 yen that arises as a result of such adjustments shall be rounded up.

$$\text{The Exercise Price after adjustment} = \text{The Exercise Price before adjustment} \times \frac{\text{Number of Outstanding shares} + \dfrac{\text{Number of new shares to be issued} \times \text{Payment amount per share}}{\text{Share price before split, reverse split, new issuance}}}{\text{Number of outstanding shares} + \text{number of increase in shares as a result of split / new issuance}}$$

(In the case of reverse stock split, the number of outstanding shares minus the number of shares merged)

Furthermore, if the Bank merges with another company and is the surviving company, if the Bank acquires all of the issued shares of another company through share exchange and becomes its 100% parent company, if the Bank spins off its business to establish a new company (shinsetsu bunkatsu) or if the Bank spins off its business to an existing company (kyuushuu bunkatsu) or acquires all or part of rights and obligations of another company concerning its business through kyuusyuu bunkatsu, the Bank may adjust the Exercise Price as considered necessary.

③ Exercise Period of stock acquisition rights

The Board of Directors shall determine the exercise period of Stock Acquisition Rights to be within the period from day after the second anniversary of the date of resolution of the Board of Directors for the allocation of Stock Acquisition Rights (the “Date of Board Resolution”) to the tenth anniversary of the Date of Board Resolution.

④ Conditions for exercising stock acquisition rights

(i) In case a Stock Acquisition Rights holder dies and their legal heir completes the succession procedures within the period fixed by the Bank, Stock Acquisition Rights may be inherited by the legal heir of the Stock Acquisition Rights holder.

(ii) Stock Acquisition Rights may not be pledged as collateral or disposed of in any other way.

(iii) Other conditions shall be stipulated in the “Agreement on the grant of stock acquisition rights” to be entered into between the Bank and Stock Acquisition Rights holders who are entitled to the allotment of Stock Acquisition Rights based on the resolution of this General Meeting of Shareholders and the Meeting of Board of Directors of the Bank to be held subsequently.

⑤ Matters related to the increase of capital and capital reserve in case of the issuance of shares for the exercise of stock acquisition rights

(i) In case of issuance of shares for the exercise of stock option, a half of the maximum amount of increase of capital and the like which shall be calculated in accordance with Article 40, Paragraph 1 of the Regulations for the Corporation Accounting shall be capitalized (any amount less than 1 yen that arises by the calculation is rounded up and capitalized).

(ii) In case of the issuance of shares for the exercise of stock option, the amount of the increased capital reserve shall be the amount obtained by deducting the capitalized amount prescribed in (i) above from the maximum amount of increase of capital and the like prescribed in (i) above.

⑥ Restrictions on the assignment of stock acquisition rights

Any assignment of stock acquisition rights shall be subject to the approval of the Board of Directors of the Bank.

⑦ Acquisition of stock acquisition rights

(i) If the General Meeting of Shareholders approves a merger agreement in which the Bank becomes a dissolving company, or if the General Meeting of Shareholders approves a proposal to approve a stock exchange agreement or stock transfer plan, and the Board of the Directors of the Bank resolves that the Bank acquires the Stock Acquisition Rights at the date of acquisition, the Bank acquires Stock Acquisition Rights without charge.

(ii) If persons who received Stock Acquisition Rights fall into a situation in which he or she cannot exercise Stock Acquisition Rights, such as where he or she does not satisfy the conditions stipulated in the "Agreement on the grant of stock acquisition rights", and the Board of the Directors of the Bank resolves that the Bank acquires such Stock Acquisition Rights with the date of acquisition, the Bank acquires such Stock Acquisition Rights without charge.

⑧ Stock acquisition rights granted via reorganization

In case the Bank becomes a dissolving company as a result of a merger, the Bank spins off its business to an existing company (kyuushuu bunkatsu), the Bank spins off its business to establish a new company (shinsetsu bunkatsu), the Bank executes a share exchange or a share transfer, then stock acquisition rights of the reorganized company in each case above (namely, the surviving company after such merger, the company newly established by such merger, the company which succeeds the rights and duties of the business through kyuushuu bunkastu, the company newly established by shinsetsu bunkatsu, the company which becomes its parent company through a share exchange or the company newly established by share transfer) may be granted in place of Stock Acquisition Rights based on an agreement on kyuushuu gappei, agreement on shinsetsu gappei, agreement on kyuushuu bunkatsu, plan for shinsetsu bunkatsu, agreement on share exchange or plan for share transfer.

In this case, the conditions of stock acquisition rights to be granted shall be determined in accordance with the following.

(i) Shares that can be purchased through the exercise of stock acquisition rights

Same class of shares of the surviving company after such merger, the company newly established by such merger, the company which succeeds rights and duties of the business through kyuushuu bunkastu, the company newly established by shinsetsu bunkatsu, the company which becomes its parent company through share exchange or the company newly established by share transfer.

(ii) Number of shares that can be purchased through the exercise of stock acquisition rights

To be adjusted in accordance with the ratio of merger, company split, share exchange or share transfer. With regard to shares to be granted to the person who exercised stock acquisition rights, any shares less than 1 share that arises as a result of such adjustments shall be rounded down.

(iii) Value of property payable for exercise of stock acquisition rights (Exercise Price)

To be adjusted in accordance with the ratio of merger, company split, share exchange or share transfer. Any amount less than 1 yen that arises as a result of such adjustments shall be rounded up.

(iv) Exercise period of stock acquisition rights, exercise conditions of stock acquisition rights, reasons for the company to acquire stock acquisition rights

To be determined in the merger agreement, agreement on kyuushuu bunkatsu, plan for shinsetsu bunkatsu, agreement on share exchange or plan for share transfer.

(v) Restrictions on the assignment of stock acquisition rights

Any assignment of stock acquisition rights shall be subject to approval of the Board of Directors of the company which grants stock acquisition rights.

(3) Payment amount for stock acquisition rights

To be issued free of charge. Payment is not required.

End

【Procedure 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 24, 2008. 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 5.5 SP2 or greater of Microsoft® or Netscape 6.2 or greater. 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.)

【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 (toll-free, available 24 hours a day, 7 days a week)
【Request Form for Address Change】	0120-175-417 (available 24 hours a day, 7 days a week)
【Other Inquiries】	0120-176-417 (available from 8a.m.to 5p.m. weekdays only)
【From Outside of Japan】	81 (country code) + 42 - 351-2225 (available 24 hours a day)

End