

May 28, 2004

Shinsei Bank, Limited

(TSE Code: 8303)

Notice on Issuance of Stock Acquisition Rights as Stock Options

Shinsei Bank, Limited (the Bank) hereby serves notice that at a meeting held today, the Board of Directors resolved to submit a proposal of issuance of Stock Acquisition Rights stipulated in Articles 280-20 and 280-21 of the Commercial Code of Japan free of charge for the purpose of introducing the stock option plan at the 4th Regular General Meeting of Shareholders to be held on June 24, 2004, with details as follows.

I. Reason for issuing Stock Acquisition Rights to persons other than shareholders under especially favorable conditions

The reason for issuing Stock Acquisition Rights to persons other than shareholders under especially favorable conditions is to introduce the stock option plan for the purpose of accelerating willingness and morale of directors (except for outside directors), Statutory Executive Officers and employees of the Bank as well as directors (except for outside directors) and employees of its wholly owned subsidiaries to improve performance of the Bank and thus increasing corporate value of the Bank.

II. Outline of issuance of Stock Acquisition Rights

1. Class of shares that can be purchased through the exercise of Stock Acquisition Rights

Common shares of the Bank

2. Number of shares that can be purchased through the exercise of Stock Acquisition Rights

Up to 10,000,000 shares in total

The number of shares that can be purchased through the exercise of Stock Acquisition Rights shall be adjusted in accordance with the following formula if the Bank carries out a stock split or reverse stock split. 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 or reverse stock split and any fractional shares less than one share that may result from such adjustments shall be rounded off.

$$\text{Number of shares after adjustment} = \text{number of shares before adjustment} \times \text{ratio of split or reverse split}$$

Furthermore, if the Stock Acquisition Rights are succeeded as a result of a merger of the Bank into another company or a merger of the Bank with another company to create a new company, if the Bank exchanges shares with another company and the Bank becomes its 100% parent company, if the Bank spins off its business to establish a new company which allocates its shares to the Bank or its shareholders (*shinsetsu bunkatsu*) or if the Bank spins off its business to an existing company which allocates its shares to the Bank or its shareholders (*kyuushuu bunkatsu*), the Bank may adjust the number of shares that can be obtained through the exercise of Stock Acquisition Rights as considered necessary.

3. Total number of Stock Acquisition Rights to be issued

The maximum number of Stock Acquisition Rights to be issued shall be 10,000 in total. (One thousand shares may be purchased by exercising one Stock Acquisition Right. Provided, however, that adjustments similar to 2 above shall be made if adjustments are made to the number of shares as stipulated in 2 above.)

4. Issue price of Stock Acquisition Rights

To be issued free of charge.

5. Amount of money to be paid upon exercise of Stock Acquisition Rights

The amount payable upon exercising one Stock Acquisition Right shall be the amount calculated by multiplying the payment amount per share as stipulated below (the "Exercising Price") and the number of shares that can be purchased through the exercise of one Stock Acquisition Right as determined in 3 above. The Exercise Price shall be the amount calculated by multiplying the average value of the closing price of the Bank's common shares at the Tokyo Stock Exchange in the ten trading days immediately preceding the issuance of Stock Acquisition Rights (excluding days on which no transactions were concluded) by 1.01 (any amount less than one yen shall be rounded up).

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.

$$\begin{array}{l} \text{The Exercise Price} \\ \text{after adjustment} \end{array} = \begin{array}{l} \text{The Exercise Price} \\ \text{before adjustment} \end{array} \times \frac{\begin{array}{l} \text{Number of newly issued shares x} \\ \text{Paid-in amount per share} \\ \hline \text{Share price before split, reverse split,} \\ \text{new issuance} \end{array}}{\begin{array}{l} \text{Number of outstanding shares +} \\ \text{Number of outstanding shares + number of increase in shares} \\ \text{as a result of split / new issuance} \\ \text{(In the case of reverse stock split, the number of} \\ \text{outstanding shares minus the number of shares merged)} \end{array}}$$

Furthermore, if Stock Acquisition Rights are succeeded as a result of a merger of the Bank into another company or a merger of the Bank with another company to create a new company, if the Bank exchanges shares with another company and the Bank becomes its 100% parent company, if the Bank spins off its business to establish a new company which allocates its shares to the Bank or its shareholders (*shinsetsu bunkatsu*) or if the Bank spins off its business to an existing company which allocates its shares to the Bank or its shareholders (*kyuushuu bunkatsu*), the Bank may adjust the Exercise Price as considered necessary.

6. Exercise Period of Stock Acquisition Rights

From July 1, 2006 to June 23, 2014.

7. 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" to be entered into between the Bank and Stock Acquisition Rights holders based on resolutions of this General Meeting of Shareholders and subsequent Board of Directors meetings.

8. Retirement of Stock Acquisition Rights

- (1) If the General Meeting of Shareholders approves a merger agreement that stipulates the Bank as the dissolving company or if the General Meeting of Shareholders approves a proposal to approve a stock exchange or stock transfer agreement that makes the Bank a wholly owned subsidiary, the Bank may retire Stock Acquisition Rights without charge.

(2) If Stock Acquisition Rights holders fall into a situation that does not satisfy conditions stipulated in the “Agreement on the grant of Stock Acquisition Right” in 7 (4) or the legal heir of a Stock Acquisition Right holder does not take the succession procedures stipulated in 7 (1) and lose their rights, the Bank may retire their Stock Acquisition Rights which have not been exercised without charge. Provided, however, that procedures for retirement in this case may be carried out at once after the expiration of the period of the Stock Acquisition Rights herein.

9. 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 Bank.

(Note) The above shall be subject to a resolution of the proposal entitled “Issuance of Stock Acquisition Rights as stock options to directors and other staff of the Bank and its subsidiaries” at the 4th Regular General Meeting of Shareholders of the Bank to be held on June 24, 2004.