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OFFICE OF INTERNATIONAL
CORPORATE FINANCE

SHINSEI BANK
株式会社新生銀行
〒100-8501 東京都千代田区内幸町2-1-8
SHINSEI BANK, LIMITED
1-8, Uchisaiwaicho 2-chome, Chiyoda-ku, Tokyo 100-8501 Japan

File No. 82-34775

January 13, 2006

Office of International Corporate Finance
Division of Corporation Finance
Securities and Exchange Commission
Room 3094 – Stop 3-6
450 Fifth Street, N.W.
Washington, D.C. 20549
U.S.A.

SUPPL

Re: Shinsei Bank, Limited – 12g3-2(b) exemption

Ladies and Gentlemen:

In connection with our exemption as a foreign private issuer pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934, we hereby furnish the Securities and Exchange Commission with the following information required by Rule 12g3-2(b):

A. English Language Documents

(1) Press release dated December 30, 2005 (Attached hereto as Exhibit A-1)

B. Japanese Language Documents

(1) Press release dated December 30, 2005
(English Translation attached hereto as Exhibit B-1, the same as A-1)

C. Japanese Language Documents

Brief descriptions of the documents for which no English language version has been prepared are set forth in Annex A hereto.

PROCESSED
JAN 25 2006
THOMSON
FINANCIAL

Very truly yours,

Shinsei Bank, Limited

By _____

Name: Kazumi Kojima

Title: General Manager
Corporate Communications Division

Exhibit A-1

INFORMATION
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OFFICE OF INTERNATIONAL
CORPORATE FINANCE

SHINSEI BANK

SHINSEI BANK, LIMITED
1-8, Uchisaiwaicho 2-Chome, Chiyoda-ku, Tokyo 100-8501 Japan
TEL: 03-5511-5111

For Immediate Release

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

Shinsei Bank to Acquire UK Subsidiary of Aioi Insurance Company

Tokyo (Friday, December 30, 2005) – Shinsei Bank, Limited ("Shinsei Bank") today announced that Shinsei Bank and Castlewood Holdings Limited ("Castlewood Holdings") have agreed to jointly acquire all shares of Aioi Insurance Company of Europe Limited ("Aioi Europe"), a subsidiary of Aioi Insurance Company, Limited ("Aioi Insurance") based in the United Kingdom through Hillcot Holdings Ltd. ("Hillcot Holdings"), an affiliated company of Shinsei Bank. Subject to the approval of the UK Financial Services Authority, the sale is expected to be completed during the first quarter of 2006.

Aioi Europe, a wholly-owned subsidiary of Aioi Insurance, has transferred its new underwriting business to Aioi Motor and General Insurance Company of Europe Limited, and now just manages run-off insurance portfolios comprised mainly of London reinsurance businesses (Please refer to note below).

Castlewood Holdings is a Bermuda-based insurance service company that specializes in management, acquisition and consultation of insurance and reinsurance companies. Castlewood Holdings has extensive experience and expertise in reinsurance run-off management.

Shinsei Bank will continue to expand the Institutional Banking Business, one of the three pillar strategies of Shinsei Bank and to provide distinctive solutions to our corporate customers.

(Note)
Reinsurance run-off business
Reinsurance run-off business involves management of outstanding insurance liabilities that have already incurred loss claims but not yet paid (both reported and not reported).

Information about Aioi Europe

- Established August, 1976
- Total assets £ 332mn
- Shareholders' assets £ 64mn
- Base London, UK

Information about Castlewood Holdings

- Established 2001
- Base Bermuda
- Representative Dominic Silvester

Information about Hillcot Holdings

- Established 2002
- Base Bermuda
- Shareholders Castlewood Holdings
  Shinsei Bank

******

Shinsei Bank is a Japanese banking institution founded on global standards of governance and management. With over $61 billion in assets and 30 Shinsei Financial Centers throughout Japan (non-consolidated, as of September 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.

Exhibit B-1

INFORMATION
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2006 JAN 24 P1:8
OFFICE OF INTERNATIONAL
CORPORATE FINANCE

SHINSEI BANK

SHINSEI BANK, LIMITED
1-8, Uchisaiwaicho 2-Chome, Chiyoda-ku, Tokyo 100-8501 Japan
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[Annex A]

BRIEF DESCRIPTION OF JAPANESE DOCUMENTS

Report on Purchase of Common Shares dated January 4, 2006
A report on purchase of common shares is required under the Securities and Exchange Law to be filed in connection with certain events that will have a material effect on a company's consolidated results, including, certain securities offerings. The report on purchase of common shares thereto was filed in connection with Shinsei's purchase of its own common shares. It states that no shares were purchased in December 2005.

Interim Report for the six months ended September 30, 2003

Interim Report 2005 (for six months from April 1, 2005 to September 30, 2005) (Japanese language document) is a business and financial report that the Bank published voluntarily. There is no legal or regulatory requirements to publish the report. Although there is no direct English translation of the report, its contents are basically the same with the English Language Document, Interim Report for the six months ended September 30, 2005 attached hereto as Exhibit A-2.

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Better Banking

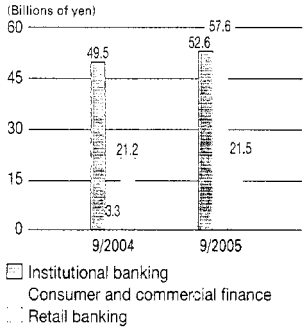
SHINSEI BANK

Interim Report 2005

Six Months Ended September 30, 2005

Better Banking—

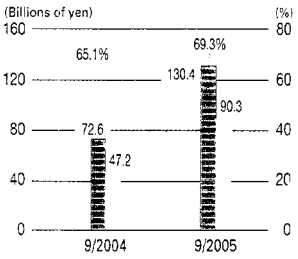
Business Line Revenue (Consolidated)



Contribution by Three Strategic Areas

Shinsei Bank's each strategic area, institutional banking, consumer and commercial finance and retail banking, grows and contributes to its revenue.

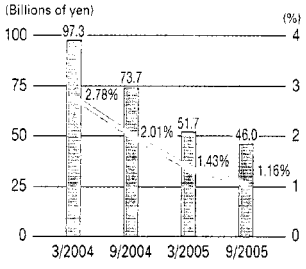
Consolidated Total Revenue and Non-Interest Income



Diversified Revenues

We continued to be creative in offering value-added solutions to our institutional and retail customers. Through our efforts, our non-interest income increased to nearly 70% of consolidated total revenue for the fiscal year 2005 interim period.

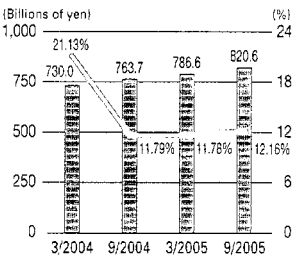
Disclosure of Claims under the Financial Revitalization Law (Non-Consolidated)



Clean Balance Sheet

Our focus on keeping a clean balance sheet and being a healthy bank has led to a successful reduction of problem claims. The ratio of Shinsei's problem claims, as disclosed under the Financial Revitalization Law, to total non-consolidated claims decreased to 1.16% as of September 30, 2005.

Consolidated Total Shareholders' Equity and Capital Adequacy Ratio



Capital Efficiency

Shinsei acquired controlling interests in APLUS and Showa Leasing in fiscal 2004, ended March 31, 2005. After these acquisitions, as of September 30, 2005, the consolidated capital adequacy ratio stood at 12.16%, with a Tier I ratio of 7.47%.

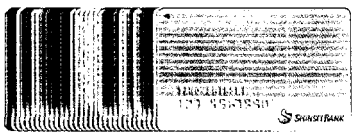
Better Value

Summary of Events

2005

March	Installed ATMs at Tokyo Metro Co., Ltd. subway stations
	Acquired controlling interests in Showa Leasing Co., Ltd.
April	Opened Kyobashi *BankSpot*
May	Commenced operations of Shinsei International Limited
June	Launched sales of 32 color cash cards
	Launched online securities brokerage agent services with Rakuten Securities, Inc.
	Formed an affiliation with NORD/LB and WestLB AG for non-performing loan business in Germany
July	Launched non-recourse loans for fee-based senior care facilities
August	Opened Shinjuku South *BankSpot*
	Formed an alliance with Credit Suisse Life Insurance Co., Ltd.
September	Opened *BankSpot* in Hankyu-Umeda and Shinsaibashi in Osaka
November	Commenced sales of three investment-type (variable) individual annuity insurance products
	Launched *PowerBuilder*, an automatic installment-type foreign currency time deposit
	Commenced multi-seller whole business securitization program

Good Design



32 color cash cards issued

Hankyu-Umeda *BankSpot*

Profile (Consolidated)

(As of September 30, 2005)

Establishment	December 1952
Total Assets	¥9,142.7 billion
Deposits, including Negotiable Certificates of Deposit	¥3,964.3 billion
Debentures and Corporate Bonds	¥1,263.7 billion
Loans and Bills Discounted	¥3,828.0 billion
Securities	¥1,678.2 billion
Total Shareholders' Equity	¥451.2 billion
Total Capital Adequacy Ratio	12.16%
Tier I Capital Ratio	7.47%
Number of Employees (Non-Consolidated)	2,052
Branches (Non-Consolidated):	
Domestic:	29 Branches, including Head Office; 8 Annexes
Overseas:	1 Branch; 1 Representative Office

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Retail Banking Group: Color your life—Empowering and Enriching the Customer Experience 6
Contributing to Social and Cultural Programs 8
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Employees 44
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Forward-Looking Statements

This interim report contains statements that constitute forward-looking statements. These statements appear in a number of places in this interim report and include statements regarding our intent, belief or current expectations, and/or the current belief or current expectations of our officers with respect to the results of our operations and the financial condition of the Bank and its subsidiaries. Such statements reflect our current views with respect to future events and are subject to certain risks, uncertainties and assumptions. Our forward-looking statements are not a guarantee of future performance and involve risks and uncertainties, and actual results may differ from those in such forward-looking statements as a result of various factors.

To Our Shareholders, Customers and Employees

In June 2005, Masamoto Yashiro was appointed as Chairman of the Board and I became President and CEO. Under Masamoto Yashiro, Shinsei was successfully transformed from a traditional long-term credit bank to a modern financial services group that is now well positioned to compete effectively and grow in a large and lucrative market.

The Bank's clean balance sheet, strong capital ratios, transparent and sound management practices, customer-centric business model and growing range of market-leading products and services that meet the needs of a growing and increasingly profitable customer base provide Shinsei with a strong platform to achieve stable, long-term profit growth.

Strong Fiscal 2005 Interim Results

For the first half of fiscal 2005, ended September 30, 2005, consolidated total revenue was ¥130.4 billion, an increase of 79.5% over the first half of fiscal 2004. Underlying this strong growth in revenue was the incorporation of the results of the Bank's recently acquired subsidiaries, APLUS Co., Ltd. in September 2004 and Showa Leasing Co., Ltd. in March 2005, as well as continued solid growth in the retail and institutional banking businesses.

Consolidated net income was ¥37.7 billion, compared to ¥40.7 billion in the first half of fiscal 2004. The first half results of this fiscal year included ¥12.8 billion of amortized acquired goodwill and intangible assets, net of tax benefit, relating to the acquisition of APLUS and Showa Leasing. In order to provide greater transparency and understanding of the Bank's underlying performance, we also report cash basis net income, which excludes this amortization. Consolidated cash basis net income for the first half of fiscal 2005 was ¥50.5 billion, a 24% increase from the first half of fiscal 2004.

Asset quality improved further as Shinsei Bank's non-performing claims declined 11.0% during the first half of fiscal 2005 to reach ¥46.0 billion as of September 30, 2005, which represented 1.2% of total claims outstanding on a non-consolidated basis.

As of September 30, 2005, the consolidated capital adequacy ratio stood at 12.2% and the Tier I capital ratio was 7.5%.

Growth based on a Three Pillar Strategy

Shinsei Bank's business model is based on three strategic pillars: Institutional Banking, Consumer and Commercial Finance ("CCF") and Retail Banking. Institutional Banking continues to grow steadily by offering advanced investment and commercial banking services to provide innovative solutions to our institutional customers. Consumer and Commercial Finance, which has become a major contributor to the Bank's results following the acquisitions of APLUS and Showa Leasing, offers a full range of products and services to small and medium-sized companies and individual customers. Retail Banking, launched in June 2001, is growing rapidly as it expands its range of products and services and focuses on empowering individual customers.

These three pillars cover a broad range of businesses and customer segments which provide the Bank with a diversified source of revenue streams. A common advanced technological infrastructure, capital base and risk management capability provide efficiencies of scale and enhanced scalability while close interaction between the different businesses generates both revenue-earning and cost-reducing synergies through referrals, joint customer solutions and resource sharing.

This increase in earnings stream diversification and enhanced efficiency are reflected in the Bank's first half fiscal 2005 results. The contribution to total revenue from each pillar leveled out significantly from the first half of fiscal 2004 to 40% from Institutional Banking, 44% from CCF and 16% from Retail

Banking. Fees and commissions as a percentage of total revenue increased to 69% while the expense to revenue ratio improved further, from 54% to 51%.

Institutional Banking Business

Shinsei Bank has positioned itself as a hybrid commercial and investment bank which provides innovative solutions to institutional customers quickly and efficiently through an integrated team of product specialists and relationship managers. This approach has enabled the business to focus on growing steady and recurring revenue by building and strengthening relationships with target institutional customers. Consequently, the business, in addition to interest income from traditional corporate lending, also derives revenue from an array of other activities such as securitization, non-recourse lending, credit trading and market transactions. During the first half of fiscal 2005, we set up the Public Sector Sub-Group in order to better serve the needs of the Japanese public sector.

Although we remain focused on developing and expanding our business in Japan, we are also looking selectively for opportunities overseas where we can leverage skills and experience that we have acquired in our home market. During the first half of this fiscal year we entered into a joint venture in Germany with NORD/LB Norddeutsche Landesbank and WestLB AG for the workout of non-performing loans (NPLs).

Consumer and Commercial Finance Business

The acquisition of APLUS and Showa Leasing during fiscal 2004 transformed the Consumer and Commercial Finance business into a core Shinsei business. CCF's business complements the Bank's other pillars, Institutional Banking and Retail Banking by providing products and services such as installment credit, credit cards, consumer loans and leasing services to small and medium-sized enterprises and individuals. The incorporation of APLUS and Showa Leasing, which have performed in line with our expectations, have not only contributed to a substantial increase in CCF's revenue and operating business profit but also have already led to a significant improvement in the subsidiaries' operational efficiency.

Retail Banking Business

The Retail Banking business continues to build on its successful "bricks and clicks" business model by focusing on understanding customers' needs, expanding its range of customer-acclaimed products and enhancing distribution channels to provide customers with greater value and convenience. During fiscal 2005, we reached an agreement with Rakuten Securities, Inc. to offer equities through Shinsei's internet service *PowerDirect* in order to expand the range of investment choices available to our customers. The *PowerSmart* housing loan also continued to grow significantly both in terms of volume and number of customers. Shinsei Bank remains the leading distributor of mutual funds on the web, and the Bank recently concluded an agency agreement to launch a new variable annuity product via the internet. Our ATM network was extended by opening ATMs in Tokyo Metro Co., Ltd. subway stations. Shinsei Bank's ATMs are now able to accept around two billion cards issued worldwide.

The importance that we attach to understanding our customers' needs and satisfying these needs has been clearly recognized by the Japanese consumer and resulted in significant growth in our customer base. Shinsei Bank has been ranked No. 1 in a customer satisfaction survey by the Nihon Keizai Shimbun (Nikkei) for the past two consecutive years (2004 and 2005). During the first half of this fiscal year, which included the successful launch of our "Color your life" campaign, the Bank added more than 247,000 new *PowerFlex* retail customers, compared to 194,000 over the same period last year. The retail business now has over 1.6 million accounts.

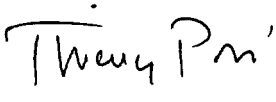
Better Banking

Focusing on the concept of "Better Banking," we strive to maintain a leadership position by placing the needs of the customer at the center of all our decisions and actions. We must provide effective solutions to meet our customers' evolving needs by offering market-leading value-added products and services in a timely manner.

We demand uncompromising levels of integrity and transparency in all our activities to earn the trust of our customers, our staff and our shareholders. We remain committed to delivering long-term profit growth and increasing Shinsei's value for our stakeholders.

We are grateful for your continuing support and guidance.

December 2005



Thierry Porté
President and CEO

Institutional Banking Group: Delivering Value-Added Solutions to Our Customers

Backed by the strong business structure brought about by the merging of our Group's relationship management teams with our products development and service teams, we are able to continue leveraging our expertise in key areas of investment banking such as securitization, credit trading and non-recourse lending, where further growth is expected, and to deliver prompt and optimal services to our customers.

In May 2005, we established the Real Estate Finance Sub-Group, which is focused on growing real estate finance business areas such as non-recourse lending, and the Public Sector Finance Sub-Group, which utilizes Shinsei Bank's longstanding business relationships to address the needs of public sector finance customers. These changes have strengthened our organization and improved our business promotion system, enabling us to respond more promptly to a wider range of customer needs.

Loan Origination

To ensure profitability and asset quality, Shinsei continues to price loans based on strict adherence to the credit standing of customers. In particular, by fully utilizing our advanced financial technologies and knowledge, we have expanded our financing methods to include non-recourse lending, project finance and leveraged lending.

Particularly in regards to non-recourse lending, we have launched a program for fee-based senior care facilities. By executing loans in cooperation with regional financial institutions, we eagerly plan to expand the range of potential assets.

Securitization and Credit Trading

Shinsei's securitization and credit trading operations are widely acclaimed for their quality and innovation. We have put significant effort into these areas and introduced several approaches that are unique to the Japanese banking sector. As a result, our performance in these areas continues to improve.

A notable example of our innovations is multi-asset, residential mortgage-backed securities, called the "Hydra" series, which apply housing loans obtained from multiple originators. This approach allows us to package assets that are expected to diversify risks and generate more stable cash flows. In addition, this method makes it possible for us to securitize assets that were difficult to securitize on their own in the past. Capitalizing on the strength of our balance sheet, we have so far launched five innovative securitization products (Hydra series I-V) with a total issuance of ¥485 billion.

In September 2005, following on from a year ago, we issued a collateralized debt obligation (CDO) with commercial mortgage-backed securities issued in Japan and commercial property mezzanine loans as the underlying assets (Synergy II Funding). This is the first CDO repackage securitization executed in Japan, which contains various asset-backed securities including commercial mortgage-backed securities and residential mortgage-backed securities, providing a new tool for institutional investors.

In November 2005, we set up the first securitization based on operating cash flows from *pachinko* parlors, which acts as the inaugural issuer, under the first multi-seller whole-business securitization repackaging program to be created by a Japanese bank. Broadening the target assets helped us to provide investors with greater diversification, lower operational risk and access to a new investment opportunity at an appropriate time.

Shinsei Bank has become a leader in the Japanese securitization business. Our subsidiaries, including Shinsei Securities Co., Ltd., Shinsei Trust & Banking Co., Ltd. and Shinsei Servicing

Company (Shinsei Servicer), play crucial roles in this important business area. Shinsei Bank will continue to leverage the strong servicing abilities of these subsidiaries to generate new assignments not only for its own credit trading and securitization projects but also for projects incorporated from outside the Group. We will thereby expand our business opportunities and offer a wider range of value-added products and services.

Asset Management Service

Shinsei's asset management business focuses on leveraging our global relationships with leading European and U.S. asset management companies, such as Ramius Capital Group, LLC, BlueBay Asset Management Limited and Smith Breeden Associates, Inc., to deliver advanced, unique investment products to our customers.

Shinsei Investment Management (SIM), our wholly owned investment trust and investment advisory subsidiary, has adopted a new business model as a "Manager's Manager." It carefully and impartially selects investment products from a range of options offered both within and outside of Japan.

Corporate Revitalization Business

Shinsei uses hands-on experience and know-how to proactively provide solutions that help customers strengthen their financial fundamentals and improve asset efficiency by restructuring their businesses through such measures as divestitures and acquisitions.

Consumer and Commercial Finance Business

Shinsei has positioned consumer and commercial finance as a core business, alongside institutional and retail banking. In fiscal year 2004, Shinsei greatly increased its presence in this market by acquiring the controlling interests of APLUS and Showa Leasing, and we are now well positioned to drive further growth and expansion.

The consumer and commercial finance business is focused on serving three markets: consumer finance, commercial finance and specialty property finance for both consumers and small businesses. For each of these markets, we enhance management efficiency in order to increase profitability and competitiveness by bringing financial stability, state-of-the-art technology and operations processing, risk management discipline, and a strong heritage of innovation and execution.

A key tenet of Better Banking is to break the bonds of conformity when there is a better way. With Shinsei's unique branding and strong financial backbone as well as variety of the Shinsei Bank Group companies' capabilities, the consumer and commercial finance business will continually strive to remain customer-focused, responsible to our shareholders and employees, and committed to finding the best path forward.

Working with Others to Find Solutions

In May 2005, we established Shinsei International Limited ("Shinsei International") after receiving an official approval to operate a securities business from the Financial Services Authority in the U.K. Leveraging the Euromarket, Shinsei International will structure and arrange securitization and structured financial products, which are the Shinsei Bank Group's strengths, to primarily meet the needs of Japanese customers. Shinsei International's products are distributed through Shinsei Securities Co., Ltd.

Furthermore, together with international partners Shinsei Bank, NORD/LB and WestLB, we set up a joint venture for NPLs. This company offers the purchase, restructuring and realization of non-performing loans in Germany. The expertise and capabilities we have been developing in our home market in Japan will be fully utilized in collaboration with our overseas partners.

Creating Value: The Key to Better Banking

Leveraging our talented professionals, strong balance sheet, extensive market knowledge and years of experience, we provide value-added financial solutions to meet our customers' needs. That, in our view, is the key to Better Banking.

Retail Banking Group:
Color your life—Empowering and Enriching the Customer Experience

In our continued efforts to revolutionize the retail banking experience in Japan, we have introduced a variety of innovative and customer-centric products and services to our customers. To represent this idea in a more tangible way for customers, in June 2005, Retail Banking Group launched a branding concept called "Color your life."

SHARE: Getting Closer to Our Customers

Shinsei Bank offers reliable, professional and personalized consultation services that customers can trust. We not only share in our customers' financial needs, but also in their plans for the future, in their dreams and in their lives. We have expanded our physical channel network not only to improve existing customer convenience, but also to share the Shinsei banking experience with those who have not yet experienced it.

BankSpot:

We launched four new *BankSpot* locations—Kyobashi, Shinjuku South (Tokyo), Shinsaibashi and Umeda (Osaka)—where new customers can have access to live financial consultation as soon as they open their Shinsei Bank accounts.

Tokyo Metro ATM:

Leveraging our alliance with Tokyo Metro from March 2005, we have expanded our ATM network to include Shinsei Bank ATM machines in 18 Tokyo Metro stations (as of the end of November 2005).

CARE: Responding to Customer Needs

For customers who live outside of our branch network, we offer a useful and efficient remote channel network via *PowerDirect* (internet

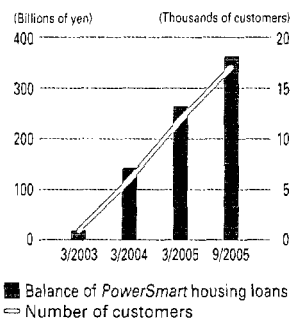
Comprehensive *PowerFlex* Account

The greatest advantages of the comprehensive *PowerFlex* account are that customers can manage various products and services from a single, easily accessible source and conduct transactions via ATMs, *PowerCall* (telephone banking) and *PowerDirect* (internet banking) 24 hours a day, seven days a week. Shinsei customers also greatly appreciate the free ATM services and the international cash services that allow them to withdraw funds overseas in local currencies. As of the end of November 2005, the number of accounts with Shinsei Bank has surpassed 1.6 million, owing to the robust growth of our *PowerFlex* accounts.

PowerSmart Housing Loan

PowerSmart housing loan, an entirely new type of housing loan, meets our customers' needs with its flexible prepayment and reborrowing features and low interest rates. Customers can automatically prepay the loan without penalty for amounts over the preset balance in their ordinary deposit account. They can also reborrow, through ATMs, up to the original amortization schedule. With such unique features, *PowerSmart* has reached a total balance of ¥390 billion in the four years since its launch.

Balance of *PowerSmart* Housing Loans and Number of Customers



banking) and *PowerCall* (telephone banking). Eighty percent of our customers now access Shinsei Bank through *PowerDirect*, and this high response has motivated us to further enhance the capabilities of the *PowerDirect* site.

Online Securities Brokerage Agent Service:
Shinsei offers Rakuten Securities' online brokerage service through the *PowerDirect* portal, allowing customers to trade stocks seamlessly from *PowerDirect* and transfer money to a brokerage account online.

Online Annuity Product Service:
We also reached an agency agreement with Credit Suisse Life Insurance Co., Ltd. to launch a variable annuity product via the internet.

PowerYokin:
Shinsei Bank knows the importance of responding to our customers' safety needs. Security concerns in Japan prompted us to introduce *PowerYokin*.

This is a new type of yen deposit that allows customers the flexibility to make withdrawals in the same manner as they do with savings deposits but offers greater security against fraudulent ATM cash withdrawals, while earning a superior interest rate. From September, Shinsei Bank decreased the limit withdrawal to ¥500,000 per day to enhance customer account safety.

IDEA-FULL: Innovative, Convenient and Useful Products and Services

Shinsei Bank has been offering new and innovative products to the market.

Powered One Plus:
This product addresses two major needs of Japanese customers: capital preservation and yield enhancement. *Powered One Plus*, a yen-denominated five-year deposit (with a five-year extension at the Bank's option), offers a higher competitive rate of 1.1% per annum (1.25% per annum when extended).

WAKUWAKU: To Make Our Customers' Lives Colorful

WAKUWAKU ("Exhilarating!") is the final stage of "Color your life." In order to capture the spirit of the "Color your life" concept, Shinsei Bank released 32 award-winning color cash cards in June 2005.

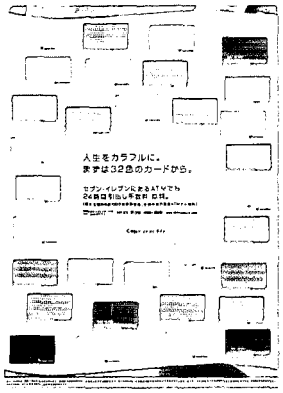
Becoming Our Customers' Bank of Choice

Shinsei works hard to become our customers' bank of choice by listening to them, understanding their needs, and delivering value and convenience to meet these needs.

Shinsei Bank remains committed to Better Banking. Our goal is to become the model for retail banking in Japan and differentiate our services so that we are able to maintain our clear leadership in innovation, customer satisfaction and value.

Shinsaibashi *BankSpot*

Tokyo Metro ATM
(Aoyama-itchome station)



No. 1 in the Nikkei Financial Institutions Ranking by the Nihon Keizai Shimbun for the Second Consecutive Year (August 24, 2005)
Shinsei Bank has been ranked No. 1 in customer satisfaction for the second year in a row, based on the results of a Nihon Keizai Shimbun survey conducted in August 2005. In the survey, Shinsei Bank was ranked No. 1 in "customer treatment, over-the-counter service, operation hours" and "products and services offering"; No. 2 in "future usage"; and No. 3 in "soundness, reliability."

"Cash Card that You Can Choose from 32 Colors" Receives Good Design Award 2005
Shinsei Bank's color cash card, which offers 32 colors from which to choose, received the Good Design Award 2005 (Communication Design Category) on October 3, 2005. The color cash card was highly praised as an innovative approach to connecting with customers. The Bank has been able to communicate its "Color your life" brand concept directly to the customers through this customer-friendly feature. This was the first time that a financial institution has been awarded the Communication Design Category Award.

Contributing to Social and Cultural Programs

Shinsei Bank is committed to supporting organizations and activities that promote social and cultural progress.

Shinsei staff who participated in "Run for the Cure 2005"

"FIT for Charity Run 2005"

In September 2005, the charity walk and run event "FIT for Charity Run 2005" was held around the Imperial Palace. A total of 99 Shinsei employees and family members participated in this event. This was planned by foreign-affiliated financial institutions with the purpose of demonstrating the industry's commitment to the community in which we live and work. The event was held for the first time ever, with 26 companies participating, a total of approximately 1,500 participants in all.

Shinsei Bank made a 100% matching donation as well as sponsoring this event.

Contributions to Victims of Hurricane Katrina and Pakistan Earthquake

Shinsei Bank donated ¥236 million to the Japanese Red Cross Society to support rescue and recovery efforts of victims of Hurricane Katrina, which struck in August 2005. Shinsei officers and employees donated ¥118 million, and the Bank made a 100% matching donation.

Furthermore, in October 2005, Shinsei Bank provided ¥316 million, including monetary contributions from our officers and employees, to the Japanese Red Cross Society to support the victims of the Pakistan earthquake.

"WE SUPPORT SPECIAL OLYMPICS—Christmas Party 2005"

Special Olympics

Shinsei Bank supports the Special Olympics ("SO"), an international sports organization providing year-round sports training and athletic competition.

As part of our support for SO, we organized "WE SUPPORT SPECIAL OLYMPICS—Christmas Party 2005" in December 2005. The party was celebrated with performances by athletes and fun exhibitions, including face painting, conducted by our volunteers to cultivate exchanges with the athletes.

Furthermore, at the "Charity Walk and Run Festival" held in November 2005, a total of 23 Shinsei employees participated to support the event.

"Run for the Cure 2005"

A total of 73 Shinsei employees participated in the 2005 charity walk and run event "Run for the Cure," which was held in October 2005 to enhance awareness of breast cancer and its research.

About 400 people participated in the event, which was sponsored by the Run for the Cure Foundation, an organization that funds research as well as enhances people's awareness of breast cancer. Shinsei Bank made a matching donation to the Foundation, equivalent to the entry fees paid by its employees.

The U.S.–Japan Bridging Foundation

Shinsei Bank supports the fostering of understanding and appreciation between Japan and other countries. One organization at the forefront of promoting closer ties between countries is the U.S.–Japan Bridging Foundation. Launched in 1998 by the Japan–United States Friendship Commission, the foundation is a public–private partnership that provides scholarships to American undergraduates. Its goal is to increase the number of American undergraduates studying and matriculating at Japanese universities. Shinsei is proud to offer its support to this organization and play a role in increasing the knowledge and awareness between Japan and the United States.

Financial Section

The following discussion should be read in conjunction with our consolidated and non-consolidated financial statements prepared in accordance with accounting principles and practices generally accepted in Japan ("Japanese GAAP") for banks, including the notes to those financial statements, included elsewhere in this interim report. Except as otherwise indicated, the financial information in the following discussion is based on our consolidated financial statements.

In this section, except where the context indicates otherwise, "we" or "our" means Shinsei Bank, Limited and its subsidiaries and affiliates accounted for by the equity method, and "Shinsei" refers to Shinsei Bank alone.

Financial and operational data that are stated in multiples of ¥0.1 billion have been truncated. All percentages have been rounded to the nearest 0.1%.

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Consolidated Financial Highlights

Shinsei Bank, Limited and Consolidated Subsidiaries
For the six months ended September 30, 2005 and 2004, and the fiscal year ended March 31, 2005

	Billions of yen			Millions of U.S. dollars
	Sept. 30, 2005 (6 months)	Sept. 30, 2004 (6 months)	Mar. 31, 2005 (1 year)	**Sept. 30, 2005 (6 months)**
Income statement data:				
Net interest income	**¥ 40.1**	¥ 25.3	¥ 66.8	**$ 354.3**
Net fees and commissions	**23.4**	8.3	32.4	**207.6**
Net trading income	**12.7**	15.3	23.9	**112.6**
Net other business income	**54.0**	23.6	54.5	**477.5**
Total revenue	**130.4**	72.6	177.8	**1,152.0**
Total general and administrative expenses	**67.0**	39.2	97.3	**591.9**
Net credit costs (recoveries)	**14.5**	(10.6)	(0.9)	**128.6**
Amortization of consolidation goodwill and other intangibles	**14.6**	—	8.8	**129.8**
Other gains (losses), net	**1.6**	(3.1)	(7.0)	**14.6**
Income before income taxes and minority interests	**35.8**	40.9	65.5	**316.3**
Income tax (benefit):				
Current	**1.7**	0.6	1.4	**15.3**
Deferred	**(4.8)**	(0.5)	(3.4)	**(43.2)**
Minority interests in net income of subsidiaries	**1.2**	0.0	0.1	**11.1**
Net income	**¥ 37.7**	¥ 40.7	¥ 67.4	**$ 333.1**
Balance sheet data:				
Trading assets	**¥ 119.8**	¥ 443.6	¥ 168.5	**$ 1,058.9**
Securities	**1,678.2**	1,339.8	1,478.2	**14,824.6**
Loans and bills discounted	**3,828.0**	3,074.6	3,430.4	**33,813.9**
Customers' liabilities for acceptances and guarantees	**1,002.4**	1,237.8	1,058.1	**8,854.9**
Reserve for credit losses	**(155.9)**	(157.5)	(149.7)	**(1,377.8)**
Total assets	**9,142.7**	8,325.3	8,576.3	**80,759.5**
Deposits, including negotiable certificates of deposit	**3,964.3**	3,168.8	3,452.8	**35,018.0**
Debentures	**1,181.7**	1,333.2	1,242.6	**10,438.4**
Trading liabilities	**80.0**	72.5	69.1	**707.4**
Borrowed money	**1,166.9**	656.1	1,160.2	**10,308.0**
Acceptances and guarantees	**1,002.4**	1,237.8	1,058.1	**8,854.9**
Total liabilities	**8,261.6**	7,560.6	7,735.7	**72,976.2**
Minority interests in subsidiaries	**60.4**	1.0	53.8	**534.3**
Capital stock	**451.2**	451.2	451.2	**3,986.4**
Total shareholders' equity	**820.6**	763.7	786.6	**7,249.0**
Total liabilities, minority interests in subsidiaries and shareholders' equity	**¥9,142.7**	¥8,325.3	¥8,576.3	**$80,759.5**
Per share data (in yen):				
Common shareholders' equity	**¥ 354.68**	¥ 312.76	¥ 329.65	
Fully diluted shareholders' equity[1]	**404.66**	381.95	390.06	
Basic net income	**26.33**	28.60	46.78	
Diluted net income	**18.71**	21.16	34.98	
Capital adequacy data:				
Tier I capital ratio	**7.47%**	7.99%	7.00%	
Total capital adequacy ratio	**12.16%**	11.79%	11.78%	
Average balance data:				
Securities	**1,698.5**	1,310.8	1,509.4	
Loans and bills discounted	**3,576.5**	2,967.9	3,099.9	
Total assets	**8,859.5**	7,334.5	7,460.0	
Interest-bearing liabilities	**6,192.4**	4,939.2	5,216.0	
Total liabilities and minority interests in subsidiaries	**8,055.8**	6,587.7	6,701.7	
Shareholders' equity	**803.6**	746.8	758.3	

	Billions of yen		
	Sept. 30, 2005 (6 months)	Sept. 30, 2004 (6 months)	Mar. 31, 2005 (1 year)
Other data:			
Return on assets	**0.8%**	1.3%	0.9%
Return on equity (fully diluted)	**9.4%**	10.9%	8.9%
Ratio of equity to total assets	**9.1%**	11.6%	10.2%
Ratio of deposits, including negotiable certificates of deposit, to total liabilities	**48.0%**	41.9%	44.6%
Net interest margin	**1.9%**	1.1%	1.5%
Overhead ratio[2]	**51.4%**	54.0%	54.7%
Non-performing claims, non-consolidated	**¥46.0**	¥73.7	¥51.7
Ratio of non-performing claims to total claims, non-consolidated	**1.2%**	2.0%	1.4%
Net deferred tax assets	**¥9.2**	¥7.4	¥4.3
Net deferred tax assets as a percentage of Tier I capital	**1.8%**	1.5%	0.9%

Notes:
(1) Fully diluted shareholders' equity per share is calculated by dividing shareholders' equity at the end of the periods presented by the number of common shares that would have been outstanding had all securities convertible into or exercisable for common shares been converted or exercised with an applicable conversion or exercise price within the predetermined range at the end of the period.
(2) The overhead ratio is calculated by dividing general and administrative expenses for the periods presented by the total revenue for such period.

We recorded amortization of acquired goodwill and intangible assets, which we refer to as consolidation goodwill and other intangibles in our financial statements, of ¥12.8 billion, net of tax benefit, associated with the acquisition of APLUS and Showa Leasing for the six-month period ended September 30, 2005. To provide greater transparency and understanding of our underlying performance, we disclose cash basis net income, which excludes the amortization of acquired goodwill and intangible assets, net of tax benefit, in our earnings announcements. Our cash basis net income for the six months ended September 30, 2005 was ¥50.5 billion, an increase of 23.9% compared to the same period in the prior fiscal year. A reconciliation of various earnings measures from our results reported under Japanese GAAP to a cash basis is given below.

Supplemental Financial Data and Reconciliations to Japanese GAAP Measures

For the first half of FY2005 ended September 30, 2005	(Billions of yen, except per share data and percentages)
Amortization of acquired goodwill and intangible assets[1]	
Amortization of intangible assets	**4.5**
Associated deferred tax liability	**(1.8)**
Amortization of acquired goodwill	**10.1**
Total amortization of acquired goodwill and intangible assets, net of tax benefit	**12.8**
Reconciliation of net income to cash basis net income	
Net income	**37.7**
Total amortization of acquired goodwill and intangible assets, net of tax benefit	**12.8**
Cash basis net income	**50.5**
Reconciliation of basic net income per share to cash basis basic net income per share	
Basic net income per share	**26.33**
Effect of amortization of acquired goodwill and intangible assets, net of tax benefit	**9.46**
Cash basis basic net income per share	**35.79**
Reconciliation of diluted net income per share to cash basis diluted net income per share	
Diluted net income per share	**18.71**
Effect of amortization of acquired goodwill and intangible assets, net of tax benefit	**6.37**
Cash basis diluted net income per share	**25.08**
Reconciliation of return on assets to cash basis return on assets	
Return on assets	**0.8[2]**
Effect of amortization of acquired goodwill and intangible assets, net of tax benefit	**0.3[2]**
Cash basis return on assets	**1.2[2]**
Reconciliation of return on equity to cash basis return on equity	
Return on equity (fully diluted)	**9.4[2]**
Effect of amortization of acquired goodwill and intangible assets, net of tax benefit	**3.2[2]**
Cash basis return on equity (fully diluted)	**12.5[2]**

(1) Acquired goodwill and intangible assets are referred to as consolidation goodwill and other intangibles in our financial statements.
(2) Annualized basis

Results of Operations

Six-Month Period Ended September 30, 2005 Compared with Six-Month Period Ended September 30, 2004

Overview

For the six months ended September 30, 2005, total revenue increased 79.5% to ¥130.4 billion, resulting from increased contributions to revenue from both net revenue on interest-earning assets and non-interest revenue. Non-interest revenue increased to 69.2% of total revenue for the first half of this fiscal year.

Our general and administrative expenses increased by ¥27.7 billion to ¥67.0 billion in the six months ended September 30, 2005 mainly due to the inclusion of expenses of APLUS and Showa Leasing. This increase in expenses was partly offset by continued expense rationalization across all businesses. During the six months ended September 30, 2005, our ratio of general and administrative expenses to total revenue improved from 54.0% to 51.4%.

Our net credit costs for the six months ended September 30, 2005 were ¥14.5 billion, as compared to net credit recoveries of ¥10.6 billion for the same period in the prior fiscal year. The net credit recoveries during the six months ended September 30, 2004 were primarily attributable to a reduction in Shinsei's historical default ratio due to improvement in overall asset quality. The net credit costs in the first half of this fiscal year mainly relate to net credit costs of APLUS and Showa Leasing. On a non-consolidated basis, Shinsei's total reserve for credit losses was ¥114.5 billion as of September 30, 2005. Our total reserve for credit losses to total claims ratio was 2.9% on a non-consolidated basis as of September 30, 2005.

We made further progress in reducing our non-performing loans (NPLs) balance under the Financial Revitalization Law and as of September 30, 2005, total NPLs of Shinsei were ¥46.0 billion, a decline of ¥27.6 billion or 37.5% as compared to September 30, 2004. NPLs were 1.16% of total claims outstanding at September 30, 2005 on a non-consolidated basis.

Our total capital adequacy ratio was at 12.2% and our Tier I ratio stood at 7.5% as of September 30, 2005, after taking into account our recent acquisitions of APLUS and Showa Leasing. Our capital mostly consists of Tier I capital and as of September 30, 2005, net deferred tax assets constituted 1.8% of our Tier I capital.

Table 1. Interest-Earning Assets and Interest-Bearing Liabilities (Consolidated)

	Billions of yen (except percentages)					
	Six months ended September 30, 2005			Six months ended September 30, 2004		
	Average balance	Interest	Yield/Rate[2]	Average balance	Interest	Yield/Rate[2]
Interest-earning assets:						
Loans and bills discounted	**¥3,576.5**	**¥50.8**	**2.83%**	¥2,967.9	¥29.6	1.99%
Leased assets and installment receivables	**781.4**	**23.6**	**6.04**	31.3	1.1	7.03
Securities	**1,698.5**	**8.3**	**0.98**	1,310.8	7.0	1.08
Other interest-earning assets	**470.4**	**2.1**	**0.90**	547.0	4.8	1.76
Total revenue on interest-earning assets	**¥6,527.0**	**¥84.9**	**2.60%**	¥4,857.1	¥42.6	1.75%
Interest-bearing liabilities:						
Deposits and negotiable certificates of deposit	**¥3,548.5**	**¥ 8.0**	**0.45%**	¥2,910.1	¥ 7.2	0.50%
Debentures	**1,198.9**	**2.6**	**0.44**	1,325.2	3.2	0.48
Subordinated debt	**251.6**	**3.0**	**2.41**	219.3	3.6	3.35
Borrowed money and corporate bonds	**967.3**	**6.5**	**1.36**	141.2	1.5	2.15
Other interest-bearing liabilities	**225.8**	**0.8**	**0.79**	343.1	0.4	0.28
Total interest expenses	**¥6,192.4**	**¥21.2**	**0.68%**	¥4,939.2	¥16.1	0.65%
Non-interest-bearing sources of funds:						
Non-interest-bearing (assets) liabilities, net	**¥ (469.0)**	**—**	**—**	¥ (828.9)	—	—
Shareholders' equity[1]	**803.6**	**—**	**—**	746.8	—	—
Total interest-bearing liabilities and non-interest-bearing sources of funds	**¥6,527.0**	**—**	**—**	¥4,857.1	—	—
Net interest margin	**—**	**—**	**1.91%**	—	—	1.10%
Impact of non-interest-bearing sources	**—**	**—**	**0.04**	—	—	(0.01)
Net revenue on interest-earning assets/yield on interest-earning assets	**—**	**¥ 63.7**	**1.95%**	—	¥26.4	1.09%
Note:						
Reconciliation of total revenue on interest-earning assets to total interest income						
Total revenue on interest-earning assets	**¥6,527.0**	**¥ 84.9**	**2.60%**	¥4,857.1	¥42.6	1.75%
Less: Income on leased assets and installment receivables	**781.4**	**23.6**	**6.04**	31.3	1.1	7.03
Total interest income	**¥5,745.5**	**¥ 61.3**	**2.13%**	¥4,825.8	¥41.5	1.72%
Total interest expense	**—**	**21.2**	**—**	—	16.1	—
Net interest income	**—**	**¥ 40.1**	**—**	—	¥25.3	—

Notes:
(1) Represents a simple average of the balance at the end of the current period and the balance at the end of the previous period
(2) Calculated on an annualized basis

Table 2. Analysis of Changes in Net Revenue on Interest-Earning Assets (Consolidated)

	Billions of yen		
	From the six months ended September 30, 2004 to the six months ended September 30, 2005		
	Due to change in[1]		
	Volume	Rate	Net change
Increase (decrease) in interest revenue:			
Loans and bills discounted	¥ 6.0	¥15.0	¥21.1
Leased assets and installment receivables	26.3	(3.8)	22.5
Securities	2.0	(0.8)	1.2
Other interest-earning assets	(0.6)	(2.0)	(2.6)
Total revenue on interest-earning assets	¥14.6	¥27.5	¥42.3
Increase (decrease) in interest expenses:			
Deposits and negotiable certificates of deposit	¥ 1.5	¥(0.8)	¥ 0.7
Debentures	(0.3)	(0.2)	(0.5)
Subordinated debt	0.5	(1.1)	(0.6)
Borrowed money and corporate bonds	8.8	(3.8)	5.0
Other interest-bearing liabilities	(0.1)	0.5	0.4
Total interest expenses	¥ 4.0	¥ 0.9	¥ 5.0
Net increase in net revenue on interest-earning assets			¥37.2
Note:			
Reconciliation of total revenue on interest-earning assets to total interest income			
Total revenue on interest-earning assets	¥14.6	¥27.5	¥42.3
Less: Income on leased assets and installment receivables	26.3	(3.8)	22.5
Total interest income	¥ 7.8	¥11.8	¥19.7
Total interest expense	4.0	0.9	5.0
Net increase in net interest income			¥14.7

Note:
(1) The changes in interest income and expense for each category are divided into the portion of change attributable to the variance in volume or rate for that category. The attribution of the volume variance is calculated by multiplying the change in volume by the previous year's rate. The attribution of the rate variance is calculated by multiplying the change in rate by the current year's balance.

Net Revenue on Interest-Earning Assets

Our net revenue on interest-earning assets includes net interest income and revenue earned on our average balance of leased assets and installment receivables, which we consider to be a component of our interest-earning assets as both leased assets and installment receivables generate interest income. However, because Japanese GAAP does not include income on leased assets and installment receivables in net interest income, we calculate net interest income excluding income on leased assets and installment receivables and reconcile this with net revenue on interest-earning assets which we calculate including income on leased assets and installment receivables in our statements of income. Our principal interest-earning assets include loans and bills discounted, securities (other than securities held for trading purposes), consisting mainly of Japanese government bonds and bonds issued by non-Japanese corporations, as well as leased assets and installment receivables generated in our consumer and commercial finance business. Our principal interest-bearing liabilities are deposits (including negotiable certificates of deposit and foreign-currency deposits), debentures, subsidiaries' borrowing from other financial institutions, and subordinated bonds and debt.

Net revenue on interest-earning assets for the six months ended September 30, 2005 was ¥63.7 billion, an increase of ¥37.2 billion compared with the same period in the prior fiscal year. Total revenue on interest-earning assets increased by ¥42.3 billion while total interest expenses increased by ¥5.0 billion. The net yield on interest-earning assets increased to 1.95%, an increase of 0.86% compared with the same period in the prior fiscal year. Yields on interest-earning assets increased by 0.85% while yields on interest-bearing liabilities increased by 0.03%. Based on an attribution analysis which divides revenue and expense changes into either a variance in the volume of assets or liabilities or a variance in interest rate, the ¥42.3 billion increase in total revenue on interest-earning assets is attributable primarily to inclusion for the first time of income from leased assets and installment receivables of APLUS and Showa Leasing and an increase in interest rates on loans and bills discounted. The average rate for loans and bills discounted increased to 2.83% for the six months ended September 30, 2005 from 1.99% for the same period in the previous fiscal year primarily as a result of the inclusion of loans generated by APLUS's consumer finance businesses. Partially offsetting the impact from these higher margin businesses was the maturing of fixed interest rate loans that were originated in a higher interest rate environment.

The ¥5.0 billion increase in total interest expense was attributable primarily to the increased average balances of borrowed money and corporate bonds and deposits and negotiable certificates of deposit (NCD). The increase in borrowed money and corporate bonds interest expense was due entirely to an increase in the

average balance outstanding to ¥967.3 billion for the six months ended September 30, 2005 from ¥141.2 billion for the same period in the previous fiscal year mainly due to the inclusion of borrowed money of APLUS and Showa Leasing. A reduction in the average interest rate on borrowed money and corporate bonds of 0.79% to 1.36% for the six months ended September 30, 2005, from 2.15% for the same period in the previous fiscal year, partially offset the increase in interest expense arising from the higher average balance outstanding. The increase in deposits and NCD interest expense came entirely from an increase in the average balance outstanding to ¥3,548.5 billion for the six months ended September 30, 2005 from ¥2,910.1 billion for the same period in the previous fiscal year. This growth reflected Shinsei's continued focus on increasing retail deposit balances. A reduction in the average rate paid on deposits and NCD of 0.05% to 0.45% for the six months ended September 30, 2005 from 0.50% for the same period in the previous fiscal year partially offset the increase in interest expense arising from the higher average balance outstanding. A decline in the average debenture balance outstanding to ¥1,198.9 billion for the six months ended September 30, 2005 from ¥1,325.2 billion for the same period in the previous fiscal year, coupled with a reduction in the average interest rate on debentures of 0.04% to 0.44% for the six months ended September 30, 2005 from 0.48% for the same period in the previous fiscal year, partially offset the increase in interest expenses on deposits and NCD and borrowed money and corporate bonds. The decline in the average debenture balance outstanding was consistent with our strategy of increasing retail deposits and the reduction in average interest rate on debentures was primarily the result of the maturing of debentures that were issued in a higher interest rate environment.

Net Fees and Commissions

Fees and commissions primarily include fees on non-recourse real estate finance, consumer and commercial finance loans and other financing products, fees for securities services, particularly for structuring and underwriting securitization transactions, and commissions on sales of asset management products.

Net fees and commissions for the six months ended September 30, 2005 were ¥23.4 billion, an increase of ¥15.1 billion as compared to the same period in the previous fiscal year. The main factor was an increase of ¥12.2 billion in fees from installment shopping credit, credit cards, guarantees and other financing to APLUS customers. Fees and commissions also increased from non-recourse real estate finance and from securitization, other capital markets activities for institutional banking clients and from sales of asset management products such as mutual funds and variable annuities to retail customers.

Net Trading Income

The table below shows the principal components of net trading income.

Table 3. Net Trading Income

	Billions of yen	
	Six months ended September 30, 2005	Six months ended September 30, 2004
Income from trading securities	**¥ 2.8**	¥ 1.3
Income from securities held to hedge trading transactions	**1.5**	0.7
Income from trading-related financial derivatives	**8.4**	13.1
Other, net	**(0.0)**	0.0
Net trading income	**¥12.7**	¥15.3

Net trading income reflects revenues from customer-driven transactions as well as transactions undertaken for our own trading purposes (that is, transactions seeking to capture gains arising from short-term changes in market value). In addition to investments in securities, it encompasses income we derive from providing derivative products, including structured deposits, to retail and institutional customers.

For the six months ended September 30, 2005, we earned ¥12.7 billion in net trading income, as compared to ¥15.3 billion in the same period of the prior fiscal year. The decline was due to a decrease of ¥4.7 billion in income from trading-related financial derivatives as option income generated in connection with interest-linked structured deposits provided to retail customers declined by approximately ¥5.5 billion to ¥6.2 billion due to changes in interest rates affecting the profitability of these products. This decrease was partially offset by increases in income from trading securities and income from securities held to hedge trading transactions of ¥1.5 billion and ¥0.7 billion, respectively, consisting primarily of Japanese government bonds.

Net Other Business Income

The table below shows the principal components of net other business income.

Table 4. Net Other Business Income

	Billions of yen	
	Six months ended September 30, 2005	Six months ended September 30, 2004
Income on monetary assets held in trust	**¥ 6.6**	¥ 8.3
Net gain on securities and foreign exchanges	**14.0**	3.1
Other business income (losses):		
Net gain on other monetary claims purchased for trading purposes	**7.2**	9.5
Losses from derivatives for banking purposes, net	**(1.4)**	(0.7)
Equity in net income of affiliates	**2.0**	0.1
Income from equity-related derivatives	**0.1**	0.2
Amortization of deferred issuance cost for debentures	**(0.1)**	(0.1)
Other, net	**1.8**	1.9
Net other business income before income on leased assets and installment receivables	**30.4**	22.5
Income on leased assets and installment receivables	**23.6**	1.1
Net other business income	**¥54.0**	¥23.6

Net other business income includes income on leased assets and installment receivables, net gain on securities and foreign exchanges, net gain on other monetary claims purchased for trading purposes and income on monetary assets held in trust. Income on monetary assets held in trust and net gain on other monetary claims purchased for trading purposes are largely comprised of income on credit trading and securitization activities as well as gains on equity securities-related transactions. For purposes of our analysis of results of operations, we include income on leased assets and installment receivables in our discussion of net revenue on interest-earning assets because we consider such income to be similar in character to our interest income.

Net other business income for the six months ended September 30, 2005 increased to ¥54.0 billion compared with ¥23.6 billion for the same period in the previous fiscal year. This increase was mainly a result of income of ¥23.6 billion from the leased assets and installment receivables business of APLUS and Showa Leasing. Excluding such income on leased assets and installment receivables, our net other business income for the six months ended September 30, 2005 was ¥30.4 billion, an increase of ¥7.8 billion compared with the same period in the previous fiscal year. The principal reason for the increase was the ¥10.8 billion increase in net gain on securities and foreign exchanges, which was partly attributable to an increase in option income in connection with customers' currency-linked structured deposits provided to retail customers of ¥3.9 billion, as well as gains on sale of bonds and loans and fees on foreign exchange transactions with retail customers.

Income on monetary assets held in trust decreased to ¥6.6 billion for the six months ended September 30, 2005 from ¥8.3 billion for the same period in the previous fiscal year largely due to lower gains on equity securities transactions. Income on monetary assets held in trust should be considered together with net gains on other monetary claims purchased for trading purposes as both of these income categories include credit trading and securitization income. Net gain on other monetary claims purchased for trading purposes also decreased ¥2.2 billion to ¥7.2 billion, reflecting primarily lower transaction volume in the six months ended September 30, 2005.

The increase of ¥1.9 billion in equity in net income of affiliates is primarily attributable to Shinki, which became an equity method affiliate on October 1, 2004, and from which we earned ¥1.2 billion in the six months ended September 30, 2005.

Total Revenue

Total revenue for the six months ended September 30, 2005 was ¥130.4 billion, an increase of 79.5% compared with the same period in the previous fiscal year. Higher total revenue was principally the result of the significant increase in net other business income and the increase in net fees and commissions attributable to the acquisitions of APLUS and Showa Leasing as well as to an increase in net interest income. This was partly offset by a reduction in net trading income.

General and Administrative Expenses

The table below sets forth the principal components of our general and administrative expenses:

Table 5. General and Administrative Expenses

	Billions of yen	
	Six months ended September 30, 2005	Six months ended September 30, 2004
Personnel expenses	**¥28.8**	¥18.2
Premises expenses	**9.9**	4.7
Technology and data processing expenses	**8.1**	4.3
Advertising expenses	**4.1**	2.0
Consumption and property taxes	**3.9**	2.6
Deposit insurance premium	**1.1**	1.0
Other	**10.7**	6.1
Total general and administrative expenses	**¥67.0**	¥39.2

General and administrative expenses for the six months ended September 30, 2005 were ¥67.0 billion, an increase of ¥27.7 billion, as compared to the same period in the previous fiscal year. The increase was largely due to the inclusion of expenses of APLUS and Showa Leasing, increased customer and product support required as a result of growth in retail banking activity and the expansion of retail banking distribution channels.

Personnel expenses increased by ¥10.5 billion for the six months ended September 30, 2005 due to the inclusion of APLUS and Showa Leasing personnel expenses of ¥10.9 billion. This increase in personnel expenses was partly offset by continued expense rationalization across all businesses. Similarly, premises expenses increased by ¥5.1 billion, of which ¥5.0 billion is APLUS and Showa Leasing premises expenses and the remainder is attributable to retail banking facilities established during the first half of the current fiscal year and in the second half of the fiscal year ended March 31, 2005.

Technology and data processing expenses increased by ¥3.7 billion to ¥8.1 billion during the six months ended September 30, 2005 compared to the same period in the previous fiscal year. The increase was due mainly to the inclusion of APLUS's technology and data processing expenses of ¥2.9 billion as well as increased investments in new information technology systems and an increase in related maintenance and depreciation expenses.

Advertising expenses were ¥4.1 billion in the six months ended September 30, 2005, an increase of ¥2.1 billion compared to the same period in the previous fiscal year, reflecting inclusion of APLUS's advertising expenses of ¥2.4 billion. This was partly offset by a decrease in retail banking advertising expenses of ¥0.3 billion as a result of decreased marketing activity.

Consumption and property taxes increased by ¥1.3 billion to ¥3.9 billion in the six months ended September 30, 2005 as compared to the same period in the previous fiscal year. This increase is largely attributable to consumption and property taxes of APLUS and a general increase in consumption taxes from our increased business activities. Other general and administrative expenses, consisting of outsourcing and temporary staff expenses, professional fees, printing, communication and stationery expenses, increased ¥4.6 billion, compared to the same period in the previous fiscal year, due primarily to an increase of ¥3.6 billion attributable to APLUS and Showa Leasing and an increase of ¥0.5 billion in retail banking pertaining to outsourcing, printing and stationery expenses to support business growth.

As a result of the above, our overhead ratio, or the ratio of general and administrative expenses to total revenue, improved 2.6% to 51.4% during the six months ended September 30, 2005, compared to 54.0% for the same period in the prior fiscal year.

Net Credit Costs (Recoveries)

The following table sets forth our credit costs and credit recoveries on a consolidated basis for the six months ended September 30, 2005 and 2004.

Table 6. Net Credit Costs (Recoveries)

	Billions of yen	
	Six months ended September 30, 2005	Six months ended September 30, 2004
Losses on write-off of loans	**¥ 10.5**	¥ 0.9
Net provision (reversal) of reserve for loan losses:		
Net provision (reversal) of general reserve for loan losses	**27.6**	(10.4)
Net provision (reversal) of specific reserve for loan losses	**(26.2)**	0.2
Net provision of reserve for loans to restructuring countries	**0.0**	0.0
Subtotal	**1.3**	(10.2)
Net provision (reversal) of specific reserve for other credit losses	**1.1**	(2.5)
Other, net	**1.5**	1.1
Net credit costs (recoveries)	**¥ 14.5**	¥(10.6)

The principal components of net credit costs (recoveries) are losses on loan write-offs and provisions or reversals of reserves. In accordance with Japanese regulatory requirements, Shinsei maintains general and specific reserves for loan losses, a reserve for loans to restructuring countries, as well as a specific reserve for other credit losses. Certain of our subsidiaries, including particularly APLUS and Showa Leasing, also maintain general and specific reserves for loan losses.

We recorded net credit costs of ¥14.5 billion for the six months ended September 30, 2005 compared with net credit recoveries of ¥10.6 billion for the six months ended September 30, 2004. The increase in net credit costs in the first half of fiscal 2005 was largely due to the inclusion of APLUS and Showa Leasing's net credit costs, including losses on write-off of loans, in the amount of ¥16.0 billion for the six months ended September 30, 2005. The principal reason for the net credit recoveries in the first half of fiscal 2004 was a net reversal of general reserve for loan losses of ¥10.4 billion arising from an improvement in Shinsei's historical default ratio, which led to a decrease in the expected loss ratio used to calculate reserves for claims against normal and need caution obligors.

The increase in the net provisions of general reserve for loan losses was due largely to the provisions of APLUS. This was mainly offset by reversal of specific reserve for loan losses in APLUS of ¥19.0 billion and ¥7.1 billion in Shinsei as the credit quality of the loan portfolio in our consumer and commercial finance and banking businesses continues to improve. In APLUS, specific reserves that are attributable to loan write-offs are reversed instead of offset against the corresponding credit. As a result, reversal of specific reserve relates to corresponding loan write-offs and overall improvement in credit quality in APLUS.

Amortization of Acquired Goodwill and Intangible Assets

The acquisition of majority stakes in APLUS and Showa Leasing resulted in the creation of acquired goodwill and intangible assets. The amortization of acquired goodwill and intangible assets was ¥14.6 billion for the first half of fiscal 2005. This includes acquired goodwill and intangible assets attributable to both APLUS and Showa Leasing in the amount of ¥12.8 billion and ¥1.8 billion, respectively. The amortization of fair value adjustments for assets and liabilities has been incorporated in the respective revenue and expense categories.

Other (Losses) Gains, Net

Other gains, net were ¥1.6 billion for the six months ended September 30, 2005, as compared to other losses, net of ¥3.1 billion during the same period in the previous fiscal year. Other gains, net for the six months ended September 30, 2005 mainly included net gain on the partial sale of APLUS's common shares. This was partly offset by increases in pension-related and other costs.

Income before Income Taxes and Minority Interests

As a result of the foregoing, income before income taxes and minority interests was ¥35.8 billion for the six months ended September 30, 2005, a ¥5.1 billion decrease as compared to the same period in the previous fiscal year.

Income Taxes

For the six months ended September 30, 2005, we recorded current income taxes of ¥1.7 billion. During the same period, we recorded a deferred income tax benefit of ¥4.8 billion mainly to reflect the tax benefit on the amortization of fair value adjustments to net assets and intangible assets and impact of deferred tax asset recognition calculated based on our one future year taxable income. This was partially offset by local income tax paid by our subsidiaries.

Minority Interest in Net Income (Loss) of Subsidiaries

Total minority interest in net income (loss) of subsidiaries of ¥1.2 billion for the six months ended September 30, 2005 mainly reflects minority interests in net income of APLUS and Showa Leasing. This was partly offset by small losses in Shinsei Business Finance.

Net Income

Our net income for the six months ended September 30, 2005 was ¥37.7 billion, as compared to ¥40.7 billion for the same period in the prior fiscal year. We report both Japanese GAAP net income and a cash basis net income in order to provide greater transparency and understanding of our underlying performance. For the six months ended September 30, 2005, consolidated cash basis net income was ¥50.5 billion, an increase of 24.0% compared to the same period in the previous fiscal year. Cash basis net income is defined as Japanese GAAP net income adjusted to exclude the amortization of acquired goodwill and intangible assets, net of tax benefit, attributable to APLUS and Showa Leasing.

Reconciliation from Reported-Basis Results to Operating-Basis Results

In addition to analyzing our results of operations in the format used for our financial statements, which we refer to as the "reported basis," our management also reviews our results on an "operating basis" to assess each of our business lines and to measure our results against targeted goals. Operating basis results are calculated by adjusting the reported-basis results principally for the amortization of net actuarial losses, lump-sum payments, and certain revenue items. In essence, the operating basis results represent what we consider to be "core" business results and are in conformity with Japanese GAAP at the net income level. The following summary table provides a reconciliation between our results on a reported and operating basis.

Table 7. Reconciliation from Reported-Basis Results to Operating-Basis Results (Consolidated)

	Billions of yen					
	Six months ended September 30, 2005			Six months ended September 30, 2004		
	Reported-basis	Reclassifications	Operating-basis	Reported-basis	Reclassifications	Operating-basis
Revenue						
Net interest income	**¥ 40.1**	**¥ —**	**¥ 40.1**	¥ 25.3	¥ —	¥ 25.3
Net fees and commissions	**23.4**	**0.0**	**23.5**	8.3	0.0	8.4
Net trading income	**12.7**	**—**	**12.7**	15.3	—	15.3
Net other business income[1]	**54.0**	**0.0**	**54.1**	23.6	0.1	23.7
Total revenue	**¥130.4**	**¥ 0.1**	**¥130.5**	¥ 72.6	¥0.2	¥ 72.8
General and administrative expenses[2]	**(67.0)**	**0.3**	**(66.6)**	(39.2)	0.7	(38.5)
Net business profit/Ordinary business profit[3]	**63.4**	**0.4**	**63.8**	33.3	0.9	34.3
Net credit (recoveries) costs	**14.5**	**—**	**14.5**	(10.6)	—	(10.6)
Amortization of acquired goodwill and intangible assets	**14.6**	**—**	**14.6**	—	—	—
Other gains (losses), net[1][2]	**1.6**	**(0.4)**	**1.2**	(3.1)	(0.9)	(4.0)
Income before income taxes and minority interests	**35.8**	**—**	**35.8**	40.9	—	40.9
Income tax (benefit) and minority interests	**(1.8)**	**—**	**(1.8)**	0.1	—	0.1
Net income	**¥ 37.7**	**¥ —**	**¥ 37.7**	¥ 40.7	¥ —	¥ 40.7

Notes:
(1) Reclassifications consist principally of adjustments of lease-related income between other gains (losses), net and net other business income.
(2) Reclassifications consist principally of adjustments relating to lump-sum payments and amortization of net actuarial losses from general and administrative expenses to other gains (losses), net.
(3) Ordinary business profit is derived after reclassifying certain items from net business profit.

Business Lines Results

We continue to focus on our product offerings in three business lines: Institutional Banking, Consumer and Commercial Finance and Retail Banking. Management monitors the performance of these business lines on an operating basis. The business lines discussion below covers the operating-basis ordinary business profit of the three business lines and a fourth category of ALM/Corporate/Other. During the first half of fiscal 2005, all three businesses grew revenue in line with our customer-focused, solution-driven business model.

Table 8. Operating-Basis Ordinary Business Profit by Business Line[1][2]

	Billions of yen				
	For the six months ended September 30, 2005				
	Institutional Banking	Consumer and Commercial Finance	Retail Banking	ALM/ Corporate/ Other	Total
Net interest income	**¥ 17.6**	**¥ 17.8**	**¥ 8.4**	**¥(3.8)**	**¥ 40.1**
Non-interest income	**35.0**	**39.8**	**13.0**	**2.5**	**90.4**
Total revenue	**52.6**	**57.6**	**21.5**	**(1.3)**	**130.5**
General and administrative expenses	**(19.5)**	**(29.8)**	**(17.5)**	**0.2**	**(66.6)**
Ordinary business profit (loss)	**¥ 33.1**	**¥ 27.8**	**¥ 4.0**	**¥(1.0)**	**¥63.8**

	Billions of yen				
	For the six months ended September 30, 2004				
	Institutional Banking	Consumer and Commercial Finance	Retail Banking	ALM/ Corporate/ Other	Total
Net interest income	¥ 17.2	¥ 1.9	¥ 7.1	¥(1.0)	¥ 25.3
Non-interest income	32.3	1.3	14.0	(0.3)	47.4
Total revenue	49.5	3.3	21.2	(1.3)	72.8
General and administrative expenses	(19.0)	(2.9)	(15.9)	(0.5)	(38.5)
Ordinary business profit (loss)	¥ 30.5	¥ 0.3	¥ 5.3	¥(1.8)	¥ 34.3

Notes:
(1) Certain prior period amounts have been reclassified to conform to current period presentation.
(2) Represents results on an operating-basis

Institutional Banking

Our Institutional Banking business offers a wide range of financial products and services, including lending, non-recourse financing, credit trading, securitization, capital markets and corporate advisory services relating to corporate revitalization and mergers and acquisitions, to domestic and international corporations, financial institutions and government entities. We serve our customers primarily from our offices in key metropolitan areas of Japan.

The Institutional Banking business is benefiting from its "solution banking" approach and bringing investment banking services and expertise to target customers quickly and efficiently through an integrated team of product specialists and relationship managers. This business is now positioned in Japan as a hybrid commercial and investment banking franchise. The Institutional Banking business generated total revenue of ¥52.6 billion in the first half of this fiscal year, an increase of ¥3.0 billion, or 6.2%, from the same period in the previous fiscal year. Total Institutional Banking expenses increased to ¥19.5 billion for the six months ended September 30, 2005, or ¥0.5 billion higher than the same period in the previous fiscal year. The expense to revenue ratio of the Institutional Banking business improved to 37.1% for the six months ended September 30, 2005 compared with 38.4% for the same period in the previous fiscal year.

Table 9. Institutional Banking Revenue by Product

	Billions of yen	
	Six months ended September 30, 2005	Six months ended September 30, 2004
Institutional Banking:		
Non-recourse real estate finance	**¥11.2**	¥ 8.9
Foreign exchange, derivatives, equity-related	**9.4**	7.4
Corporate loans	**8.6**	7.1
Securitization	**8.1**	8.2
Credit trading	**5.9**	9.2
Principal investments	**4.3**	3.7
Other capital markets	**3.3**	3.3
Others	**1.4**	1.3
Total revenue	**¥52.6**	¥49.5

The Institutional Banking business delivered strong results in non-recourse real estate finance, securitizations, corporate loans and capital markets activities. The balance of non-recourse real estate finance obligations grew 14.4% to ¥851.8 billion as of September 30, 2005, with 80 new transactions concluded during six months ended September 30, 2005. As a result, revenue from non-recourse real estate finance increased 26.2%, or ¥2.3 billion, to ¥11.2 billion for the six months ended September 30, 2005.

Foreign exchange, derivatives and equity-related revenue in the first six months of fiscal 2005 grew 28.3%, or ¥2.0 billion, to ¥9.4 billion. Revenues came from diversified capital markets activities with derivatives business being the most successful and earning over ¥5.0 billion.

Corporate loans increased by 6.8%, or ¥167.4 billion, to reach over ¥2.6 trillion at September 30, 2005 compared with March 31, 2005. As a result, revenues from corporate loans increased to ¥8.6 billion for the six months ended September 30, 2005, an increase of ¥1.5 billion, or 21.4%, compared to the same period in the previous fiscal year.

The securitization business closed 10 transactions during the six months ended September 30, 2005 with a total issuance amount of about ¥235.6 billion, and revenue from securitization was ¥8.1 billion for the six months ended September 30, 2005. In this business, we structure, arrange, distribute, and service mortgage-backed securities and asset-backed securities, both from third parties and ourselves. We cover all major assets classes, ranging from relatively small and homogeneous credit-card loans and residential loans to non-performing loans on which collection depends primarily on selling the collateral. The continual success of this business earned Shinsei and Shinsei Securities in May 2005 the "Commercial Mortgage-backed Securities Deal of the Year" for 2004.

Consumer and Commercial Finance

The acquisition of APLUS and Showa Leasing during the fiscal year ended March 31, 2005 strengthened our Consumer and Commercial Finance (CCF) business into one that is now contributing significantly to our overall revenues while adding new customers, experienced personnel and technical capabilities and taking advantage of Shinsei's expertise and know-how. In the six months ended September 30, 2005, our CCF business generated revenue of ¥57.6 billion, or over 44% of our total revenue. Continued expense rationalization coupled with revenue growth improved the expense to revenue ratio of this business to 51.8% in the six months ended September 30, 2005 compared to 88.5% for the same period in the previous fiscal year. The CCF business generated ordinary business profit of ¥27.8 billion in the six months ended September 30, 2005, an increase of ¥27.4 billion compared to the same period in the previous fiscal year primarily due to the addition of profits of APLUS and Showa Leasing.

Table 10. Consumer and Commercial Finance Ordinary Business Profit by Subsidiary[1]

	Billions of yen			
	Six months ended September 30, 2005			
	APLUS	Showa Leasing	Other Subsidiaries[2]	Consumer and Commercial Finance
Consumer and Commercial Finance:				
Total revenue	¥ 40.4	¥12.1	¥ 5.0	¥ 57.6
General and administrative expenses	(21.1)	(5.3)	(3.3)	(29.8)
Ordinary business profit	¥ 19.2	¥ 6.7	¥ 1.7	¥ 27.8

Notes:
(1) Net of consolidation adjustment, if applicable
(2) Includes profits of Shinki, an affiliate, and unallocated consumer and commercial finance sub-group expense

For the six months ended September 30, 2005, APLUS recorded total revenue of ¥40.4 billion on a consolidated basis from its installment shopping credit, credit cards businesses and loan guarantees. This represents 70.1% of total consumer and commercial finance business revenue and is ¥4.1 billion, or 11.6%, higher than the six months ended March 31, 2005. Showa Leasing is our commercial finance platform and provides general and auto leasing, lending and other financing solutions to small and medium-size companies. Showa Leasing recorded revenue of ¥12.1 billion for the six months ended September 30, 2005, or over 21% of total CCF revenue.

Retail Banking

The Retail Banking business continued to expand its range of innovative products and focus on empowering the customer. During the first half of fiscal 2005, following the successful launch of Shinsei's "Color your life" campaign, Shinsei added more than 247,000 new *PowerFlex* retail customers, compared to about 194,000 over the same period in the previous fiscal year. As of September 30, 2005, the Retail Banking business had more than 1.5 million retail accounts. Our Retail Banking business was also ranked first in the Nihon Keizai Shimbun's customer satisfaction survey of Japanese financial institutions for the second consecutive year. Total revenue of Retail Banking increased 1.3% to ¥21.5 billion for the six months ended September 30, 2005. The Retail Banking business had total expenses of ¥17.5 billion in the six months ended September 30, 2005, an increase of ¥1.5 billon compared to the same period in the previous fiscal year due primarily to the expansion of distribution channels and increase in customer and product support as a result of growth in retail banking activities. Ordinary business profit was ¥4.0 billion for the six months ended September 30, 2005.

Table 11. Retail Banking Revenue by Product

	Billions of yen	
	Six months ended September 30, 2005	Six months ended September 30, 2004
Retail Banking:		
Deposit-related and foreign exchange fees	**¥ 9.8**	¥11.4
Net fund transfer revenue[1]	**6.8**	6.1
Asset management	**3.2**	2.7
Loans	**1.5**	0.9
Total revenue	**¥21.5**	¥21.2

Note:
(1) Related to customer deposits and debentures

Deposit-related and foreign exchange fees mainly include derivatives income on structured deposits and commissions on foreign exchange transactions. This is partly offset by fees we incur in connection with ATMs and funds transfers. Deposits of retail customers increased by over 23% in the six months ended September 30, 2005 due in part to the success of structured deposits, and the total of retail deposits was over ¥2.8 trillion as of September 30, 2005. In the six months ended September 30, 2005, we recorded revenue of ¥9.8 billion from deposits and foreign exchange fees, a decrease of ¥1.5 billion compared to the same period in the previous fiscal year reflecting changes in interest rates affecting the profitability of structured deposits.

Net funds transfer revenue relates to the interest spread on customer deposits and debentures. Net funds transfer revenue grew ¥0.7 billion to ¥6.8 billion in the six months ended September 30, 2005 as a result of growth in retail deposits.

Fees from asset management products increased 16.6% to ¥3.2 billion for the six months ended September 30, 2005 compared to the same period in the previous fiscal year. Loans to retail customers grew 36.4%, or ¥112.2 billion, to ¥420.3 billion as of September 30, 2005. This resulted in Retail Banking recording ¥1.5 billion in revenue from housing loans and other lending products during the six months ended September 30, 2005.

ALM/Corporate/Other

ALM, Corporate and Other primarily includes results of corporate treasury activities, income from proprietary investments, intercompany eliminations, and corporate level expenses. The ordinary business loss of ¥1.0 billion for the six months ended September 30, 2005 is an improvement of ¥0.8 billion as compared to the same period in the previous fiscal year largely due to lower expenses.

Financial Condition

Total Assets

As of September 30, 2005, we had consolidated total assets of ¥9,142.7 billion, a 6.6% increase compared with March 31, 2005. The increase was attributable to loan growth in all key businesses as well as increases in securities and premises and equipment. As of September 30, 2005, our loans and bills discounted balance was ¥3,828.0 billion, ¥397.6 billion, or 11.6%, higher than at March 31, 2005. Corporate loans increased 6.8%, or ¥167.4 billion, to over ¥2.6 trillion and loans to retail customers grew 36.4%, or ¥112.2 billion, to ¥420.3 billion at September 30, 2005. Loans to consumer and commercial finance customers increased ¥42.3 billion to ¥315.0 billion at September 30, 2005.

Total Liabilities

Our total liabilities, as of September 30, 2005, were ¥8,261.6 billion, an increase of ¥525.8 billion as compared to March 31, 2005. Total deposits, including negotiable certificate of deposits, increased ¥511.5 billion, or 14.8%, to ¥3,964.3 billion at September 30, 2005 mainly due to an increase in retail deposits. Retail deposits grew ¥536.4 billion, or 23.3%, to over ¥2.8 trillion yen as of September 30, 2005. As a result, retail funding as of September 30, 2005 represented 64.7% of total customer deposits and debentures, an increase from 60.9% as of March 31, 2005.

Shareholders' Equity

Total shareholders' equity as of September 30, 2005 increased ¥33.9 billion, or 4.3%, to ¥820.6 billion compared with March 31, 2005 due largely to an increase of ¥34.0 billion in retained earnings. This was due to profits in each of our three key business lines.

Summary of Non-Consolidated Interim Statements of Income and Balance Sheets

We disclose non-consolidated financial information of Shinsei in addition to our consolidated financial statements. As a recipient of public funds, we are required by the Financial Services Agency (the "FSA") to update and report on Shinsei's achievement of non-consolidated performance targets set forth in its revitalization plan on a quarterly basis, and publicly disclose that information semiannually. Shinsei's plan was initially prepared by the LTCB upon its emergence from nationalization, and we have subsequently updated the plan in August 2001, August 2003 and August 2005.

Shinsei accounts for a substantial portion of our consolidated financial condition and results of operations. For the six months ended September 30, 2005, Shinsei accounted for 103.8% of our consolidated net income and 75.9% of our consolidated total assets. The additional portion of our consolidated assets is attributable to APLUS, Showa Leasing and other subsidiaries. While the consolidated results of operations included profits from APLUS, Showa Leasing and other subsidiaries and affiliates, our consolidated net income is slightly lower than non-consolidated net income due to the amortization of acquired goodwill and intangible assets caused by the consolidation of APLUS and Showa Leasing.

Asset Quality and Disposal of Problem Loans (Non-Consolidated)

We classify our obligors and assess our asset quality based on our self-assessment manual developed in accordance with guidelines published by the FSA. We generally perform our self-assessment quarterly and at least semi-annually. The self-assessment process involves classifying obligors based on their financial condition and then categorizing claims against obligors in order of collection risk. Based on these classifications we establish reserves and disclose our problem loans and other claims using criteria specified in the Financial Revitalization Law. We also disclose our problem loans under a format devised by the Japanese Bankers Association for the disclosure of risk-monitored loans.

The table below shows the reduction in the balance of our non-performing loans on a non-consolidated basis:

Table 12. Claims Classified under the Financial Revitalization Law (Non-Consolidated)

	Billions of yen, except percentages		
	As of September 30, 2005	As of September 30, 2004	As of March 31, 2005
Claims against bankrupt and quasi-bankrupt obligors	**¥ 2.3**	¥ 9.9	¥ 3.1
Doubtful claims	**28.2**	57.0	42.1
Substandard claims	**15.4**	6.6	6.4
Total claims disclosed under the Financial Revitalization Law[1]	**46.0**	73.7	51.7
Normal claims and claims against caution obligors excluding substandard claims	**3,920.9**	3,598.5	3,569.3
Total claims	**¥3,967.0**	¥3,672.2	¥3,621.0
Ratio of total claims disclosed under the Financial Revitalization Law to total claims	**1.2%**	2.0%	1.4%

Note:
(1) Total claims disclosed under the Financial Revitalization Law includes loans and bills discounted, customers' liabilities for acceptances and guarantees and other exposure to or in respect of bankrupt and quasi-bankrupt obligors and doubtful claims, as well as loans and bills discounted classified as substandard claims.

Coverage Ratios

As of September 30, 2005, Shinsei's non-consolidated coverage ratios for claims classified under the Financial Revitalization Law, which is the total of collateral pledged against claims, guarantees for claims and reserve for loan losses, measured against total claims, were 100.0% for claims against bankrupt and quasi-bankrupt obligors, 90.4% for doubtful claims and 73.6% for substandard claims. For all claims classified under the law, the coverage ratio was 85.3% compared to 94.3% as of March 31, 2005. The decrease in coverage ratio is mainly due to the collection and upgrading of certain claims with high coverage ratios and the increase of claims disclosed with low coverage ratios.

Shinsei directly writes off, rather than reserving, the portion of claims against bankrupt and quasi-bankrupt obligors that are estimated to be uncollectible. In the six months ended September 30, 2005 and the fiscal year ended March 31, 2005, ¥6.7 billion and ¥5.9 billion, respectively, of such claims were written off on a non-consolidated basis.

Table 13. Coverage Ratios for Non-Performing Claims Disclosed under the Financial Revitalization Law (Non-Consolidated)

	Billions of yen, except percentages				
		Amounts of coverage			
	Amount of claims	Reserve for loan losses	Collateral and guarantees	Total	Coverage ratio
As of September 30, 2005					
Claims against bankrupt and quasi-bankrupt obligors	**¥ 2.3**	**¥ —**	**¥ 2.3**	**¥ 2.3**	**100.0%**
Doubtful claims	**28.2**	**21.5**	**4.0**	**25.5**	**90.4**
Substandard claims	**15.4**	**5.5**	**5.8**	**11.3**	**73.6**
Total	**¥ 46.0**	**¥27.0**	**¥12.2**	**¥ 39.2**	**85.3**
As of September 30, 2004					
Claims against bankrupt and quasi-bankrupt obligors	¥ 9.9	¥ 5.9	¥ 4.0	¥ 9.9	100.0%
Doubtful claims	57.0	42.0	13.7	55.7	97.8
Substandard claims	6.6	2.9	3.6	6.6	100.0
Total	¥ 73.7	¥51.0	¥21.4	¥ 72.4	98.3
As of March 31, 2005					
Claims against bankrupt and quasi-bankrupt obligors	¥ 3.1	¥ —	¥ 3.1	¥ 3.1	100.0%
Doubtful claims	42.1	30.3	9.5	39.8	94.6
Substandard claims	6.4	2.7	3.0	5.8	89.5
Total	¥ 51.7	¥33.0	¥15.7	¥ 48.8	94.3

Disposal of Problem Claims

Shinsei uses a variety of methods for removing problem loans from its balance sheet, including sales, collections and, prior to the third anniversary of the closing date of the acquisition of LTCB, the return of loans to the DIC pursuant to the cancellation right regarding loan-related assets held by our predecessor, provided by the DIC in connection with the acquisition of our common shares by New LTCB Partners, C.V. in March 2000. The following table sets forth a breakdown of disposals of substandard claims, doubtful claims and claims against bankrupt and quasi-bankrupt obligors on a non-consolidated basis:

Table 14. Reduction of Problem Claims as Disclosed under the Financial Revitalization Law (Non-Consolidated)

	Billions of yen		
	Six months ended September 30, 2005	Six months ended September 30, 2004	Year ended March 31, 2005
Write-off/forgiveness	**¥3.9**	¥ 0.1	¥ 2.7
Sale	**0.2**	7.2	8.3
Transferred to the DIC via exercise of cancellation right	**—**	—	2.3
Collections, net	**1.5**	16.2	32.0
Total	**¥5.7**	¥23.6	¥45.5

For the six months ended September 30, 2005, Shinsei disposed of ¥5.7 billion in non-performing claims. Of the total decline, 69.4%, or ¥3.9 billion, was attributable to partial write-offs.

Reserve for Credit Losses

The following table sets forth a breakdown of our total reserve for credit losses on a non-consolidated basis as of the dates indicated:

Table 15. Reserve for Credit Losses (Non-Consolidated)

	Billions of yen, except percentages	
	As of September 30, 2005	As of March 31, 2005
General reserve for loan losses	**¥ 59.3**	¥ 56.1
Specific reserve for loan losses	**21.6**	35.7
Reserve for loans to restructuring countries	**0.0**	0.0
Subtotal of reserve for loan losses	**81.0**	91.9
Specific reserve for other credit losses	**33.5**	32.5
Total reserve for credit losses	**¥ 114.5**	¥ 124.4
Total claims[1]	**¥3,967.0**	¥3,621.0
Ratio of total reserve for loan losses to total claims	**2.0%**	2.5%
Ratio of total reserve for credit losses to total claims	**2.9%**	3.4%

Note:
(1) Total claims includes loans and bills discounted, foreign exchange claims, securities lent, accrued interest income and suspense payment in other assets, as well as customers' liabilities for acceptances and guarantees.

Risk-Monitored Loans

We had ¥90.1 billion in consolidated risk-monitored loans as of September 30, 2005, an increase of ¥10.1 billion compared to March 31, 2005. This increase is a result of new financing for obligors under rehabilitation.

The following tables set forth information concerning our consolidated and non-consolidated risk-monitored loans as of the dates indicated:

Table 16. Risk-Monitored Loans (Consolidated)

	Billions of yen, except percentages	
	As of September 30, 2005	As of March 31, 2005
Loans and bills discounted	**¥3,828.0**	¥3,430.4
Loans to bankrupt obligors (A)	**¥ 3.3**	¥ 2.6
Non-accrual delinquent loans (B)	**48.2**	48.1
Total loans (A)+(B)	**51.5**	50.8
Ratio to total loans and bills discounted	**1.3%**	1.5%
Loans past due for three months or more (C)	**¥ 2.5**	¥ 5.5
Restructured loans (D)	**36.0**	23.6
Total risk-monitored loans (A)+(B)+(C)+(D)	**¥ 90.1**	¥ 80.0
Ratio to total loans and bills discounted	**2.4%**	2.3%
Reserve for credit losses	**¥ 155.9**	¥ 149.7

Table 17. Risk-Monitored Loans (Non-Consolidated)

	Billions of yen, except percentages	
	As of September 30, 2005	As of March 31, 2005
Loans and bills discounted	¥3,788.0	¥3,443.7
Loans to bankrupt obligors (A)	¥ 1.5	¥ 2.3
Non-accrual delinquent loans (B)	27.5	41.2
Total loans (A)+(B)	29.1	43.5
Ratio to total loans and bills discounted	0.8%	1.3%
Loans past due for three months or more (C)	¥ 0.1	¥ 3.1
Restructured loans (D)	15.2	3.3
Total risk-monitored loans (A)+(B)+(C)+(D)	¥ 44.5	¥ 50.0
Ratio to total loans and bills discounted	1.2%	1.5%
Reserve for credit losses	¥ 114.5	¥ 124.4

Capital Ratios

Our consolidated capital adequacy ratio as of September 30, 2005 was 12.16%, compared with 11.78% as of March 31, 2005. Our Tier I capital ratio, or the ratio of Tier I capital to risk assets, also increased from 7.00% as of March 31, 2005 to 7.47% as of September 30, 2005. The principal reason for improvement in the capital ratios at September 30, 2005 was the increase of Tier I capital as the result of earnings recorded in the six months ended September 30, 2005, and amortization of intangible assets and acquired goodwill as the result of the purchase of APLUS and Showa Leasing, in spite of increase of risk assets.

The amount of our net deferred tax assets, or the difference between our deferred tax assets and our deferred tax liabilities, represented 1.8% of our Tier I capital as of September 30, 2005, compared to 0.9% as of March 31, 2005. The increase of our net deferred tax assets ratio was mainly caused by a decrease of deferred tax liabilities resulting from the amortization of intangible assets.

Table 18. Consolidated Capital Ratios

	Billions of yen, except percentages	
	As of September 30, 2005	As of March 31, 2005
Basic items (Tier I):		
Capital stock	¥ 451.2	¥ 451.2
Intangible assets and goodwill	(302.2)	(321.2)
Total Tier I (A)	517.6	463.0
Supplementary items (Tier II):		
General reserve for loan losses	43.2	41.3
Perpetual subordinated debt and bonds	248.7	246.3
Non-perpetual subordinated debt and bonds	61.0	51.0
Total	353.0	338.6
Amount eligible for inclusion in capital (B)	353.0	338.6
Deduction (C)	(28.6)	(22.7)
Total capital (D) [(A)+(B)–(C)]	¥ 842.0	¥ 778.9
Risk assets:		
On-balance sheet items	¥4,876.0	¥4,624.6
Off-balance sheet items	2,044.6	1,986.2
Total (E)	¥6,920.7	¥6,610.9
Consolidated capital adequacy ratio (D) / (E)	12.16%	11.78%
Consolidated Tier I capital ratio (A) / (E)	7.47	7.00

Consolidated Interim Balance Sheets (Unaudited)

Shinsei Bank, Limited, and Consolidated Subsidiaries
September 30, 2005 and 2004, and March 31, 2005

	Millions of yen			Thousands of U.S. dollars (Note 1)
	Sept. 30, 2005	Sept. 30, 2004	Mar. 31, 2005	Sept. 30, 2005
ASSETS				
Cash and due from banks (Notes 3 and 20)	¥ 352,584	¥ 468,901	¥ 277,593	$ 3,114,425
Call loans	117,000	50,866	70,000	1,033,478
Collateral related to securities borrowing transactions	5,232	146,333	3,744	46,219
Other monetary claims purchased (Note 4)	244,387	233,881	320,379	2,158,712
Trading assets (Notes 5, 20 and 30)	119,876	443,634	168,501	1,058,884
Monetary assets held in trust (Notes 6 and 20)	393,694	429,588	372,224	3,477,558
Securities (Notes 7 and 20)	1,678,291	1,339,840	1,478,219	14,824,584
Loans and bills discounted (Notes 8, 20 and 29)	3,828,070	3,074,644	3,430,421	33,813,893
Foreign exchanges (Note 16)	12,881	12,361	8,550	113,788
Other assets (Notes 9, 20 and 30)	868,421	711,800	850,440	7,670,891
Premises and equipment (Notes 10, 20 and 27)	419,404	106,215	418,938	3,704,656
Deferred discounts on and issuance expenses for debentures	206	264	284	1,826
Deferred tax assets	26,639	26,019	24,623	235,307
Consolidation goodwill, net	229,614	200,841	244,042	2,028,219
Customers' liabilities for acceptances and guarantees (Note 19)	1,002,462	1,237,801	1,058,161	8,854,891
Reserve for credit losses (Note 11)	(155,980)	(157,597)	(149,799)	(1,377,796)
Total assets	¥9,142,786	¥8,325,396	¥8,576,328	$80,759,535
LIABILITIES, MINORITY INTERESTS IN SUBSIDIARIES AND SHAREHOLDERS' EQUITY				
Liabilities:				
Deposits, including negotiable certificates of deposit (Notes 12 and 20)	¥3,964,390	¥3,168,831	¥3,452,813	$35,018,024
Debentures (Note 13)	1,181,728	1,333,211	1,242,632	10,438,379
Call money	170,664	173,397	204,295	1,507,501
Payables under repurchase agreements (Note 20)	—	44,994	—	—
Collateral related to securities lending transactions (Note 20)	5,672	—	—	50,103
Commercial paper	77,800	11,086	13,300	687,218
Trading liabilities (Notes 14 and 30)	80,083	72,506	69,101	707,385
Borrowed money (Notes 15 and 20)	1,166,966	656,108	1,160,265	10,307,977
Foreign exchanges (Note 16)	170	12	20	1,507
Corporate bonds (Note 17)	82,016	29,528	88,344	724,464
Other liabilities (Notes 18, 20 and 30)	501,842	805,479	412,763	4,432,847
Accrued employees bonuses	7,026	5,791	10,276	62,070
Reserve for retirement benefits	3,237	1,589	3,376	28,598
Reserve for loss on disposition of premises and equipment	153	153	153	1,351
Reserve for loss on sale of bonds	—	1,529	—	—
Reserve under special law	2	0	2	18
Deferred tax liabilities	17,419	18,584	20,262	153,869
Acceptances and guarantees (Notes 19 and 20)	1,002,462	1,237,801	1,058,161	8,854,891
Total liabilities	8,261,635	7,560,605	7,735,769	72,976,202
Minority interests in subsidiaries	60,487	1,069	53,891	534,294
Shareholders' equity:				
Capital stock (Notes 21 and 22):				
Common stock	180,853	180,853	180,853	1,597,507
Preferred stock	270,443	270,443	270,443	2,388,863
Capital surplus	18,558	18,558	18,558	163,929
Retained earnings	345,056	288,082	311,039	3,047,934
Net unrealized gain on securities available-for-sale, net of taxes	2,794	3,452	3,043	24,682
Foreign currency translation adjustments	2,968	2,333	2,738	26,224
Treasury stock, at cost (Note 22)	(11)	(2)	(9)	(100)
Total shareholders' equity	820,663	763,721	786,667	7,249,039
Total liabilities, minority interests in subsidiaries and shareholders' equity	¥9,142,786	¥8,325,396	¥8,576,328	$80,759,535

See accompanying "Notes to Consolidated Interim Financial Statements (Unaudited)," which are an integral part of these statements.

Consolidated Interim Statements of Income (Unaudited)

Shinsei Bank, Limited, and Consolidated Subsidiaries
For the six months ended September 30, 2005 and 2004, and the fiscal year ended March 31, 2005

	Millions of yen			Thousands of U.S. dollars (Note 1)
	Sept. 30, 2005 (6 months)	Sept. 30, 2004 (6 months)	Mar. 31, 2005 (1 year)	Sept. 30, 2005 (6 months)
Interest income:				
Interest on loans and bills	¥50,816	¥29,639	¥ 77,379	$448,867
Interest and dividends on securities	8,370	7,092	15,862	73,941
Interest on deposits with banks	1,176	1,650	2,834	10,391
Other interest income	946	3,154	5,320	8,360
Total interest income	61,309	41,536	101,396	541,559
Interest expenses:				
Interest on deposits, including negotiable certificates of deposit	8,074	7,283	13,671	71,321
Interest and discounts on debentures	2,621	3,203	6,184	23,153
Interest on other borrowings	8,484	5,173	13,550	74,941
Other interest expenses	2,022	504	1,090	17,865
Total interest expenses	21,201	16,165	34,497	187,280
Net interest income	40,107	25,371	66,899	354,279
Fees and commissions income	34,239	12,802	47,366	302,445
Fees and commissions expenses	10,740	4,481	14,951	94,875
Net fees and commissions	23,498	8,320	32,414	207,570
Net trading income (Note 23)	12,743	15,325	23,992	112,566
Other business income, net:				
Income on monetary assets held in trust, net	6,669	8,351	16,879	58,911
Net gain on securities and foreign exchanges	14,014	3,193	7,030	123,793
Other, net (Note 24)	33,379	12,073	30,603	294,848
Net other business income	54,063	23,618	54,512	477,552
Total revenue	130,414	72,635	177,819	1,151,967
General and administrative expenses:				
Personnel expenses	28,813	18,277	42,979	254,511
Premises expenses	9,905	4,737	14,648	87,500
Technology and data processing expenses	8,186	4,386	11,522	72,308
Advertising expenses	4,158	2,005	6,074	36,736
Consumption and property taxes	3,991	2,640	5,840	35,260
Deposit insurance premium	1,153	1,057	2,115	10,192
Other general and administrative expenses	10,794	6,135	14,136	95,346
Total general and administrative expenses	67,003	39,241	97,317	591,853
Net business profit	63,410	33,394	80,502	560,114
Net credit costs (recoveries) (Note 25)	14,562	(10,650)	(989)	128,632
Amortization of consolidation goodwill and other intangibles	14,689	—	8,837	129,754
Other gains (losses), net (Note 26)	1,654	(3,112)	(7,057)	14,612
Income before income taxes and minority interests	35,812	40,932	65,597	316,340
Income tax (benefit):				
Current	1,733	630	1,438	15,312
Deferred	(4,885)	(539)	(3,444)	(43,154)
Minority interests in net income of subsidiaries	1,258	52	168	11,115
Net income	¥37,706	¥40,789	¥ 67,435	$333,067
	Yen			U.S. dollars (Note 1)
Basic net income per common share (Note 31)	¥26.33	¥28.60	¥46.78	$0.23
Diluted net income per common share (Note 31)	18.71	21.16	34.98	0.17

See accompanying "Notes to Consolidated Interim Financial Statements (Unaudited)," which are an integral part of these statements.

Consolidated Interim Statements of Shareholders' Equity (Unaudited)

Shinsei Bank, Limited, and Consolidated Subsidiaries
For the six months ended September 30, 2005 and 2004, and the fiscal year ended March 31, 2005

	Millions of yen			Thousands of U.S. dollars (Note 1)
	Sept. 30, 2005 (6 months)	Sept. 30, 2004 (6 months)	Mar. 31, 2005 (1 year)	**Sept. 30, 2005 (6 months)**
Common stock:				
Balance at beginning of period	**¥180,853**	¥180,853	¥180,853	**$1,597,507**
Balance at end of period	**180,853**	180,853	180,853	**1,597,507**
Preferred stock:				
Balance at beginning of period	**270,443**	270,443	270,443	**2,388,863**
Balance at end of period	**270,443**	270,443	270,443	**2,388,863**
Capital surplus:				
Balance at beginning of period	**18,558**	18,558	18,558	**163,929**
Balance at end of period	**18,558**	18,558	18,558	**163,929**
Retained earnings:				
Balance at beginning of period	**311,039**	250,737	250,737	**2,747,455**
Dividends paid	**(3,688)**	(3,444)	(7,133)	**(32,585)**
Bonuses to directors of consolidated subsidiaries	**(0)**	—	—	**(3)**
Net income	**37,706**	40,789	67,435	**333,067**
Balance at end of period	**345,056**	288,082	311,039	**3,047,934**
Net unrealized gain on securities available-for-sale, net of taxes:				
Balance at beginning of period	**3,043**	7,154	7,154	**26,884**
Net change during the period	**(249)**	(3,701)	(4,110)	**(2,202)**
Balance at end of period	**2,794**	3,452	3,043	**24,682**
Foreign currency translation adjustments:				
Balance at beginning of period	**2,738**	2,255	2,255	**24,185**
Net change during the period	**230**	78	482	**2,039**
Balance at end of period	**2,968**	2,333	2,738	**26,224**
Treasury stock, at cost:				
Balance at beginning of period	**(9)**	(1)	(1)	**(82)**
Purchase of treasury stock	**(2)**	(1)	(8)	**(18)**
Balance at end of period	**(11)**	(2)	(9)	**(100)**
Total shareholders' equity	**¥820,663**	¥763,721	¥786,667	**$7,249,039**

See accompanying "Notes to Consolidated Interim Financial Statements (Unaudited)," which are an integral part of these statements.

Consolidated Interim Statements of Cash Flows (Unaudited)

Shinsei Bank, Limited, and Consolidated Subsidiaries
For the six months ended September 30, 2005 and 2004, and the fiscal year ended March 31, 2005

	Millions of yen			Thousands of U.S. dollars (Note 1)
	Sept. 30, 2005 (6 months)	Sept. 30, 2004 (6 months)	Mar. 31, 2005 (1 year)	Sept. 30, 2005 (6 months)
Cash flows from operating activities:				
Income before income taxes and minority interests	¥ 35,812	¥ 40,932	¥ 65,597	$ 316,340
Adjustments for:				
Income tax paid	(1,822)	(737)	(1,397)	(16,101)
Depreciation	70,729	1,724	3,706	624,764
Amortization of consolidation goodwill and other intangibles	14,689	—	8,837	129,754
Net change in reserve for credit losses	6,177	(20,322)	(28,083)	54,565
Net change in other reserves	(3,388)	(3,436)	(869)	(29,931)
Interest income	(61,309)	(41,536)	(101,396)	(541,559)
Interest expenses	21,201	16,165	34,497	187,280
Investment gains	(3,598)	(8,352)	(14,183)	(31,788)
Net exchange gain	(53)	(7,297)	(4,850)	(476)
Net change in trading assets	48,625	169,918	466,594	429,518
Net change in trading liabilities	10,981	126,791	(23,130)	97,004
Net change in loans and bills discounted	(396,993)	(149,834)	(506,571)	(3,506,702)
Net change in deposits, including negotiable certificates of deposit	511,576	434,341	718,324	4,518,829
Net change in debentures	(60,903)	(26,406)	(115,388)	(537,973)
Net change in borrowed money (other than subordinated debt)	(3,299)	(9,538)	56,030	(29,147)
Net change in corporate bonds (other than subordinated corporate bonds)	(4,333)	—	9,357	(38,278)
Net change in deposits with banks	29,438	(24,522)	136,664	260,036
Net change in call loans, collateral related to securities borrowing transactions and other monetary claims purchased	29,518	(164,593)	(128,397)	260,744
Net change in call money, payables under repurchase agreements, collateral related to securities lending transactions and commercial paper	36,540	(330,212)	(386,959)	322,769
Net change in foreign exchange assets	(4,331)	(2,870)	939	(38,257)
Net change in foreign exchange liabilities	149	7	16	1,325
Interest received	67,968	50,085	122,569	600,377
Interest paid	(19,903)	(15,218)	(33,534)	(175,812)
Net change in securities for trading purposes	(27,790)	18,320	24,381	(245,480)
Net change in monetary assets held in trust for trading purposes	(4,975)	(122,718)	12,454	(43,945)
Net change in leased assets	(68,499)	—	—	(605,065)
Other, net	(2,880)	55,203	(83,158)	(25,440)
Total adjustments	183,514	(55,038)	166,451	1,621,011
Net cash provided by (used in) operating activities	219,327	(14,106)	232,048	1,937,351
Cash flows from investing activities:				
Purchase of investments	(1,887,545)	(1,758,542)	(4,471,140)	(16,672,960)
Proceeds from sales of investments	368,956	298,563	652,188	3,259,046
Proceeds from maturity of investments	1,392,514	1,510,667	3,589,334	12,300,279
Purchase of premises and equipment other than leased assets	(2,797)	(4,102)	(7,301)	(24,708)
Proceeds from sales of premises and equipment other than leased assets	954	26	595	8,433
Net payment for acquisition of new subsidiaries	—	—	(75,875)	—
Net proceeds from acquisition of new subsidiaries	—	10,020	10,020	—
Proceeds from sale of subsidiary's stock	9,116	—	—	80,526
Other, net	—	244	1,380	—
Net cash (used in) provided by investing activities	(118,800)	56,877	(300,798)	(1,049,384)
Cash flows from financing activities:				
Repayment of subordinated debt	10,000	—	(19,000)	88,331
Proceeds from issuance of subordinated corporate bonds	—	—	50,000	—
Payment for redemption of subordinated corporate bonds	(3,000)	(1,570)	(2,570)	(26,500)
Proceeds from issuance of preferred shares to minority shareholders of subsidiaries	—	—	52,500	—
Dividends paid	(3,688)	(3,444)	(7,133)	(32,583)
Purchase of treasury stock	(2)	(1)	(3)	(18)
Net cash provided by (used in) financing activities	3,309	(5,015)	73,793	29,230
Foreign currency translation adjustments on cash and cash equivalents	3	16	3	31
Net change in cash and cash equivalents	103,839	37,771	5,047	917,228
Cash and cash equivalents at beginning of period	162,226	157,178	157,178	1,432,966
Cash and cash equivalents at end of period (Note 3)	¥ 266,065	¥ 194,950	¥ 162,226	$ 2,350,194

See accompanying "Notes to Consolidated Interim Financial Statements (Unaudited)," which are an integral part of these statements.
Note: Investments consist of securities and monetary assets held in trust for other than trading purposes.

Notes to Consolidated Interim Financial Statements (Unaudited)

1. Basis of Presentation

The accompanying consolidated interim financial statements of Shinsei Bank, Limited (the "Bank") and its consolidated subsidiaries (collectively, the "Group"), stated in Japanese yen, are prepared on the basis of accounting principles generally accepted in Japan and in conformity with the Banking Law of Japan, and compiled from the consolidated interim financial statements prepared under the provisions set forth in the Accounting Standards for Consolidated Interim Financial Statements (the Business Accounting Deliberation Council, March 13, 1998) and the standards of the Securities and Exchange Law of Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

Certain reclassifications and rearrangements have been made to the consolidated interim financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, the accompanying notes include information that is not required under accounting principles generally accepted in Japan, but is presented herein for the convenience of readers.

The preparation of consolidated interim financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated interim financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

As permitted by the Securities and Exchange Law of Japan, yen amounts, except for per share amounts, are presented in millions of yen and are rounded down to the nearest million. As a result, the totals do not necessarily agree with the sum of the individual amounts.

The consolidated interim financial statements are stated in Japanese yen, the currency of the country in which the Bank is incorporated and operates. The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at the rate of ¥113.21 to U.S.$1.00, the rate of exchange prevailing on the Tokyo Foreign Exchange Market on September 30, 2005. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

The Bank was placed under temporary nationalization by the prime minister of Japan on October 23, 1998, under Section 1 of Article 36 of the Financial Revitalization Law of Japan, and continued its operations in accordance with Articles 47 and 48 of the same law. The Bank's temporary nationalization status was terminated on March 1, 2000, when all common shares of the Bank held by the Deposit Insurance Corporation of Japan (the "DIC") were transferred to New LTCB Partners C.V. in accordance with the Share Purchase Agreement, dated February 9, 2000 (the "Share Purchase Agreement").

In the fiscal year ended March 31, 2004, the Bank completed an initial public offering of its shares and became listed on the First Section of the Tokyo Stock Exchange on February 19, 2004. The Bank's then controlling shareholder, New LTCB Partners C.V., offered the shares sold in the initial public offering. Following the initial public offering, the Bank also completed a secondary share offering on February 17, 2005. Prior to the secondary offering, the Bank's controlling shareholder, New LTCB Partners C.V., distributed most of its shareholdings to its investors. The investors, in turn, sold an aggregate of 36.9% of the Bank's outstanding common shares in the secondary offering.

2. Summary of Significant Accounting Policies

(a) Principles of Consolidation

The Group applied its consolidation scope using the control and influence concept. Under the control and influence concept, those companies in which the Bank, directly or indirectly, is able to exercise control over operations are to be fully consolidated and those companies in which the Bank, directly or indirectly, is able to exercise significant influence over operations are to be accounted for by the equity method.

The number of consolidated subsidiaries and affiliates as of September 30, 2005 and 2004 was as follows:

	As of September 30,	
	2005	2004
Consolidated subsidiaries	**77**	66
Affiliates accounted for using the equity method	**8**	5

Unconsolidated subsidiaries as of September 30, 2005: 78

Unconsolidated subsidiaries are mainly operating companies that undertake leasing business based on the Tokumei Kumiai system (Silent Partnership). These subsidiaries are excluded from consolidation because they are not material to the financial condition or result of operations of the Group.

Major consolidated subsidiaries as of September 30, 2005 were as listed below:

Name	Location	Percentage ownership
APLUS Co., Ltd.	Japan	64.0%
Showa Leasing Co., Ltd.	Japan	96.5%
Shinsei Trust & Banking Co., Ltd.	Japan	100.0%
Shinsei Securities Co., Ltd.	Japan	100.0%

All significant intercompany transactions, related account balances and unrealized profits and losses have been eliminated in consolidation. As of September 30, 2005, the six month period ending dates are September 30 for 57 subsidiaries, July 31 for 3 subsidiaries and June 30 for 17 subsidiaries, of which one subsidiary is consolidated using its September 30 interim financial statements and the other subsidiaries are consolidated using the July 31 and the June 30 interim financial statements with appropriate adjustments made for significant transactions during the period from the ending dates of the six month period to the date of the consolidated interim financial statements.

(b) Goodwill and Other Intangible Assets

The Bank recognized certain identifiable intangible assets in connection with the acquisition of APLUS and Showa Leasing because they arose from contractual or other legal rights, or were separable. The identified intangible assets with amortization method and period were as listed below:

APLUS Co., Ltd.

Identified intangible assets	Amortization method	Amortization period
Trade name and trade marks	Straight-line	10 years
Customer relationship	Sum-of-the-years digits	10 years
Merchant relationship	Sum-of-the-years digits	20 years

Showa Leasing Co., Ltd.

Identified intangible assets	Amortization method	Amortization period
Trade name	Straight-line	10 years
Customer relationship	Sum-of-the-years digits	20 years
Maintenance component contracts	Straight-line based on individual contract	Subject to the remaining contract years
Sublease contracts	Straight-line based or individual contract	Subject to the remaining contract years

The excess of the purchase price over the fair value of the net assets acquired, including identified intangible assets, was recorded as consolidation goodwill and will be amortized on a straight-line basis over 20 years. The amortization period is the maximum period allowed under accounting principles generally accepted in Japan and was determined based upon the Bank's business strategy. However, both APLUS and Showa Leasing had significant tax loss carryforwards and deductible temporary differences which were not recognized by the Bank at the time of the acquisition due to uncertainty concerning their ultimate realization. Had the Bank recognized the related deferred tax assets at the time of the acquisition, consolidation goodwill would have been reduced. Under Japanese GAAP, any future recognition of the benefits of the tax loss carryforwards or temporary differences (the carryforward period for tax loss carryforwards being generally limited to seven years) that existed at the acquisition would result in accelerated goodwill amortization in the period after acquisition. Any unamortized balances of identified intangible assets and consolidation goodwill are subject to impairment testing.

(c) Translation of Foreign Currency Financial Statements and Transactions

The interim financial statements of consolidated foreign subsidiaries are translated into Japanese yen at exchange rates as of their respective interim balance sheet dates, except for shareholders' equity, which is translated at the historical exchange rates. Differences arising from such translation are shown as "Foreign currency translation adjustments" in a separate component of shareholders' equity in the accompanying consolidated interim balance sheets.

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

(ii) Foreign currency accounts held by consolidated foreign subsidiaries are translated into the currency of the subsidiary at the respective period-end exchange rates.

(d) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and non-interest-bearing deposits.

(e) Other Monetary Claims Purchased
The components of other monetary claims purchased are principally loans held for trading purposes. Other monetary claims purchased held for trading purposes are recorded at fair value and unrealized gains and losses are recorded in other business income (losses).

(f) Valuation 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.

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 positions were terminated at the end of the period, which reflects liquidation and credit risks.

Trading revenue and trading expenses include the interest received and paid during the period and the gains or losses resulting from the change in the value of securities, monetary claims purchased, and derivatives between the beginning and the end of the period.

(g) Monetary Assets Held in Trust
The components of trust assets are accounted for based on the standard appropriate for each asset type. Instruments held in trust for trading purposes are recorded at fair value and unrealized gains and losses are recorded in other business income (losses). Instruments held in trust classified as available-for-sale are recorded at fair value with the corresponding unrealized gains/losses recorded directly in a separate component of shareholders' equity.

Instruments held in trust classified as available-for-sale for which fair value is not readily determinable are carried at cost.

(h) Securities
Securities other than investments in unconsolidated subsidiaries and affiliates are classified into three categories, based principally on the Group's intent, as follows:

Trading securities are securities held in anticipation of gains arising from short-term changes in market value and/or held for resale to customers. Trading securities are carried at fair value with corresponding unrealized gains/losses recorded in income.

Securities being held to maturity are debt securities for which the Group has both the positive intent and ability to hold until maturity. Securities being held to maturity are carried at amortized cost determined by the moving average method.

Securities available-for-sale are securities other than trading securities and securities being held to maturity. Securities available-for-sale are carried at fair value with the corresponding unrealized gains/losses recorded directly in a separate component of shareholders' equity. The cost of sales of these securities is determined by the moving average method. Securities available-for-sale for which fair value is not readily determinable are carried at moving average cost or amortized cost determined by the moving average method.

In addition, investments in unconsolidated subsidiaries that are not accounted for by the equity method are carried at cost determined by the moving average method.

Individual securities are written down when a decline in fair value below the cost of such securities is deemed to be other than temporary.

(i) Premises and Equipment
Premises and equipment are stated at cost less accumulated depreciation.

Depreciation of the Group's buildings and the Bank's computer equipment (including ATMs) other than personal computers is computed principally using the straight-line method, and depreciation of other equipment is computed principally using the declining-balance method. Principal estimated useful lives of buildings and equipment as of September 30, 2005 were as follows:

Buildings	3 years to 50 years
Equipment	2 years to 15 years

(j) Software
Capitalized software for internal use is depreciated using the straight-line method based on the Group's estimated useful lives (mainly five or eight years). Capitalized software for internal use is included in other assets.

(k) Impairment of Long-Lived Assets
Fixed assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of assets may not be recoverable. As a result of the impairment review, no impairment loss was recognized for the six month periods ended September 30, 2005 and 2004.

(l) Deferred Charges
Deferred charges are amortized as follows.

The Bank's deferred issuance expenses for corporate bonds are amortized by the straight-line method over the shorter of the terms of the corporate bonds or the maximum three-year period stipulated in the Japanese Commercial Code (the "Code") and its regulations.

Deferred discounts on debentures are amortized by the straight-line method over the terms of the debentures.

Deferred issuance expenses for debentures are amortized by the straight-line method over the shorter of the terms of the debentures or the maximum three-year period stipulated in the Code and its regulations.

Consolidated subsidiaries' deferred issuance expenses for corporate bonds are amortized by the straight-line method over the terms of the corporate bonds.

Formation costs and stock issuance costs of consolidated subsidiaries are charged to income in the period incurred.

(m) Reserve for Credit Losses
The reserve for loan losses of the Bank and the consolidated domestic trust and banking subsidiary has been established as detailed below based on the Bank's internal rules for establishing the reserve.

Under "Warranty of Loan-Related Assets" described in the Share Purchase Agreement, a precondition of exercise of the cancellation right was the existence of a defect and a 20% reduction in value. To estimate the reserve amount for the Bank up to September 30, 2004, the precondition of exercise of the cancellation right was taken into account. Where conclusions as to the exercise of the cancellation right were reached after the application deadline for exercising the cancellation right under the "Warranty" clause date of expiration, adjustments were made to reserve for credit losses in the period in which such events occurred. During the year ended March 31, 2005, all disputes with the DIC were settled and our cancellation right under the Share Purchase Agreement was entirely terminated.

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, 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.

The Bank applies the "discounted cash flow method" (hereinafter referred to as the "DCF method") in calculating the loan loss reserve amounts for most of the claims against obligors categorized as possibly bankrupt or substandard under the self-assessment guidelines. Under the DCF method, the loan loss reserve is determined as the difference between (a) relevant estimated cash flows discounted by the original contractual interest rate and (b) the book value of the claim. In cases where it is difficult to reasonably estimate future cash flow, the Bank sets aside as reserves the product of the estimated loss ratios on the claims and either (a) the balance of the claims, in the case of claims against substandard obligors, or (b) the unsecured, unguaranteed portion of the claims, in the case of claims against possibly bankrupt obligors.

For other claims, the Bank provides a general reserve based on historical loan loss experience.

For specific foreign claims, there is a reserve for loans to restructuring countries which has been established based on losses estimated by considering the political and economic conditions in those countries.

All claims are assessed by business divisions and branches based on the internal rules for the self-assessment of asset quality. The Credit Assessment Division, which is independent from business divisions and branches, conducts audits of these assessments, and additional reserves may be provided based on the audit 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 totaled ¥6,797 million (U.S.$60,045 thousand) and ¥11,313 million as of September 30, 2005 and 2004, respectively.

The reserve for other credit losses primarily consists of reserves on amounts, included in accounts receivable, that the Bank believes the DIC is obligated to reimburse to it but the return of which the DIC has not yet accepted, as well as a reserve taken on the Bank's contribution to an industry-wide fund set up to purchase and collect loans and certain litigation claims.

The consolidated subsidiaries other than the domestic trust and banking subsidiary calculate the general reserve for "normal" and "caution, including substandard" categories based on the specific actual historical loss ratio, and the specific reserve for the "possibly bankrupt," "virtually bankrupt" and "legally bankrupt" categories based on estimated losses, considering the recoverable value.

(n) Accrued Employees Bonuses
The accrued employees bonuses are provided in the amount of estimated bonuses, which are attributable to each period.

(o) Reserve for Retirement Benefits
The Bank, APLUS and Showa Leasing each have a non-contributory

defined benefit pension plan and certain of its consolidated domestic subsidiaries have unfunded severance indemnity plans, which cover substantially all of the Group's employees. The reserve for retirement benefits is provided for the payment of employees' retirement benefits based on the estimated amounts of the actuarial retirement benefit obligation net of the estimated value of pension assets. Net actuarial gain/loss and prior service costs are amortized using the straight-line method over the average remaining service period mainly from the period of occurrence.

Effective April 1, 2000, the Bank adopted a new accounting standard for employees' retirement benefits and accounts for the liabilities for retirement benefits based on the projected benefit obligations net of plan assets at the balance sheet date. The transitional unrecognized net retirement benefit obligation for the Bank of ¥9,081 million is being amortized using the straight-line method over 15 years.

(p) Reserve for Loss on Disposition of Premises and Equipment
The reserve for loss on disposition of premises and equipment includes the estimated amount of loss reasonably calculated based on quotations, etc. with respect to expenses for the move of branches and/or offices.

(q) Reserve for Loss on Sale of Bonds
The reserve for loss on sale of bonds is established when the Bank officially plans a sale of specific bonds, and is determined based on the estimated loss on the sale of bonds net of the gain or loss on the cancellation of derivatives designated as hedges for those bonds.

(r) Reserve under Special Law
The reserve under special law is provided for contingent liabilities from brokering of securities transactions in accordance with Article 51 of the Securities and Exchange Law of Japan.

(s) Accounting for Lease Transactions as Lessee
Under Japanese accounting standards for leases, finance leases where the ownership of the property is deemed to transfer to the lessee are capitalized, while other finance leases can be accounted for as operating leases if the required as if "capitalized" information is disclosed in the notes to the consolidated interim financial statements. All leases entered into by the Bank and its consolidated domestic subsidiaries as lessee have been accounted for as operating leases.

(t) Accounting for Lease Transactions as Lessor
Lease and rental income is recognized at the due date of each lease payment according to the lease contracts. Leased assets held by consolidated domestic subsidiaries as lessor are amortized using the straight-line method over the leasing periods.

(u) Installment Sales Finance and Credit Guarantees
Fees from customers of installment sales finance have principally been prorated by the respective number of installments, and the prorated amounts have been recognized as income either when they become due (the "sum-of-the-months digits method"), or otherwise have been recognized using the credit-balance method depending on the contract terms.

Fees from credit guarantees have been recognized either by the sum-of-the-months digits method, by the straight-line method, or by the credit-balance method depending on the contract terms.

(v) Income Taxes
Deferred income taxes relating to temporary differences between financial reporting and tax bases of assets and liabilities and tax loss carryforwards have been recognized. The asset and liability approach is used to recognize deferred income taxes.

The Bank files its corporate income tax return under the consolidated corporation tax system, which allows companies to base tax payments on the combined profits and losses of the Bank and its wholly owned domestic subsidiaries.

A valuation allowance is recognized for any portion of the deferred tax assets where it is considered more likely than not that it will not be realized.

(w) Appropriation of Retained Earnings
Cash dividends and transfers to legal reserve are recorded in the period that the relevant proposed appropriation of retained earnings is approved by the Board of Directors and noticed at the general meeting of shareholders.

(x) Derivatives and Hedge Accounting
Derivatives are stated at fair value. Derivative transactions that meet the hedge accounting criteria are primarily accounted for under a deferral method whereby unrealized gains and losses are deferred as assets or liabilities until the profits and losses on the hedged items are realized.

The gross amounts of deferred hedge losses and deferred hedge gains recorded as a result of deferral hedge accounting were ¥1,914 million (U.S.$16,914 thousand) and ¥4,396 million (U.S.$38,831 thousand) as of September 30, 2005 and ¥6,978 million and ¥4,328 million as of September 30, 2004, respectively. The net amounts were included in either other assets or other liabilities.

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

(i) Hedge of interest rate risks
Prior to April 1, 2003, 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. 24 issued by the Japanese Institute of Certified Public Accountants (the "JICPA"). Effective April 1, 2003, the Bank adopted portfolio hedging in accordance with Report No. 24. 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 accessed by each group.

Deferred hedge losses and deferred hedge gains previously recorded on the consolidated 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 balances of deferred hedge losses and deferred hedge gains attributable to macro hedge accounting were ¥124 million (U.S.$1,104 thousand) and ¥70 million (U.S.$621 thousand) as of September 30, 2005 and ¥1,199 million and ¥717 million as of September 30, 2004, respectively. The net amounts were included in deferred losses on derivatives for hedging purposes in other assets.

The consolidated domestic leasing subsidiaries partly apply deferral hedge accounting in accordance with Industry Audit Committee Report No. 19 of the JICPA.

(ii) Hedge of foreign exchange fluctuation risks
Fund swap and certain currency swap transactions are accounted for using either deferral hedge accounting or fair value hedge accounting in accordance with Industry Audit Committee Report No. 25 of the JICPA. Fund swap transactions are foreign exchange swaps, and consist of spot foreign exchange contracts bought or sold and forward foreign exchange contracts sold or bought. Such transactions are contracted for the purpose of lending or borrowing in a different currency. Fund swap transactions are used to convert the principal equivalent amount into spot foreign exchange contracts bought or sold with regard to the corresponding fund borrowing or lending. Such transactions convert the corresponding principal equivalents and foreign currency equivalents to pay and receive, whose amounts and due dates are predetermined at the time of the transactions, into forward foreign exchange contracts bought or sold.

Under deferral hedge accounting, 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 assets of net investments in foreign affiliates and securities available-for-sale (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.

(iii) Inter-company and intra-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/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.

(y) Per Share Information
Basic net income per common share calculations represent net income available to common shareholders, divided by the weighted average number of outstanding shares of common stock during the respective period, retroactively adjusted for stock splits and/or reverse stock splits.

Diluted net income per common share calculations consider the dilutive effect of common stock equivalents, which include preferred

shares and stock acquisition rights, assuming that all preferred shares were converted into common stock at the beginning of the period with an applicable adjustment for related dividends on preferred stock, and that stock acquisition rights were fully exercised at the time of the beginning of the period.

Cash dividends per common share and per Class A and Class B preferred shares presented in the accompanying consolidated interim statements of income are interim dividends applicable to the respective periods to be paid after the end of the periods, which are retroactively adjusted for stock splits and/or reverse stock splits.

(z) Reclassifications

Certain reclassifications have been made to the consolidated interim financial statements for the six months ended September 30, 2004 to conform to the presentation for the six months ended September 30, 2005.

3. Cash and Cash Equivalents

The reconciliation of cash and cash equivalents at end of period and cash and due from banks in the consolidated interim balance sheets as of September 30, 2005 and 2004 was as follows:

	Millions of yen		Thousands of U.S. dollars
	As of September 30,		
	2005	2004	2005
Cash and due from banks	¥352,584	¥ 468,901	$3,114,425
Interest-bearing deposits included in due from banks	(86,518)	(273,951)	(764,231)
Cash and cash equivalents at end of period	¥266,065	¥ 194,950	$2,350,194

4. Other Monetary Claims Purchased

(a) Other monetary claims purchased as of September 30, 2005 and 2004 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	As of September 30,		
	2005	2004	2005
Trading purposes	¥151,471	¥151,674	$1,337,967
Other	92,916	82,207	820,745
Total	¥244,387	¥233,881	$2,158,712

(b) The fair value and unrealized gain or loss of other monetary claims purchased for trading purposes as of September 30, 2005 and 2004 were as follows:

	Millions of yen				Thousands of U.S. dollars	
	As of September 30,					
	2005		2004		2005	
	Fair value	Unrealized loss	Fair value	Unrealized gain	Fair value	Unrealized loss
Trading purposes	¥151,471	¥(805)	¥151,674	¥1,464	$1,337,968	$(7,114)

5. Trading Assets

Trading assets as of September 30, 2005 and 2004 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	As of September 30,		
	2005	2004	2005
Trading securities	¥ 4,656	¥269,369	$ 41,132
Derivatives for trading securities	8,261	1,287	72,976
Securities held to hedge trading transactions	41,833	101,045	369,521
Derivatives for securities held to hedge trading transactions	854	—	7,549
Trading-related financial derivatives	64,269	71,931	567,706
Total	¥119,876	¥443,634	$1,058,884

6. Monetary Assets Held in Trust

(a) Monetary assets held in trust as of September 30, 2005 and 2004 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	As of September 30,		
	2005	2004	2005
Trading purposes	¥223,233	¥353,431	$1,971,854
Other	170,460	76,157	1,505,704
Total	¥393,694	¥429,588	$3,477,558

(b) The fair value and unrealized loss of monetary assets held in trust for trading purposes as of September 30, 2005 and 2004 were as follows:

	Millions of yen				Thousands of U.S. dollars	
	As of September 30,					
	2005		2004		2005	
	Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss
Trading purposes	¥223,233	¥(6,071)	¥353,431	¥(3,428)	$1,971,854	$(53,630)

(c) The acquisition cost and the book value of monetary assets held in trust for other than trading purposes as of September 30, 2005 and 2004 were as follows:

	Millions of yen							
	As of September 30, 2005				As of September 30, 2004			
	Acquisition cost	Gross unrealized gain	Gross unrealized loss	Book value	Acquisition cost	Gross unrealized gain	Gross unrealized loss	Book value
Other	**¥170,460**	**¥ —**	**¥ —**	**¥170,460**	¥76,157	¥ —	¥ —	¥76,157

	Thousands of U.S. dollars			
	As of September 30, 2005			
	Acquisition cost	Gross unrealized gain	Gross unrealized loss	Book value
Other	**$1,505,704**	**$ —**	**$ —**	**$1,505,704**

7. Securities

(a) Securities as of September 30, 2005 and 2004 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	As of September 30,		
	2005	2004	**2005**
Trading securities	**¥ 76,341**	¥ 54,611	**$ 674,337**
Securities being held to maturity	**160,534**	1,520	**1,418,027**
Securities available-for-sale:			
Marketable securities, at fair value	**1,163,046**	1,167,023	**10,273,351**
Securities whose fair value is not readily determinable, at amortized cost	**253,653**	111,210	**2,240,561**
Equity securities of unconsolidated subsidiaries, at cost and affiliates using the equity method	**24,714**	5,475	**218,308**
Total	**¥1,678,291**	¥1,339,840	**$14,824,584**

The above balances do not include securities held in relation to securities borrowing transactions with or without cash collateral, securities purchased under resale agreements or securities accepted as collateral based on derivative transactions, where the Group has the right to sell or pledge such securities without restrictions. The balances of those securities as of September 30, 2005 and 2004 were ¥25,479 million (U.S.$225,065 thousand) and ¥145,169 million, respectively.

(b) The amortized cost and the fair value of marketable securities (other than trading securities) as of September 30, 2005 and 2004 were as follows:

	Millions of yen							
	As of September 30, 2005				As of September 30, 2004			
	Amortized cost	Gross unrealized gain	Gross unrealized loss	Fair value	Amortized cost	Gross unrealized gain	Gross unrealized loss	Fair value
Securities being held to maturity:								
Japanese national government bonds	**¥ 160,534**	**¥ 0**	**¥ 793**	**¥ 159,741**	¥ 20	¥ 0	¥ —	¥ 21
Japanese corporate bonds	**—**	**—**	**—**	**—**	1,499	—	—	1,499
Total	**¥ 160,534**	**¥ 0**	**¥ 793**	**¥ 159,741**	¥ 1,520	¥ 0	¥ —	¥ 1,520
Securities available-for-sale:								
Equity securities	**¥ 16,604**	**¥4,502**	**¥ 223**	**¥ 20,883**	¥ 7,011	¥1,165	¥ 5	¥ 8,172
Japanese national government bonds	**469,996**	**8**	**2,474**	**467,531**	863,385	628	614	863,414
Japanese local government bonds	**166,163**	**0**	**80**	**166,083**	76,903	5	42	76,867
Japanese corporate bonds	**367,908**	**109**	**102**	**367,915**	97,438	166	90	97,514
Other, mainly foreign debt securities	**137,424**	**4,143**	**743**	**140,632**	116,468	5,500	893	121,055
Total	**¥1,158,097**	**¥8,763**	**¥3,623**	**¥1,163,046**	¥1,161,208	¥7,466	¥1,645	¥1,167,023

	Thousands of U.S. dollars			
	As of September 30, 2005			
	Amortized cost	Gross unrealized gain	Gross unrealized loss	Fair value
Securities being held to maturity:				
Japanese national government bonds	**$ 1,418,027**	**$ 3**	**$ 7,010**	**$ 1,411,020**
Japanese corporate bonds	**—**	**—**	**—**	**—**
Total	**$ 1,418,027**	**$ 3**	**$ 7,010**	**$ 1,411,020**
Securities available-for-sale:				
Equity securities	**$ 146,671**	**$39,771**	**$ 1,976**	**$ 184,466**
Japanese national government bonds	**4,151,549**	**79**	**21,857**	**4,129,771**
Japanese local government bonds	**1,467,747**	**2**	**709**	**1,467,041**
Japanese corporate bonds	**3,249,786**	**964**	**903**	**3,249,846**
Other, mainly foreign debt securities	**1,213,888**	**36,597**	**6,566**	**1,242,227**
Total	**$10,229,641**	**$77,413**	**$32,011**	**$10,273,351**

Individual securities are written down when a decline in fair value below the cost of such securities is deemed to be other than temporary. Impaired loss for the six months ended September 30, 2004 was ¥1,099 million.

Gross unrealized gains and losses as of September 30, 2005 and 2004, as presented above, do not include the valuation gains or losses related to certain securities with embedded derivatives, which are carried at ¥191 million (loss) (U.S.$1,691 thousand) and ¥6 million (loss), respectively, and for which the gains or losses have been recorded in other business income (losses).

(c) Securities available-for-sale sold during the six months ended September 30, 2005 and 2004 were as follows:

	Millions of yen					
	Six months ended September 30, 2005			Six months ended September 30, 2004		
	Proceeds from sales	Total amount of gains on sales	Total amount of losses on sales	Proceeds from sales	Total amount of gains on sales	Total amount of losses on sales
Securities available-for-sale	**¥361,094**	**¥2,685**	**¥2,228**	¥291,923	¥1,883	¥1,977

	Thousands of U.S. dollars		
	Six months ended September 30, 2005		
	Proceeds from sales	Total amount of gains on sales	Total amount of losses on sales
Securities available-for-sale	**$3,189,602**	**$23,722**	**$19,685**

(d) In addition to the above, profit and loss resulting from the cancellation of derivative instruments executed to hedge these investments was recorded in other business income (losses) for the six months ended September 30, 2004.

The amortized cost of securities available-for-sale whose fair value is not readily determinable as of September 30, 2005 and 2004 was as follows:

	Millions of yen		Thousands of U.S. dollars
	As of September 30,		
	2005	2004	**2005**
Equity securities	**¥ 5,376**	¥ 5,525	**$ 47,494**
Japanese local government bonds	**105**	—	**932**
Japanese corporate bonds	**215,327**	75,438	**1,902,014**
Foreign securities	**23,846**	30,175	**210,636**
Other	**8,998**	71	**79,484**
Total	**¥253,653**	¥111,210	**$2,240,560**

(e) Redemption schedules for held-to-maturity and available-for-sale securities with maturity as of September 30, 2005 and 2004 were as follows:

	Millions of yen							
	As of September 30, 2005				As of September 30, 2004			
	1 year or less	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years	1 year or less	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years
Bonds:								
Japanese national government bonds	**¥289,842**	**¥203,190**	**¥ 80,520**	**¥54,513**	¥423,558	¥386,139	¥22,270	¥31,465
Japanese local government bonds	**165,066**	**1,113**	**9**	**—**	76,857	4	9	—
Japanese corporate bonds	**352,558**	**228,745**	**1,937**	**—**	63,134	94,079	17,224	13
Subtotal	**807,467**	**433,049**	**82,466**	**54,513**	563,550	480,223	39,504	31,478
Other	**5,623**	**98,680**	**42,323**	**17,708**	6,301	73,466	57,309	4,673
Total	**¥813,091**	**¥531,730**	**¥124,789**	**¥72,221**	¥569,852	¥553,690	¥96,814	¥36,152

	Thousands of U.S. dollars			
	As of September 30, 2005			
	1 year or less	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years
Bonds:				
Japanese national government bonds	**$2,560,222**	**$1,794,808**	**$ 711,245**	**$481,523**
Japanese local government bonds	**1,458,052**	**9,838**	**82**	**—**
Japanese corporate bonds	**3,114,204**	**2,020,542**	**17,115**	**—**
Subtotal	**7,132,478**	**3,825,188**	**728,442**	**481,523**
Other	**49,675**	**871,662**	**373,845**	**156,421**
Total	**$7,182,153**	**$4,696,850**	**$1,102,287**	**$637,944**

8. Loans and Bills Discounted

Loans and bills discounted as of September 30, 2005 and 2004 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	As of September 30,		
	2005	2004	**2005**
Loans on deeds	**¥3,184,555**	¥2,425,559	**$28,129,629**
Loans on bills	**137,248**	268,421	**1,212,338**
Bills discounted	**70**	188	**619**
Overdrafts	**506,196**	380,474	**4,471,307**
Total	**¥3,828,070**	¥3,074,644	**$33,813,893**

(a) Loans and bills discounted include loans to bankrupt obligors totaling ¥3,348 million (U.S.$29,581 thousand) and ¥7,806 million as of September 30, 2005 and 2004, respectively, as well as non-accrual delinquent loans totaling ¥48,209 million (U.S.$425,842 thousand) and ¥61,326 million as of September 30, 2005 and 2004, respectively.

Non-accrual delinquent loans include loans classified as "possibly bankrupt" and "virtually bankrupt" under the Bank's self-assessment guidelines.

In addition to non-accrual delinquent loans as defined, certain other loans classified as "substandard" under the Bank's self-assessment guidelines include past due loans (three months or more).

Past due loans (three months or more) consist of loans for which the principal and/or interest is three months or more past due but exclude loans to bankrupt obligors and non-accrual delinquent loans. The balances of past due loans (three months or more) as of September 30, 2005 and 2004 were ¥2,530 million (U.S.$22,352 thousand) and ¥4,895 million, respectively.

Restructured loans are loans where the Group relaxes lending conditions, such as by reducing the original interest rate, or by forbearing interest payments or principal repayments to support the borrower's reorganization, but exclude loans to bankrupt obligors, non-accrual delinquent loans or past due loans (three months or more). The outstanding balances of restructured loans as of September 30, 2005 and 2004 were ¥36,068 million (U.S.$318,596 thousand) and ¥22,912 million, respectively.

(b) The total outstanding amounts deducted from the loan account for loan participations as of September 30, 2005 and 2004 were ¥127,911 million (U.S.$1,129,862 thousand) and ¥157,386 million, respectively. This "off-balance sheet" treatment was in accordance with guidelines issued by the JICPA.

(c) The amount of loans sold through senior certificates under a collateralized loan obligation ("CLO") securitization totaled ¥252,812 million (U.S.$2,233,130 thousand) and ¥327,289 million as of September 30, 2005 and 2004, respectively, with the subordinated certificates retained by the Bank totaling ¥97,856 million (U.S.$864,382 thousand) and ¥121,564 million as of September 30, 2005 and 2004, respectively, recorded as loans.

A reserve for credit losses was established based on the aggregate amount of the senior and subordinated certificate portions described above, taking into consideration all credit risks to be absorbed by the subordinated certificates.

(d) 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 September 30, 2005 and 2004 were ¥75 million (U.S.$671 thousand) and ¥199 million, respectively.

9. Other Assets

Other assets as of September 30, 2005 and 2004 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	As of September 30,		
	2005	2004	**2005**
Accrued income	**¥ 36,423**	¥ 33,285	**$ 321,735**
Prepaid expenses	**6,227**	2,197	**55,004**
Fair value of derivatives	**21,589**	22,689	**190,701**
Deferred losses on derivatives for hedging purposes	**—**	2,649	**—**
Financial stabilization fund contribution	**70,239**	70,239	**620,431**
Accounts receivable	**70,506**	167,260	**622,797**
Installment receivables	**415,677**	216,354	**3,671,740**
Intangible assets	**72,654**	70,222	**641,763**
Intangible leased assets	**42,792**	—	**377,993**
Other	**132,311**	126,902	**1,168,727**
Total	**¥868,421**	¥711,800	**$7,670,891**

As of September 30, 2004, shares of investment limited liability associations were included in "other" in "other assets." As of September 30, 2005, they are included in "securities" since the investment shares have been defined as securities under "The Law which Revises the Parts of the Securities Exchange Act, etc." (June 9, 2004, Law No. 97). Such investments were ¥16,426 million (U.S.$152,964 thousand) as of September 30, 2005.

Installment receivables in other assets include credits to bankrupt obligors totaling ¥1,860 million (U.S.$16,437 thousand), non-accrual delinquent credit totaling ¥5,373 million (U.S.$47,460 thousand), past due credits (three months or more) of ¥1,068 million (U.S.$9,435 thousand), and restructured credit of ¥17,634 million (U.S.$155,769 thousand) as of September 30, 2005 and credits to bankrupt obligors totaling ¥156 million and non-accrual delinquent credits totaling ¥2,281 million as of September 30, 2004.

10. Premises and Equipment

Premises and equipment as of September 30, 2005 and 2004 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	As of September 30,		
	2005	2004	2005
Land	¥ 43,597	¥ 41,344	$ 385,104
Buildings	49,000	46,021	432,828
Equipment	15,204	13,443	134,299
Security deposits	16,006	17,409	141,387
Tangible leased assets	367,521	—	3,246,368
Other	1,054	703	9,317
Subtotal	492,384	118,921	4,349,303
Accumulated depreciation	(72,980)	(12,706)	(644,647)
Net book value	¥419,404	¥106,215	$3,704,656

11. Reserve for Credit Losses

Reserve for credit losses as of September 30, 2005 and 2004 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	As of September 30,		
	2005	2004	2005
Reserve for loan losses:			
General reserve	¥ 76,074	¥ 50,070	$ 671,979
Specific reserve	46,322	52,743	409,174
Reserve for loans to restructuring countries	16	10	144
Subtotal	122,413	102,824	1,081,297
Specific reserve for other credit losses	33,566	54,773	296,499
Total	¥155,980	¥157,597	$1,377,796

12. Deposits, including Negotiable Certificates of Deposit

Deposits, including negotiable certificates of deposit, as of September 30, 2005 and 2004 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	As of September 30,		
	2005	2004	2005
Current	¥ 46,541	¥ 13,367	$ 411,106
Ordinary	1,083,890	781,697	9,574,160
Notice	19,491	21,202	172,173
Time	2,148,625	1,592,457	18,979,115
Negotiable certificates of deposit	319,292	476,336	2,820,358
Other	346,548	283,769	3,061,112
Total	¥3,964,390	¥3,168,831	$35,018,024

13. Debentures

Debentures as of September 30, 2005 and 2004 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	As of September 30,		
	2005	2004	2005
Coupon debentures	¥1,176,827	¥1,273,525	$10,395,085
Discount debentures	4,901	59,685	43,294
Total	¥1,181,728	¥1,333,211	$10,438,379

Annual maturities of debentures as of September 30, 2005 were as follows:

	Millions of yen	Thousands of U.S. dollars
	As of September 30, 2005	
Through the year ending September 30,		
2006	¥ 513,716	$ 4,537,734
2007	136,619	1,206,778
2008	183,636	1,622,090
2009	167,368	1,478,388
2010 and thereafter	180,387	1,593,389
Total	¥1,181,728	$10,438,379

14. Trading Liabilities

Trading liabilities as of September 30, 2005 and 2004 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	As of September 30,		
	2005	2004	2005
Derivatives for trading securities	¥ 3,921	¥ —	$ 34,642
Securities related to trading transactions sold for short sales	217	—	1,919
Derivatives for securities held to hedge trading transactions	952	2	8,416
Trading-related financial derivatives	74,402	72,298	657,208
Other	588	205	5,200
Total	¥80,083	¥72,506	$707,385

15. Borrowed Money

Borrowed money as of September 30, 2005 and 2004 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	As of September 30,		
	2005	2004	2005
Subordinated debt	¥ 185,000	¥194,000	$ 1,634,131
Borrowings from the Bank of Japan and other financial institutions	981,966	462,108	8,673,846
Total	¥1,166,966	¥656,108	$10,307,977

Annual maturities of borrowed money as of September 30, 2005 were as follows:

	Millions of yen	Thousands of U.S. dollars
	As of September 30, 2005	
Through the year ending September 30,		
2006	¥ 506,720	$ 4,475,933
2007	154,812	1,367,478
2008	88,429	781,112
2009	26,277	232,110
2010 and thereafter	390,726	3,451,344
Total	¥1,166,966	$10,307,977

16. Foreign Exchanges

The assets and liabilities related to foreign currency trade financing activities of the Bank as of September 30, 2005 and 2004 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	As of September 30,		
	2005	2004	2005
Foreign exchange assets:			
Foreign bills bought	¥ 5	¥ 10	$ 52
Foreign bills receivable	4,526	2,249	39,983
Due from foreign banks	8,349	10,101	73,753
Total	¥12,881	¥12,361	$113,788
Foreign exchange liabilities:			
Foreign bills payable	¥168	¥10	$1,490
Due to foreign banks	1	1	17
Total	¥170	¥12	$1,507

17. Corporate Bonds

Corporate bonds as of September 30, 2005 and 2004 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	As of September 30,		
	2005	2004	2005
Subordinated bonds	¥70,270	¥24,107	$620,711
Corporate bonds	11,745	5,420	103,753
Total	¥82,016	¥29,528	$724,464

Annual maturities of corporate bonds as of September 30, 2005 were as follows:

	Millions of yen	Thousands of U.S. dollars
	As of September 30, 2005	
Through the year ending September 30,		
2006	¥ —	$ —
2007	566	5,000
2008	2,172	19,188
2009	4,755	42,004
2010 and thereafter	74,522	658,272
Total	¥82,016	$724,464

18. Other Liabilities

Other liabilities as of September 30, 2005 and 2004 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	As of September 30,		
	2005	2004	2005
Accrued expenses	¥ 47,350	¥ 45,126	$ 418,249
Unearned income	2,295	8,478	20,276
Income taxes payable	2,452	1,187	21,661
Fair value of derivatives	16,586	20,238	146,515
Matured debentures, including interest	38,733	49,043	342,140
Deferred gains on derivatives for hedging purposes	2,481	—	21,916
Suspense receipts	46,044	84,872	406,718
Due to trust account	85,938	51,780	759,111
Accounts payable	251,814	357,661	2,224,312
Other	8,145	187,089	71,949
Total	¥501,842	¥805,479	$4,432,847

19. Acceptances and Guarantees

Acceptances and guarantees as of September 30, 2005 and 2004 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	As of September 30,		
	2005	2004	2005
Guarantees	¥1,002,414	¥1,237,714	$8,854,467
Letters of credit	47	87	424
Total	¥1,002,462	¥1,237,801	$8,854,891

20. Assets Pledged as Collateral

Assets pledged as collateral and debts collateralized as of September 30, 2005 and 2004 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	As of September 30,		
	2005	2004	2005
Assets:			
Cash and due from banks	¥ 10	¥ 2,102	$ 88
Trading assets	—	44,942	—
Monetary assets held in trust	—	21,268	—
Securities	325,269	594,422	2,873,148
Loans and bills discounted	102	3,670	901
Other assets	1,329	74,202	11,740
Premises and equipment	321	—	2,840
Debts:			
Deposits, including negotiable certificates of deposit	¥ 5,457	¥ 6,045	$ 48,211
Payables under repurchase agreements	—	44,994	—
Collateral related to securities lending transactions	5,672	—	50,103
Borrowed money	3,276	85,347	28,937
Other liabilities	1,225	2,056	10,827
Acceptances and guarantees	—	2,092	—

A total of ¥1,962 million (U.S.$17,335 thousand) of unearned lease claims are pledged as collateral for the above-mentioned borrowed money as of September 30, 2005.

In addition, ¥125,870 million (U.S.$1,111,834 thousand) of securities as of September 30, 2005, and ¥141,141 million of securities as of September 30, 2004 were pledged as collateral for transactions, including exchange settlements, swap transactions and the replacement of margin for futures trading.

Also, ¥7,899 million (U.S.$69,778 thousand) and ¥3,263 million of margin deposits for futures transactions outstanding were included in other assets as of September 30, 2005 and 2004, respectively.

21. Change in Conversion Price

The Bank's common shareholders approved a 1-for-2 reverse common stock split at the general meeting of shareholders held on June 25, 2003. Consequently, as of July 29, 2003, the capital stock of the Bank consisted of 1,358,537 thousand shares of common stock, 74,528 thousand shares of Class A preferred stock and 600,000 thousand shares of Class B preferred stock.

The Bank's common shareholders approved the amendment of the conversion conditions of preferred stock simultaneously at the general meeting of shareholders held on June 25, 2003. Consequently, as of July 29, 2003, the conversion conditions of preferred stock were amended as follows:

- For Class A preferred shares, the conversion price is changed to ¥360 from ¥180, and the maximum number of shares of common stock to one share of preferred stock is changed to two shares from four shares at the time of simultaneous conversion to common stock.
- For Class B preferred shares, the minimum conversion price is changed to ¥600 from ¥300, and the maximum number of shares of common stock to one share of preferred stock at the time of simultaneous conversion to common stock is changed to 2/3 shares from 4/3 shares, and the minimum is changed to 1/2 share from one share.

In addition, due to the issuance of stock options as of July 1, 2004, the minimum conversion price is changed to ¥599.90 from ¥600, and the maximum conversion price is changed to ¥799.90 from ¥800 for Class B preferred shares as per the market price methodology in the terms and conditions.

22. Stock Acquisition Rights and Acquisitions of Treasury Stock

(a) Stock Acquisition Rights

The Bank issues stock acquisition rights as a stock option plan to 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.

Stock acquisition rights provide eligible individuals (the "holders") the right to purchase common stock of the Bank without any considerations at an exchange rate of one thousand common shares to one stock acquisition right. The amount of money to be paid upon exercising stock acquisition rights is the amount calculated by multiplying the payment amount per share (the "exercise price") and the number of common shares that can be purchased through the exercise of one stock acquisition right. Conditions are stipulated in the "Agreement on the Grant of Stock Acquisition Rights" entered into between the Bank and the holders to whom stock acquisition rights were allotted based on the resolution of the general meeting of shareholders and the meetings of the Board of Directors which resolves the issuance of stock acquisition rights.

Based on the resolution of the annual general meeting of shareholders on June 24, 2004, the Bank issued 9,891 stock acquisition rights, which are exchangeable for up to 9,891,000 common shares, between July 1, 2004 and June 1, 2005. The exercise period is from July 1, 2006 to June 23, 2014 and the exercise prices vary from ¥551 to ¥697.

At the annual general meeting of shareholders on June 24, 2005, the Bank obtained approval for the issuance of up to a total of 24,000 acquisition rights. Based on this approval, the Bank has already issued 9,836 stock acquisition rights, which are exchangeable for up to 9,836,000 common shares, as shown in the following schedule. Under this approval, the remaining 14,164 stock acquisition rights, which are exchangeable for up to 14,164,000 common shares, may be issued by the closing of the next annual general meeting of shareholders scheduled to be held in June 2006.

Date of issuance	Total number of stock acquisition rights issued	Total number of directors and employees	Exercise period	Exercise price
June 27, 2005	4,922	462	July 1, 2007–June 23, 2015	¥601
June 27, 2005	2,856	40	July 1, 2005–June 23, 2015	¥601
June 27, 2005	1,287	135	July 1, 2007–June 23, 2015	¥601
June 27, 2005	561	35	July 1, 2005–June 23, 2015	¥601
September 28, 2005	157	2	July 1, 2007–June 23, 2015	¥697
September 28, 2005	53	2	July 1, 2007–June 23, 2015	¥697

(b) Acquisitions of Treasury Stock

At the annual general meeting of shareholders on June 24, 2005, the Bank obtained approval to acquire up to 25 million common shares of the Bank at an aggregate acquisition price of ¥17.5 billion as treasury stock in order to implement the stock option plan, and in order to conduct flexible capital management in response to changes in the business environment. The acquisitions can be made during the period from the closing of the annual general meeting of shareholders on June 24, 2005, to the closing of the immediately following annual general meeting of shareholders.

23. Net Trading Income

Net trading income for the six months ended September 30, 2005 and 2004 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Six months ended September 30,		
	2005	2004	2005
Income from trading securities	¥ 2,828	¥ 1,307	$ 24,985
Income from securities held to hedge trading transactions	1,527	797	13,493
Income from trading-related financial derivatives	8,435	13,136	74,511
Other, net	(47)	83	(423)
Total	¥12,743	¥15,325	$112,566

24. Other Business Income, Net

"Other, net" in other business income, net, for the six months ended September 30, 2005 and 2004 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Six months ended September 30,		
	2005	2004	2005
Net gain on other monetary claims purchased for trading purposes	¥ 7,255	¥ 9,544	$ 64,088
Losses from derivatives for banking purposes, net	(1,413)	(794)	(12,486)
Equity in net income of affiliates	2,056	141	18,163
Income from equity-related derivatives	145	212	1,283
Amortization of deferred issuance cost for debentures	(177)	(120)	(1,568)
Income on leased assets and installment receivables	23,656	1,104	208,966
Other, net	1,856	1,984	16,402
Total	¥33,379	¥12,073	$294,848

25. Net Credit Costs (Recoveries)

Net credit costs (recoveries) for the six months ended September 30, 2005 and 2004 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Six months ended September 30,		
	2005	2004	2005
Losses on write-off of loans	¥ 10,511	¥ 972	$ 92,850
Net provision (reversal) of reserve for loan losses:			
Net provision (reversal) of general reserve for loan losses	27,644	(10,480)	244,189
Net (reversal) provision of specific reserve for loan losses	(26,296)	234	(232,285)
Net provision of reserve for loans to restructuring countries	10	4	95
Subtotal	1,358	(10,241)	11,999
Net provision (reversal) of specific reserve for other credit losses	1,105	(2,539)	9,766
Losses on write-off of bonds	169	—	1,500
Provision of reserve for loss on sale of bonds	—	1,157	—
Other, net	1,417	—	12,517
Total	¥ 14,562	¥(10,650)	$ 128,632

26. Other Gains (Losses), Net

Other gains (losses), net, for the six months ended September 30, 2005 and 2004 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Six months ended September 30,		
	2005	2004	2005
Net loss on disposal of premises and equipment	¥ (62)	¥ (367)	$ (550)
Pension-related costs	(620)	(2,225)	(5,478)
Gain on prescription of debentures	112	70	992
Recoveries of written-off claims	303	86	2,684
Provision for loss on disposition of premises and equipment	—	(153)	—
Gain on sale of subsidiary's stock	2,371	—	20,944
Other, net	(450)	(523)	(3,980)
Total	¥1,654	¥(3,112)	$14,612

27. Lease Transactions

(a) Finance lease transactions, under which the ownership of the property is not deemed to transfer to the lessee, as of September 30, 2005 and 2004 consisted of the following:

As Lessee

The assumed amounts of acquisition cost, accumulated depreciation and net balance of leased assets as of September 30, 2005 and 2004 were as follows:

	Millions of yen		Thousands of U.S. dollars
	As of September 30,		
Leased assets	2005	2004	2005
Acquisition cost:			
Equipment	¥2,871	¥2,355	$25,360
Other	219	243	1,942
Total	¥3,090	¥2,599	$27,302
Accumulated depreciation:			
Equipment	¥ 700	¥ 104	$ 6,190
Other	123	116	1,092
Total	¥ 824	¥ 221	$ 7,282
Net balance:			
Equipment	¥2,170	¥2,251	$19,170
Other	96	126	850
Total	¥2,266	¥2,378	$20,020

Lease obligations as of September 30, 2005 and 2004 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	As of September 30,		
	2005	2004	2005
Obligations:			
Due within one year	¥ 746	¥ 655	$ 6,598
Due after one year	1,592	1,804	14,065
Total	¥2,339	¥2,459	$20,663

For the six months ended September 30, 2005 and 2004, total lease payments were ¥418 million (U.S.$3,697 thousand) and ¥39 million, assumed depreciation expenses were ¥382 million (U.S.$3,375 thousand) and ¥39 million and assumed interest expenses were ¥40 million (U.S.$362 thousand) and ¥1 million, respectively.

Assumed depreciation expense is calculated using the straight-line method over the useful life of the respective leased assets with zero residual value. The difference between total lease payments and the assumed acquisition cost of leased assets is charged to assumed interest expense, and is allocated to each period using the interest method.

As Lessor

Acquisition cost, accumulated depreciation and net balance of leased assets as of September 30, 2005 and 2004 were as follows:

	Millions of yen		Thousands of U.S. dollars
	As of September 30,		
Leased assets	2005	2004	2005
Acquisition cost:			
Equipment	¥332,676	¥5,118	$2,938,576
Other	59,069	530	521,773
Total	¥391,746	¥5,649	$3,460,349
Accumulated depreciation:			
Equipment	¥ 53,965	¥ —	$ 476,685
Other	9,376	—	82,824
Total	¥ 63,342	¥ —	$ 559,509
Net balance:			
Equipment	¥278,710	¥5,118	$2,461,891
Other	49,693	530	438,949
Total	¥328,404	¥5,649	$2,900,840

Future lease payment receivables as of September 30, 2005 and 2004 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	As of September 30,		
	2005	2004	2005
Future lease payment receivables:			
Due within one year	¥116,976	¥2,066	$1,033,268
Due after one year	227,282	4,196	2,007,620
Total	¥344,258	¥6,262	$3,040,888

Total lease revenues were ¥72,765 million (U.S.$642,749 thousand), depreciation expenses were ¥62,151 million (U.S.$548,992 thousand), and assumed interest income was ¥7,508 million (U.S.$66,320 thousand) for the six months ended September 30, 2005.

Depreciation expense is calculated using the straight-line method over the lease term. The differences between total lease revenues and acquisition cost of leased assets were charged to assumed interest income, and were allocated to each period using the interest method.

(b) Non-cancelable operating lease obligations as lessee and future lease payment receivables as lessor as of September 30, 2005 and 2004 consisted of the following:

As Lessee

	Millions of yen		Thousands of U.S. dollars
	As of September 30,		
	2005	2004	2005
Obligations:			
Due within one year	¥1,298	¥1,243	$11,467
Due after one year	5,066	6,192	44,757
Total	¥6,365	¥7,436	$56,224

As Lessor

	Millions of yen		Thousands of U.S. dollars
	As of September 30,		
	2005	2004	2005
Future lease payment receivables:			
Due within one year	¥ 9,418	¥ 183	$ 83,193
Due after one year	11,447	1,290	101,119
Total	¥20,865	¥1,473	$184,312

28. Segment Information

(a) Business Segment Information

The Group is engaged in banking and other related activities such as securities, trust and other businesses. Business segment information, however, has not been presented as the percentage of the other activities is not material to the banking business.

(b) Geographic Segment Information

Since the proportion of business that the Group conducts in Japan exceeds 90% of operating income, geographic segment information is not presented.

(c) Foreign Operating Income

Foreign operating income, comprised of transactions at the Bank's overseas branch and income from its consolidated foreign subsidiaries, did not reach 10% of operating income; therefore foreign operating income segment information is not presented.

29. Off-Balance Sheet Lending-Related Financial Instruments

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 its customers. The unfunded amounts of these commitments were ¥3,579,203 million (U.S.$31,615,616 thousand) and ¥2,662,311 million, as of September 30, 2005 and 2004, out of which the amounts with original agreement terms of less than one year or which were cancelable were ¥3,360,162 million (U.S.$29,680,796 thousand) and ¥2,544,262 million as of September 30, 2005 and 2004, respectively. 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.

30. Derivative Financial Instruments

(a) Interest Rate-Related Transactions

Interest rate-related transactions as of September 30, 2005 and 2004 were as follows:

	Millions of yen					
	As of September 30, 2005			As of September 30, 2004		
	Contract/ notional principal	Market value	Unrealized gain (loss)	Contract/ notional principal	Market value	Unrealized gain (loss)
Future contracts (listed)	¥ 22,825	¥ 2	¥ 2	¥ 71,784	¥ (24)	¥ (24)
Interest rate options (listed)	92,363	23	5	35,175	11	(17)
Interest rate swaps (over-the-counter)	6,150,479	282	282	6,006,915	10,591	10,591
Interest rate swaptions (over-the-counter)	3,115,789	12,503	(9,345)	1,490,644	10,782	14,602
Interest rate options (over-the-counter)	745,607	(571)	(6,181)	875,423	(723)	2,958
Total		¥12,241	¥(15,236)		¥20,638	¥28,109

	Thousands of U.S. dollars		
	As of September 30, 2005		
	Contract/ notional principal	Market value	Unrealized gain (loss)
Future contracts (listed)	$ 201,622	$ 24	$ 24
Interest rate options (listed)	815,860	210	48
Interest rate swaps (over-the-counter)	54,328,055	2,496	2,496
Interest rate swaptions (over-the-counter)	27,522,215	110,448	(82,550)
Interest rate options (over-the-counter)	6,586,059	(5,049)	(54,603)
Total		$108,129	$(134,585)

(1) Derivatives included in the table above were marked to market and the unrealized gains and losses were recorded in income. Derivatives for which hedge accounting was adopted were excluded from the table above.
(2) Reserve for credit risks and liquidity risk of ¥625 million (U.S.$5,521 thousand) and ¥3,849 million (U.S.$34,000 thousand), respectively, which were recorded as of September 30, 2005, are not reflected in the market value shown in the tables in this note.

(b) Currency-Related Transactions

Currency-related transactions as of September 30, 2005 and 2004 were as follows:

	Millions of yen					
	As of September 30, 2005			As of September 30, 2004		
	Contract/ notional principal	Market value	Unrealized gain (loss)	Contract/ notional principal	Market value	Unrealized gain (loss)
Currency swaps (over-the-counter)	¥154,548	¥ (615)	¥ (615)	¥234,389	¥(3,245)	¥(3,245)
Forward foreign exchange contracts (over-the-counter)	468,529	3,589	3,589	269,275	456	456
Currency options (over-the-counter)	410,431	1,718	2,957	128,894	1,942	70
Total		¥4,691	¥5,930		¥ (846)	¥(2,718)

	Thousands of U.S. dollars		
	As of September 30, 2005		
	Contract/ notional principal	Market value	Unrealized gain (loss)
Currency swaps (over-the-counter)	$1,365,148	$ (5,439)	$ (5,439)
Forward foreign exchange contracts (over-the-counter)	4,138,586	31,707	31,707
Currency options (over-the-counter)	3,625,398	15,176	26,121
Total		$41,444	$52,389

(1) Derivatives included in the table above were marked to market and the unrealized gains and losses were recorded in income. Derivatives for which hedge accounting was adopted were excluded from the table above.
(2) Fund swap transactions and currency swap transactions for which hedge accounting was adopted in accordance with Industry Audit Committee Report No. 25 of the JICPA were excluded from the table above.

(c) Equity-Related Transactions
Equity-related transactions as of September 30, 2005 and 2004 were as follows:

	Millions of yen					
	As of September 30, 2005			As of September 30, 2004		
	Contract/ notional principal	Market value	Unrealized gain (loss)	Contract/ notional principal	Market value	Unrealized gain (loss)
Equity index futures (listed)	¥24,760	¥1,970	¥1,970	¥ —	¥ —	¥ —
Equity index options (listed)	14,245	1,032	1,059	1,119	753	(94)
Equity options (over-the-counter)	150,178	(3,302)	34	782	9	2
Other (over-the-counter)	171,999	417	(686)	36,695	1,621	1,269
Total		¥ 118	¥2,378		¥2,384	¥1,177

	Thousands of U.S. dollars		
	As of September 30, 2005		
	Contract/ notional principal	Market value	Unrealized gain (loss)
Equity index futures (listed)	$ 218,715	$17,407	$17,407
Equity index options (listed)	125,833	9,123	9,359
Equity options (over-the-counter)	1,326,552	(29,173)	304
Other (over-the-counter)	1,519,293	3,691	(6,063)
Total		$ 1,048	$21,007

Derivatives included in the table above were marked to market and the unrealized gains and losses were recorded in income. Derivatives for which hedge accounting was adopted were excluded from the table above.

(d) Bond-Related Transactions
Bond-related transactions as of September 30, 2005 and 2004 were as follows:

	Millions of yen					
	As of September 30, 2005			As of September 30, 2004		
	Contract/ notional principal	Market value	Unrealized gain (loss)	Contract/ notional principal	Market value	Unrealized loss
Bond futures (listed)	¥25,760	¥88	¥88	¥2,895	¥(6)	¥(6)
Bond futures options (listed)	1,262	1	(1)	—	—	—
Total		¥90	¥87		¥(6)	¥(6)

	Thousands of U.S. dollars		
	As of September 30, 2005		
	Contract/ notional principal	Market value	Unrealized gain (loss)
Bond futures (listed)	$227,542	$785	$785
Bond futures options (listed)	11,150	14	(14)
Total		$799	$771

Derivatives included in the table above were marked to market and the unrealized gains and losses were recorded in income. Derivatives for which hedge accounting was adopted were excluded from the table above.

(e) Commodity Derivatives Transactions
Commodity derivatives transactions as of September 30, 2005 and 2004 were as follows:

	Millions of yen					
	As of September 30, 2005			As of September 30, 2004		
	Contract/ notional principal	Market value	Unrealized gain	Contract/ notional principal	Market value	Unrealized gain
Commodity swaps (over-the-counter)	¥—	¥—	¥—	¥0	¥0	¥0

	Thousands of U.S. dollars		
	As of September 30, 2005		
	Contract/ notional principal	Market value	Unrealized gain
Commodity swaps (over-the-counter)	$—	$—	$—

Derivatives included in the table above were marked to market and the unrealized gains and losses were recorded in income. Derivatives for which hedge accounting was adopted were excluded from the table above.

(f) Credit Derivatives Transactions
Credit derivatives transactions as of September 30, 2005 and 2004 were as follows:

	Millions of yen					
	As of September 30, 2005			As of September 30, 2004		
	Contract/ notional principal	Market value	Unrealized loss	Contract/ notional principal	Market value	Unrealized loss
Credit default options (over-the-counter)	**¥1,204,300**	**¥(277)**	**¥(277)**	¥543,099	¥(134)	¥(134)

	Thousands of U.S. dollars		
	As of September 30, 2005		
	Contract/ notional principal	Market value	Unrealized loss
Credit default options (over-the-counter)	**$10,637,760**	**$(2,448)**	**$(2,448)**

Derivatives included in the table above were marked to market and the unrealized gains and losses were recorded in income. Derivatives for which hedge accounting was adopted were excluded from the table above.

11. Net Income per Common Share

A reconciliation of the differences between basic and diluted net income per common share ("EPS") for the six months ended September 30, 2005 and 2004 is as follows:

	Net income (Millions of yen)	Weighted *average shares* (Thousands)	*EPS* (Yen)	EPS (U.S. dollars)
For the six months ended September 30, 2005:				
Basic EPS				
Net income available to common shareholders	**¥35,770**	**1,358,521**	**¥26.33**	**$0.23**
Effect of dilutive securities				
Preferred stock	**1,936**	**656,350**		
Stock acquisition rights	**—**	**285**		
Diluted EPS				
Net income for computation	**¥37,706**	**2,015,158**	**¥18.71**	**$0.17**
For the six months ended September 30, 2004:				
Basic EPS				
Net income available to common shareholders	¥38,853	1,358,535	¥28.60	
Effect of dilutive securities				
Preferred stock	1,936	569,129		
Diluted EPS				
Net income for computation	¥40,789	1,927,664	¥21.16	

12. Subsequent Events

The following interim dividends were paid on December 9, 2005 upon resolution of the Board of Directors adopted at a meeting held on November 30, 2005:

		Millions of yen	*Thousands of* U.S. dollars
Class A preferred share	(¥6.50 per share)	**¥ 484**	**$ 4,279**
Class B preferred share	(¥2.42 per share)	**1,452**	**12,826**
Common share	(¥1.48 per share)	**2,011**	**17,760**
Total		**¥3,947**	**$34,865**

Non-Consolidated Interim Balance Sheets (Unaudited)

Shinsei Bank, Limited
September 30, 2005 and 2004, and March 31, 2005

	Millions of yen			Thousands of U.S. dollars
	Sept. 30, 2005	Sept. 30, 2004	Mar. 31, 2005	Sept. 30, 2005
ASSETS				
Cash and due from banks	¥ 206,602	¥ 288,759	¥ 162,208	$ 1,824,950
Call loans	117,000	50,866	70,000	1,033,478
Collateral related to securities borrowing transactions	5,232	146,333	3,744	46,219
Other monetary claims purchased	40,365	67,987	108,410	356,551
Trading assets	111,506	436,893	166,817	984,949
Monetary assets held in trust	440,625	464,325	415,395	3,892,109
Securities	2,016,488	1,396,928	1,820,753	17,811,930
Loans and bills discounted	3,788,017	3,372,519	3,443,721	33,460,092
Foreign exchanges	12,881	12,361	8,550	113,788
Other assets	215,141	342,755	220,972	1,900,378
Premises and equipment	27,204	26,170	26,499	240,303
Deferred discounts on and issuance expenses for debentures	206	264	285	1,826
Deferred tax assets	24,979	24,942	23,543	220,643
Customers' liabilities for acceptances and guarantees	51,456	61,723	49,896	454,527
Reserve for credit losses	(114,598)	(158,652)	(124,499)	(1,012,268)
Total assets	¥6,943,109	¥6,534,178	¥6,396,302	$61,329,475
LIABILITIES AND SHAREHOLDERS' EQUITY				
Liabilities:				
Deposits, including negotiable certificates of deposit	¥4,046,936	¥3,238,229	¥3,528,879	$35,747,166
Debentures	1,185,538	1,337,451	1,246,862	10,472,033
Call money	170,664	173,397	204,295	1,507,501
Payables under repurchase agreements	—	44,994	—	—
Collateral related to securities lending transactions	5,672	—	—	50,103
Trading liabilities	68,963	71,471	64,296	609,168
Borrowed money	339,962	338,010	325,394	3,002,935
Foreign exchanges	447	289	289	3,954
Corporate bonds	50,000	—	50,000	441,657
Other liabilities	194,904	502,298	128,663	1,721,616
Accrued employees bonuses	4,830	3,774	7,616	42,666
Reserve for retirement benefits	811	1,421	1,010	7,170
Reserve for loss on disposition of premises and equipment	153	153	153	1,351
Reserve for loss on sale of bonds	—	1,529	—	—
Acceptances and guarantees	51,456	61,723	49,896	454,527
Total liabilities	6,120,341	5,774,746	5,607,357	54,061,847
Shareholders' equity:				
Capital stock:				
Common stock	180,853	180,853	180,853	1,597,507
Preferred stock	270,443	270,443	270,443	2,388,863
Capital surplus	18,558	18,558	18,558	163,928
Retained earnings:				
Legal reserve	6,987	5,512	6,249	61,725
Unappropriated retained earnings	341,749	280,647	307,022	3,018,718
Net unrealized gain on securities available-for-sale, net of taxes	4,181	3,419	5,822	36,939
Treasury stock, at cost	(5)	(2)	(4)	(52)
Total shareholders' equity	822,768	759,431	788,945	7,267,628
Total liabilities and shareholders' equity	¥6,943,109	¥6,534,178	¥6,396,302	$61,329,475

Note: U.S. dollar amounts, presented solely for the readers' convenience, are translated at ¥113.21=U.S.$1.00, the rate of exchange prevailing on the Tokyo Foreign Exchange Market on September 30, 2005.

Non-Consolidated Interim Statements of Income (Unaudited)

Shinsei Bank, Limited
For the six months ended September 30, 2005 and 2004, and the fiscal year ended March 31, 2005

	Millions of yen			Thousands of U.S. dollars
	Sept. 30, 2005 (6 months)	Sept. 30, 2004 (6 months)	Mar. 31, 2005 (1 year)	Sept. 30, 2005 (6 months)
Interest income:				
Interest on loans and bills	¥28,837	¥28,775	¥ 58,595	$254,729
Interest and dividends on securities	11,823	6,832	15,551	104,435
Interest on deposits with banks	1,060	1,633	2,775	9,371
Other interest income	983	2,808	4,903	8,687
Total interest income	42,705	40,049	81,826	377,222
Interest expenses:				
Interest on deposits, including negotiable certificates of deposit	8,102	7,304	13,713	71,574
Interest and discounts on debentures	2,626	3,214	6,201	23,205
Interest on other borrowings	3,637	4,992	8,896	32,132
Other interest expenses	867	171	316	7,661
Total interest expenses	15,234	15,682	29,127	134,572
Net interest income	27,470	24,366	52,698	242,650
Fees and commissions income	10,308	8,731	20,516	91,056
Fees and commissions expenses	4,766	4,661	8,859	42,100
Net fees and commissions	5,542	4,070	11,657	48,956
Net trading income	10,081	14,483	22,192	89,049
Other business income, net:				
Income on monetary assets held in trust, net	12,130	15,593	29,361	107,149
Net gain on securities and foreign exchanges	15,232	3,695	3,168	134,547
Other, net	(6)	2,454	3,992	(55)
Net other business income	27,356	21,744	36,523	241,641
Total revenue	70,450	64,665	123,071	622,296
General and administrative expenses:				
Personnel expenses	14,440	15,089	29,805	127,554
Premises expenses	5,441	5,552	11,152	48,065
Technology and data processing expenses	4,625	3,888	8,120	40,859
Advertising expenses	1,489	1,856	3,358	13,156
Consumption and property taxes	2,044	1,968	3,393	18,056
Deposit insurance premium	1,153	1,057	2,115	10,192
Other general and administrative expenses	7,296	6,913	12,142	64,454
Total general and administrative expenses	36,491	36,325	70,088	322,336
Net business profit	33,958	28,339	52,982	299,960
Net credit costs (recoveries)	527	(10,342)	(16,364)	4,659
Other gains (losses), net	2,503	(2,993)	(4,487)	22,117
Income before income taxes	35,934	35,688	64,859	317,418
Income tax (benefit):				
Current	(2,908)	(993)	(2,374)	(25,695)
Deferred	(310)	(614)	(864)	(2,738)
Net income	¥39,153	¥37,296	¥ 68,097	$345,851

Note: U.S. dollar amounts, presented solely for the readers' convenience, are translated at ¥113.21=U.S.$1.00, the rate of exchange prevailing on the Tokyo Foreign Exchange Market on September 30, 2005.

Directors and Executives

As of September 30, 2005

Board of Directors

Masamoto Yashiro	Chairman of the Board, Shinsei Bank, Limited
Thierry Porté	President, CEO, Shinsei Bank, Limited
Junji Sugiyama	Vice Chairman, Shinsei Bank, Limited
Akira Aoki*	Senior Advisor, Japan Securities Finance Co., Ltd.
Michael J. Boskin*	Professor, Stanford University
Emilio Botín*	Chairman, Grupo Santander
Timothy C. Collins*	CEO, Ripplewood Holdings, LLC
J. Christopher Flowers*	Chairman, J. C. Flowers & Co., LLC
Takashi Imai*	Senior Advisor, Honorary Chairman, Nippon Steel Corporation
Shigeru Kani*	Former Director, Administration Department, The Bank of Japan
Fred H. Langhammer*	Chairman, Global Affairs, The Estée Lauder Companies, Inc.
Minoru Makihara*	Senior Corporate Advisor, Mitsubishi Corporation
Yasuharu Nagashima*	Lawyer
Lucio A. Noto*	Former Vice Chairman, Exxon Mobile Corporation
Nobuaki Ogawa*	Lawyer
John S. Wadsworth, Jr.*	Advisory Director, Morgan Stanley
Teruaki Yamamoto	President, APLUS Co., Ltd.

Notes: 1. * Outside directors as stipulated in Article 188, Paragraph 2, 7-2 of the Commercial Code of Japan
2. Committee memberships:
Nomination Committee: Minoru Makihara (Chairman); Michael J. Boskin, Timothy C. Collins, J. Christopher Flowers, Lucio A. Noto, Thierry Porté, Masamoto Yashiro
Audit Committee: Akira Aoki (Chairman); Shigeru Kani, Yasuharu Nagashima, Nobuaki Ogawa
Compensation Committee: J. Christopher Flowers (Chairman); Emilio Botín, Timothy C. Collins, Fred H. Langhammer, Minoru Makihara, John S. Wadsworth, Jr.

Senior Advisors

John S. Reed	Former Chairman, Citigroup Inc.
Paul A. Volcker	Former Chairman, Board of Governors of the Federal Reserve System

Statutory Executive Officers

Representative Statutory Executive Officer, President, Chief Executive Officer	Thierry Porté
Representative Statutory Executive Officer, Vice Chairman	Junji Sugiyama
Executive Vice President, Institutional Banking Group	Clark Graninger
Senior Managing Executive Officer, Chief Financial Officer, Finance Group	Rahul Gupta
Senior Managing Executive Officer, Retail Banking Group	Satoru Katayama
Senior Managing Executive Officer, Financial Institutions and Capital Markets Sub-Group	Masazumi Kato
Senior Managing Executive Officer, Corporate Banking Business Sub-Group	Junzo Tomii
Managing Executive Officer, Corporate Affairs Group	Kazumi Kojima
Statutory Executive Officer, Public Sector Finance Sub-Group	Kazuya Fujimoto
Statutory Executive Officer, Corporate Strategy Division	Norio Funayama
Statutory Executive Officer, Financial Institutions Business Division III	Michimasa Honda
Statutory Executive Officer, Banking Infrastructure Group	Michiyuki Okano
Statutory Executive Officer, Banking Infrastructure Group	Yoshikazu Sato
Statutory Executive Officer, Strategic Business Unit I	Takashi Tsuchiya

Employees

	Sept. 30, 2005	Mar. 31, 2005	Sept. 30, 2004
Number of employees	**2,052**	2,041	2,131
Male	**1,133**	1,165	1,225
Female	**919**	876	906

Note: Excluding part-time employees

Corporate Information

Established
1952

Fiscal Year
From April 1 to March 31

Paid-in Capital
¥451,296 million

Number of Shares Authorized
Common Shares(*1):
2,500,000,000
Preferred Shares:
674,528,000

Number of Shares Issued
Common Shares(*2, 3):
1,358,537,606
Preferred Shares:
Class A 74,528,000
Class B 600,000,000

Ten Largest Shareholders(*4)
J. Christopher Flowers
(6.49% of common shares)
State Street Bank and Trust Company
(5.20% of common shares)
Santander Investment Services, C. Centralvarores
(4.69% of common shares)
The Chase Manhattan Bank N.A. London
(4.53% of common shares)
Mellon Bank Treaty Clients Omnibus
(4.14% of common shares)
State Street Bank and Trust Company 505103
(3.52% of common shares)
Goldman, Sachs & Co. Regular Account
(3.00% of common shares)
The Master Trust Bank of Japan, Ltd.
(2.99% of common shares)
Morgan Stanley and Company Inc.
(2.98% of common shares)
Japan Trustee Services Bank, Ltd.
(2.53% of common shares)

(As of September 30, 2005)

Network
Americas:
New York Representative Office
Shinsei Capital (USA), Ltd.
Grand Cayman Branch
Shinsei Bank Finance N.V.

Domestic Branches:
Head Office (Tokyo)
Marunouchi Annex
(Housing Loan Center Tokyo)
Ginza Annex
Ginza Corridor Street Annex
Kyobashi Annex
Sapporo Branch
Sendai Branch
Kanazawa Branch
Omiya Branch
LaLaport Branch
Tokyo Branch
Ikebukuro Branch
Ueno Branch
Kichijoji Branch
Shinjuku Branch
Shinjuku South Annex
Shiodome SIO-SITE Branch
Roppongi Hills Branch
Keyakizakadori Annex
Shibuya Branch
Hiroo Branch
Meguro Branch
Futakotamagawa Branch
Hachioji Branch
Yokohama Branch
Fujisawa Branch
Nagoya Branch
Kyoto Branch
Osaka Branch
Umeda Branch
Hankyu-Umeda Annex
Namba Branch
Shinsaibashi Annex
Kobe Branch
Hiroshima Branch
Takamatsu Branch
Fukuoka Branch

(As of December 1, 2005)

Domestic Sub-Branches (ATM only):
Tokyo Metro stations
18 locations
Keikyu Station Bank
37 locations
Other train stations
9 locations
Other
69 locations

(As of the end of November 2005)

Co-managed under a tie-up with Seven Bank, Ltd.
10,434 locations

(As of the end of September 2005)

(*1) Reduced from 5,000,000,000 to 2,500,000,000 on July 29, 2003.
(*2) There was a 1-for-2 reverse stock split on July 29, 2003.
(*3) Since February 19, 2004, the Bank's common stock has been listed on the First Section of the Tokyo Stock Exchange.
(*4) 1. Actual shareholdings have been reported to the full extent to which the Bank is aware.
2. Mr. J. Christopher Flowers and Mr. Timothy C. Collins are directors of the Bank.
3. New LTCB Partners C.V., which was the main shareholder of the Bank as of the end of fiscal 2003, was not the main shareholder as of the end of fiscal 2004.

SHINSEI BANK

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