

For Immediate Press Release

Shinsei Bank, Limited  
(Code: 8303, TSE First Section)

## Shinsei Bank Announces Fiscal 2004 Financial Results

Tokyo (Tuesday, May 24, 2005) – Shinsei Bank, Limited (“Shinsei Bank”) today announced its financial results for Fiscal Year 2004 ended March 31, 2005.

### FY2004 Financial Highlights

*(all figures compared to FY2003)*

- Consolidated revenue grew 46.1% to 181.0 billion yen (management accounting basis)
  - Institutional Banking: 97.0 billion yen, +9%
  - Non-bank Finance: 46.2 billion yen
  - Retail Banking: 37.5 billion yen, +74%
- Consolidated reported net income grew 1.6% to 67.4 billion yen
- Consolidated cash basis net income grew 12.5% to 74.7 billion yen
- Non-interest income as a percentage of total revenue grew to 63.1% from 54.5% (management accounting basis)
- Expense to revenue ratio decreased to 53.1% from 55.5% in FY2003 (management accounting basis)
- Problem claims to total claims decreased to 1.43% (non-consolidated) as of March, 2005.

### 1. Income Statement:

Shinsei Bank reported consolidated revenue of 181.0 billion yen, an increase of 46.1%, for the period ended March 31, 2005. Consolidated net income increased 1.6% to 67.4 billion yen. Diluted earnings per share for the year were 34.98 yen, an increase of 6.8% from FY2003.

Shinsei continued to make progress diversifying its revenue sources and increasing the contribution of non-interest income. In FY2004, non-interest income increased to 114.1 billion yen from 67.5 billion yen in FY2003 – a gain of 68.9% and a record 63.1% of total revenue. During the year, the Bank took actions to build its non-bank business by acquiring a 67.12% majority stake in Aplus Co., Ltd (“Aplus”), one of the leading Japanese consumer finance companies and acquiring a

96.51% position in Showa Leasing Co. Ltd (“Showa Leasing”).

The acquisitions of Aplus and Showa Leasing resulted in the creation of intangible assets. As stated in the First Half Fiscal 2004 results statement, Shinsei Bank will report both reportable net income and supplemental cash net income in order to provide greater transparency and understanding of the bank’s underlying performance. For Fiscal Year 2004, consolidated cash basis net income was 74.7 billion yen, an increase of 12.5% compared to FY2003.

Cash basis net income is defined as reported net income adjusted to exclude amortization of total intangibles. During the year, we recorded amortization of total intangibles from Aplus of 7.2 billion yen, net of tax benefit. As of March 31, 2005, Shinsei has a total intangibles balance of approximately 322 billion yen of which 260 billion yen is from Aplus and 61 billion yen is from Showa Leasing.

The timing of the two acquisitions determined their inclusion in the Bank’s consolidated income statement. Aplus’ second half results are included as the transaction took place at the end of September 2004. Showa Leasing financial results for fiscal 2004 are excluded as the transaction took place at the end of the reporting period.

In the fiscal 2004, the expense to total revenue ratio improved to 53.1% – an improvement from 55.5% in FY 2003.

On a non-consolidated basis, Shinsei Bank’s total revenue grew 11.0% to 123.8 billion yen from FY2003. The increase in non-interest income more than offset the decrease in net interest income. Non-consolidated net business profit before general reserve for loan losses (*jisshitsu gyomu jun-eki*) grew 15.7% to 54.9 billion yen, and non-consolidated net income after tax grew 4.3% to 68.0 billion yen from FY2003.

Asset quality improved further as the Bank recorded non-consolidated basis credit recoveries of 16.3 billion yen for FY2004.

## **2. Business Line Revenue**

As a result of the actions taken during the year to bolster the bank’s consumer and commercial finance capabilities, Shinsei Bank has three distinct, viable business lines – Institutional Banking, Non-bank Finance and Retail Banking. All three businesses had strong performance in FY2004, positioning the bank for continued growth in FY2005.

### **Institutional Banking**

The Institutional Banking business generated revenue of 97.0 billion yen – an increase of 9.0%

from the previous year. This business now generates more than 60% of its revenues from products which did not exist four years ago. It benefited from strong performance in non-recourse loans, securitizations and credit trading activity.

## **Non-Bank Finance**

FY2004 was a pivotal year in the development of Shinsei's Non-bank Finance business marked by the acquisitions of Aplus and Showa Leasing. In FY2004, the Non-bank Finance businesses contributed 46.2 billion yen, or 25.5% of total revenues. The acquisition of Aplus in September 2004 transformed the business, contributing to the Bank's financial performance while adding new customers, experienced personnel, technical capabilities, and numerous growth opportunities.

## **Retail Banking**

The Retail Banking business continued to build on the progress made in the first half, posting significant gains in revenue, deposits and new customers. For Fiscal 2004, the business generated total revenue of 37.5 billion yen, an increase of 73.9%. The main sources of revenue are interest income from retail deposits and loans, fee income for structured deposits and asset management products and foreign exchange fees from the sale of foreign currency deposits.

Since the launch of the bank in 2000, Shinsei has added 1 million Powerflex customers and now has over 1.3 million retail accounts. New customers continue to be attracted by the convenience and value provided by Shinsei's Better Banking model. During the year Shinsei continued to innovate and improve our customer's banking experience, introducing new type of branch, BankSpot, in Tokyo and Osaka area.

## **3. Balance Sheet:**

Shinsei's loan balance was 3.4 trillion yen at the end of March 2005, an increase of 12.6% from 3.0 trillion yen at the end of March 2004. The increase was the result of strong demand for retail housing loans, non-recourse loans, and lending to non-bank customers. The growth in the loan balance was partially offset by a reduction in lending to less creditworthy customers. The Bank's retail housing loan balance grew 71.6% in FY2004 to 289.2 billion yen as of March 2005. Supported by best-in-class technical infrastructure and risk management practices, the Bank is focusing on growing its asset portfolio in each of its three business lines.

During FY2004, Shinsei's funding mix continued to improve, with total deposits (including NCDs)

increasing 26.3% to 3,452.8 billion yen while debentures and corporate bonds decreased 4.2% to 1,330.9 billion yen. Retail deposits grew strongly, increasing 44.5% to 2.3 trillion yen. Retail funding now comprises 59.8% of our total customer funding, an increase from 54.2% in FY2003.

The growth of retail deposits is consistent with the Bank's strategy to shift its major sources of funding towards deposits and away from debentures, although it retains the ability to access both markets. Although the charter conversion to an ordinary bank was completed in April 2004, Shinsei still possesses the right to issue debentures through March 2014.

#### **4. Non-performing Loans (non-consolidated):**

Shinsei Bank made further progress to bring down its non-performing loan balance. As of March 31, 2005, total non-performing loans were at 51.8 billion yen – a decline of 45.5 billion yen or 46.8% for the year. Non-performing loans currently represent 1.43% of total claims outstanding.

#### **5. Reserve for Credit Losses (non-consolidated):**

The total reserve for credit losses was 124.4 billion yen as of the end of March 2005, a decline of 53.4 billion yen from the end of March 2004. The Bank maintained a total reserve for credit losses to total claims ratio of 3.4%. The coverage ratio of reserves and collateral to non-performing loans was approximately 94.3% at the end of the period.

#### **6. Capital Ratios:**

Shinsei Bank is committed to deploy its excess capital in value-enhancing opportunities. In September 2004, Shinsei Bank acquired a majority interest in Aplus and in March 2005, we acquired a majority interest in Showa Leasing. These transactions reduced the total capital ratio to 11.8%, down from 21.1% in March 2004, and the Tier 1 ratio decreased to 7.0%, down from 16.2% in March 2004. Shinsei Bank's capital predominantly consists of core capital. The net deferred tax asset portion remains at approximately 0.9% of total Tier 1 capital.

#### **7. Earnings Forecast:**

Shinsei Bank has provided an expected earnings level for fiscal year 2005 (ending March 31, 2006). The Bank forecasts net income of 63.0 billion yen and a projected cash net income of 93.0 billion yen for fiscal 2005. Cash net income results exclude the amortization of total intangibles.

The acquisitions of Aplus and Showa Leasing resulted in the creation of various intangible assets. Under Japanese accounting rules, these assets are amortized. The amortization period for identifiable intangibles depends on the nature of the underlying intangible assets and ranges

between 10 and 20 years. Residual goodwill is amortized over 20 years. The amortization results in a non-cash charge against Shinsei Bank's consolidated net income. To increase transparency and understanding of the Bank's underlying performance, Shinsei reports both reportable net income and a supplemental cash net income.

For fiscal 2005, Shinsei expects to amortize approximately 30 billion yen of the identifiable intangible assets and residual goodwill.

At the press conference announcing the results, Masamoto Yashiro, the Chairman, President and CEO of Shinsei Bank, said the following:

"Our results for the fiscal year 2004 demonstrate the success of our strategy – to deliver Better Banking to our institutional, retail and non-bank finance customers. Each of our three businesses generated higher earnings with excellent momentum entering FY2005. The early investments in world-class technology, risk management systems and specialized banking talent combined with a laser focus on the needs of our customers are delivering results. The bank has performed well and is in an excellent position to deliver sustainable long-term growth in the future."

**Conference call and webcast:**

John Mack, Chief Financial Officer, will discuss full year 2004 results in a conference call at 9:00 pm, Tokyo Time [8:00 am (New York Time), 1:00 pm (London Time)] later today.

The call can be accessed via a webcast available on the Shinsei Bank website at <http://www.shinseibank.com/english>

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*Shinsei Bank is a Japanese banking institution founded on global standards of governance and management. With over \$59 billion in assets and 29 branches throughout Japan (non-consolidated, as of March 2005), Shinsei provides a broad range of value-added financial solutions to institutional and individual customers under the banner of "Better Banking." Our PowerFlex account, free ATM network and internet banking service, and customer friendly financial centers have redefined the Japanese retail banking experience. Shinsei is committed to long-term growth and profitability by expanding its customer-focused business model.*

*News and other information about Shinsei Bank is available at <http://www.shinseibank.com/english/index.html>.*

# Financial Highlights - Consolidated

Results of operations	for the fiscal years ended		(billions of yen)	
	Mar. 2005	Mar. 2004	Change	
	a	b	a-b	%
Total revenue *1	181.0	123.9	57.1	46.1%
Net interest income	66.9	56.3	10.6	18.8%
General and administrative expenses *1	96.1	68.7	27.4	39.9%
Ordinary business profit ( <i>jisshitsu gyomu jun-eki</i> ) *1	84.9	55.1	29.8	54.1%
Credit recoveries	0.9	15.4	(14.5)	(94.2)%
Total intangible amortization *2	11.7	0.0	11.7	n.m.
Taxes and others	(6.7)	(4.1)	(2.5)	61.0%
Net income	67.4	66.4	1.0	1.5%
Cash basis net income *3	74.7	66.4 *4	8.3	12.5%

\*1 Management accounting basis

\*2 Amortization of fair value adjustments for assets and liabilities related to Aplus (2.9 billion yen) is included

\*3 Exclude the amortization of total intangible assets and consolidation goodwill, net of tax benefit, recorded through Aplus acquisitions

\*4 Assuming cash basis net income is equal to net income for the fiscal year ended March 2004

Business Line Revenue	as of the end of		(billions of yen)	
	Mar. 2005	Mar. 2004	Change	
	a	b	a-b	%
Institutional Banking	97.0	89.0	8.0	9.0%
Non-Bank Finance	46.2	5.7	40.5	710.5%
Retail Banking	37.5	21.6	15.9	73.6%
ALM/Corporate/Other *	0.1	7.5	(7.3)	(97.3)%
Total revenue	181.0	123.9	57.1	46.1%

\* ALM/Corporate/Other largely includes net corporate treasury results, and certain income from proprietary investments.

Balance Sheet Data	as of the end of		(billions of yen)	
	Mar. 2005	Mar. 2004	Change	
	a	b	a-b	%
Total assets	8,576.3	6,343.7	2,232.6	35.2%
Cash and due from banks	277.5	312.7	(35.2)	(11.2)%
Monetary assets held in trust	372.2	242.7	129.5	53.3%
Securities	1,478.2	1,483.2	(5.0)	(0.3)%
Loans and bills discounted	3,430.4	3,047.0	383.3	12.6%
Intangible assets *	77.2	-	77.2	n.m.
Consolidation goodwill, net	244.0	-	244.0	n.m.
Customers' liabilities for acceptances and guarantees	1,058.1	38.3	1,019.8	2662.7%
Total liabilities	7,735.7	5,612.7	2,122.9	37.8%
Deposits (including NCDs)	3,452.8	2,734.4	718.4	26.3%
Debentures and corporate bonds	1,330.9	1,388.6	(57.7)	(4.2)%
Call money	204.2	112.5	91.7	81.5%
Minority interests in subsidiaries	53.8	0.9	52.9	5877.8%
Total shareholders' equity	786.6	730.0	56.5	7.7%

\* Identified intangible assets recorded through Aplus and Showa Leasing acquisitions

## Financial Highlights 2

### Per share data

(yen)

for the fiscal years ended

	Mar. 2005	Mar. 2004
Common shareholder's equity	<b>329.65</b>	287.94
Basic net income	<b>46.78</b>	46.03
Diluted net income (Reported basis)	<b>34.98</b>	32.75
(Cash basis)	<b>38.77</b>	32.75

### Capital Adequacy Ratio

as of the end of

(billions of yen)

	Mar. 2005	Mar. 2004	change	
	a	b	a-b	%
Capital Adequacy Ratio	<b>11.77%</b>	21.13%	(9.4)	n.m.
Tier I Ratio	<b>7.00%</b>	16.15%	(9.2)	n.m.
Tier I Capital	<b>463.0</b>	720.3	(257.3)	(35.7)%
Tier II Capital	<b>338.6</b>	226.8	111.8	49.3%
Risk Assets	<b>6,612.8</b>	4,458.7	2,154.1	48.3%

### References

as of the end of

	Mar. 2005	Mar. 2004
Exchange Rate (¥/\$)	<b>107.39</b>	105.70
Nikkei Average	<b>11,565.88</b>	11,715.39

# Financial Data - Consolidated

## 1. Risk Monitored Loans

(billions of yen)

	Mar.31, 05		Sep.30, 04	Mar.31, 04	
		Change from Sep.30, 04			Change from Mar.31, 04
Loans to bankrupt obligors	2.6	(5.1)	(5.3)	7.8	7.9
Non-accrual delinquent loans	48.1	(13.1)	(21.3)	61.3	69.5
Loans past due for 3 months or more	5.5	0.7	(2.6)	4.8	8.2
Restructured loans	23.6	0.7	14.3	22.9	9.2
Total risk monitored loans	80.0	(16.9)	(14.9)	96.9	94.9

Loans and bills discounted	3,430.4	355.7	383.3	3,074.6	3,047.0
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(% to total loans)

Loans to bankrupt obligors	0.1%	(0.2)%	(0.2)%	0.3%	0.3%
Non-accrual delinquent loans	1.4%	(0.6)%	(0.9)%	2.0%	2.3%
Loans past due for 3 months or more	0.2%	0.0%	(0.1)%	0.2%	0.3%
Restructured loans	0.7%	0.0%	0.4%	0.7%	0.3%
Total risk monitored loans	2.3%	(0.9)%	(0.8)%	3.2%	3.1%

## 2. Reserve for Credit Losses

(billions of yen)

	Mar.31, 05		Sep.30, 04	Mar.31, 04	
		Change from Sep.30, 04			Change from Mar.31, 04
Reserve for credit losses	149.7	(7.7)	(28.1)	157.5	177.9
General	43.2	(6.7)	(17.7)	50.0	61.0
Specific	106.5	(1.0)	(10.3)	107.5	116.8
Restructuring countries	0.0	(0.0)	0.0	0.0	0.0

## 2. Reserve Ratio to Risk Monitored Loans

	Mar.31, 05		Sep.30, 04	Mar.31, 04	
		Change from Sep.30, 04			Change from Mar.31, 04
% on risk monitored loans	187.2%	24.6%	(0.2)%	162.6%	187.4%

## 3. Subsidiaries and Affiliates

	Mar.31, 05	Mar.31, 04
Consolidated subsidiaries	76	51
Affiliates accounted for using the equity method	9	4



## Consolidated Statements of Income

(millions of yen)

	FY2004	FY2003	Change	
	a	b	a-b	%
<b>Operating income</b>	<b>248,641</b>	172,359	<b>76,282</b>	<b>44.3%</b>
Interest income	<b>101,396</b>	89,192	12,204	13.7%
Interest on loans and bills	77,353	64,312	13,041	20.3%
Interest and dividends on securities	15,862	15,917	(55)	(0.3)%
Fees and commissions (income)	<b>57,690</b>	26,193	31,497	120.2%
Trading revenue	<b>23,992</b>	3,080	20,912	679.0%
Other business income	<b>38,231</b>	23,743	14,488	61.0%
Other operating income	<b>27,330</b>	30,149	(2,819)	(9.4)%
<b>Operating expenses</b>	<b>194,186</b>	124,967	<b>69,219</b>	<b>55.4%</b>
Interest expenses	<b>34,497</b>	32,009	2,488	7.8%
Interest on deposits, including negotiable certificates of deposit	13,671	12,185	1,486	12.2%
Interest and discounts on debentures	6,184	8,376	(2,192)	(26.2)%
Fees and commissions (expense)	<b>15,308</b>	7,249	8,059	111.2%
Trading expenses	-	365	(365)	(100.0)%
Other business expenses	<b>15,475</b>	2,482	12,993	523.5%
General and administrative expenses	<b>97,317</b>	70,178	27,139	38.7%
Other operating expenses	<b>31,588</b>	12,683	18,905	149.1%
Amotization of consolidation goodwill	<b>4,918</b>	-	4,918	100.0%
Amotization of identified intangible assets	<b>3,919</b>	-	3,919	100.0%
<b>Net operating income</b>	<b>54,454</b>	47,391	<b>7,063</b>	<b>14.9%</b>
Extraordinary income	<b>11,845</b>	23,320	(11,475)	(49.2)%
Extraordinary expenses	<b>702</b>	1,804	(1,102)	(61.1)%
Income before income taxes and minority interests	<b>65,597</b>	68,907	(3,310)	(4.8)%
Income taxes (current)	<b>1,438</b>	1,463	(25)	(1.7)%
Income taxes (deferred)	<b>(3,444)</b>	1,111	(4,555)	(410.0)%
Minority interests in net income (loss) of subsidiaries	<b>168</b>	(71)	239	(336.6)%
<b>Net income</b>	<b>67,435</b>	66,404	<b>1,031</b>	<b>1.6%</b>

(billions of yen)

(Ref.) Net business profit ( <i>jisshitsu gyomu jun-eki</i> ) *	<b>84.9</b>	55.1	<b>29.8</b>	<b>54.1%</b>
	US\$ / yen	@107.39	@105.70	

\* Management accounting basis, including income from investment in monetary assets held in trust

# Consolidated Balance Sheets

## -- Assets

(millions of yen)

	Mar. 31, 2005	Mar. 31, 2004	Change	
	a	b	a-b	%
<b>&lt;&lt;Assets&gt;&gt;</b>				
Cash and due from banks	<b>277,593</b>	312,709	(35,116)	(11.2)%
Call loans	<b>70,000</b>	-	70,000	100.0%
Collateral related to securities borrowing transactions	<b>3,744</b>	18,121	(14,377)	(79.3)%
Other monetary claims purchased	<b>320,379</b>	246,987	73,392	29.7%
Trading assets	<b>168,501</b>	635,096	(466,595)	(73.5)%
Monetary assets held in trust	<b>372,224</b>	242,750	129,474	53.3%
Securities	<b>1,478,219</b>	1,483,234	(5,015)	(0.3)%
Loans and bills discounted	<b>3,430,421</b>	3,047,042	383,379	12.6%
Foreign exchanges	<b>8,550</b>	9,490	(940)	(9.9)%
Other assets	<b>850,440</b>	375,075	475,365	126.7%
Premises and equipment	<b>418,938</b>	89,703	329,235	367.0%
Deferred discounts on and issuance expenses for debentures	<b>284</b>	179	105	58.7%
Deferred tax assets	<b>24,623</b>	22,941	1,682	7.3%
Consolidation goodwill, net	<b>244,042</b>	-	244,042	100.0%
Customers' liabilities for acceptances and guarantees	<b>1,058,161</b>	38,339	1,019,822	2660.0%
Reserve for credit losses	<b>(149,799)</b>	(177,916)	28,117	(15.8)%
<b>Total assets</b>	<b>8,576,328</b>	6,343,755	2,232,573	35.2%

US\$ / yen

@107.39

@105.70

# Consolidated Balance Sheets

## -- Liabilities, minority interests in subsidiaries and shareholders' equity

(millions of yen)

	Mar. 31, 2005	Mar. 31, 2004	Change	
	a	b	a-b	%
<b>&lt;&lt;Liabilities&gt;&gt;</b>				
Deposits	3,080,206	2,263,421	816,785	36.1%
Negotiable certificates of deposit	372,607	471,068	(98,461)	(20.9)%
Debentures	1,242,632	1,388,696	(146,064)	(10.5)%
Call money	204,295	112,559	91,736	81.5%
Payables under repurchase agreements	-	445,634	(445,634)	(100.0)%
Collateral related to securities lending transactions	-	29,275	(29,275)	(100.0)%
Commercial paper	13,300	-	13,300	100.0%
Trading liabilities	69,101	92,231	(23,130)	(25.1)%
Borrowed money	1,160,265	334,416	825,849	247.0%
Foreign exchanges	20	4	16	400.0%
Corporate bonds	88,344	-	88,344	100.0%
Other liabilities	412,763	424,899	(12,136)	(2.9)%
Accrued employees bonuses	10,276	8,722	1,554	17.8%
Reserve for retirement benefits	3,376	629	2,747	436.7%
Reserve for loss on disposition of premises and equipment	153	-	153	100.0%
Reserve for loss on sale of bonds	-	1,918	(1,918)	(100.0)%
Reserve under special law	2	0	2	175.6%
Deferred tax liabilities	20,262	42	20,220	48142.9%
Consolidation negative goodwill	-	915	(915)	(100.0)%
Acceptances and guarantees	1,058,161	38,339	1,019,822	2660.0%
<b>Total liabilities</b>	<b>7,735,769</b>	<b>5,612,776</b>	<b>2,122,993</b>	<b>37.8%</b>
<b>Minority interests in subsidiaries</b>	<b>53,891</b>	<b>977</b>	<b>52,914</b>	<b>5416.0%</b>
<b>&lt;&lt;Shareholders' equity&gt;&gt;</b>				
Capital stock	451,296	451,296	-	-
Capital surplus	18,558	18,558	-	-
Retained earnings	311,039	250,737	60,302	24.0%
Net unrealized gain on securities available-for-sale, net of taxes	3,043	7,154	(4,111)	(57.5)%
Foreign currency transaction adjustments	2,738	2,255	483	21.4%
Treasury stock, at cost	(9)	(1)	(8)	800.0%
<b>Total shareholders' equity</b>	<b>786,667</b>	<b>730,000</b>	<b>56,667</b>	<b>7.8%</b>
<b>Total liabilities, minority interests in subsidiaries and shareholders' equity</b>	<b>8,576,328</b>	<b>6,343,755</b>	<b>2,232,573</b>	<b>35.2%</b>

US\$ / yen

@107.39

@105.70

## Consolidated Statements of Cash Flows

(Millions of yen)

	Mar. 31, 2005	Mar. 31, 2004	Change
<b>I. Cash flows from operating activities:</b>			
Income before income taxes and minority interests	¥65,597	¥68,907	(¥3,310)
Depreciation	3,706	3,353	353
Amortization of consolidation goodwill	4,918	5	4,913
Amortization of identified intangible assets	3,919	-	3,919
Equity in gains of affiliates	(1,762)	(506)	(1,256)
Net change in reserve for credit losses	(28,083)	(40,105)	12,022
Net change in reserve for bonuses payable	319	(468)	787
Net change in reserve for retirement benefits	576	(5,310)	5,886
Net change in reserve for loss on disposition of premises and equipment	153	(450)	603
Net change in provision of reserve for loss on sale of bonds	(1,918)	670	(2,588)
Net change in reserve under special law	1	-	1
Interest income	(101,396)	(89,192)	(12,204)
Interest expenses	34,497	32,009	2,488
Gain on securities sold	(11,752)	(18,478)	6,726
Gain on monetary assets held in trust	(2,431)	(2,196)	(235)
Net exchange losses	(4,850)	24,452	(29,302)
Net change on sale of premises and equipment	517	583	(66)
Net change in trading assets	466,594	(273,920)	740,514
Net change in trading liabilities	(23,130)	(25,265)	2,135
Net change in loans and bills discounted	(506,571)	451,744	(958,315)
Net change in deposits	816,785	24,029	792,756
Net change in negotiable certificates of deposit	(98,461)	141,034	(239,495)
Net change in debentures (other than subordinated debentures)	(115,388)	(521,475)	406,087
Net change in borrowed money (other than subordinated debt)	37,030	35,528	1,502
Net change in corporate bonds (other than subordinated bonds)	9,357	-	9,357
Net change in due from banks (other than deposit with the bank of japan)	136,664	(53,846)	190,510
Net change in call loans, commercial paper	(70,000)	536	(70,536)
Net change in other monetary claims purchased	(72,774)	(26,492)	(46,282)
Net change in collateral related to securities borrowing transactions	14,377	(16,155)	30,532
Net change in payables under repurchase agreements	(445,634)	280,675	(726,309)
Net change in call money	91,735	112,559	(20,824)
Net change in commercial paper	(3,786)	-	(3,786)
Net change in collateral related to securities lending transactions	(29,275)	(368,069)	338,794
Net change in foreign exchange assets	939	783	156
Net change in foreign exchange liabilities	16	(8)	24
Net decrease in net trust account	24,422	7,005	17,417
Interest received	122,569	100,640	21,929
Interest paid	(33,534)	(35,599)	2,065
Net change in trading securities	24,381	(11,848)	36,229
Net change in monetary assets held in trust	12,454	(66,907)	79,361
Others, net	(106,336)	(70,381)	(35,955)
Subtotal	214,446	(342,159)	556,605
Income taxes paid	(1,397)	(1,272)	(125)
Net cash provided by (used in) operating activities	213,048	(343,431)	556,479
<b>II. Cash flows from investing activities:</b>			
Purchases of securities	(4,378,272)	(2,409,543)	(1,968,729)
Proceeds from sale of securities	634,712	701,198	(66,486)
Proceeds from redemption of securities	3,589,334	2,135,689	1,453,645
Investment in monetary assets held in trust	(92,867)	(7,484)	(85,383)
Proceeds from disposition of monetary assets held in trust	17,475	3,883	13,592
Purchases of premises and equipment	(7,301)	(5,766)	(1,535)
Proceeds from sale of premises and equipment	595	-	595
Acquisition of new subsidiaries and affiliates	(75,875)	(22)	(75,853)
Proceeds from acquisition of new subsidiaries and affiliates	10,020	-	10,020
Additional investment for subsidiaries and affiliates	-	(5,799)	5,799
Proceeds from sales of subsidiaries	-	22	(22)
Others, net	1,380	-	1,380
Net cash (used in) provided by investing activities	(300,798)	412,178	(712,976)
<b>III. Cash flows from financing activities:</b>			
Repayment of subordinated debt	-	(38,000)	38,000
Proceeds from subordinated bonds	50,000	-	50,000
Payment for redemption of subordinated bonds	(2,570)	-	(2,570)
Payment for redemption of subordinated debentures	-	(2,226)	2,226
Proceeds from minority interests in subsidiaries	52,500	-	52,500
Dividends paid	(7,133)	(10,333)	3,200
Purchase of treasury stock	(3)	(1)	(2)
Net cash provided by (used in) financing activities	92,793	(50,560)	143,353
Effect of exchange rate changes on cash and cash equivalents	3	-	3
Net change in cash and cash equivalents	5,047	18,186	(13,139)
Cash and cash equivalents at beginning of year	157,178	138,991	18,187
Cash and cash equivalents at end of year	¥162,226	¥157,178	¥5,048

# Financial Highlights - Non-Consolidated

Results of Operations	for the fiscal year ended		(billions of yen)	
	Mar. 2005	Mar. 2004	change	
	a	b	a-b	%
Total revenue*	123.8	111.5	12.3	11.0%
Net business profit ( <i>jisshitsu gyomu jun-eki</i> )*	54.9	47.4	7.5	15.8%
Net operating income ( <i>keijou rieki</i> )	46.6	44.8	1.8	4.0%
Reference: (Credit recoveries)	(16.3)	(16.7)	0.4	(2.4)%
Net income	68.0	65.3	2.7	4.1%
Diluted net income per common share (yen)	35.32	32.21	(3.11)	
Dividend per Share (yen) Common	2.58	2.22	-	
Class A preferred	13.00	13.00	-	
Class B preferred	4.84	4.84	-	

\* Management accounting basis

Balance Sheet data	as of the end of		(billions of yen)	
	Mar. 2005	Mar. 2004	change	
	a	b	a-b	%
Total assets	6,396.3	6,406.3	(10.0)	(0.2)%
Cash and due from banks	162.2	305.5	(143.3)	(46.9)%
Securities	1,820.7	1,508.2	312.5	20.7%
Corporate equities	389.6	29.1	360.5	1238.8%
Loans and bills discounted	3,443.7	3,217.8	225.9	7.0%
Debentures	1,246.8	1,362.2	(115.4)	(8.5)%
Deposits (including NCDs)	3,528.8	2,778.4	750.4	27.0%
Total Shareholders' Equity	788.9	729.2	59.6	8.2%

References	Mar. 2005	Mar. 2004
Exchange Rate (¥/\$)	107.39	105.70
Nikkei Average	11,565.88	11,715.39

**Financial Highlight 2****Problem Claims (Based on Financial Revitalization Law)***(billions of yen)*

	Mar.31, 05		Sep.30, 04	Mar.31, 04	
		Change from Sep.30, 04			Change from Mar.31, 04
Bankrupt, quasi bankrupt	3.1	(6.8)	(8.0)	9.9	11.1
Doubtful	42.1	(14.9)	(26.7)	57.0	68.8
Sub standard	6.4	(0.1)	(10.7)	6.6	17.2
Total (A)	51.7	(21.9)	(45.5)	73.7	97.3
Loan loss reserves (B)	124.4	(34.1)	(53.4)	158.6	177.9
Reserve ratio (B)/(A)	240.5%	25.3%	57.7%	215.2%	182.8%
(Ref.) At or below "need caution" level	123.7	(43.7)	(100.8)	167.4	224.5

**5. Reserve Ratio to Risk Monitored Loans**

	Mar.31, 05		Sep.30, 04	Mar.31, 04	
		Change from Sep.30, 04			Change from Mar.31, 04
% on risk monitored loans	248.6%	27.4%	58.1%	221.2%	190.5%

## Non-Consolidated Statements of Income

(millions of yen)

	FY2004	FY2003	Change	
	a	b	a-b	%
<b>Operating income</b>	<b>173,068</b>	162,890	<b>10,178</b>	<b>6.2%</b>
Interest income	<b>81,826</b>	87,833	(6,007)	(6.8)%
Interest on loans and bills	58,569	63,578	(5,009)	(7.9)%
Interest and dividends on securities	15,551	16,467	(916)	(5.6)%
Fees and commissions (income)	<b>20,516</b>	18,883	1,633	8.6%
Trading revenue	<b>22,305</b>	2,590	19,715	761.2%
Other business income	<b>10,765</b>	16,464	(5,699)	(34.6)%
Other operating income	<b>37,654</b>	37,117	537	1.4%
<b>Operating expenses</b>	<b>126,370</b>	118,083	<b>8,287</b>	<b>7.0%</b>
Interest expenses	<b>29,127</b>	31,715	(2,588)	(8.2)%
Interest on deposits, including negotiable certificates of deposit	13,712	12,229	1,483	12.1%
Interest and discounts on debentures	6,201	8,397	(2,196)	(26.2)%
Fees and commissions (expense)	<b>8,859</b>	7,138	1,721	24.1%
Trading expenses	<b>113</b>	435	(322)	(74.0)%
Other business expenses	<b>4,939</b>	2,388	2,551	106.8%
General and administrative expenses	<b>70,088</b>	65,462	4,626	7.1%
Other operating expenses	<b>13,242</b>	10,942	2,300	21.0%
<b>Net operating income</b>	<b>46,697</b>	44,806	<b>1,891</b>	<b>4.2%</b>
Extraordinary income	<b>18,737</b>	23,002	(4,265)	(18.5)%
Extraordinary expenses	<b>575</b>	1,614	(1,039)	(64.4)%
Income before income taxes	<b>64,859</b>	66,193	(1,334)	(2.0)%
Income taxes (current)	<b>(2,374)</b>	(1,095)	(1,279)	116.8%
Income taxes (deferred)	<b>(864)</b>	1,968	(2,832)	(143.9)%
<b>Net income</b>	<b>68,097</b>	65,320	<b>2,777</b>	<b>4.3%</b>
Retained earnings brought forward from previous term	<b>243,351</b>	186,297	<b>57,054</b>	<b>30.6%</b>
Interim dividends paid	<b>3,688</b>	3,444	<b>244</b>	<b>7.1%</b>
Transfer to legal reserve	<b>737</b>	688	<b>49</b>	<b>7.1%</b>
Unappropriated retained earnings	<b>307,022</b>	247,485	<b>59,537</b>	<b>24.1%</b>

US\$ / yen

@107.39

@105.70

## Non-Consolidated Balance Sheets -- Assets

(millions of yen)

	Mar. 31, 2005	Mar. 31, 2004	Change	
	a	b	a-b	%
<b>&lt;&lt;Assets&gt;&gt;</b>				
Cash and due from banks	<b>162,208</b>	305,563	(143,355)	(46.9)%
Call loans	<b>70,000</b>	-	70,000	100.0%
Collateral related to securities borrowing transactions	<b>3,744</b>	18,121	(14,377)	(79.3)%
Other monetary claims purchased	<b>108,410</b>	91,286	17,124	18.8%
Trading assets	<b>166,817</b>	633,488	(466,671)	(73.7)%
Monetary assets held in trust	<b>415,395</b>	355,327	60,068	16.9%
Securities	<b>1,820,753</b>	1,508,204	312,549	20.7%
Loans and bills discounted	<b>3,443,721</b>	3,217,804	225,917	7.0%
Foreign exchanges	<b>8,550</b>	9,490	(940)	(9.9)%
Other assets	<b>220,972</b>	334,547	(113,575)	(33.9)%
Premises and equipment	<b>26,499</b>	24,123	2,376	9.8%
Deferred discounts on and issuance expenses for debentures	<b>285</b>	166	119	71.7%
Deferred tax assets	<b>23,543</b>	21,790	1,753	8.0%
Customers' liabilities for acceptances and guarantees	<b>49,896</b>	64,358	(14,462)	(22.5)%
Reserve for credit losses	<b>(124,499)</b>	(177,960)	53,461	(30.0)%
<b>Total assets</b>	<b>6,396,302</b>	6,406,313	<b>(10,011)</b>	<b>(0.2)%</b>

US\$ / yen

@107.39

@105.70



# Non-Consolidated Balance Sheets

## -- Liabilities and shareholders' equity

(millions of yen)

	Mar. 31, 2005	Mar. 31, 2004	Change	
	a	b	a-b	%
<b>&lt;&lt;Liabilities&gt;&gt;</b>				
Deposits	3,156,271	2,307,413	848,858	36.8%
Negotiable certificates of deposit	372,607	471,068	(98,461)	(20.9)%
Debentures	1,246,862	1,362,261	(115,399)	(8.5)%
Call money	204,295	112,559	91,736	81.5%
Payables under repurchase agreements	-	445,634	(445,634)	(100.0)%
Collateral related to securities lending transactions	-	29,275	(29,275)	(100.0)%
Trading liabilities	64,296	90,336	(26,040)	(28.8)%
Borrowed money	325,394	335,311	(9,917)	(3.0)%
Foreign exchanges	289	280	9	3.2%
Corporate bonds	50,000	-	50,000	100.0%
Other liabilities	128,663	449,169	(320,506)	(71.4)%
Accrued employees bonuses	7,616	6,971	645	9.3%
Reserve for retirement benefits	1,010	473	537	113.5%
Reserve for loss on disposition of premises and equipment	153	-	153	100.0%
Reserve for loss on sale of bonds	-	1,918	(1,918)	(100.0)%
Acceptances and guarantees	49,896	64,358	(14,462)	(22.5)%
<b>Total liabilities</b>	<b>5,607,357</b>	<b>5,677,033</b>	<b>(69,676)</b>	<b>(1.2)%</b>
<b>&lt;&lt;Shareholders' equity&gt;&gt;</b>				
Capital stock	451,296	451,296	-	-
Capital surplus	18,558	18,558	-	-
Additional paid-in capital	18,558	18,558	-	-
Retained earnings	313,272	252,308	60,964	24.2%
Legal reserve	6,249	4,823	1,426	29.6%
Unappropriated retained earnings	307,022	247,485	59,537	24.1%
Net unrealized gain on securities available-for-sale, net of taxes	5,822	7,118	(1,296)	(18.2)%
Treasury stock, at cost	(4)	(1)	(3)	(300.0)%
<b>Total shareholders' equity</b>	<b>788,945</b>	<b>729,280</b>	<b>59,665</b>	<b>8.2%</b>
<b>Total liabilities and shareholders' equity</b>	<b>6,396,302</b>	<b>6,406,313</b>	<b>(10,011)</b>	<b>(0.2)%</b>

US\$ / yen

@107.39

@105.70

## Financial Data - Non-Consolidated

### 1. Yield

	FY'04	FY'03	Change
<b>Average Yield on Earning Assets (a)</b>	<b>1.59%</b>	1.70%	(0.11)%
Loans	<b>1.83%</b>	1.94%	(0.11)%
Securities	<b>1.01%</b>	1.04%	(0.03)%
<b>Average Funding Cost (b) *</b>	<b>1.98%</b>	1.95%	0.03%
<b>Average Yield on Funding Cost (c)</b>	<b>0.56%</b>	0.63%	(0.07)%
Deposits and Negotiable Certificates of Deposit	<b>0.42%</b>	0.45%	(0.03)%
Debentures	<b>0.47%</b>	0.56%	(0.09)%
<b>Spread (a-b)</b>	<b>(0.39)%</b>	(0.25)%	(0.14)%
<b>Spread (a-c)</b>	<b>1.03%</b>	1.07%	(0.04)%

\* (b) includes expenses as a part of funding cost.

### 2. Risk Monitored Loans

(billions of yen)

	Mar.31, 05		Sep.30, 04	Mar.31, 04
		Change from Sep.30, 04		
Loans to bankrupt obligors	2.3	(4.9)	7.2	7.5
Non-accrual delinquent loans	41.2	(16.5)	57.7	68.6
Loans past due for 3 months or more	3.1	(0.1)	3.2	8.2
Restructured loans	3.3	(0.0)	3.3	9.0
Total risk monitored loans	50.0	(21.6)	71.7	93.4

Loans and bills discounted	3,443.7	71.2	225.9	3,372.5	3,217.8
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(% to total loans)

Loans to bankrupt obligors	0.1%	(0.1)%	0.2%	0.2%
Non-accrual delinquent loans	1.2%	(0.5)%	1.7%	2.1%
Loans past due for 3 months or more	0.1%	0.0%	0.1%	0.3%
Restructured loans	0.1%	0.0%	0.1%	0.3%
Total risk monitored loans	1.5%	(0.6)%	2.1%	2.9%

### 3. Reserve for Credit Losses

(billions of yen)

	Mar.31, 05		Sep.30, 04	Mar.31, 04
		Change from Sep.30, 04		
Reserve for credit losses	124.4	(34.1)	158.6	177.9
General	56.1	4.3	51.7	61.7
Specific	68.3	(38.5)	106.8	116.1
Restructuring countries	0.0	(0.0)	0.0	0.0

**4. Reserve Ratio to Risk-Monitored Loans**

	Mar.31, 05		Sep.30, 04	Mar. 31, 04
		Change from Sep.30, 04		
% on risk monitored loans	248.6%	27.4%	58.1%	221.2%

**5. Problem Claims (Under Financial Revitalization Law)**

(billions of yen)

	Mar.31, 05		Sep.30, 04	Mar.31, 04
		Change from Sep.30, 04		
Bankrupt, quasi bankrupt	3.1	(6.8)	(8.0)	9.9
Doubtful	42.1	(14.9)	(26.7)	57.0
Sub standard	6.4	(0.1)	(10.7)	6.6
Total (A)	51.7	(21.9)	(45.5)	73.7
Loan loss reserves (B)	124.4	(34.1)	(53.4)	158.6
Reserve ratio (B)/(A)	240.5%	25.3%	57.7%	215.2%
(Ref.) At or below "need caution" level	123.7	(43.7)	(100.8)	167.4

**6. Average Balance of Assets and Liabilities**

(billions of yen)

	Mar.31, 05		Sep.30, 04	Mar.31, 04
		Change from Sep.30, 04		
Deposits including NCDs	3,239.0	221.1	557.9	3,017.8
Debentures	1,319.2	(13.0)	(173.7)	1,332.3
Loans & Bills Discounted	3,186.9	116.6	(82.7)	3,070.2

**7. Balance of Deposits from Individuals**

(billions of yen)

	Mar.31, 05	Mar.31, '04	Change	
	a	b	a-b	%
Balance of Deposits from individuals	2,277.7	1,578.5	699.1	44.3%

**8. Balance of Housing Loans**

(billions of yen)

	Mar.31, 05		Sep.30, 04	Mar.31, 04
		Change from Sep.30, 04		
Balance of housing loans	289.2	44.1	120.6	245.0

**9. Unrealized Gains on Available-for-Sale Securities**

(Consolidated)

(millions of yen)

	unrealized gains (net)	Mar.31, 05	
		gains	losses
Equities	1,784	1,788	3
Bonds	791	1,031	240
Other	2,682	3,494	812
Total	5,257	6,314	1,056

(Non-Consolidated)

(millions of yen)

	unrealized gains (net)	Mar.31, 05	
		gains	losses
Equities	1,208	1,208	-
Bonds	740	981	240
Other	2,657	3,470	812
Total	4,607	5,660	1,053

**10. Problem Claims**

**A. Losses on Disposals**

(Consolidated)

(billions of yen)

As of	Net provision of general reserve for loan losses	Disposal of problem claims	Total credit costs
<b>March 31, 2005</b>	<b>(3.9)</b>	<b>2.9</b>	<b>(0.9)</b>
September 30, 2004	(10.4)	(0.1)	(10.6)
March 31, 2004	(19.7)	4.3	(15.4)

(Non-Consolidated)

(billions of yen)

As of	Net provision of general reserve for loan losses	Disposal of problem claims	Total credit costs
<b>March 31, 2005</b>	<b>(5.2)</b>	<b>(11.0)</b>	<b>(16.3)</b>
September 30, 2004	(9.6)	(0.6)	(10.3)
March 31, 2004	(19.8)	3.1	(16.7)

**B. Final Disposal of Claims and New Claims**

(1) Balance of Claims

(billions of yen)

As of	Claims against bankrupt and quasi-bankrupt obligors (A)	Doubtful claims (B)	Total (A)+(B)
<b>March 31, 2005</b>	<b>3.1</b>	<b>42.1</b>	<b>45.3</b>
Claims newly added from April 1, 2004 to March 31, 2005	<b>0.9</b>	7.8	8.8
Claims removed from April 1, 2004 to March 31, 2005	<b>(11.3)</b>	(32.2)	(43.6)
Net change from April 1, 2004 to March 31, 2005	<b>(8.0)</b>	(26.7)	(34.7)
March 31, 2004	11.1	68.8	80.0

Note:

- \* The balance of claims against bankrupt and quasi-bankrupt obligors as of March 31, 2005 includes JPY2.2 billion of claims not appearing on the balance sheet as a result of off-balance arrangements.
- \* The balance of claims against bankrupt and quasi-bankrupt obligors as of March 31, 2004 includes JPY11.1 billion of claims not appearing on the balance sheet as a result of off-balance arrangements.

(2) Balance (comparison with the interim period end)

(billions of yen)

As of	Claims against bankrupt and quasi-bankrupt obligors (A)	Doubtful claims (B)	Total (A)+(B)
<b>September 30, 2004</b>	<b>9.9</b>	<b>57.0</b>	<b>67.0</b>
Claims newly added from October 1, 2004 to March 31, 2005	<b>0.7</b>	4.8	5.6
Claims removed from October 1, 2004 to March 31, 2005	<b>(9.9)</b>	(17.3)	(27.3)
Net change from October 1, 2004 to March 31, 2005	<b>(6.8)</b>	(14.9)	(21.7)

Note:

- \* The balance of claims against bankrupt and quasi-bankrupt obligors as of September 30, 2004 includes JPY8.5 billion of claims not appearing on the balance sheet as a result of off-balance arrangements.

## Financial Data 5

### C. Details of Arrangements to Remove Claims from the Balance Sheet

*(billions of yen)*

	Disposal by liquidation (A)	Disposal by obligor revitalization (B)	Disposal by improvement in conditions accompanying obligor revitalization (C)	Securitization	
				Total (D)	Sale to RCC
<b>Results of the fiscal year ended March 31, 2005</b>	<b>(4.8)</b>	<b>0.0</b>	<b>(0.7)</b>	<b>(22.0)</b>	-
Results of the six months ended September 30, 2004	-	-	-	(13.2)	-
Plan of the fiscal year ended March 31, 2006	N.A.	N.A.	N.A.	N.A.	N.A.

*(billions of yen)*

	Write-off (E)	Other total (F)	Collection & repayment (G)	Business improvement (H)	Total (sum of A through F)
<b>Results of the fiscal year ended March 31, 2005</b>	<b>(2.7)</b>	<b>(13.0)</b>	<b>(11.6)</b>	<b>(1.4)</b>	<b>(43.6)</b>
Results of the six months ended September 30, 2004	(0.1)	(5.2)	(3.5)	(1.6)	(18.5)
Plan of the fiscal year ended March 31, 2006	N.A.	(10.8)	(10.8)	N.A.	(10.8)

### D. Financial Support for Borrowers

*(billions of yen, number)*

	Amount	Number of cases	Company
Debt forgiveness	0	1	
Based on private liquidation guideline	-	-	
Debt equity swap	-	-	
Underwriting of preferred shares	-	-	
<b>Total</b>	<b>0</b>	<b>1</b>	

### E. Reserve Ratio

	As of March 31, 2005	As of Sep. 30, 2004	As of March 31, 2004
(i) Legally or Virtually Bankrupt Obligors (out of unsecured portion of claims)	100.00%	100.00%	100.00%
(ii) Possibly Bankrupt Obligors (out of unsecured portion of claims)	92.98%	97.04%	99.56%
(iii) Substandard Obligors (out of unsecured portion of claims)	83.92%	93.04%	94.25%
(iv) Caution Obligors (except for Substandard Obligors) (out of unsecured portion of claims)	30.29%	27.17%	25.72%
(out of total claims)	11.37%	10.93%	11.91%
(v) Normal Obligors (out of total claims)	0.73%	0.78%	0.98%

### F. Reserve by Discounted Cash Flow Method

Since fiscal year 2002, we have established reserves for loan losses using the DCF method to more than 90% of claims, by balance, against substandard obligors and possibly bankrupt obligors.

# Earnings Forecast for FY2005

(Consolidated)

*(billions of yen)*

	<b>(Forecast)</b> For the year ending March 31, 2006		<b>(Actual)</b> For the year ended March 31, 2005	
	(Forecast) For the period ending Sept.30, 2005		(Actual) For the period ending Sept.30, 2004	
Ordinary business profit <i>(jisshitsu gyomu jun-eki)</i> **	55.0	120.0	34.3	84.9
Net operating income <i>(keijo rieki)</i>	28.0	62.0	28.5	54.4
Net income	28.0	63.0	40.7	67.4
Cash basis net income *	43.0	93.0		74.7

\* Excludes amortization of Aplus and Showa Leasing's identified intangibles, net of deferred tax liabilities and amortization of residual goodwill. (FY2004 actual, 7.2 billion yen, FY2005 forecast, 30 billion yen)

\*\* Management accounting basis

(Non-consolidated)

*(billions of yen)*

	<b>(Forecast)</b> For the year ending March 31, 2006		<b>(Actual)</b> For the year ended March 31, 2005	
	(Forecast) For the period ending Sept.30, 2005		(Actual) For the period ending Sept.30, 2004	
Net business profit <i>(jisshitsu gyomu jun-eki)</i> **	30.0	62.0	29.2	54.9
Net operating income <i>(keijo rieki)</i>	30.0	62.0	24.6	46.6
Net income	32.0	68.0	37.2	68.0

\*\* Management accounting basis