

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Shinsei Bank, Limited, and Consolidated Subsidiaries
For the six months ended September 30, 2008 and 2007

1. BASIS OF PRESENTATION

CONSOLIDATED

The accompanying interim consolidated financial statements of Shinsei Bank, Limited (the "Bank") and its consolidated subsidiaries (collectively, the "Group"), stated in Japanese yen, have been prepared on the basis of generally accepted accounting principles in Japan ("Japanese GAAP") and in conformity with the Banking Law of Japan (the "Banking Law"), and compiled from the interim consolidated financial statements prepared under the provisions set forth in the Accounting Standards for Interim Consolidated Financial Statements (the Business Accounting Council, March 13, 1998) and the standards of the Financial Instruments 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 interim consolidated 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 Japanese GAAP, but is presented herein for the convenience of readers.

The preparation of interim consolidated financial statements in conformity with Japanese GAAP 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 interim consolidated 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 Financial Instruments 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 interim consolidated 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 ¥104.36 to U.S.\$1.00, the rate of exchange prevailing on the Tokyo Foreign Exchange Market on September 30, 2008. 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 (IPO) 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 IPO. Following the IPO, 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

CONSOLIDATED

(A) PRINCIPLES OF CONSOLIDATION

The Group applies 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 fully consolidated and those companies in which the Bank, directly or indirectly, is able to exercise significant influence over operations are accounted for by the equity method.

The number of consolidated subsidiaries and affiliates as of September 30, 2008 and 2007 was as follows:

As of September 30,	2008	2007
Consolidated subsidiaries	116	98
Unconsolidated subsidiaries	105	95
Affiliates accounted for by the equity method	30	29

Unconsolidated subsidiaries are mainly operating companies that undertake leasing business based on the *Tokumei Kumiai* system (silent partnerships). *Tokumei Kumiai*'s assets, liabilities, profit and loss virtually belong to each silent partner, and the Group does not have any material transactions with these subsidiaries. Therefore, these subsidiaries are excluded from

consolidation in order to avoid any material misunderstanding by the Bank's stakeholders.

Other unconsolidated subsidiaries are excluded from consolidation because they are not material to the financial condition or results of operations of the Group.

Major consolidated subsidiaries as of September 30, 2008 were as listed below:

Name	Location	Percentage ownership
APLUS Co., Ltd.	Japan	76.7%
Showa Leasing Co., Ltd.	Japan	96.4%
Shinki Co., Ltd.	Japan	67.7%
Shinsei Trust & Banking Co., Ltd.	Japan	100.0%
GE Consumer Finance Co., Ltd.	Japan	100.0%
Shinsei Securities Co., Ltd.	Japan	100.0%

All significant inter-company transactions, related account balances and unrealized gains and losses have been eliminated in consolidation. As of September 30, 2008, the six month period ending dates are September 30 for 64 subsidiaries and June 30 for 52 subsidiaries. Those consolidated subsidiaries whose six month periods end at dates other than September 30 are consolidated using their six month period-end financial statements with appropriate adjustments made for significant transactions during the period from the ending dates of their six month periods to the date of the Group's interim consolidated financial statements, except that 5 subsidiaries whose six month periods end at June 30 are consolidated using their September 30 interim financial statements.

Major affiliates accounted for by the equity method as of September 30, 2008 were as listed below:

Name	Location	Percentage ownership
Hillcot Holdings Limited	Bermuda	33.7%
Jih Sun Financial Holding Company Limited	Taiwan	32.9%

(B) GOODWILL AND OTHER INTANGIBLE ASSETS

The Bank recognized certain identifiable intangible assets in connection with the acquisition of APLUS Co., Ltd. ("APLUS"), Showa Leasing Co., Ltd. ("Showa Leasing"), SHINKI Co., Ltd. ("Shinki"), and GE Consumer Finance Co., Ltd. ("GECF"), because they arose from contractual or other legal rights, or were separable. The identified intangible assets with amortization method and period are as listed below:

APLUS CO., LTD.

Identified intangible assets	Amortization method	Amortization period
Trade name and trademarks	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	Subject to the remaining contract years
Sublease contracts	Straight-line	Subject to the remaining contract years

SHINKI CO., LTD.

Identified intangible assets	Amortization method	Amortization period
Trade names and trademarks	Straight-line	10 years
Customer relationship	Sum-of-the-years digits	10 years

GE CONSUMER FINANCE CO., LTD.

Identified intangible assets	Amortization method	Amortization period
Trade names and trademarks	Straight-line	10 years
Customer relationship	Sum-of-the-years digits	10 years

The excess of the purchase price over the fair value of the net assets acquired, including identified intangible assets, was recorded as goodwill and is amortized on a straight-line basis mainly over 20 years. The amortization period is the maximum period allowed under Japanese GAAP and was determined based upon the Bank's business strategy. The unamortized balances of identified intangible assets and goodwill are subject to impairment testing.

When the purchase price is lower than the fair value of the net assets acquired, including identified intangible assets, the difference is recorded as negative goodwill and amortized on a straight-line basis over 20 years, which is the maximum period allowed under Japanese GAAP.

(C) IMPAIRMENT OF GOODWILL AND OTHER INTANGIBLE ASSETS

The Bank conducts impairment testing for goodwill and other intangible assets semi-annually as a result of certain triggering events such as:

- An expectation of an operating loss or negative cash flow for two consecutive years
- Impairment of underlying investment securities is recognized
- A significant adverse change in the environment surrounding the business operations of the subsidiary, such as a change in law which significantly impacts the business in a negative way, the suspension of business due to sanction or adverse changes in the interest rate laws

As the first step of the impairment test, we estimate the undiscounted future cash flow value of the business as a grouping unit. If the value of the undiscounted future cash flows is less than the book value of the net assets, including goodwill and other intangible assets, of the business, it is determined that impairment exists and the next step of the impairment test is performed to measure the amount of impairment loss, if any.

The next step of the impairment test compares the "value in use," which is calculated as the discounted value of future cash flows of the business, and the net asset book value which includes unamortized balances of goodwill and other intangible assets. Impairment loss for the total of goodwill and other intangible assets (A) is recognized as an amount by which the net asset book value exceeds the "value in use." The fair value of other intangible assets (and any other assets) will be determined in the same manner used to apply purchase accounting at the time of the initial acquisition, and the impairment loss of other intangible assets (B) is determined as the difference between the fair value and book value. Finally, the impairment loss of goodwill is calculated as the residual calculated as (A) less (B) above.

(D) TRANSLATION OF FOREIGN CURRENCY FINANCIAL STATEMENTS AND TRANSACTIONS

- (i) 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 equity, which is translated at historical exchange rates. Differences arising from such translation are shown as "Foreign currency translation adjustments" in a separate component of equity in the accompanying interim consolidated balance sheets.
- (ii) Foreign currency accounts held by consolidated foreign subsidiaries are translated into the currency of the subsidiary at the respective period-end exchange rates.
- (iii) Foreign currency-denominated assets and liabilities and the accounts of overseas branches of the Bank and consolidated domestic subsidiaries 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.

(E) CASH AND CASH EQUIVALENTS

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

(F) 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 (loss), net.

(G) 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 financial instruments 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 interest received and paid during the period and unrealized gains and losses resulting from the change in the value of securities, monetary claims purchased, and derivatives between the beginning and the end of the period.

(H) 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 (loss), net. Instruments held in trust classified as available-for-sale are recorded at fair value with the corresponding unrealized gains and losses recorded directly in a separate component of equity.

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

(I) 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 and 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 and losses recorded directly in a separate component of equity. The cost of these securities upon sale 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.

(J) 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, 2008 were as follows:

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

(K) SOFTWARE

Capitalized software for internal use is depreciated using the straight-line method based on the Group's estimated useful lives (mainly 5 or 8 years).

(L) IMPAIRMENT OF LONG-LIVED ASSETS

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of assets may not be recoverable. An impairment loss is recognized if the carrying amount of assets exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the assets. The impairment loss is measured as the amount by which the carrying amount of an asset exceeds its recoverable amount,

which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition. No significant impairment loss was recognized for the six month periods ended September 30, 2008 and 2007.

(M) DEFERRED CHARGES

Stock issuance costs of the Bank are charged to income as incurred.

Deferred issuance expenses for debentures and the Bank's corporate bonds issued after April 1, 2006 are amortized using the straight-line method over the term of the debentures and corporate bonds.

Deferred issuance expenses for debentures and the Bank's corporate bonds issued before March 31, 2006 are amortized using the straight-line method over the shorter of the terms of the debentures and corporate bonds or the maximum three-year period stipulated in the former Japanese Commercial Code and its regulations.

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

Formation costs and stock issuance costs of consolidated subsidiaries are charged to income as incurred.

(N) RESERVE FOR CREDIT LOSSES

The reserve for loan losses of the Bank and the consolidated domestic trust and banking subsidiary has been established as described below based on the Bank's internal rules for establishing the reserve.

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 (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 dis-

counted 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 flows, 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.

The historical loan loss ratio is calculated by taking the greater result from the following three calculation methods: (1) the average of three consecutive calculation periods defined to be the previous one year as from each fiscal year-end (0.5 year for the interim closing), (2) the average of three consecutive calculation periods defined to be the previous three years as from each fiscal year-end (2.5 years for the interim closing), or (3) the average of all calculation periods since 1998, the period for which records for loan losses have been maintained.

For specific foreign claims, there is a reserve for loans to restructuring countries which has been provided 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 predetermined internal rules for the self-assessment of asset quality. The Credit Assessment Division, which is independent from business divisions and branches, conducts verifications of these assessments, and additional reserves may be provided based on the verification results.

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 in accordance with certain indemnification clauses in the Share Purchase Agreement but which the DIC has not yet accepted, as well as certain litigation claims and a reserve taken on the Bank's contribution to an industry-wide fund set up to purchase and collect loans.

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.

For collateralized or guaranteed claims of the Bank and certain consolidated subsidiaries 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 ¥138,903 million (U.S.\$1,331,005 thousand) and ¥66,818 million as of September 30, 2008 and 2007, respectively.

(O) ACCRUED BONUSES FOR EMPLOYEES AND DIRECTORS

Accrued bonuses for employees and directors are provided in the amount of the estimated bonuses which are attributable to each period.

(P) RESERVE FOR EMPLOYEES' RETIREMENT BENEFITS

The Bank, APLUS, Showa Leasing, Shinki and GECF each have a non-contributory defined benefit pension plan and certain of the consolidated domestic subsidiaries have unfunded severance indemnity plans, which cover substantially all of the Group's employees. The reserve for employees' 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 gains and losses 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.

(Q) RESERVE FOR DIRECTORS' RETIREMENT BENEFITS

Prior to April 1, 2007, retirement benefits to directors were expensed when paid.

Effective April 1, 2007, retirement benefits to directors are provided at the amount that would be required if all directors retired at the interim balance sheet date in accordance with a Report of the Auditing and Assurance Practice Committee, "An Auditing Treatment for Retirement Benefits to Directors," which was published by the Japanese Institute of Certified Public Accountants on April 13, 2007 and is effective for fiscal years beginning on or after April 1, 2007.

(R) RESERVE FOR LOSSES ON INTEREST REPAYMENTS

The reserve for losses on interest repayments is provided for possible losses on reimbursements of excess interest pay-

ments and loan losses related to consumer finance loans extended at interest rates in excess of the maximum interest rate prescribed in the Interest Rate Restriction Law. The amount of such reserve is calculated using the average period to maturity of the affected loans, an estimate of the percentage of such loan transactions that will be subject to a future reimbursement request based on past experience and an estimate of the average amount to be reimbursed based on past experience.

In addition, a reserve for losses on interest repayments of GECF is calculated considering the terms stipulated in the transfer agreement of GECF shares entered into by and between the Bank and the seller, GE Japan Holdings Corporation ("GE"), for the acquisition of GECF, under which the sharing of interest repayment costs of GECF between the Bank and GE is determined.

(S) RESERVE FOR LOSSES ON DISPOSAL OF PREMISES AND EQUIPMENT

A reserve for losses on disposal of premises and equipments is established based on reasonable estimates mainly for the restoration cost associated with the planned relocation of the headquarters of the Bank, some of the consolidated subsidiaries and the Bank's Meguro financial center, and the planned closure of some of the BankSpots, ATM sites for retail banking.

(T) RESERVE UNDER SPECIAL LAW

The reserve under special law is provided for contingent liabilities from brokering of securities transactions in accordance with section 1 of Article 46-5 of the Financial Instruments and Exchange Law of Japan.

(U) STOCK OPTIONS

On December 27, 2005, the ASBJ issued ASBJ Statement No. 8, "Accounting Standard for Stock Options" and related guidance. The new standard and guidance are applicable to stock options newly granted on and after May 1, 2006. This standard requires companies to recognize compensation expense for employee stock options based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services. In the balance sheet, the stock option is presented as a stock acquisition right as a separate component of equity until exercised. The standard covers equity-settled, share-based payment transactions, but does not cover cash-settled, share-based payment transactions.

The Bank applied this accounting standard for stock options to those granted on and after May 1, 2006.

(V) LEASE TRANSACTIONS

Prior to April 1, 2008, under Japanese accounting standards for leases, finance leases where the ownership of the property was deemed to transfer to the lessee were capitalized, while other finance leases could be accounted for as operating leases if certain "as if capitalized" information was disclosed in the notes to the interim consolidated financial statements. All leases entered into by the Bank and its consolidated domestic subsidiaries as lessee had been accounted for as operating leases.

Lease and rental income was recognized at the due date of each lease payment according to the lease contracts. Leased assets held by consolidated domestic subsidiaries as lessor were depreciated using the straight-line method over the leasing periods.

On March 30, 2007, the Accounting Standards Board of Japan (ASBJ) issued ASBJ Statement No.13, "Accounting Standard for Lease Transactions," and ASBJ Practical Solutions Report No.16, "Practical Solutions for the Accounting Standard for Lease Transactions" which revised the former accounting standard for lease transactions issued on June 17, 1993.

Effective April 1, 2008, the Bank and its consolidated subsidiaries applied the revised accounting standard for lease transactions. Under the revised accounting standard, all finance lease transactions are capitalized.

The effect of this change on the interim consolidated statement of operations for the six months ended September 30, 2008 was negligible.

Lessee

All finance lease transactions were capitalized recognizing lease assets and lease obligations in the balance sheet.

Depreciation of leased assets from finance lease transactions that do not deem to transfer ownership of the leased property to the lessee is computed using the straight-line method over the leasing period. Residual values of leased assets are the guaranteed values determined in the lease contracts and zero for assets without such guaranteed value.

With regard to finance lease transaction entered into prior to April 1, 2008 that do not deem to transfer ownership of the leased property to the lessee, leased assets are recognized at the amount of the remaining lease obligation as of the end of March 31, 2008.

Lessor

All finance lease transactions that deem to transfer ownership of the leased property to the lessee are recognized as lease

receivables, and all finance lease transactions that do not deem to transfer ownership of the leased property to the lessee are recognized as leased investment assets.

Lease revenue is recognized at the due date of each lease payment according to the lease contracts and lease cost is recognized as the amount that assumed interest income allocated to each period is deducted from the lease revenue.

With regard to finance lease transactions entered into prior to April 1, 2008 that do not deem to transfer ownership of the property to the lessee, leased investment assets are recognized at the book values of those leased assets as of the end of March 31, 2008.

As a result, income (loss) before income taxes and minority interests for the six months ended September 30, 2008 of the consolidated domestic subsidiaries that specialize in leasing business decreased by ¥10,973 million (U.S.\$105,152 thousand) than it would be if the revised accounting standard was applied retroactively to all finance lease transactions.

(W) INSTALLMENT SALES FINANCE AND CREDIT GUARANTEES

Fees from installment sales finance have principally been prorated over 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 by 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, the straight-line method or the credit-balance method depending on the contract terms.

(X) REVENUE RECOGNITION FOR INTEREST ON CONSUMER LENDING BUSINESS

In a consolidated subsidiary specialized in consumer lending business, accrued interest income at the interim balance sheet date is accrued at the lower of the amount determined using a rate permissible under the Interest Rate Restriction Law of Japan or the amount determined using rates on contracts with customers.

(Y) 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 when it is considered more likely than not that it will not be realized.

(Z) DERIVATIVES AND HEDGE ACCOUNTING

Derivatives are stated at fair value. Derivative transactions that meet the hedge accounting criteria are primarily accounted for using a deferral method whereby unrealized gains and losses are deferred until the gains and losses on the hedged items are realized.

(i) Hedge of interest rate risks

Derivative transactions that meet the hedge accounting criteria for mitigating interest rate risks of the Bank's financial assets and liabilities are accounted for using the deferral method. 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 JICPA. Effective April 1, 2003, the Bank adopted portfolio hedging to determine the effectiveness of its hedging instruments in accordance with Report No. 24. Under portfolio hedging, a portfolio of hedged items with common maturities such as deposits or loans is designated and 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. The effectiveness of the portfolio hedging is assessed by each group.

Deferred hedge losses and deferred hedge gains previously recorded on the consolidated balance sheets as a result of macro hedge accounting before implementation of portfolio hedging are being amortized as interest expense or income over the remaining lives of the hedging instruments. The unamortized balances of deferred hedge losses attributable to macro hedge accounting, before deduction of tax benefit, as of September 30, 2008 and 2007 were ¥8 million (U.S.\$82 thousand) and ¥17 million, respectively.

The interest rate swaps of certain consolidated subsidiaries which qualify for hedge accounting and meet specific matching criteria are not remeasured at fair value, but the net payments or receipts under the swap agreements are recognized and included in interest expenses or income.

(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 and converting 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 sold or bought.

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 and 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 and losses on such inter-company and intra-company transactions are reported in current earnings and valuation gains and losses which meet the hedge accounting criteria are deferred. On the other hand, in the trading book, realized gains and losses and valuation gains and losses on such inter-company and intra-company transactions are substantially offset with covering contracts entered into with third parties.

(AA) PER SHARE INFORMATION

Basic net income (loss) per common share calculations represent net income (loss) 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 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 shares 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 issuance for those issued during the period and at the beginning of the period for those previously issued and outstanding at the beginning of the period.

(AB) RECLASSIFICATIONS

Certain reclassifications have been made to the interim consolidated financial statements for the six months ended September 30, 2007 to conform to the presentation for the six months ended September 30, 2008.

3. ACQUISITION

CONSOLIDATED

GE Consumer Finance Co., Ltd.

On September 22, 2008, the Bank, together with APLUS, acquired 100% of the controlling interest (equity and debt) in GE Consumer Finance Co., Ltd. (GECF), a consumer finance company in Japan, and its subsidiaries. This acquisition was made in line with the Bank's business strategy to expand the Individual Group and pursue further synergy between its retail banking and consumer finance operations.

The purchase price reflects the following terms under which gray zone costs will be shared between the Bank and the Seller (GE).

- The Bank will take on the first loss from Gray Zone up to ¥201.5 billion
- Risk sharing between the Bank and the Seller (GE) for the loss from Gray Zone between ¥201.5 billion and ¥258 billion
- The Seller (GE) will cover the loss from Gray Zone beyond ¥258 billion

The Bank's maximum gray zone liability for assets subject to those terms is ¥203.9 billion.

As part of the investment in GECF, on September 24, 2008, securitization of ¥402.9 billion (senior beneficial interest of ¥362.1 billion, rated A3 and mezzanine beneficial interest of

¥40.8 billion, rated Baa3) of GECF's unsecured consumer loan assets was implemented and the Bank purchased all of the senior and mezzanine beneficial interests issued by GECF, which allows those assets to be funded directly through the stable retail deposits and other internal funding resources of the Bank. The securitization does not, however, impact Shinsei consolidated financial statements as any portion of the beneficial interests was not sold to a third party.

In connection with the acquisition, the Bank conducted a fair value review of GECF's assets and liabilities, including intangible assets, for the purpose of preparing the consolidated balance sheet as of September 30, 2008 (deemed acquisition date). The excess of the purchase price over the fair value of assets acquired and liabilities assumed, including intangible assets is accounted for as goodwill. The purchase price will be adjusted within 90 days after the closing based on the difference of GECF's financial positions preliminarily recognized and those of finalized.

The following table is the provisional summary of the fair value of the assets acquired and liabilities assumed, including intangible assets and goodwill as of September 30, 2008, subject to be adjusted based on the later purchase price adjustment.

	Millions of yen	Thousands of U.S. dollars
Cash and due from banks	¥ 33,100	\$ 317,174
Securities	300	2,875
Loans	765,500	7,335,186
Other assets	18,813	180,272
Premises and equipment	11,443	109,651
Intangible assets (Including ¥27,077 million of intangible assets recognized through fair value review)	29,763	285,197
Total assets acquired	858,919	8,230,355
Other liabilities	(31,334)	(300,250)
Reserve for losses on interest repayments	(225,420)	(2,160,031)
Deferred tax liabilities	(11,017)	(105,575)
Total liabilities assumed	(267,772)	(2,565,856)
Net assets acquired	591,147	5,664,499
Total contribution	601,631	5,764,965
Goodwill	10,484	100,466

4. CASH AND CASH EQUIVALENTS

CONSOLIDATED

The reconciliation of cash and cash equivalents at the end of the period and cash and due from banks in the interim consolidated balance sheets as of September 30, 2008 and 2007 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
As of September 30,			
Cash and due from banks	¥ 278,461	¥ 394,179	\$ 2,668,276
Interest-bearing deposits included in due from banks	(100,334)	(220,253)	(961,422)
Cash and cash equivalents at end of period	¥ 178,127	¥ 173,925	\$ 1,706,854

5. OTHER MONETARY CLAIMS PURCHASED

CONSOLIDATED

(a) Other monetary claims purchased as of September 30, 2008 and 2007 consisted of the following:

As of September 30,	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Trading purposes	¥ 274,493	¥ 252,625	\$ 2,630,256
Other	180,141	192,483	1,726,155
Total	¥ 454,635	¥ 445,108	\$ 4,356,411

(b) The fair value and the unrealized loss of other monetary claims purchased for trading purposes as of September 30, 2008 and 2007 were as follows:

As of September 30,	Millions of yen				Thousands of U.S. dollars	
	2008		2007		2008	
	Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss
Trading purposes	¥ 274,493	¥ (5,533)	¥ 252,625	¥ (7,917)	\$ 2,630,256	\$ (53,019)

6. TRADING ASSETS

CONSOLIDATED

Trading assets as of September 30, 2008 and 2007 consisted of the following:

As of September 30,	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Trading securities	¥ 17,751	¥ 31,536	\$ 170,102
Derivatives for trading securities	18,782	14,640	179,982
Securities held to hedge trading transactions	67,062	102,083	642,610
Derivatives for securities held to hedge trading transactions	22,261	4,836	213,310
Trading-related financial derivatives	153,082	97,744	1,466,872
Other trading assets	6,220	644	59,610
Total	¥ 285,162	¥ 251,485	\$ 2,732,486

7. MONETARY ASSETS HELD IN TRUST

CONSOLIDATED

(a) Monetary assets held in trust as of September 30, 2008 and 2007 consisted of the following:

As of September 30,	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Trading purposes	¥ 255,155	¥ 268,619	\$ 2,444,955
Other	122,049	149,035	1,169,507
Total	¥ 377,205	¥ 417,655	\$ 3,614,462

(b) The fair value and the unrealized loss of monetary assets held in trust for trading purposes as of September 30, 2008 and 2007 were as follows:

As of September 30,	Millions of yen				Thousands of U.S. dollars	
	2008		2007		2008	
	Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss
Trading purposes	¥ 255,155	¥ (6,629)	¥ 268,619	¥ (5,903)	\$ 2,444,955	\$ (63,525)

(c) The acquisition cost, which is the same as the book value, of monetary assets held in trust for other than trading purposes as of September 30, 2008 and 2007 was ¥122,049 million (U.S.\$1,169,507 thousand) and ¥149,035 million, respectively.

8. SECURITIES

CONSOLIDATED

(a) Securities as of September 30, 2008 and 2007 consisted of the following:

As of September 30,	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Trading securities	¥ 36,969	¥ 116,156	\$ 354,247
Securities being held to maturity	330,980	438,835	3,171,526
Securities available-for-sale:			
Marketable securities, at fair value	1,100,776	1,433,099	10,547,880
Book value of securities whose fair value is not readily determinable	476,242	320,532	4,563,458
Investments in unconsolidated subsidiaries, at cost and affiliates using the equity method	49,403	59,934	473,396
Total	¥ 1,994,372	¥ 2,368,558	\$ 19,110,507

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, 2008 and 2007 were ¥63,741 million (U.S.\$610,782 thousand) and ¥128,928 million, respectively. In addition, ¥17,846 million (\$171,011 thousand) of those securities were further pledged as of September 30, 2008.

The amount of guarantee obligations for privately-placed bonds (Item 3 of Article 2 of the Financial Instruments and Exchange Law), out of bonds included in securities as of September 30, 2008 and 2007 were ¥68,650 million (U.S.\$657,821 thousand) and ¥103,763 million, respectively.

(b) The amortized cost and the fair value of marketable securities (other than trading securities) as of September 30, 2008 and 2007 were as follows:

As of September 30,	Millions of yen							
	2008				2007			
	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	¥ 244,229	¥ 911	¥ 165	¥ 244,976	¥ 324,431	¥ 324	¥ 915	¥ 323,840
Japanese corporate bonds	75,215	641	4	75,853	101,656	153	19	101,790
Other	11,532	1,122	—	12,655	12,747	343	—	13,091
Total	¥ 330,977	¥ 2,676	¥ 169	¥ 333,484	¥ 438,835	¥ 821	¥ 935	¥ 438,721
Securities available-for-sale:								
Equity securities	¥ 22,127	¥ 776	¥ 5,653	¥ 17,250	¥ 23,674	¥ 2,142	¥ 2,261	¥ 23,555
Japanese national government bonds	557,902	273	5,173	553,003	563,094	97	3,611	559,580
Japanese local government bonds	1,708	26	—	1,734	114,974	13	66	114,921
Japanese corporate bonds	114,672	134	567	114,239	206,174	203	219	206,157
Other, mainly foreign debt securities	463,035	5,897	54,384	414,549	529,178	11,863	12,155	528,885
Total	¥ 1,159,446	¥ 7,109	¥ 65,778	¥ 1,100,776	¥ 1,437,095	¥ 14,319	¥ 18,314	¥ 1,433,099

Thousands of U.S. dollars

As of September 30,	2008			
	Amortized cost	Gross unrealized gain	Gross unrealized loss	Fair value
Securities being held to maturity:				
Japanese national government bonds	\$ 2,340,263	\$ 8,736	\$ 1,581	\$ 2,347,418
Japanese corporate bonds	720,729	6,151	40	726,840
Other	110,505	10,759	—	121,264
Total	\$ 3,171,497	\$ 25,646	\$ 1,621	\$ 3,195,522
Securities available-for-sale:				
Equity securities	\$ 212,033	\$ 7,442	\$ 54,175	\$ 165,300
Japanese national government bonds	5,345,946	2,623	49,573	5,298,996
Japanese local government bonds	16,366	251	—	16,617
Japanese corporate bonds	1,098,814	1,292	5,439	1,094,667
Other, mainly foreign debt securities	4,436,904	56,516	521,120	3,972,300
Total	\$11,110,063	\$ 68,124	\$ 630,307	\$10,547,880

Individual securities are written down when a decline in fair value below the cost of such securities is deemed to be other than temporary. The amount written down is accounted for as an impairment loss. Impairment losses on marketable securities available-for-sale for the six months ended September 30, 2008 were ¥17,486 million (U.S.\$167,556 thousand).

(c) Securities available-for-sale sold during the six months ended September 30, 2008 and 2007 were as follows:

	Millions of yen					
	2008			2007		
Six months ended September 30,	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 sold	¥ 637,016	¥ 3,566	¥ 351	¥ 289,734	¥ 4,902	¥ 731

	Thousands of U.S. dollars					
	2008			2007		
Six months ended September 30,	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 sold	\$ 6,104,031	\$ 34,174	\$ 3,372			

(d) The book value (amortized cost) of securities being held to maturity and securities available-for-sale whose fair value was not readily determinable as of September 30, 2008 and 2007 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
As of September 30,			
Securities being held to maturity:			
Japanese corporate bonds	¥ 3	¥ —	\$ 29
Total	¥ 3	¥ —	\$ 29
Securities available-for-sale:			
Equity securities	¥ 15,941	¥ 15,280	\$ 152,759
Japanese local government bonds	4	4	38
Japanese corporate bonds	324,493	193,690	3,109,365
Foreign securities	75,018	79,845	718,842
Other	60,784	31,712	582,454
Total	¥ 476,242	¥ 320,532	\$ 4,563,458

(e) Redemption schedules for securities being held to maturity and available-for-sale as of September 30, 2008 and 2007 were as follows:

	Millions of yen							
	2008				2007			
As of September 30,	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	¥ 552,540	¥ 199,671	¥ 2,393	¥ 42,627	¥ 530,632	¥ 306,448	¥ —	¥ 46,930
Japanese local government bonds	4	1,219	514	—	112,707	516	1,701	—
Japanese corporate bonds	119,507	382,534	11,909	—	172,219	269,304	59,979	—
Subtotal	672,052	583,425	14,817	42,627	815,559	576,269	61,681	46,930
Other	25,521	200,190	141,450	118,827	19,518	170,919	202,385	202,022
Total	¥ 697,573	¥ 783,615	¥ 156,267	¥ 161,455	¥ 835,077	¥ 747,189	¥ 264,066	¥ 248,952

	Thousands of U.S. dollars			
	2008			
As of September 30,	1 year or less	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years
Bonds:				
Japanese national government bonds	\$ 5,294,560	\$ 1,913,298	\$ 22,935	\$ 408,466
Japanese local government bonds	38	11,684	4,933	—
Japanese corporate bonds	1,145,151	3,665,524	114,115	—
Subtotal	6,439,749	5,590,506	141,983	408,466
Other	244,553	1,918,266	1,355,411	1,138,631
Total	\$ 6,684,302	\$ 7,508,772	\$ 1,497,394	\$ 1,547,097

9. LOANS AND BILLS DISCOUNTED

CONSOLIDATED

Loans and bills discounted as of September 30, 2008 and 2007 consisted of the following:

As of September 30,	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Loans on deeds	¥ 5,124,898	¥ 4,712,138	\$ 49,107,878
Loans on bills	124,099	109,723	1,189,146
Bills discounted	1,624	662	15,567
Overdrafts	1,329,085	634,058	12,735,585
Total	¥ 6,579,707	¥ 5,456,582	\$ 63,048,176

(a) Loans and bills discounted include loans to bankrupt obligors totaling ¥26,488 million (U.S.\$253,816 thousand) and ¥623 million as of September 30, 2008 and 2007, respectively, as well as non-accrual delinquent loans totaling ¥64,853 million (U.S.\$621,435 thousand) and ¥39,076 million as of September 30, 2008 and 2007, 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 loans past due for three months or more.

Loans past due for 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 loans past due for three months or more as of September 30, 2008 and 2007 were ¥1,539 million (U.S.\$14,754 thousand) and ¥9,961 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 loans past due for three months or more. The outstanding balances of restructured loans as of September 30, 2008 and 2007 were ¥73,401 million

(U.S.\$703,349 thousand) and ¥25,543 million, respectively.

(b) The total outstanding amounts deducted from the loan account for loan participations as of September 30, 2008 and 2007 were ¥62,160 million (U.S.\$595,632 thousand) and ¥68,270 million, respectively. This “off-balance sheet” treatment was in accordance with the guideline issued by the JICPA. The total amount of such loans in which the Bank participated was ¥106,266 million (U.S.\$1,018,268 thousand) and ¥238,958 million, respectively.

(c) The amount of loans sold through senior certificates under a collateralized loan obligation (CLO) securitization totaled ¥74,688 million as of September 30, 2007, with the subordinated certificates retained by the Bank totaling ¥19,971 million as of September 30, 2007, 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 the Industry Audit Committee Report No.24 issued by the JICPA, although the Group has the right to sell or pledge them without restrictions. The face values of such bills discounted held as of September 30, 2008 and 2007 were ¥1,772 million (U.S.\$16,988 thousand) and ¥725 million, respectively.

10. FOREIGN EXCHANGES

The assets and liabilities related to foreign currency trade financing activities of the Bank as of September 30, 2008 and 2007 consisted of the following:

As of September 30,	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Foreign exchange assets:			
Foreign bills bought	¥ 148	¥ 63	\$ 1,421
Foreign bills receivable	6,257	1,383	59,961
Due from foreign banks	16,043	25,351	153,730
Total	¥ 22,449	¥ 26,798	\$ 215,112
Foreign exchange liabilities:			
Foreign bills payable	¥ 18	¥ 17	\$ 173
Due to foreign banks	2	2	23
Total	¥ 20	¥ 19	\$ 196

11. OTHER ASSETS

CONSOLIDATED

Other assets as of September 30, 2008 and 2007 consisted of the following:

As of September 30,	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Accrued income	¥ 45,877	¥ 50,095	\$ 439,606
Prepaid expenses	6,980	7,298	66,893
Fair value of derivatives	344,894	209,704	3,304,855
Financial stabilization fund contribution	70,239	70,239	673,045
Accounts receivable	115,864	124,567	1,110,240
Installment receivables	420,608	438,550	4,030,362
Security deposits	24,999	15,063	239,555
Suspense payments	20,019	48,200	191,834
Other	60,314	54,744	577,945
Total	¥ 1,109,799	¥ 1,018,463	\$ 10,634,335

Installment receivables in other assets as of September 30, 2008 and 2007 included credits to bankrupt obligors totaling ¥617 million (U.S.\$5,920 thousand) and ¥1,041 million, non-accrual delinquent credits totaling ¥3,279 million (U.S.\$31,427

thousand) and ¥2,936 million, credits past due for three months or more of ¥1,692 million (U.S.\$16,221 thousand) and ¥1,651 million, and restructured credits of ¥9,482 million (U.S.\$90,866 thousand) and ¥8,143 million, respectively.

12. PREMISES AND EQUIPMENT

CONSOLIDATED

Premises and equipment as of September 30, 2008 and 2007 consisted of the following:

As of September 30,	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Buildings	¥ 28,151	¥ 50,269	\$ 269,750
Land	9,795	41,548	93,861
Tangible leased assets	81,268	533,083	778,730
Other	23,763	18,993	227,708
Subtotal	142,978	643,895	1,370,049
Accumulated depreciation	(89,251)	(271,673)	(855,223)
Net book value	¥ 53,727	¥ 372,222	\$ 514,826

13. INTANGIBLE ASSETS

CONSOLIDATED

Intangible assets as of September 30, 2008 and 2007 consisted of the following:

As of September 30,	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Software	¥ 30,029	¥ 24,909	\$ 287,753
Goodwill, net	146,511	154,119	1,403,906
Goodwill	153,405	154,127	1,469,964
Negative goodwill	6,893	8	66,058
Intangible assets acquired through acquisitions	48,810	18,467	467,709
Intangible leased assets	1,582	41,201	15,160
Other	1,653	117	15,848
Total	¥ 228,587	¥ 238,816	\$ 2,190,376

14. RESERVE FOR CREDIT LOSSES

CONSOLIDATED

Reserve for credit losses as of September 30, 2008 and 2007 consisted of the following:

As of September 30,	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Reserve for loan losses:			
General reserve	¥ 82,060	¥ 83,171	\$ 786,322
Specific reserve	29,295	25,077	280,720
Reserve for loans to restructuring countries	14	8	143
Subtotal	111,371	108,257	1,067,185
Specific reserve for other credit losses	23,779	33,452	227,855
Total	¥ 135,150	¥ 141,710	\$ 1,295,040

15. DEPOSITS, INCLUDING NEGOTIABLE CERTIFICATES OF DEPOSIT

CONSOLIDATED

Deposits, including negotiable certificates of deposit, as of September 30, 2008 and 2007 consisted of the following:

As of September 30,	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Current	¥ 17,707	¥ 21,227	\$ 169,675
Ordinary	1,347,126	1,492,880	12,908,452
Notice	10,945	23,884	104,879
Time	4,054,928	3,153,377	38,855,198
Negotiable certificates of deposit	744,479	719,310	7,133,759
Other	240,442	459,957	2,303,975
Total	¥ 6,415,628	¥ 5,870,638	\$ 61,475,938

16. DEBENTURES

CONSOLIDATED

Debentures as of September 30, 2008 and 2007 consisted of the following:

As of September 30,	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Coupon debentures	¥ 748,262	¥ 686,588	\$ 7,170,015

Annual maturities of debentures as of September 30, 2008 were as follows:

Year ending September 30	Millions of yen	Thousands of U.S. dollars
2009	¥ 228,851	\$ 2,192,900
2010	141,933	1,360,033
2011	177,612	1,701,921
2012	97,868	937,796
2013 and thereafter	101,997	977,365
Total	¥ 748,262	\$ 7,170,015

17. TRADING LIABILITIES

CONSOLIDATED

Trading liabilities as of September 30, 2008 and 2007 consisted of the following:

As of September 30,	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Trading securities sold for short sales	¥ —	¥ 4,518	\$ —
Derivatives for trading securities	17,578	13,262	168,437
Derivatives for securities held to hedge trading transactions	5,862	1,228	56,180
Trading-related financial derivatives	155,471	91,527	1,489,763
Other	—	62	—
Total	¥ 178,912	¥ 110,599	\$ 1,714,380

18. BORROWED MONEY

CONSOLIDATED

Borrowed money as of September 30, 2008 and 2007 consisted of the following:

As of September 30,	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Subordinated debt	¥ 108,000	¥ 108,000	\$ 1,034,879
Borrowings from the Bank of Japan and other financial institutions	954,712	984,738	9,148,258
Total	¥ 1,062,712	¥ 1,092,738	\$ 10,183,137

Annual maturities of borrowed money as of September 30, 2008 were as follows:

Year ending September 30	Millions of yen	Thousands of U.S. dollars
2009	¥ 477,935	\$ 4,579,684
2010	222,651	2,133,495
2011	82,211	787,767
2012	61,743	591,639
2013 and thereafter	218,170	2,090,552
Total	¥ 1,062,712	\$ 10,183,137

19. CORPORATE BONDS

CONSOLIDATED

Corporate bonds as of September 30, 2008 and 2007 consisted of the following:

As of September 30,	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Corporate bonds	¥ 80,689	¥ 70,906	\$ 773,185
Subordinated bonds	326,726	361,874	3,130,767
Total	¥ 407,416	¥ 432,780	\$ 3,903,952

In February 2006, the Bank issued €1.0 billion of step-up callable subordinated notes. The issue price was 99.486% of the principal amount. The notes bear interests at the fixed rate per annum of 3.75% through February 23, 2011, and at the floating rate per annum equal to three-month EURIBOR plus 1.95% thereafter. The notes are redeemable at the Bank's option in whole but not in part on any interest payment date on or after February 23, 2011, subject to the prior approval of the Financial Services Agency of Japan.

In December 2006, the Bank issued £400 million of step-up callable perpetual subordinated notes. The issue price was 99.669% of the principal amount. The notes bear interests at the fixed rate per annum of 5.625% through December 6, 2013, and at the floating rate per annum equal to LIBOR for six-month deposits in British pounds plus 2.12% thereafter. The notes are redeemable at the Bank's option in whole but not in part on any interest payment date on or after December 6, 2013, subject to the prior approval of the Financial Services Agency of Japan.

Annual maturities of corporate bonds as of September 30, 2008 were as follows:

Year ending September 30	Millions of yen	Thousands of U.S. dollars
2009	¥ 21,544	\$ 206,444
2010	33,240	318,519
2011	6,400	61,330
2012	4,803	46,024
2013 and thereafter	341,427	3,271,635
Total	¥ 407,416	\$ 3,903,952

20. OTHER LIABILITIES

CONSOLIDATED

Other liabilities as of September 30, 2008 and 2007 consisted of the following:

As of September 30,	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Accrued expenses	¥ 38,773	¥ 39,961	\$ 371,539
Unearned income	1,742	2,014	16,694
Income taxes payable	3,298	4,311	31,607
Fair value of derivatives	313,095	160,569	3,000,152
Matured debentures, including interest	26,645	30,049	255,318
Trust account	7,135	4,971	68,372
Accounts payable	78,470	261,281	751,919
Deferred gains on installment receivables	37,251	46,392	356,952
Deposits payable	117,910	121,671	1,129,845
Other	44,978	94,976	430,995
Total	¥ 669,301	¥ 766,199	\$ 6,413,393

21. ACCEPTANCES AND GUARANTEES

CONSOLIDATED

Acceptances and guarantees as of September 30, 2008 and 2007 consisted of the following:

As of September 30,	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Guarantees	¥ 695,538	¥ 725,402	\$ 6,664,799
Letters of credit	—	142	—
Total	¥ 695,538	¥ 725,545	\$ 6,664,799

22. ASSETS PLEDGED AS COLLATERAL

CONSOLIDATED

Assets pledged as collateral and debts collateralized as of September 30, 2008 and 2007 consisted of the following:

As of September 30,	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Assets:			
Cash and due from banks	¥ 783	¥ 70	\$ 7,503
Other monetary claims purchased	47,380	—	454,005
Securities	711,901	553,352	6,821,597
Loans and bills discounted	181,469	27,868	1,738,875
Lease receivables and Lease investment assets	26,349	—	252,489
Other assets	939	—	9,006
Premises and equipment	2,361	—	22,625
Debts:			
Deposits, including negotiable certificates of deposit	¥ 1,596	¥ 805	\$ 15,297
Call money	110,000	85,000	1,054,044
Collateral related to securities lending transactions	470,080	285,107	4,504,415
Borrowed money	98,281	40,532	941,758
Acceptances and guarantees	907	903	8,698

A total of ¥16,669 million of unearned lease claims were pledged as collateral for the above mentioned borrowed money as of September 30, 2007.

In addition, ¥171,893 million (U.S.\$1,647,120 thousand) of securities as of September 30, 2008, and ¥143,619 million of securities as of September 30, 2007 were pledged as collateral for transactions, including exchange settlements, swap trans-

actions and replacement of margin for future trading.

Also, ¥281 million (U.S.\$2,700 thousand) and ¥711 million of margin deposits for futures transactions outstanding were included in other assets as of September 30, 2008 and 2007, respectively. In addition, ¥4,485 million (U.S.\$42,984 thousand) of cash collateral pledged for derivative transactions are included in other assets as of September 30, 2008.

23. PREFERRED SECURITIES ISSUED BY SUBSIDIARIES OUTSIDE JAPAN

CONSOLIDATED

In February 2006, Shinsei Finance (Cayman) Limited, the Bank's wholly-owned subsidiary, issued U.S.\$775 million of step-up non-cumulative perpetual preferred securities. Dividends on the securities are payable on a non-cumulative basis annually in arrears at a rate of 6.418% until July 2016. After July 2016, dividends on the securities will be calculated at a floating rate of LIBOR plus 2.22%. On July 20, 2016 or any dividend payment date thereafter, Shinsei Finance (Cayman) Limited may redeem the securities at a price equal to the liquidation preference together with any dividends otherwise payable.

In March 2006, Shinsei Finance II (Cayman) Limited, the Bank's wholly-owned subsidiary, issued U.S.\$700 million of

non-cumulative perpetual preferred securities. Dividends on the securities are payable on a non-cumulative basis annually in arrears at a rate of 7.160% until July 2016. After July 2016, dividends on the securities will be calculated at a floating rate of LIBOR plus 1.87%. On July 25, 2016 and on each dividend payment date falling at ten year intervals thereafter, Shinsei Finance II (Cayman) Limited may redeem the securities at a price equal to the liquidation preference together with any dividends otherwise payable.

These preferred securities are accounted for as minority interests in the consolidated financial statements of the Bank.

24. EQUITY

CONSOLIDATED

The authorized number of shares of capital stock as of September 30, 2008 was 4,000,000 thousand common shares.

The following table shows changes in the number of shares of common stock, preferred stock and treasury stock.

	Thousands				
	Issued number of shares			Treasury stock	
	Common stock	Preferred Stock Class-A	Preferred Stock Class-B	Common stock	Preferred Stock Class-B
Six months ended September 30, 2008:					
Beginning of year	2,060,346	—	—	96,436	—
Increase	—	—	—	1	—
Decrease	—	—	—	(13)	—
End of period	2,060,346	—	—	96,424	—
Six months ended September 30, 2007:					
Beginning of year	1,473,570	74,528	300,000	96,425	—
Increase	200,000	—	—	1	300,000
Decrease	—	—	(300,000)	—	(300,000)
End of period	1,673,570	74,528	—	96,427	—

On August 1, 2007, pursuant to the provisions of Shinsei Bank's Articles of Incorporation concerning the mandatory acquisition of 300,000 thousand Class-B preferred shares issued by the Bank, owned entirely by the Resolution and Collection Corporation (the "RCC"), the Bank acquired all relevant preferred shares and issued 200,000 thousand of the Bank's common shares in exchange for these preferred shares. The Bank subsequently cancelled all the relevant preferred shares immediately after it obtained these shares, pursuant to Article 178 of the Law of Japan (the "Corporate Law").

On February 4, 2008, the Bank issued 117,647 thousand

new common shares by third-party allotment to a group of investors which included affiliates of J. C. Flowers & Co. LLC at ¥425 per common share. The Bank raised its capital by ¥50,000 million through this allotment.

On March 31, 2008, pursuant to a request by the DIC, the Bank acquired all 74,528 thousand Class-A preferred shares and issued 269,128 thousand of the Bank's common shares in exchange for these preferred shares. The conversion price of the preferred shares was ¥360. The Bank subsequently cancelled all the relevant preferred shares immediately after it obtained these shares, pursuant to Article 178 of the Corporate Law.

25. STOCK ACQUISITION RIGHTS

CONSOLIDATED

The Bank issues stock acquisition rights as a stock option plan to directors, statutory executive officers and employees of the Bank and its subsidiaries as well as its senior advisors.

Stock acquisition rights provide eligible individuals (the "holders") with the right to purchase common stock of the Bank without any consideration 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 annual

general meeting of shareholders and the meetings of the Board of Directors which resolves the issuance of stock acquisition rights subsequent to the shareholders' meeting.

On December 27, 2005, the ASBJ issued "Accounting Standard for Stock Options" and related guidance, which requires companies to recognize compensation expense for stock acquisition rights based on the fair value at the date of grant and over the vesting periods for stock acquisition rights newly granted on and after May 1, 2006.

Stock-based compensation expenses were ¥336 million (U.S.\$3,221 thousand) and ¥359 million for the six months ended September 30, 2008 and 2007. The following table shows the details of stock acquisition rights issued during the six months ended September 30, 2008.

Date of issuance	Total number of stock acquisition rights issued	Total number of holders	Exercise period	Exercise price	Fair value of the grant date
May 30, 2008	2,830	124	June 1, 2010- May 13, 2018	¥ 416	158 or 169
May 30, 2008	2,081	30	June 1, 2010- May 13, 2018	¥ 416	158 or 169
July 10, 2008	203	43	July 1, 2010- June 24, 2018	¥ 407	127 or 137

26. NET TRADING INCOME (LOSS)

CONSOLIDATED

Net trading income (loss) for the six months ended September 30, 2008 and 2007 consisted of the following:

Six months ended September 30,	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Income (loss) from trading securities	¥ 1,849	¥ 2,279	\$ 17,720
Income (loss) from securities held to hedge trading transactions	(6,219)	768	(59,593)
Income (loss) from trading-related financial derivatives	3,340	4,224	32,008
Other, net	37	(37)	361
Total	¥ (991)	¥ 7,234	\$ (9,504)

27. OTHER BUSINESS INCOME (LOSS), NET

CONSOLIDATED

"Other, net" in other business income (loss), net, for the six months ended September 30, 2008 and 2007 consisted of the following:

Six months ended September 30,	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Incomes (losses) from derivatives for banking purposes, net	¥ (932)	¥ 8	\$ (8,935)
Equity in net income (loss) of affiliates	(261)	(6,443)	(2,501)
Gain on lease cancellation and other lease income, net	846	1,112	8,114
Other, net	1,583	1,065	15,176
Total	¥ 1,237	¥ (4,256)	\$ 11,854

28. NET CREDIT COSTS

CONSOLIDATED

Net credit costs for the six months ended September 30, 2008 and 2007 consisted of the following:

Six months ended September 30,	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Losses on write-off of loans/Losses on sale of loans	¥ 2,945	¥ 98	\$ 28,220
Net provision (reversal) of reserve for loan losses:			
Net provision (reversal) of general reserve for loan losses	18,487	(5,432)	177,147
Net provision (reversal) of specific reserve for loan losses	22,177	33,685	212,507
Net provision (reversal) of reserve for loan losses to restructuring countries	(0)	(0)	(5)
Subtotal	40,663	28,251	389,649
Net provision (reversal) of specific reserve for other credit losses	(2,285)	1,020	(21,899)
Other credit costs relating to leasing business	338	1,344	3,239
Total	¥ 41,661	¥ 30,715	\$ 399,209

29. OTHER GAINS (LOSSES), NET

CONSOLIDATED

Other gains (losses), net, for the six months ended September 30, 2008 and 2007 consisted of the following:

Six months ended September 30,	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Net gain (loss) on disposal of premises and equipment	¥ 9,769	¥ 379	\$ 93,618
Provision for losses on disposal of premises and equipment	(3,039)	—	(29,121)
Pension-related costs	—	(302)	—
Gain on prescription of debentures	477	299	4,579
Recoveries of written-off claims	994	119	9,526
Gain on sale of subsidiary's stock	8,226	20,368	78,830
Provision of reserve for losses on interest repayments	(2,786)	(1,707)	(26,699)
Other, net	(286)	(215)	(2,741)
Total	¥ 13,357	¥ 18,940	\$ 127,992

30. LEASE TRANSACTIONS

CONSOLIDATED

The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008.

(a) Notes for finance lease transaction under the revised standard as of September 30, 2008 and the former standard as of September 30, 2007 are as follows.

As of September 30, 2008

AS LESSEE

As for finance lease transactions, under which the ownership of the property is not deemed to transfer to the lessee,

(1) Leased assets are mainly tools, equipment and fixtures included in "Premises and equipment," and software included in "Intangible assets."

(2) Depreciation method is described in "(v) Lease Transactions" in "2. Summary of Significant Accounting Policies."

AS LESSOR

(1) Breakdown of leased investment assets

	Millions of yen	Thousands of U.S. dollars
	2008	2008
As of September 30,		
Leasing receivables	¥ 265,603	\$ 2,545,066
Estimated residual value	11,229	107,601
Interest equivalent	(32,830)	(314,593)
Leased investment assets	¥ 244,001	\$ 2,338,074

(2) Leasing receivables to be received in future for "Lease receivables and leased investment assets"

	Millions of yen	Thousands of U.S. dollars
	2008	2008
As of September 30,		
Due within one year	¥ 96,970	\$ 929,192
Due after one year within two years	76,855	736,450
Due after two years within three years	47,909	459,082
Due after three years within four years	27,733	265,748
Due after four years within five years	13,273	127,185
Due after five years	12,336	118,213
Total	¥ 275,079	\$ 2,635,870

As of September 30, 2007

AS LESSEE

Finance lease transactions, under which the ownership of the property is not deemed to transfer to the lessee consisted of the following:

The assumed amounts of acquisition cost, accumulated depreciation and net balance of leased assets as of September 30, 2007 were as follows:

LEASED ASSETS

	Millions of yen
As of September 30,	2007
Acquisition cost:	
Equipment	¥ 2,905
Other	140
Total	¥ 3,046
Accumulated depreciation:	
Equipment	¥ 2,014
Other	88
Total	¥ 2,103
Net balance:	
Equipment	¥ 890
Other	52
Total	¥ 942

Lease obligations as of September 30, 2007 consisted of the following:

	Millions of yen
As of September 30,	2007
Obligations:	
Due within one year	¥ 667
Due after one year	325
Total	¥ 993

For the six months ended September 30, 2007, total lease payment was ¥418 million, assumed depreciation expense was ¥386 million, and assumed interest expense was ¥19 million.

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, 2007 were as follows:

LEASED ASSETS

	Millions of yen
As of September 30,	2007
Acquisition cost:	
Equipment	¥ 451,484
Other	80,513
Total	¥ 531,998
Accumulated depreciation:	
Equipment	¥ 193,189
Other	33,077
Total	¥ 226,267
Net balance:	
Equipment	¥ 258,295
Other	47,435
Total	¥ 305,730

Future lease payment receivables as of September 30, 2007 consisted of the following:

	Millions of yen
As of September 30,	2007
Future lease payment receivables:	
Due within one year	¥ 109,349
Due after one year	214,975
Total	¥ 324,325

For the six months ended September 30, 2007, total lease revenue was ¥67,411 million, depreciation expense was ¥55,612 million, and assumed interest income was ¥9,551 million.

Depreciation expense is calculated using the straight-line method over the leasing period. The difference between total lease revenues and acquisition cost of leased assets is credited to assumed interest income and is 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, 2008 and 2007 consisted of the following:

AS LESSEE

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
As of September 30,			
Obligations:			
Due within one year	¥ 5,561	¥ 1,375	\$ 53,295
Due after one year	5,755	3,041	55,152
Total	¥ 11,317	¥ 4,416	\$ 108,447

AS LESSOR

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
As of September 30,			
Future lease payment receivables:			
Due within one year	¥ 2,468	¥ 8,427	\$ 23,654
Due after one year	4,899	8,802	46,947
Total	¥ 7,367	¥ 17,230	\$ 70,601

31. SEGMENT INFORMATION

CONSOLIDATED

(A) BUSINESS SEGMENT INFORMATION

The Group is engaged in banking and other related activities such as trust, securities 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 is comprised of income from transactions at overseas branches and consolidated overseas subsidiaries. The composition of the volume of such transactions for the Group did not reach 10% of its operating income, therefore foreign operating income information is not presented.

32. OFF-BALANCE SHEET LENDING-RELATED FINANCIAL INSTRUMENTS

CONSOLIDATED

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 their customers. The unfunded amounts of these commitments were ¥5,677,927 million (U.S.\$54,407,124 thousand) and ¥4,327,480 million as of September 30, 2008 and 2007, respectively, out of which the amounts with original agreement terms of less than one year or which were cancelable were ¥5,387,808 million (U.S.\$51,627,146 thousand) and ¥3,925,254 million as of September 30, 2008 and 2007, 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.

33. DERIVATIVE FINANCIAL INSTRUMENTS

CONSOLIDATED

(A) INTEREST RATE-RELATED TRANSACTIONS

Interest rate-related transactions as of September 30, 2008 and 2007 were as follows:

As of September 30,	Millions of yen					
	2008			2007		
	Contract/Notional principal	Fair value	Unrealized gain (loss)	Contract/Notional principal	Fair value	Unrealized gain (loss)
Future contracts (listed):	¥ 160,903	¥ (4)	¥ (4)	¥ 17,568	¥ (1)	¥ (1)
Interest rate swaps (over-the-counter):	11,334,995	23,687	23,687	10,446,413	(4,296)	(4,296)
Interest rate swaptions (over-the-counter):	4,968,768	(15,108)	(4,804)	4,897,463	14,723	27,867
Interest rate options (over-the-counter):	289,428	(206)	(71)	362,337	(204)	675
Total		¥ 8,367	¥ 18,805		¥ 10,220	¥ 24,245

As of September 30,	Thousands of U.S. dollars		
	2008		
	Contract/Notional principal	Fair value	Unrealized gain (loss)
Future contracts (listed):	\$ 1,541,813	\$ (47)	\$ (47)
Interest rate swaps (over-the-counter):	108,614,365	226,979	226,979
Interest rate swaptions (over-the-counter):	47,611,810	(144,774)	(46,040)
Interest rate options (over-the-counter):	2,773,366	(1,980)	(690)
Total		\$ 80,178	\$ 180,202

(1) Derivatives included in the table above were measured at fair value and the unrealized gains and losses were recognized in income. Derivatives for which hedge accounting was adopted were excluded from the table above.

(2) Fair Values:

The fair values of listed transactions represent the closing price on the Tokyo Financial Exchange and other exchanges at the consolidated balance sheet date. The fair values of over-the-counter transactions are calculated mainly by using the discounted present value or option pricing models.

The fair value estimates for derivatives as of September 30, 2008 and 2007 are adjusted for credit risk by reducing ¥2,008 million (U.S.\$19,242 thousand) and ¥1,383 million, respectively, and also adjusted for liquidity risk by reducing ¥5,025 million (U.S.\$48,153 thousand) and ¥3,258 million, respectively, although the amounts of those risks are not reflected in the fair values shown in the tables.

(B) CURRENCY-RELATED TRANSACTIONS

Currency-related transactions as of September 30, 2008 and 2007 were as follows:

As of September 30,	Millions of yen					
	2008			2007		
	Contract/Notional principal	Fair value	Unrealized gain (loss)	Contract/Notional principal	Fair value	Unrealized gain (loss)
Currency swaps (over-the-counter)	¥ 1,377,721	¥ (5,349)	¥ (5,349)	¥ 1,540,338	¥ 20,322	¥ 20,322
Forward foreign exchange contracts (over-the-counter):	4,120,890	19,587	19,587	2,650,192	8,440	8,440
Currency options (over-the-counter):	19,379,960	24,253	31,894	11,220,960	(3,948)	12,014
Total		¥ 38,491	¥ 46,132		¥ 24,814	¥ 40,778

As of September 30,	Thousands of U.S. dollars		
	2008		
	Contract/Notional principal	Fair value	Unrealized gain (loss)
Currency swaps (over-the-counter)	\$ 13,201,626	\$ (51,261)	\$ (51,261)
Forward foreign exchange contracts (over-the-counter):	39,487,264	187,695	187,695
Currency options (over-the-counter):	185,702,958	232,401	305,617
Total		\$ 368,835	\$ 442,051

(1) Derivatives included in the table above were measured at fair value and the unrealized gains and losses were recognized in income. 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.

(2) Fair Values:

The fair values are calculated mainly by using the discounted present values or option pricing models.

(C) EQUITY-RELATED TRANSACTIONS

Equity-related transactions as of September 30, 2008 and 2007 were as follows:

As of September 30,	Millions of yen					
	2008			2007		
	Contract/Notional principal	Fair value	Unrealized gain (loss)	Contract/Notional principal	Fair value	Unrealized gain (loss)
Equity index futures (listed):	¥ 10,294	¥ (478)	¥ (478)	¥ 45,948	¥ 1,808	¥ 1,808
Equity index options (listed):	22,400	1,084	(368)	1,939	44	(5)
Equity options (over-the-counter):	503,221	2,944	(1,064)	552,075	(165)	2,903
Equity index swaps (over-the-counter):	1,000	116	116	1,000	65	65
Other (over-the-counter):	194,433	19,980	19,957	178,783	5,143	5,120
Total		¥ 23,648	¥ 18,163		¥ 6,897	¥ 9,893

As of September 30,	Thousands of U.S. dollars		
	2008		
	Contract/Notional principal	Fair value	Unrealized gain (loss)
Equity index futures (listed):	\$ 98,644	\$ (4,585)	\$ (4,585)
Equity index options (listed):	214,642	10,395	(3,529)
Equity options (over-the-counter):	4,821,977	28,218	(10,198)
Equity index swaps (over-the-counter):	9,582	1,118	1,118
Other (over-the-counter):	1,863,107	191,455	191,239
Total		\$ 226,601	\$ 174,045

(1) Derivatives included in the table above were measured at fair value and the unrealized gains and losses were recognized in income. Derivatives for which hedge accounting was adopted were excluded from the table above.

(2) Fair Values:

The fair values of listed transactions represent the closing price on the Tokyo Stock Exchange and other exchanges at the consolidated balance sheet date. The fair values of over-the-counter transactions are calculated mainly by using the discounted present values or option pricing models.

(D) BOND-RELATED TRANSACTIONS

Bond-related transactions as of September 30, 2008 and 2007 were as follows:

As of September 30,	Millions of yen					
	2008			2007		
	Contract/Notional principal	Fair value	Unrealized gain (loss)	Contract/Notional principal	Fair value	Unrealized gain (loss)
Bond futures (listed):	¥ 22,689	¥ 77	¥ 77	¥ 15,941	¥ 25	¥ 25

As of September 30,	Thousands of U.S. dollars		
	2008		
	Contract/Notional principal	Fair value	Unrealized gain (loss)
Bond futures (listed):	\$ 217,420	\$ 742	\$ 742

(1) Derivatives included in the table above were measured at fair value and the unrealized gains and losses were recognized in income. Derivatives for which hedge accounting was adopted were excluded from the table above.

(2) Fair Values:

The fair values of listed transactions represent the closing price on the Tokyo Stock Exchange and other exchanges at the consolidated balance sheet date.

(E) CREDIT DERIVATIVES TRANSACTIONS

Credit derivatives transactions as of September 30, 2008 and 2007 were as follows:

As of September 30,	Millions of yen					
	2008			2007		
	Contract/Notional principal	Fair value	Unrealized gain (loss)	Contract/Notional principal	Fair value	Unrealized gain (loss)
Credit default option (over-the-counter):	¥ 3,261,836	¥ 10,957	¥ 10,957	¥ 2,618,860	¥ 41,638	¥ 985

As of September 30,	Thousands of U.S. dollars		
	2008		
	Contract/Notional principal	Fair value	Unrealized gain (loss)
Credit default option (over-the-counter):	\$ 31,255,620	\$ 105,001	\$ 105,001

(1) Derivatives included in the table above were measured at fair value and the unrealized gains and losses were recognized in income. Derivatives for which hedge accounting was adopted were excluded from the table above.

(2) Fair Values:

The fair values are calculated by using the discounted present values or other models.

34. NET INCOME PER COMMON SHARE

Diluted net income per share for the six months ended September 30, 2008 is not disclosed because of the Group's net loss position.

A reconciliation of the differences between basic and diluted net income per common share ("EPS") for the six months ended September 30, 2007 is as follows:

	Net income (Millions of yen)	Weighted average shares (Thousands)	EPS (Yen)
For the six months ended September 30, 2007:			
Basic EPS			
Net income available to common shareholders	¥ 22,701	1,443,810	¥ 15.72
Effect of dilutive securities			
Preferred stock	484	377,972	
Diluted EPS			
Net income for computation	¥ 23,186	1,821,783	¥ 12.72