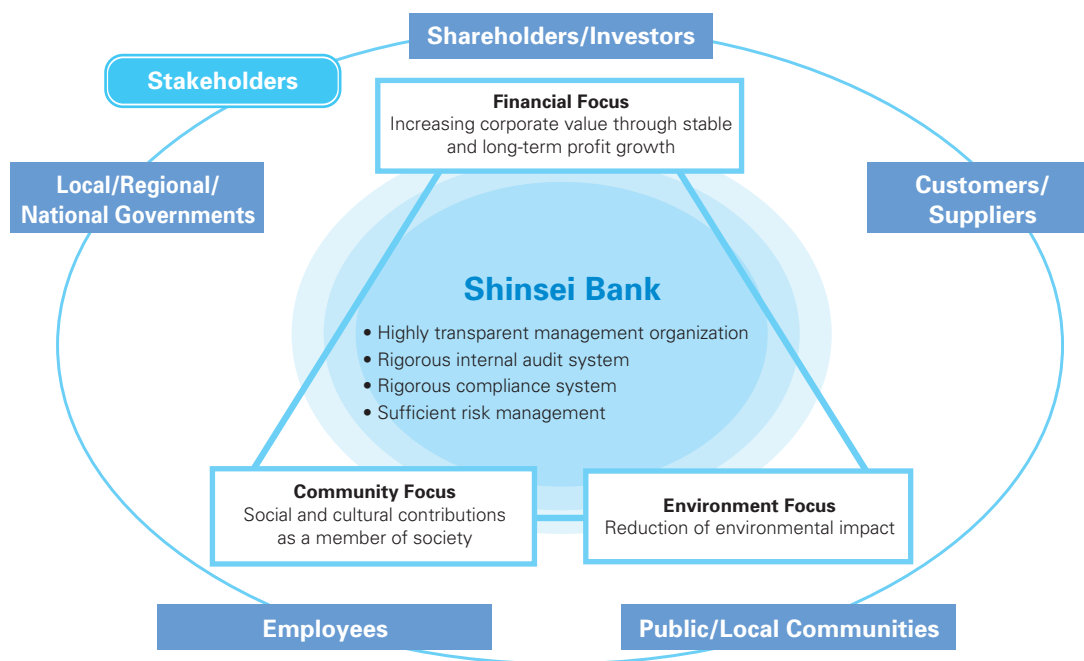


## Fulfilling Shinsei Bank's Social Responsibility

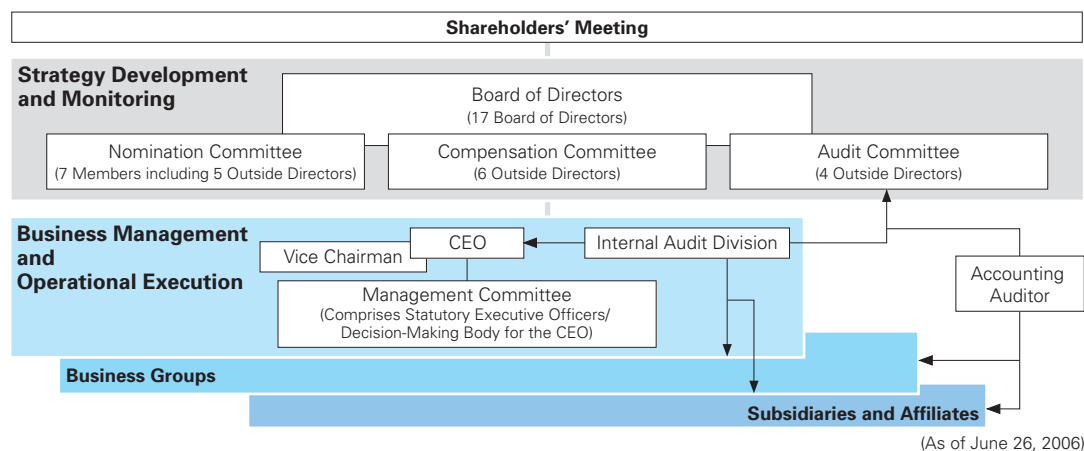
Shinsei Bank's activities take place within the society and communities where it operates, and the Bank has a corporate social responsibility to contribute to social and financial progress. Shinsei Bank fulfills its obligations in this area by increasing corporate value through transparent and sound management, and by actively contributing to community and cultural initiatives. The Bank has put in place a highly transparent management organization, rigorous internal audit systems and enhanced compliance and risk management procedures, all of which help enable Shinsei Bank to deliver sound, sustainable performance. The Bank is also committed to working closely with its stakeholders, including shareholders, customers, creditors, employees and local communities, in fulfilling its social responsibilities to the economy, society and the environment.



### Corporate Governance

To ensure the highest levels of transparency and to adhere to sound management principles, Shinsei Bank continues to strengthen its corporate governance. In the past fiscal year, the Bank took steps to further establish its leadership in this area, including:

- (1) enhancing the decision-making and review functions of the Board of Directors,
- (2) adopting transparent management decision-making policies,
- (3) implementing a rigorous compliance system, and
- (4) increasing the disclosure of corporate information.



### Company with Committees Board Model

As evidence of the Bank's commitment to corporate governance, Shinsei Bank has adopted a Company with Committees (*iinkai setchi-gaisha*) board model. This model clearly separates the Bank's business execution functions from its strategy development and monitoring functions. Within the Company with Committees structure, Shinsei Bank has established Nomination, Audit and Compensation committees. Responsibility for operational execution and management decisions rests with statutory executive officers (*shikkou-yaku*). Shinsei Bank believes that this board model further strengthens the audit function and increases the speed of decision making.

### Strategy Development and Monitoring by the Board

The responsibilities of the Board of Directors are to determine long-term management strategy, ensure that management is working to maximize shareholder returns and evaluate and supervise management's business execution. As of June 26, 2006, the Board of Directors comprised 13 independent, or outside, members with extensive experience in business, financial and legal fields, two Shinsei Bank executives and two former Shinsei statutory executive officers.

The Nomination Committee selects new candidates for directors, and the Compensation Committee determines compensation for directors

and statutory executive officers. The Audit Committee monitors management's business execution. These three committees work to continuously improve management as well as fiscal transparency and soundness.

### Business Decisions Made by Banking Professionals

The statutory executive officers, appointed and monitored by the Board of Directors, are responsible for running the Bank and implementing its business strategy based on the policies set forth by the Board of Directors. They include experienced finance and management specialists drawn from leading global financial services companies. They review and discuss key issues at the Management Committee, which serves as the executive arm of the CEO. Shinsei Bank is committed to attracting and retaining top banking professionals regardless of nationality. As of June 26, 2006, three of the 14 statutory executive officers are expatriates.

With the Bank specializing and expanding its offerings, it has established cross-departmental committees to assist senior management. Shinsei Bank's primary committees include ALM, Compliance, Credit, Risk/Investment, New Business/Product, SME Loan, IT, Social and Cultural Contribution Promotion and Basel II Steering committees.

### Senior Advisory Roles

Since its formation in March 2000, Shinsei Bank has implemented a senior advisor system to provide a channel from which to receive valuable advice on the strategy and direction of the Bank. As of June 26, 2006, Paul A. Volcker, former chairman of the Board of Governors of the Federal Reserve System, and John S. Reed, former chairman of Citigroup Inc., serve in this capacity. Shinsei values their counsel, which has contributed greatly to our success.

### Internal Audit Structure

Shinsei Bank's Internal Audit Division was established to perform audits of business practices. The division reports directly to the CEO, is mandated to report to the Audit Committee and is independent of the audited business units. The division covers all of Shinsei Bank's organizations and business lines, as well as its affiliates and outsourced businesses, except where prevented by law or banking regulation.

### Rigorous Compliance Systems Evolve to Support Future Growth

Working within a regulated business sector that has a high public profile, financial institutions must be held to the highest standards of financial and regulatory compliance. Shinsei Bank believes that this essential corporate function is not only a regulatory requirement but also a fundamental driver of corporate value. The Bank has instituted annual updates to its compliance program so that it evolves and remains relevant and effective as the Bank grows.

In fiscal 2005, in light of the importance of the regulations to protect personal information, Shinsei Bank took comprehensive steps, including e-learning seminars, to fully familiarize employees with the outline and details of these important rules. Shinsei Bank considers training programs essential to ensure strict compliance and broad awareness

among its employees. The Bank provides continuous, specific training on such important topics as money laundering and insider trading prevention, as well as compliance issues relating to corporate, financial institutions and retail customers.

### Integrated Risk Management

Risks assumed by financial institutions include credit risk, market risk and operational risk, including operations risk, systems risk and legal and compliance risks.

At Shinsei Bank, risk management is pivotal to the provision of sound and profitable financial services. The Bank has implemented a risk management policy that encompasses all of its operations. Risk is assessed at the source of business and risk levels are determined using both a macro approach (for capital and resource allocation and review) and a disciplined operating management framework (a progressively decentralized approval process). With risk management policy in place, the restructuring of the various individual risk control policies and procedures is complete.

To comprehensively manage risk, it is essential to understand how risk affects the Bank as a whole and to quantify it as much as possible. The Risk Capital System was implemented to maintain the optimal balance between the Bank's financial strength and its ability to assume risk. This was achieved by monitoring the total volume of risk and the amount of capital allocated to each business.

At Shinsei Bank, each business division executes risk controls in accordance with the policies established by the various risk control committees commissioned by management. The committees then report to the Chief Risk Officer.

## Shinsei Gives Back: Contributing to Social and Cultural Programs

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

### Social and Cultural Contributions

To structure social and cultural contributions by Shinsei Bank, its officers and employees, the Bank has established specific internal guidelines and policies.

To implement these guidelines, the Social and Cultural Contribution Promotion Committee, chaired by the President, works closely with management and other related divisions, including the Human Resources Division.

### Major Activities in Fiscal 2005

#### ■ Special Olympics

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

#### ■ Contributions to Victims of Hurricane Katrina and the Pakistan Earthquake

Shinsei Bank donated ¥2.36 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 ¥1.18 million, and the Bank made a 100% matching donation. Furthermore, in October 2005 Shinsei Bank provided ¥3.16 million, including monetary contributions from our officers and employees, to the Japanese Red Cross Society to support the victims of the Pakistan earthquake.

#### ■ 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 Bank 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 matching donation as well as sponsoring the event.



Special Olympics "Charity Walk and Run Festival"



Shinsei Bank employees participated in "Run for the Cure 2005"

### Social and Cultural Contribution Guidelines

1. Shinsei Bank has a corporate social responsibility as a member of society to contribute to progress toward a further affluent society.
2. Shinsei Bank fulfills its corporate social responsibility by (1) contributing to social progress by increasing corporate value through highly transparent and sound management as well as stable and long-term profit growth, and (2) implementing social and cultural contributions as a member of society.
3. Shinsei Bank actively and continuously performs social and cultural contribution activities in areas where its resources can be effectively utilized.
4. Shinsei Bank actively supports the participation of its officers and employees in social and cultural contribution activities. To encourage its officers and employees to participate in social and cultural contribution activities, Shinsei Bank has established the following programs:
  - Volunteer holidays  
When officers and employees volunteer to participate in social and cultural contribution activities, they can take volunteer holidays.
  - Matching gift program  
When officers and employees make individual contributions to social and cultural contribution activities, Shinsei Bank matches such contributions.

■ Run for the Cure 2005

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

Approximately 400 people participated in the event, which was sponsored by the Run for the Cure Foundation, an organization that funds research as well as the enhancement of people's awareness of breast cancer. Shinsei Bank made a matching donation of ¥400,000 to the foundation, the equivalent amount of the entry fees paid by its employees.

■ The US-Japan Bridging Foundation

Shinsei Bank supports the fostering of understanding and appreciation between other countries and Japan. One organization at the forefront of promoting closer ties is the US-Japan Bridging Foundation. Launched in 1998 by the Japan-US 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 in Japanese universities. Shinsei Bank 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.

■ Vaccines for the World's Children

Shinsei Bank supports the Japan Committee "Vaccines for the World's Children (JCV)," a non-profit organization whose main activities include supplying vaccines to help eradicate preventable infectious diseases in children.

In December 2005, at Shinsei Bank head office, "Children are a Gift of Hope from the 22nd Century" was held by JCV, attracting more than 200 people.

Acquiring and Retaining Best People

To create a cohesive and rewarding corporate culture that will increase corporate value, Shinsei Bank has established an integrated approach to ensure that the Bank can identify, develop and retain the highest quality people. This system is based on three components:

- performance-based compensation,
- decentralized staffing authority, and
- active lateral career recruitment.

To maximize resource allocation, the Bank has given each business group the authority to recruit, train, compensate and promote its own employees. The objective is to better coordinate the allocation of human resources with the specific nature and needs of each business activity and reward success. To enhance the impact of Shinsei Bank's performance-based compensation, the Bank has abolished the seniority system and revised the retirement benefit program. It has also introduced a stock option program to tie remuneration to the creation of value for shareholders.

Shinsei Bank has expanded the scope of employee training to include specialized group training for specific relevant business knowledge and skills, as well as programs to evaluate performance. To assist its employees and attract talented female professionals who are also raising young children, Shinsei Bank has opened an on-site day care facility called Hibiya Kids Park, and was the first Japanese bank to launch such a facility. Shinsei Bank is also leading in efforts to attract and promote female managers. In December 2003, the Bank launched the Women's Leadership Project, a professional networking and leadership program for employees. As a result of its efforts, Shinsei Bank won an excellent firm award from the director-general of the Tokyo Labour Bureau and received the Commendation for Enterprises by the Ministry of Health, Labour and Welfare in June 2004.

Shinsei Bank has increased its lateral career



Forum held by the Japan Committee "Vaccines for the World's Children"

recruitment activity, primarily in the fields of financial engineering, risk control, IT and retail banking. Since the establishment of the new management team in March 2000, the Bank has actively recruited approximately 1,130 mid-career employees from outside Shinsei to provide specific skills and expertise. Approximately 130 of these new hires were expatriates. The Bank also continues to seek new graduates, recruiting 40 in April 2006.

As the Bank continues to grow, Shinsei Bank is working aggressively to manage its expenses. It constantly reviews ways to further improve efficiency in personnel management. Shinsei Bank has outsourced some human resources and general service activities that can be more efficiently conducted by third parties and has successfully adopted web-based attendance, performance evaluation and payroll statement systems.

Furthermore, Shinsei Bank established "Office of CLO" headed by the Chief Learning Officer (CLO) as an independent division in April 2006. It promotes integrated and consistent training, education and human capital development for all Bank employees, and ensures alignment with strategy and the Bank's vision, core values and guiding principles.

### Reducing Environmental Impact

**Shinsei Bank cares about the local community and is working to reduce the environmental impact of its activities.**

#### Lowering Paper Consumption

At Shinsei Bank, recycled paper is recommended to reduce paper usage and wastepaper. Shinsei Bank also promotes the reduction and digitization of presentation materials and flyers for external use, as well as computerized data for internal information exchange.

#### Promoting "Green" Purchasing

Shinsei Bank practices "green" purchasing in selecting office supplies and prefers environmental-conscious products. The Eco Mark—environmental labels certified independently by manufacturers and organizations—and use of recycled materials are considered when purchasing. In February 2002, the Bank began providing its employees with furniture in compliance with laws on promoting green purchasing, and we continue to purchase recyclable products.

#### Separating Wastepaper and Other Trash

In accordance with trash separation standards set by each local organization, Shinsei Bank thoroughly separates wastepaper and other trash.

For Recycling		General Trash	Industrial Waste
Copy paper, office automation (OA) paper, magazines, newspapers, cardboard, shredder dust	Bottles, cans, polyethylene terephthalate (PET) bottles	Kitchen garbage	Metal, plastic, oversized garbage, medical waste

#### Data on Environmental Impact

Shinsei Bank has been making efforts to save energy and natural resources. Since fiscal 2002, the Bank has been conducting research that assesses its performance in reducing environmental impact. In many categories, the Bank has become more efficient and effective in what it consumes.

Years ended March 31	2006	2005	2004
Electricity, gas (Unit: Megajoules)	51,270,215	44,137,789	45,972,036
Water (Unit: 1,000 m <sup>3</sup> )	16,544	16,433	15,441
CO <sub>2</sub> emissions (Unit: Tons)	2,235	1,900	2,148
Waste disposal (Unit: Tons)	468	550	413
Amount of recycled material (Unit: Tons)	259	268	190
Final waste disposal (Unit: Tons)	209	282	223

Notes:

- (1) Based on the ratio of occupied space by the Bank to total space, excluding space occupied by tenants.
- (2) Electricity, gas and water: Based on the regulations set by the Tokyo Metropolitan Government as global warming countermeasures.
- (3) Waste disposal: Based on the regulations set by Chiyoda-ku, Tokyo.