



Consumer and Commercial Finance Business: Consolidation of the Third Business Pillar

Consumer and Commercial Finance is not just an aggregation of subsidiaries or affiliates providing products and services to consumer finance, small- to mid-sized businesses and specialty property customers but rather an integral part of the Shinsei Bank Group with a dedicated team providing operational and managerial direction to each subsidiary to leverage the skill sets and expertise of Shinsei Bank. This is a unique business model that differentiates us from other banks in Japan.

Fiscal 2005 was an important year for the Consumer and Commercial Finance business. The acquisitions of APLUS Co., Ltd. and Showa Leasing Co., Ltd. in September 2004 and March 2005, solidified Consumer and Commercial Finance as the third pillar of Shinsei Bank's long-term growth strategy. The Bank has been acquiring and integrating into its service lines a number of "non-bank" subsidiaries or affiliates that provide products such as sub-/near-prime consumer loans, loans to small and medium-sized








enterprises (SMEs) and mortgage loans. Shinsei's strategy to serve these "under-banked" markets is based on the belief that they can benefit from the same core competencies.

Shinsei Bank's Consumer and Commercial Finance provide products and services through six subsidiaries and affiliates.

Consumer Finance

Shinsei Bank's consumer financial solutions are offered through APLUS and SHINKI Co., Ltd.

Consumer and Commercial Finance Customers and Product Coverage

	B2B Business			B2C Business				
	Corporate lending		Lease	Shopping credit	Consumer loan	Credit card	Housing loan	Real estate-based finance (excl. housing loan)
	Secured lending	Unsecured lending						
LARGE CORPORATIONS			 ・General and auto leasing/ installment finance	 ・Installment sales credit, loans and credit cards to consumers via merchant partners				
MIDDLE MARKET				・Settlement, servicing, etc., for businesses				
SME MARKET		 (Shinsei Business Finance) ・Unsecured business finance						 ・Loans and equity financing to property developers
MICRO BUSINESS MARKET		 ・Unsecured lending to consumers including business owners					 Life Housing Loan	
CONSUMER MARKET							 ・Housing loans to consumers including business owners	



Consumer Solutions



Shinsei's Consumer and Commercial Finance is at the forefront of the evolving Japanese finance industry. With a variety of finance solutions available at Shinsei, we are committed to delivering high quality services to businesses and consumers. We hope to develop a long-lasting business relationship with you.

Akimasa Tsuchiya
Consumer and Commercial Finance
Sub-Group



Partnerships



We're striving in both consumer and commercial finance to redefine the relationship between us and our customers, starting with their needs and designing our solutions to satisfy them—local relationships at global standards.

Robert Luton
Consumer and Commercial Finance
Sub-Group



Commercial Finance

Shinsei Bank’s consumer finance presence increased significantly with the Bank’s 2004 acquisition of a controlling interest in APLUS. APLUS provides installment sales credit, credit cards, consumer loans and guarantee/collection services to individuals either through merchant partners or directly, including 5.1 million credit card holders through co-branded card partnerships. APLUS merchant partners range from small to large independent retailers, such as T CARD & MARKETING Co., Ltd., a wholly-owned subsidiary of Culture Convenience Club Co., Ltd.—which runs the TSUTAYA entertainment rental franchise store chain—and BMW Japan Finance Corp.



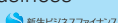



After joining the Shinsei Bank Group, APLUS was able to secure a long-term credit rating upgrade from Rating and Investment Information Inc. (R&I) to BBB+ and restart its issuance of short-term commercial paper. As a result, APLUS has been able to secure short- and long-term funding at levels approximately 1.5% lower than the levels prior to joining the Shinsei Bank Group, with room for further improvement over time. Credit controls have also greatly improved year over year after the disposal of weak-performing and non-core assets. The balance sheet was further strengthened by a ¥241 billion capital infusion by Shinsei and select strategic investors in February 2005. APLUS is expanding its business

beyond the installment sales credit business into related direct consumer finance, including credit card and loan card offerings. As a “retail finance developer,” APLUS is diversifying its revenue base, and has established a servicing company, Alpha Servicing Co., as a 100% subsidiary, to capture emerging retail servicing needs. To realize operational synergies, APLUS has integrated Shinsei Sales Finance Co., Ltd., which was a 100% subsidiary of the Shinsei Bank, through acquiring its entire shares in April 2006. Also, in March 2006, APLUS announced a merger with Zen-Nichi Shinpan Co., Ltd., headquartered in Okayama Prefecture, in order to enhance its regional market presence.

Shinsei Bank also conducts its consumer finance business through SHINKI, an equity-method affiliate.

Starting April 2002, Shinsei Bank invested to acquire 3.7% of SHINKI common stock, based on Business Alliance Agreement. SHINKI offers unique “No Loan” brand consumer loans to individuals and SME owners. Shinsei Bank made an equity investment in SHINKI and also invested in ¥15.3 billion of convertible bonds newly issued by SHINKI. On October 8, 2004, Shinsei Bank converted all of the bonds, immediately after which the Bank owned 39.1% of the voting rights in SHINKI, making it an equity-method affiliate

Consumer and Commercial Finance Business Products Provided through Subsidiaries

	Customers	Products	Shinsei Subsidiaries and Affiliates
Consumer Finance	<ul style="list-style-type: none"> ■ individuals 	<ul style="list-style-type: none"> ■ installment sales credit ■ credit cards ■ cashing loans ■ consumer finance 	<ul style="list-style-type: none"> ■ APLUS  ■ SHINKI 
Commercial Finance (including leasing)	<ul style="list-style-type: none"> ■ small and medium-sized companies ■ automobile dealerships 	<ul style="list-style-type: none"> ■ secured and unsecured lending ■ leasing and installment sales ■ auto leasing 	<ul style="list-style-type: none"> ■ Shinsei Business Finance  ■ Showa Leasing 
Specialty Property Finance	<ul style="list-style-type: none"> ■ real estate agents and developers ■ property purchasers and owners 	<ul style="list-style-type: none"> ■ real estate finance ■ residential mortgage loans 	<ul style="list-style-type: none"> ■ Shinsei Property Finance  ■ Life Housing Loan 

starting from the second half of the fiscal year ended March 31, 2005. Presently, Shinsei Bank is SHINKI's largest single shareholder with a 36.4% ownership position.

Commercial Finance

Shinsei Bank greatly expanded its investment in the commercial finance market with the acquisition of Showa Leasing in March 2005. Showa Leasing is a leading general and automobile leasing company with a strong heritage and significant customer base across Japan. Over 350 sales representatives provide leasing and installment sales to approximately 38,000 business customers and over 275 dealer partners. Showa Leasing also enjoyed immediate benefits upon joining the Shinsei Bank Group. Its balance sheet was cleared of non-core or underperforming assets, which led to a long-term rating of A- and a commercial paper credit upgrade to J-1 from Japan Credit Rating Agency, Ltd. (JCR) in March 2005. This in turn resulted in cost-efficient short- and long-term debt refinancing. Showa Leasing is focused on expanding its position in the domestic leasing market through its strong relationship with the Resona Group as well as expanding its relationships with other business origination partners. As of March 31, 2006, Showa Leasing had on its balance sheet total assets of ¥544.2 billion, including ¥304.9 billion of leasing assets and ¥160.8 billion of installment payments receivable on a non-consolidated basis. Shinsei Bank is confident that it will be able to improve Showa Leasing's profitability through, for example, encouraging its customers to take advantage of the Bank's other products and services, as well as helping Showa Leasing to reduce its costs of funds. The acquisition will also further broaden the customer base for Shinsei Bank's consumer and commercial finance business, as well as provide a platform on which the Bank can base future acquisitions in this business area.

In November 2002, Shinsei Bank established

Shinsei Business Finance Co., Ltd., a joint venture between Shinsei and Nissin Co., Ltd. The joint venture combines the Bank's corporate analysis capabilities and Nissin's extensive market experience in order to create and provide products that meet the funding needs of a customer segment that falls between those normally served by banks and consumer loan providers. Shinsei Business Finance had ¥15.2 billion in total assets as of March 31, 2006.

Specialty Property Finance

Shinsei Bank approaches specialty property area through two group companies, Shinsei Property Finance Co., Ltd., and Life Housing Loan Co., Ltd. The Bank's focus is on profitable, dependable business niches where it can apply its technology and customer service expertise.

Shinsei Property Finance provides real estate-secured loans and small business as well as other finance solutions to a select group of consumers. Shinsei Property Finance has formed alliances with a number of major housing developers, enabling them to offer their customers *PartnerPlus*, a long-term, fixed-rate apartment loan program Shinsei Bank has developed using its securitization expertise.

In April 2003, Shinsei Bank acquired Life Housing Loan, which provides housing loans to individuals with satisfactory credit profiles who otherwise do not qualify for standard bank loans. These include employees of SMEs as well as the self-employed. Life Housing Loan had ¥83.5 billion in total assets as of March 31, 2006, and recorded ¥2.0 billion in ordinary income for fiscal 2005.

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.