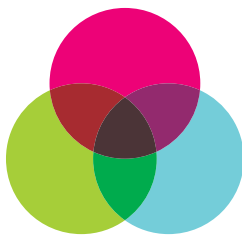


Consumer and Commercial Finance Better Together to Build Efficient Platforms for Growth



Consumer and Commercial Finance (CCF) serves three markets: consumer finance, commercial finance and specialty property finance and caters to the needs of both consumers and businesses. This business complements our other two business pillars by expanding our range of products and services and broadening our customer base while providing opportunities for leveraging revenue and cost synergies within the Bank. We have developed this business by acquiring and incorporating a number of “non-bank” subsidiaries or affiliates which, as key partners, have become an integral part of the Shinsei Bank Group, rather than just a collection of associated companies. By working closely together with these subsidiaries, we are leveraging the same core competencies already proven effective in our Institutional Banking and Retail Banking businesses.

The business performance for the first half of fiscal year 2007 was largely in line with expectations. The “business as usual” results were on or ahead of budget for all CCF consolidated business units and the material one-time events were offsetting in nature—namely the gain on the sale from the disposition of Life Housing Loan Co., Ltd. (Life Housing Loan), in May 2007 and the additional provisioning recorded at SHINKI Co., Ltd. (Shinki), an equity-method affiliate, for the period ended September 2007.

The business environment for consumer lending remains uncertain as industry participants carefully monitor the trend of excess interest claims and await further regulatory clarity regarding the specific implementation of the recently approved legislation. Shinsei’s consumer finance strategy remains focused on delivering leading sales finance solutions for merchant partners through our subsidiary APLUS Co., Ltd. (APLUS) as well as leveraging the same APLUS platform to expand both Shinsei Retail Bank’s and other partner banks’ consumer credit offerings. Any other Shinsei activity in this market will be in support of this approach.

APLUS

APLUS provides installment sales credit, credit cards, consumer loans and guarantee/collection services to individuals either through merchant partners or directly. APLUS has established deep and long-standing relationships with many merchant partners and strives to work closely with them to grow the business together.

In response to the changes facing the consumer finance industry, APLUS accelerated its efforts to execute a fundamental business transformation and has successfully undertaken significant cost reduction measures in fiscal year 2006. APLUS is

focused on a new, sustainable business model and the transformation of its earnings structure which is already in evidence during fiscal year 2007. The company is showing clear signs of a recovery in what continues to be a very difficult operating environment for consumer finance and shinpan companies. Key observations regarding the APLUS first half performance include:

- Revenues were in line with expectations, down 3% versus the first half of fiscal year 2006 due primarily to the accommodation with the Interest Limitation Law and the proactive reduction of business with the door-to-door sales merchant base (so called Tokushoho merchants).
- Expenses were down over 17% during the same period due to the business restructuring undertaken late in fiscal year 2006. This increased efficiency more than offset the lower revenues and produced ordinary business profit growth of over 17%.
- Credit costs were up in the first half period largely due to the lower level of collections in late fiscal year 2006 (connected in part with the restructuring program) which produced delinquent accounts that migrated to losses during the first half of this year. However the asset quality is improving and this is anticipated to produce a positive trend in credit costs for the balance of this fiscal year.
- Costs from excess interest or grey zone losses were up sharply early in the period, but have seen a flattening trend from the summer months through September end. Given this trend, the associated reserves for the first half roughly equal the amount of losses incurred during the period.
- Lastly, APLUS enjoyed a one-time gain on the sale of shares held in an affiliated company which helped to offset the higher credit costs.

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Shinki

Shinki, a 36.4% owned equity-method affiliate, currently offers white zone consumer loans to individuals and small- and medium-sized enterprise owners. Like APLUS, Shinki has responded to the challenges facing the consumer finance industry by making significant provisions, enhancing efficiency and accelerating the transformation of its business model. Shinki's operating expenses were down over 30% versus the same period of the prior fiscal year. And despite the flattening trend for excess interest claims during the second quarter, Shinki has taken significant additional provisioning in the first half of this fiscal year in support of management's forecast that any impact of a consumer credit squeeze and all anticipated future grey zone claims are fully provisioned ensuring positive business profitability going forward.

In September 2007, Shinki announced that it was intending to raise additional capital through a rights offering to all shareholders. On November 27, Shinsei announced its application to subscribe to the rights offering to support Shinki's business through the raising of capital that is scheduled to be completed in December.

Showa Leasing

Showa Leasing Co., Ltd. (Showa Leasing), is a leading general and automobile leasing company with a strong heritage and significant customer base across Japan. Showa Leasing operates from an attractive small and medium-sized business platform delivering a growing number of financial products and services. Over 350 sales representatives provide leasing and installment sales to approximately 45,000 business customers and over 820 dealer partners.

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 including Shinsei Bank.

Working together, Shinsei Bank and Showa Leasing concluded a sponsorship agreement with UNICO Corporation (UNICO) to revitalize their business in February 2007. The business now operates as SS Solutions and has already been contributing to Showa Leasing and Shinsei during its initial five months. In July 2007, Showa Leasing acquired the remaining non-Shinsei shares of

Shinsei Business Finance from the NIS Group Co., Ltd., and will look to realize both revenue and expense synergies through further integration of that business operation.

Specialty Property Finance

Until May 2007, Shinsei Bank was active in specialty property finance through two group companies, Shinsei Property Finance Co., Ltd., and Life Housing Loan. Shinsei Property Finance provides real estate secured loans for individuals and small property development loans to the micro-business market.

As there were few additional synergies that could be generated between Life Housing Loan and other areas of the Shinsei Bank Group going forward, we divested this subsidiary in May 2007.

Exclusive of the sizeable gain on the sale of Life Housing Loan, Shinsei Property Finance had a solid performance during the first half of the fiscal year 2007 with record revenues, operating business profit and net income.