



Business and Financial Highlights

Fiscal Year 2009

The Next Chapter

May 14, 2010

Masamoto Yashiro
President and Chief Executive Officer

Rahul Gupta
Senior Management Executive Officer
Chief Financial Officer



Agenda

1. Executive Summary

2. Fiscal Year 2009 Business and Financial Results Overview

- **At a Glance...**
- **Earnings**
Results Impacted by Additional Reserves/Impairments
- **Asset Quality**
Significant Balance Sheet Cleanup
- **Capital**
Efficiency of Capital Improved and Sufficiency of Capital Maintained
- **Liquidity**
Freedom from Credit Sensitive Sources of Funds

3. Business Strategy

- **Focus on Core Businesses**
Back to Basics Strategy

4. Forecast for Fiscal Year 2010

Return to Profitability

5. Key Takeaways

Well Positioned for the Future

1. Alliance Agreement with Aozora Bank Terminated

2. Strong Revenue from Core Businesses, Steady Capital Ratios, Robust Liquidity

- Top-line revenues up 10.6%
- Net interest margin of 2.47% due to lower funding costs, Shinsei Financial
- Expenses down 16.7% year-on-year on normalized basis
- Capital ratios steady
- Robust liquidity position

3. Significant Balance Sheet Cleanup

- Additional grey zone provisions and impairment of goodwill and intangible assets for APLUS Financial, Shinki
- Additional reserves recorded for real estate and legacy portfolios in Institutional Group

4. Well Positioned for the Future

- Focus on core institutional businesses including small and medium enterprises
- Focus on enhancing retail banking and consumer finance franchise
- Align consumer finance operations to new operating environment
- Forecast for Fiscal Year 2010
 - Consolidated Reported Net Income of JPY 12.5 billion and Cash Basis Net Income of JPY 23.6 billion
 - Non-consolidated Reported Net Income of JPY 10.0 billion

At a Glance...

Strong Revenues, Significant Balance Sheet Clean Up, Steady Capital Ratios, Robust Liquidity

(JPY billion)

Earnings	FY2008	FY2009
Consolidated		
Revenue	258.2	285.5
Expenses	178.7	168.3
Ordinary Business Profit (OBP)	79.4	117.1
OBP after Net Credit Costs	(49.6)	4.8
Net Income (Loss)	(143.0)	(140.1)
Cash Basis Net Income (Loss)	(97.0)	(53.7)
Expense-to-revenue Ratio	69.2%	59.0%
Non-Consolidated		
Net Income (Loss)	(157.0)	(47.6)
Distributable Profits	32.8	23.2
Liquidity	FY2008	FY2009
Liquidity Reserve ¹	1,234	1,292

(JPY billion)

Asset Quality	FY2008	FY2009
Total Assets	11,949	11,376
Risk Weighted Assets ("RWA")	9,621	7,722
RWA / Total Assets (%)	80.5%	67.9%
Non-performing Loans / Total Claims (%)	2.51%	6.70%
Coverage Ratio ² (%)	96.0%	97.6%
Capital	FY2008	FY2009
Tier I Capital	580.0	490.7
Total Capital	803.4	645.4
Tangible Common Equity Ratio ³	3.00%	3.09%
Core Tier I Capital Ratio ⁴	4.03%	4.05%
Tier I Capital Ratio	6.02%	6.35%
Total Capital Adequacy Ratio	8.35%	8.35%

¹Cash, unencumbered JGBs and other assets pledged to Bank of Japan

²(Reserve for loan losses + collateral + guarantees) / Amount of claims (Non-consolidated basis)

³(Net assets – preferred stock – intangible assets – minority interests) / Total assets (excluding intangible assets)

⁴(Tier I capital – preferred securities – preferred stock – deferred tax assets (net)) / Risk weighted assets

At a Glance...

Significant Improvement in OBP (after Net Credit Costs)

(JPY billion)

OBP ¹ after Net Credit Costs		
Institutional Group	FY2008	FY2009
Institutional Banking	(170.1)	(52.5)
Showa Leasing	2.0	2.4
Institutional Group	(168.0)	(50.0)
Individual Group	FY2008	FY2009
Retail Banking	2.2	6.3
Shinsei Financial	23.3	20.6
APLUS Financial	7.2	3.5
Shinki	4.9	6.9
Other Subsidiaries	(3.9)	0.3
Individual Group	33.8	37.7
Corporate	FY2008	FY2009
Corporate	84.6	17.1
OBP after Net Credit Costs	(49.6)	4.8
Other Losses, Amortization of Goodwill and Intangible Assets	(69.4)	(127.9)
Tax, Minority Interests	(24.0)	(17.0)
Net Income (Loss)	(143.0)	(140.1)

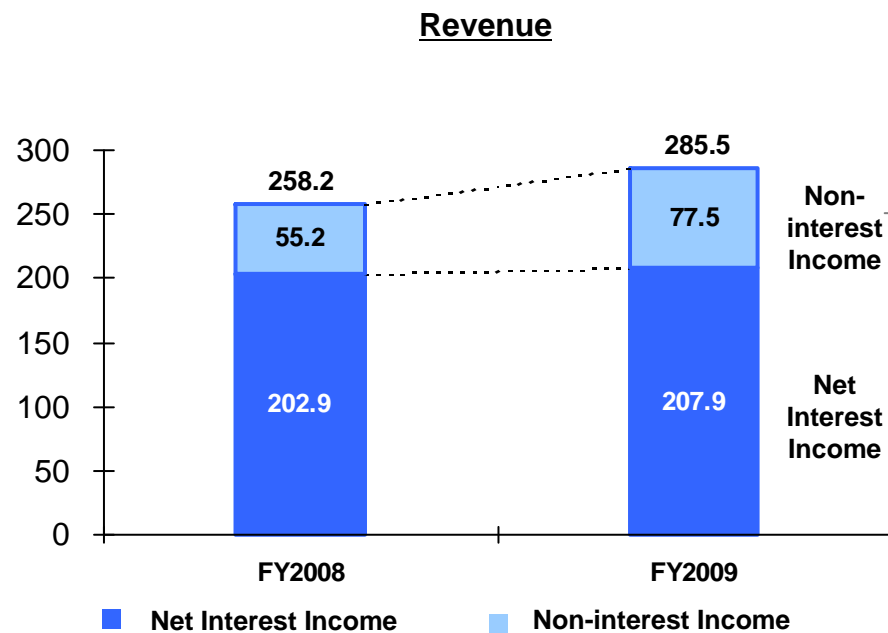
- JPY 117.9 billion improvement in Institutional Group OBP after Net Credit Costs due to reduced markdowns and impairments
- Strong top-line revenue and focus on cost reduction
- Additional grey zone provisions and impairment of goodwill and intangible assets for APLUS Financial, Shinki
- Significant gains from capital buybacks

¹Ordinary Business Profit

10.6% Revenue Growth Year-on-Year

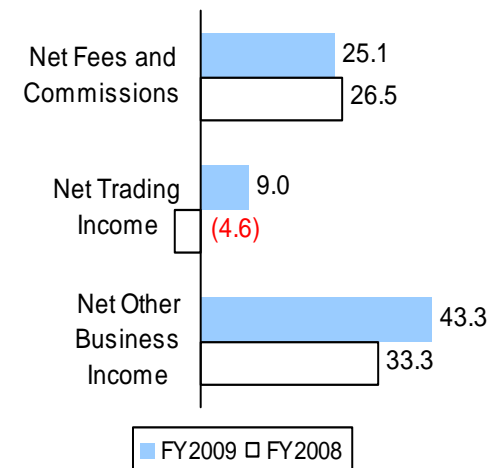
Full Year Contribution from Shinsei Financial and Lower Mark-downs/Impairments

(JPY billion)

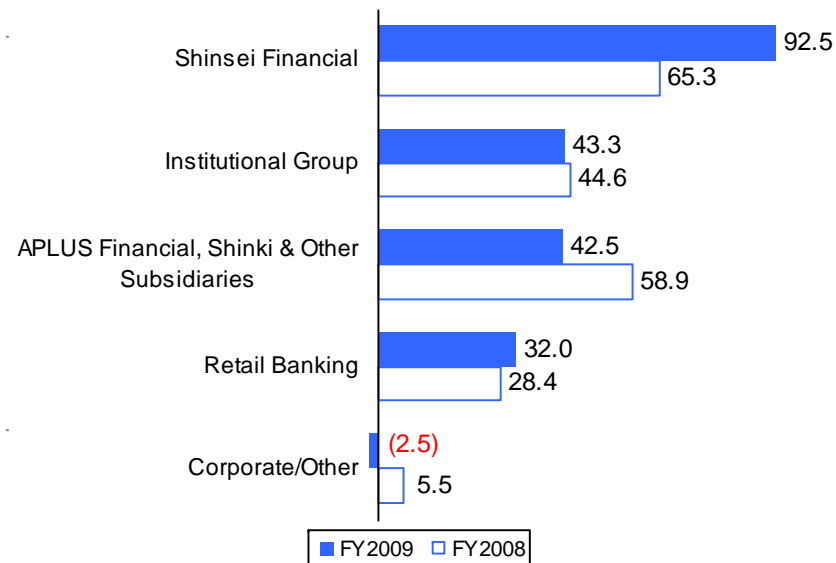


- Non-interest income increased due to lower mark-downs and impairments of legacy portfolios in Institutional Group
- Net interest income increased due to:
 - Full year contribution of Shinsei Financial partly offset by decrease in net interest income from APLUS Financial and Shinki (lower volumes, lower rates)

Non-Interest Income



Net Interest Income¹



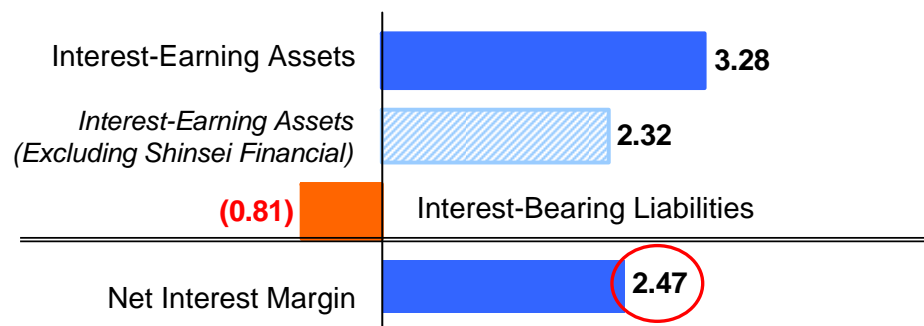
¹Includes income on leased assets and installment receivables 5

Net Interest Margin Above Peer Group

Lower Funding Costs, Shinsei Financial

Net Interest Margin¹

FY2009 (%)



- Lower deposits and subordinated debt funding costs offset decrease in asset yields arising from investing excess liquidity in JGB's

FY2008 (%)



- Volumes generally constant year-on-year for both interest-earning assets and interest-bearing liabilities

¹Includes income on leased assets and installment receivables

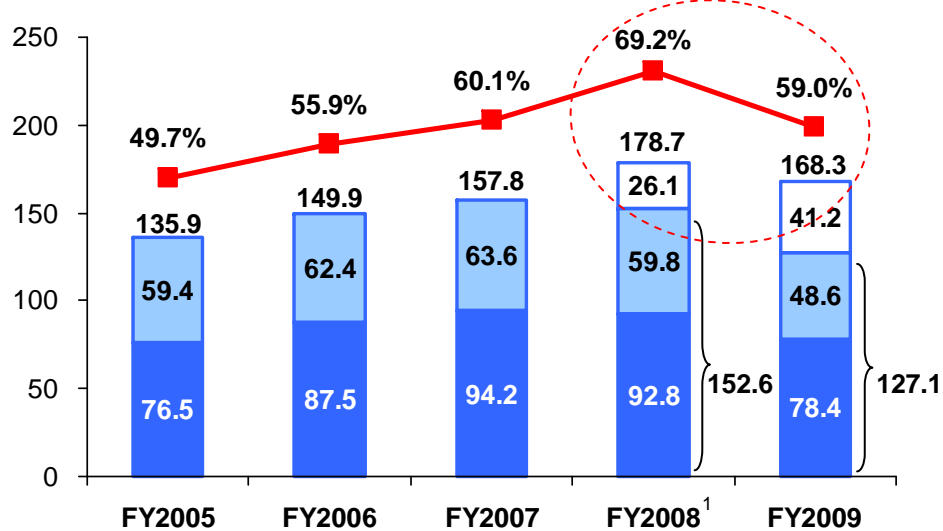


Expenses Down 16.7% Year-on-Year on a Normalized Basis

Disciplined Cost Management

(JPY billion)

General and Administrative Expenses



- ▭ Shinsei Financial's Direct Expenses
- ▭ Personnel Expenses (Excluding Shinsei Financial)
- ▭ Non Personnel Expenses (Excluding Shinsei Financial)
- Expenses-to-revenue Ratio (Including Shinsei Financial)

Number of Employees²

	March 31, 2006	March 31, 2007	March 31, 2008	March 31, 2009	March 31, 2010
Bank	2,094	2,248	2,394	2,259	2,011
Subsidiaries	3,313	3,116	2,851	4,747	4,105
Consolidated Group	5,407	5,364	5,245	7,006	6,116

¹Only includes six months of expenses for Shinsei Financial in FY2008

²Excludes temporary staff

- On a normalized basis, excluding Shinsei Financial, expenses down 16.7%
- 5.8% down on an actual basis, including Shinsei Financial
- Expense-to-revenue ratio improved by 10.2 percentage points
- Sharp reduction in head count in both the Bank and consumer finance subsidiaries



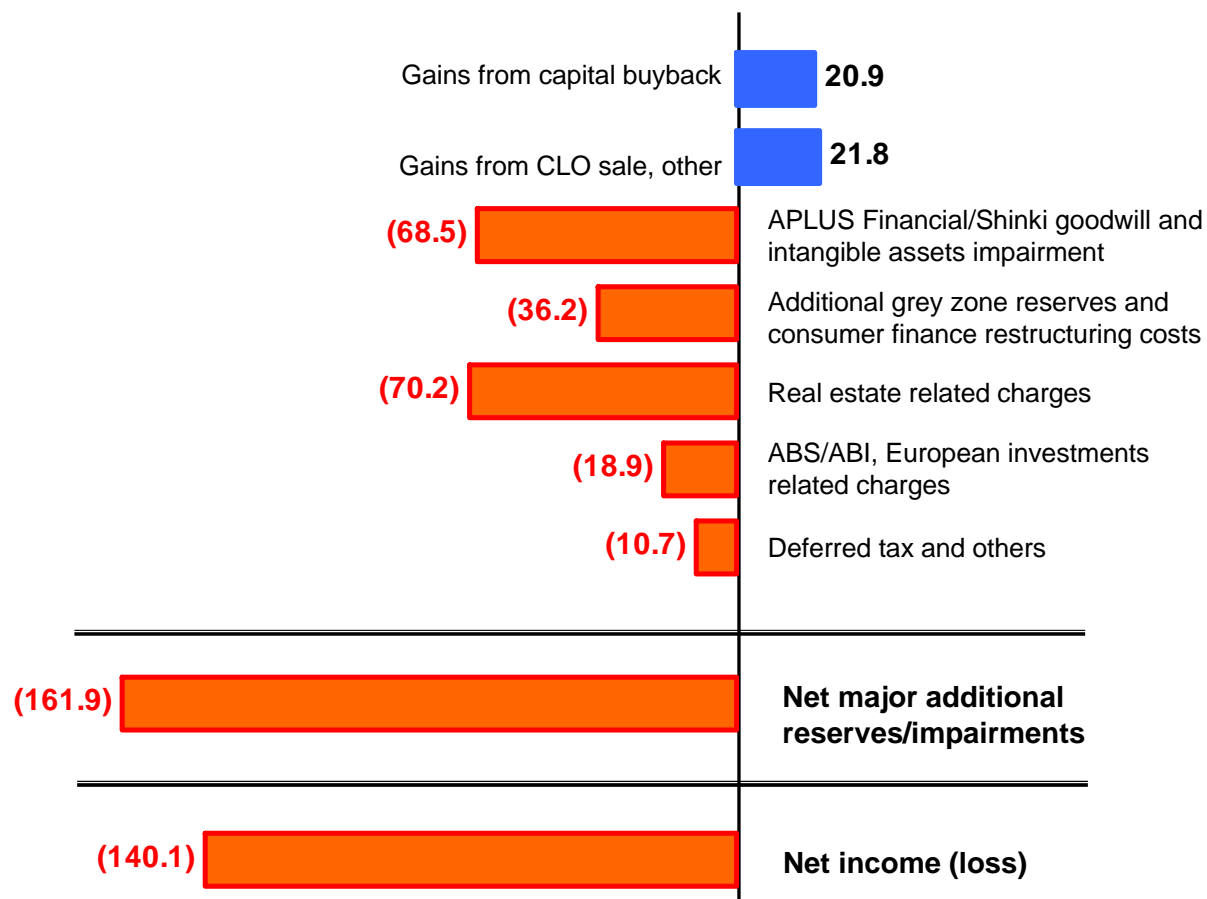
FY2009 Results Impacted by Additional Reserves/Impairments

Significant Balance Sheet Cleanup

Earnings

(JPY billion)

FY2009 Consolidated Basis



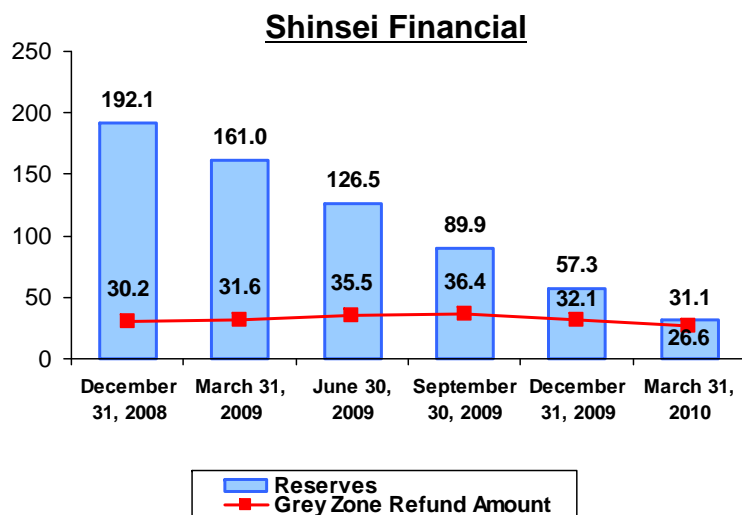
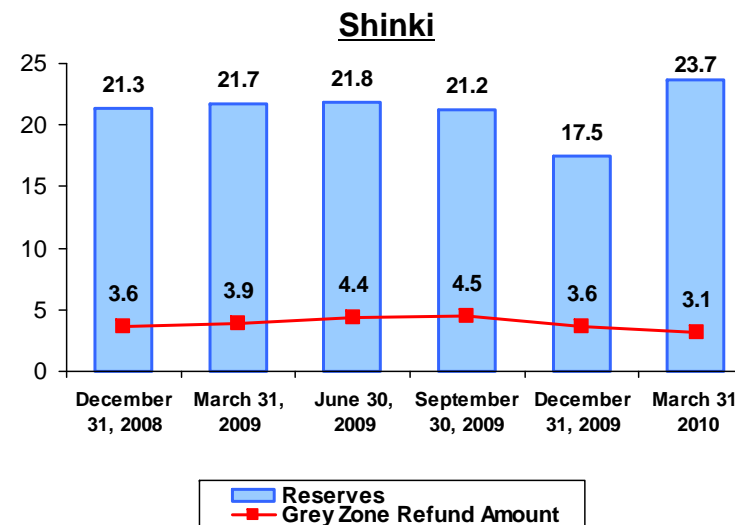
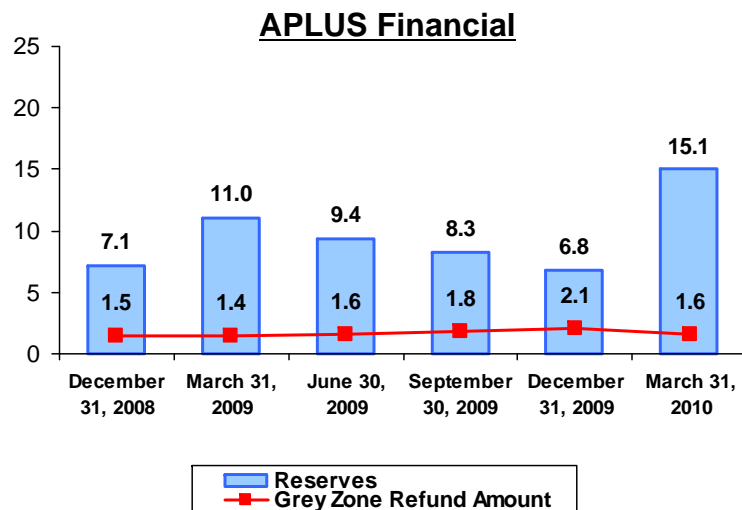


Monitoring Grey Zone Liabilities

Additional Reserves and GE Indemnity in Place

Earnings

(JPY billion)



- Disclosure claims on the decline
- Additional grey zone reserves, consistent with industry practice, recorded at Shinki and APLUS Financial
- Substantial portion of Shinsei Financial's portfolio is indemnified by General Electric

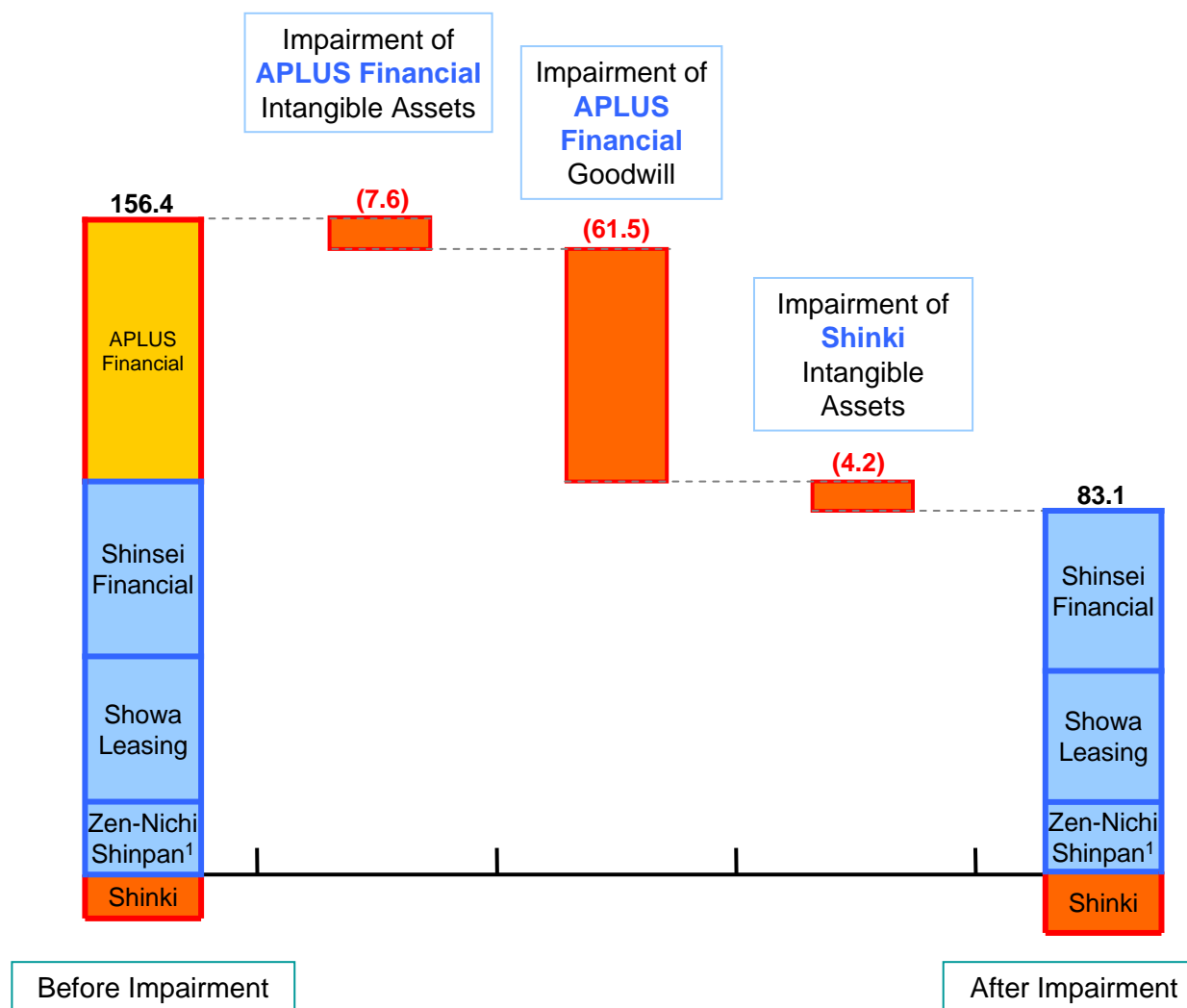
APLUS Financial Goodwill and Intangible Assets Written Off...

Enables Higher Profitability in Future Years

Earnings

(JPY billion)

Goodwill and Intangible Assets (Consolidated Basis)



Goodwill

Subsidiaries	Before Impairment	After Impairment
APLUS Financial	61.5	0
Shinsei Financial	26.6	26.6
Showa Leasing	32.6	32.6
Zen-Nichi Shinpan ¹	5.0	5.0
Shinki	(6.3)	(6.3)
Sub Total	119.4	57.8

Intangible Assets

Subsidiaries	Before Impairment	After Impairment
APLUS Financial	7.6	0
Shinsei Financial	20.3	20.3
Showa Leasing	5.0	5.0
Zen-Nichi Shinpan ¹	0	0
Shinki	4.2	0
Sub Total	37.1	25.2

Goodwill and Intangible Assets

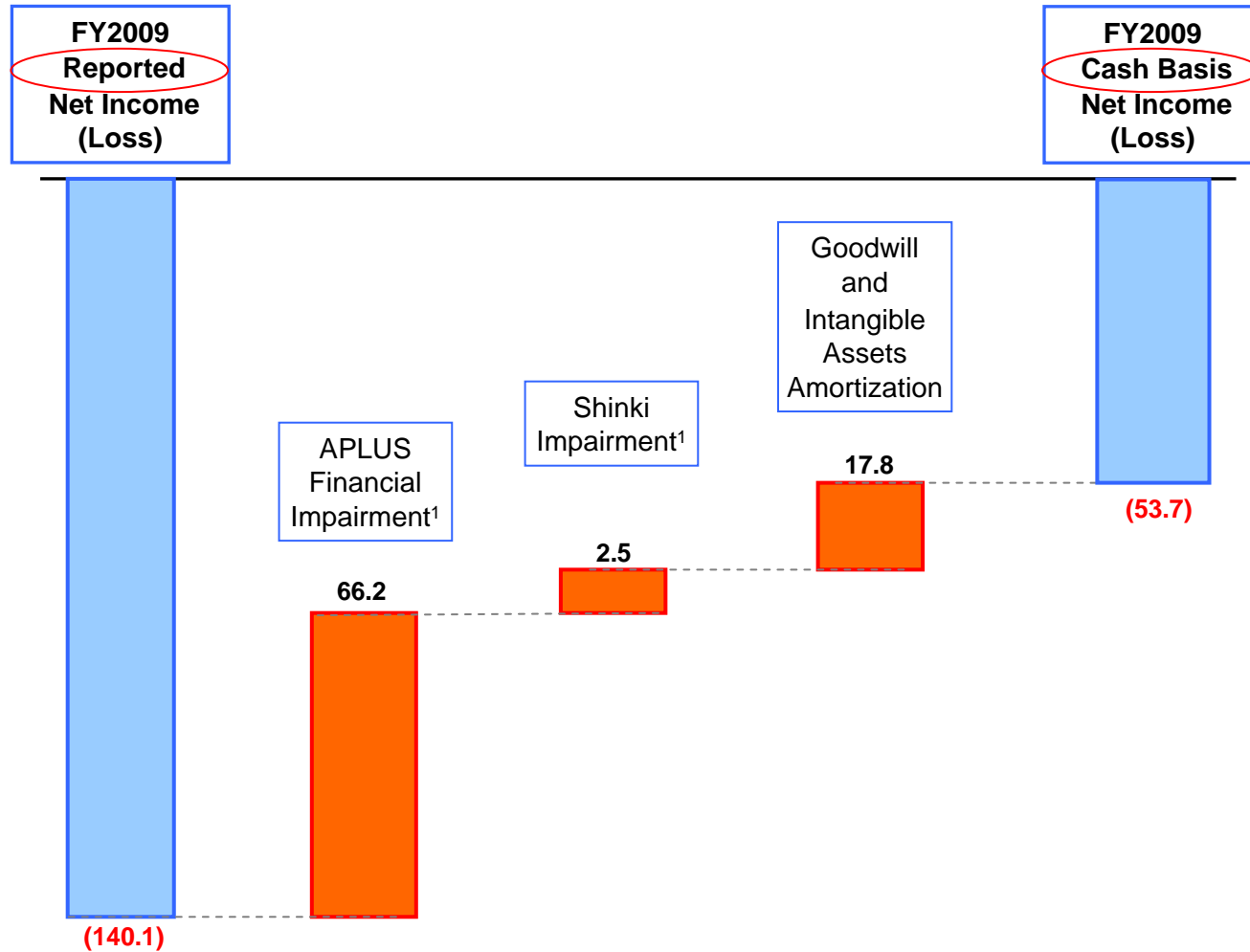
Subsidiaries	Before Impairment	After Impairment
Total	156.4	83.1

¹ Zen-Nichi Shiinpan is a wholly owned subsidiary of APLUS Financial

Another Way to Look at Our Results...

(JPY billion)

Consolidated Basis



- Large gap between Reported Net Income and Cash Basis Net Income due to amortization /impairment of goodwill and intangible assets
- FY2009 actions will significantly reduce the gap in the future

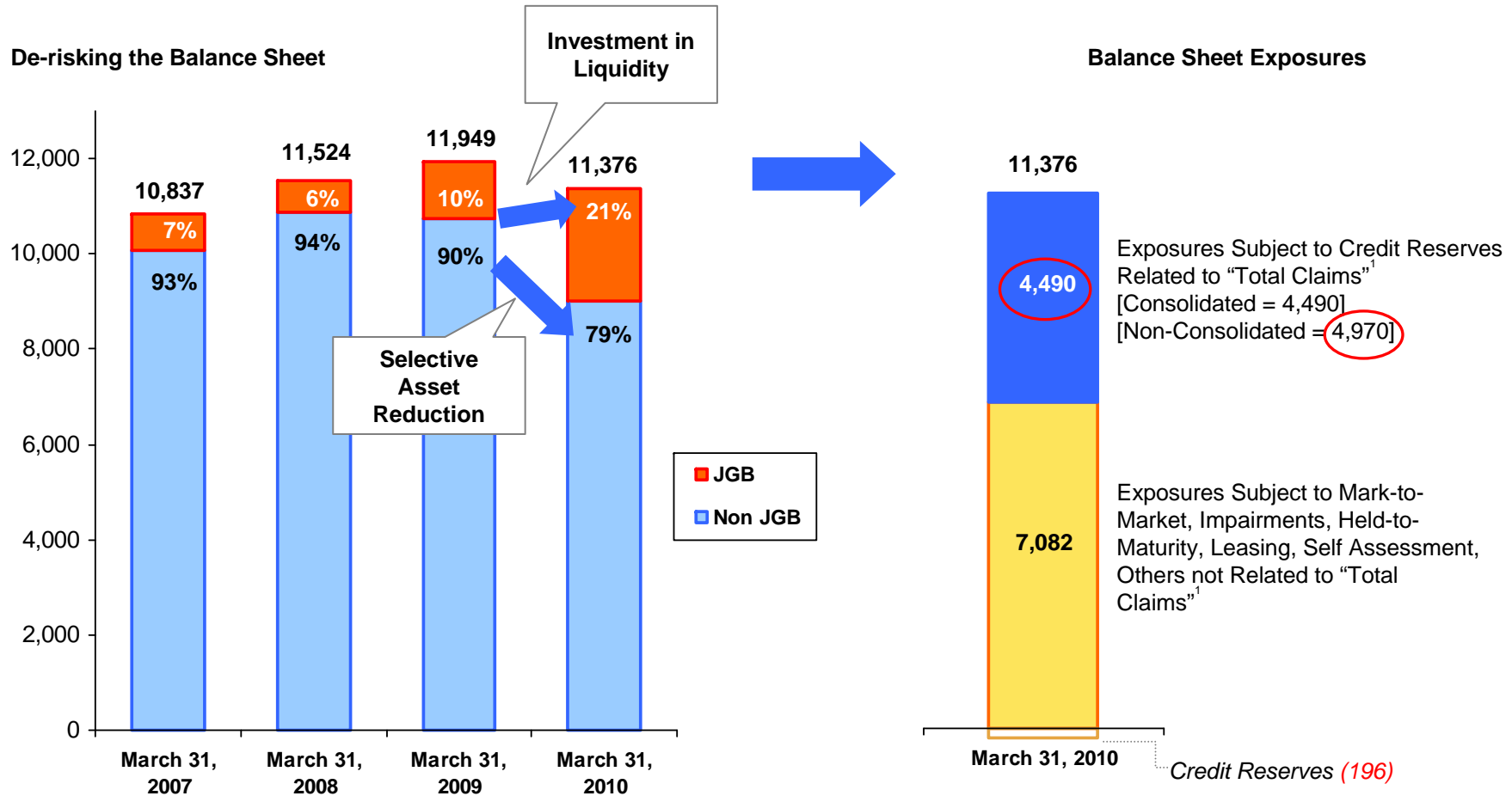
¹Includes reversal of deferred tax liabilities for intangible assets

Progressively De-risking the Balance Sheet

Selective Asset Reduction, Proactive Increase in Liquidity

Asset Quality

(JPY billion)



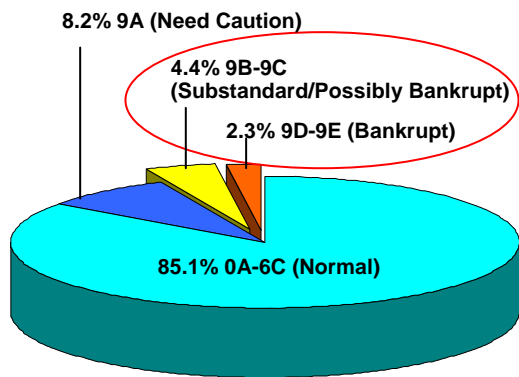
¹ Claims classified under the Financial Revitalization Law

Non-Performing Loans (NPL) Claims Coverage

Our NPL coverage is amongst highest in the Industry

(JPY billion)

Total Claims¹ by Internal Rating

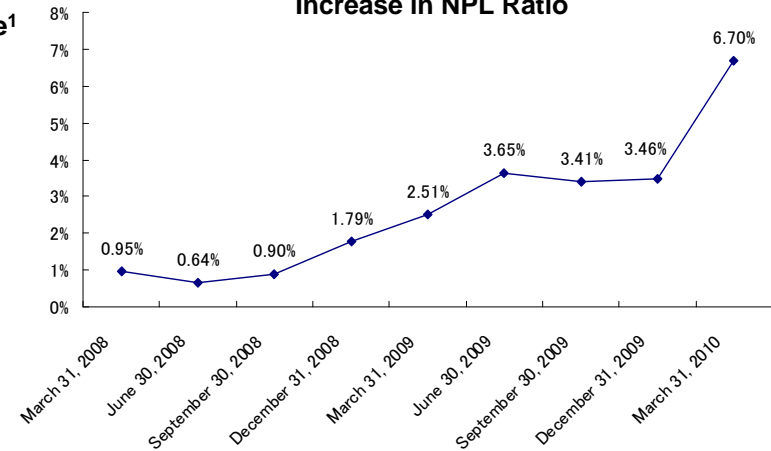


Non Performing (9B to 9E) Claims Coverage¹

Coverage	Amount	Percent
Collateral / Guarantees	295	88.7%
Reserves	30	8.8%
Expected Recovery ²	8	2.4%
Total	333	100%

1. Non-consolidated figures as of March 31, 2010
 2. Reserve ratios of 70.4% and 78.8% apply to unsecured claims rated 9B and 9C, respectively

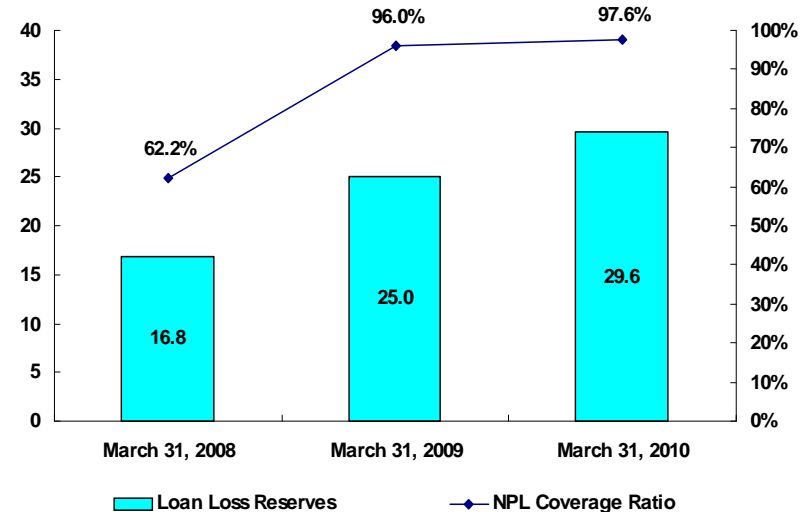
Increase in NPL Ratio



		Internal Rating
Performing	Normal	0A – 6C
	Need Caution	9A
Non-Performing	Substandard	9B
	Possibly Bankrupt	9C
	Virtually Bankrupt	9D
	Legally Bankrupt	9E

- Over 97% of NPL claims covered by Collateral, Guarantees and Reserves
- 98% coverage for NPL claims associated with real estate

Steady improvement in NPL Coverage Ratio



Continued Reduction of Overseas ABI Exposure

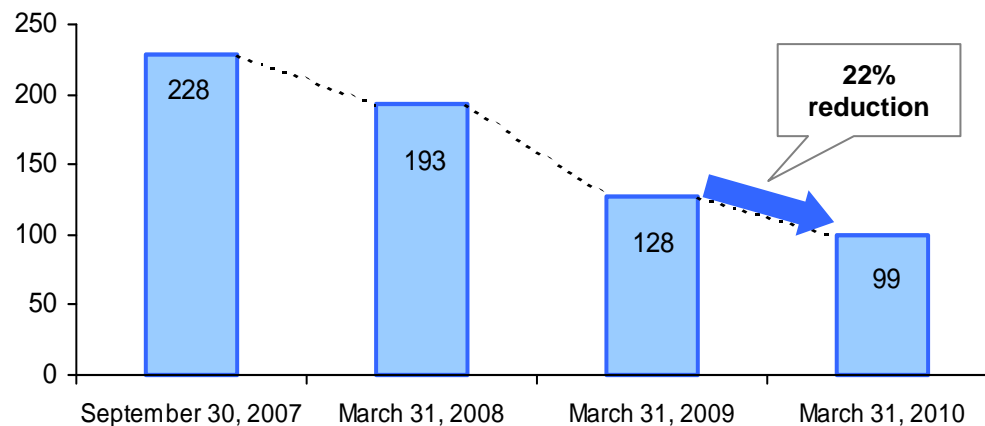
100% Coverage Ratio for Bankrupt Borrowers

Asset Quality

(JPY billion)

Overseas Asset-Backed Investment (ABI) Loan Portfolio Reduction¹

Year-on-year change in overseas ABI loans



Overseas ABI Loan Portfolio by Credit Category

As of March 31, 2010¹

	Book Balance	Reserves / Write-downs	Coverage ratio
Normal	50.2	1.1	N/A
Need Caution	35.2	8.5	N/A
Performing Loans sub-total	85.4	9.6	N/A
Substandard/Possibly Bankrupt	0.0	0.0	N/A
Virtually/Legally Bankrupt	14.0	27.8	100%
Non-Performing Loans sub-total	14.0	27.8	100%²
Total	99.4	37.4	N/A

¹ Non-Consolidated

² As of March 31, 2009, ABI risk-monitored loans had a coverage ratio of 92.3%

ABI loan exposure by geography¹

Region	Balance
Europe	95
U.S.	4
Total	99

- **Additional portfolio reduction planned for FY2010**
- **Portfolio well positioned against worsening quality through**
 - **Proactive write-downs**
 - **Additional reserves which provide 100% coverage ratio for highest risk names**

Actively Managing Real Estate Exposures

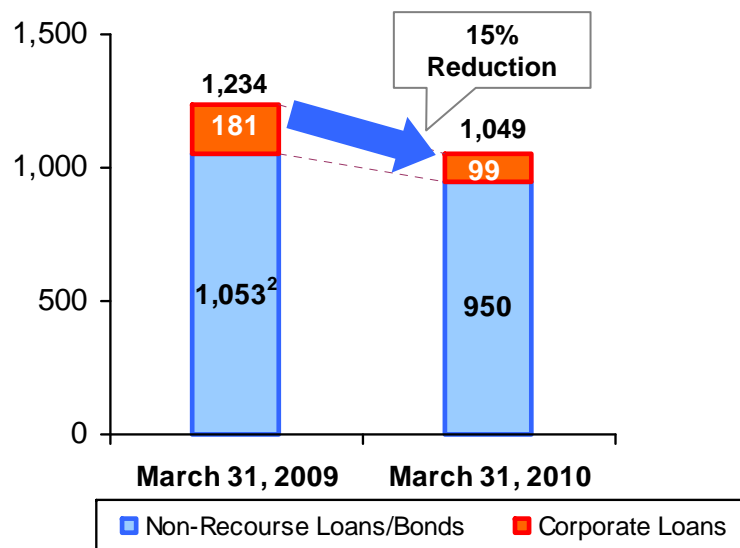
We Remain Alert

Asset Quality

(JPY billion)

Reduction in Real Estate Portfolio

Year-on-year change in Real Estate loan balances¹



Real Estate Lending Portfolio by Credit Category

As of March 31, 2010¹

	Book Balance	Reserves / Write-down / Impairments
Normal	534.4	2.1
Need Caution	202.1	3.9
Performing Loans sub-total	736.5	6.0
Substandard/Possibly Bankrupt	239.0	22.1
Virtually/Legally Bankrupt	73.5	37.8
Non-Performing Loans sub-total	312.5	59.9
Total	1,048.9	65.9

Non-Recourse Real Estate Exposure by Region and Asset Category

Region	Percent	Category	Percent
Kanto (mainly Tokyo)	67.2%	Office	38.2%
Kansai (mainly Osaka)	11.2%	Retail	9.7%
Other Regions	10.2%	Residential	12.4%
Portfolio (Diversified)	11.4%	Hotel	6.6%
		Land	14.9%
		Development	7.7%
		Industrial/Parking/Other	5.7%
		Portfolio (Diversified)	4.8%
Total	100.0%	Total	100.0%

- Real Estate lending balances reduced by 15% in FY2009 through selected asset sales and increased collections

¹ Includes non-recourse bonds and Monetary Assets Held in Trust and Other Monetary Claims Purchased which are subject to credit reserves

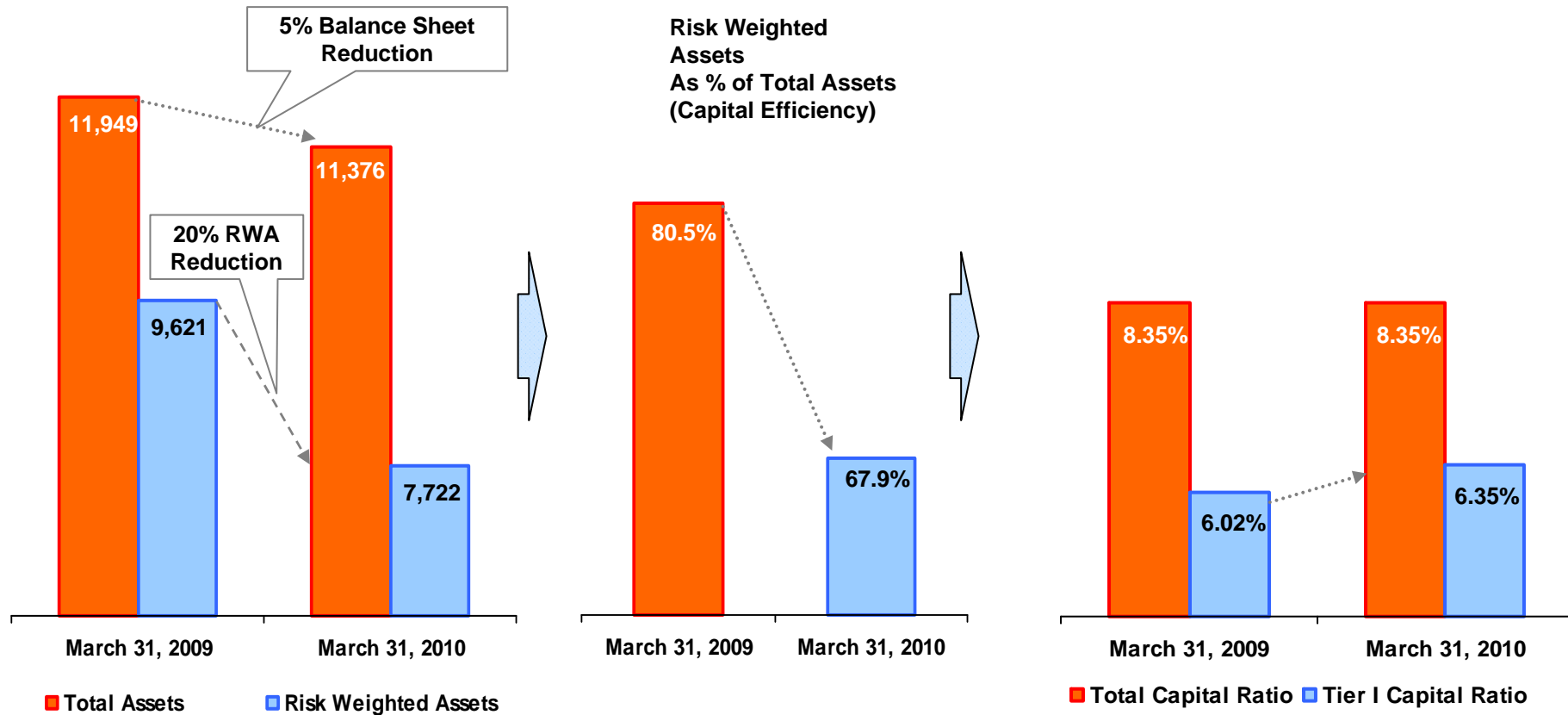
² Includes JPY 80 billion of Monetary Assets Held in Trust and Other Monetary Claims Purchased in relation to non-recourse real estate exposure

Innovative Approach to Capital Management...

Capital Ratios Maintained Despite Large Write-downs, Impairments, Reserves

Capital

(JPY billion)



- Significant Risk Weighted Asset (“RWA”) reduction without material change in balance sheet size

- Significant increase in capital efficiency

- Capital ratios at or better than March 31, 2009



Successfully Implemented Capital Optimization Strategy

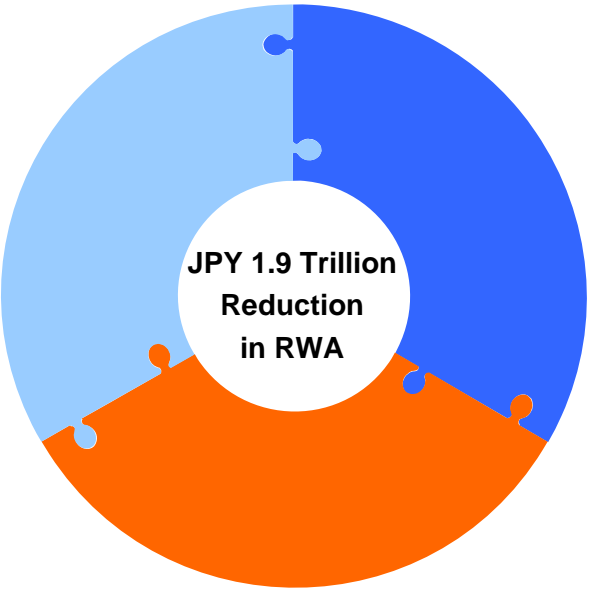
Three-Pronged Approach

1. Targeted Asset Reductions

- Reduced real estate non-recourse loan exposures
- Reduced leveraged buy-out exposures

2. Methodology Optimization

- Expanded netting across products for qualified exposures
(example: Netting Forex and Credit derivatives exposures for the same counterparty)



3. Systems and Data Enhancements

- Enhanced obligor related source data
- Identified miscellaneous corporate assets

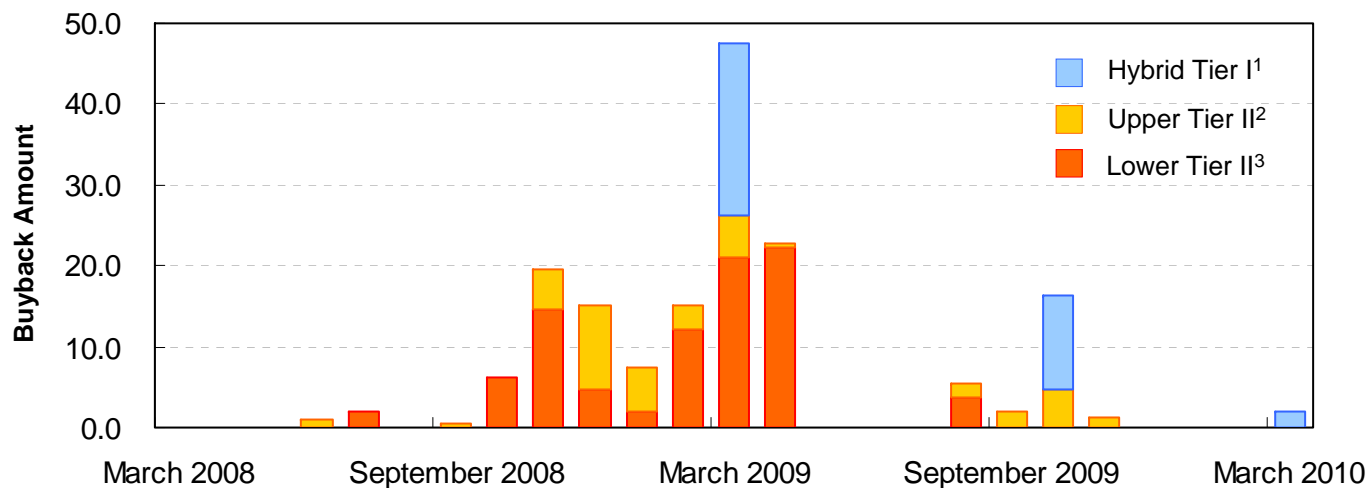
Opportunistic Capital Buyback Strategy

Repurchased One Third of Outstanding Capital Securities

Capital

(JPY billion)

Buyback Summary (Consolidated)	Issue Amount	Buyback Amount	Total Gain	% Bought Back
FY2008	-	116.9	74.1	23.7%
FY2009	-	49.7	20.9	10.1%
Total	493.4	166.6	95.1	33.8%

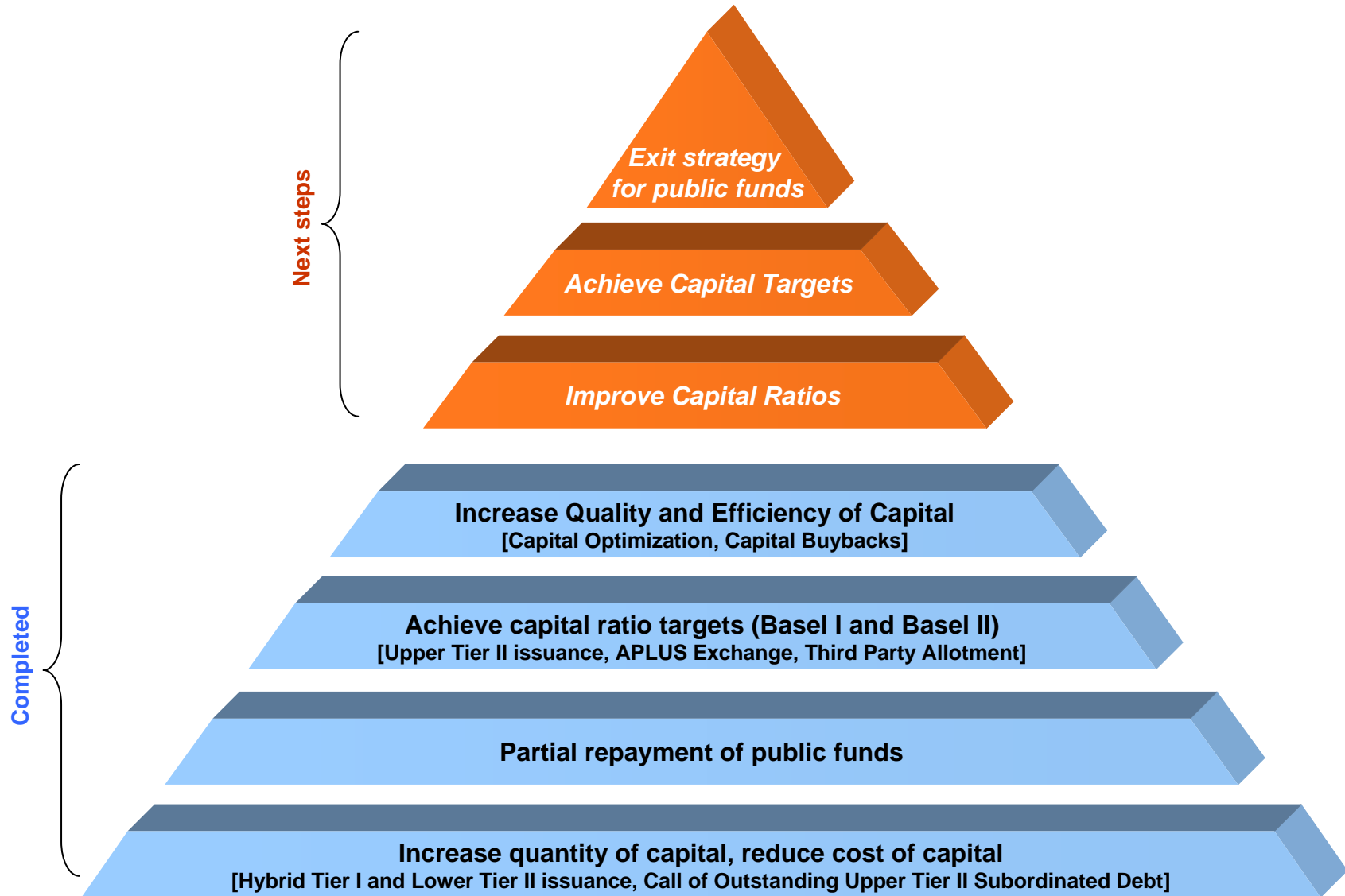


- ¹ \$7.160% Non Step-up Non-cumulative Perpetual Preferred Securities
- ² £5.625% Step-up Callable Perpetual Subordinated Notes
- ³ €3.750% Callable Dated Subordinated Notes



Determining Shinsei's Capital Path

Focus on Capital Efficiency and Capital Sufficiency based on Shinsei Business Model

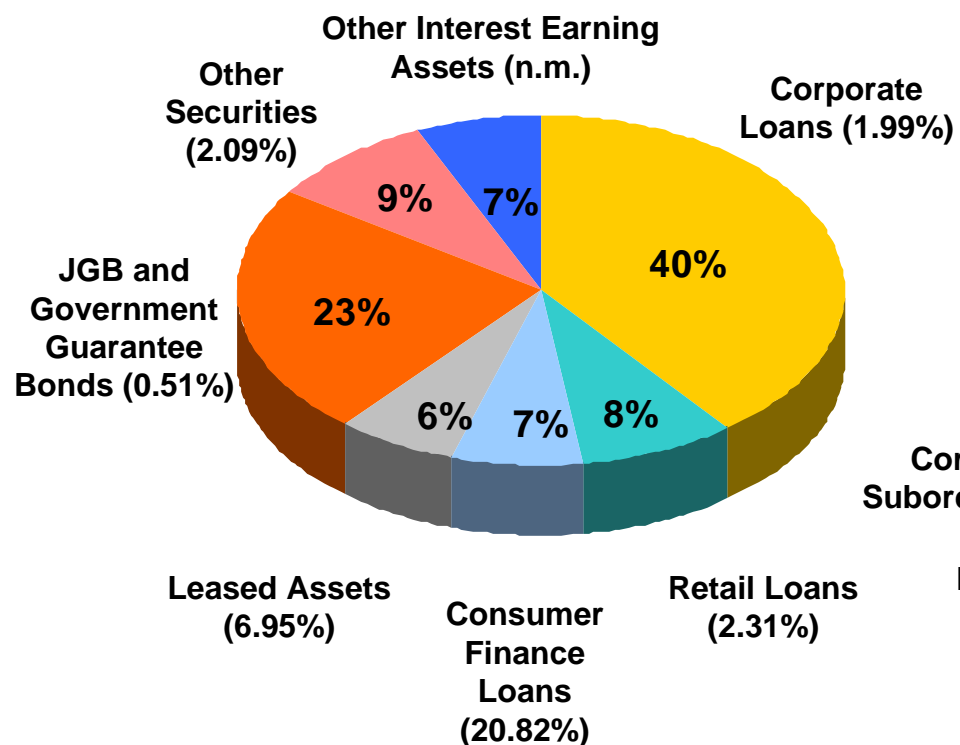


Sources and Uses of Funds

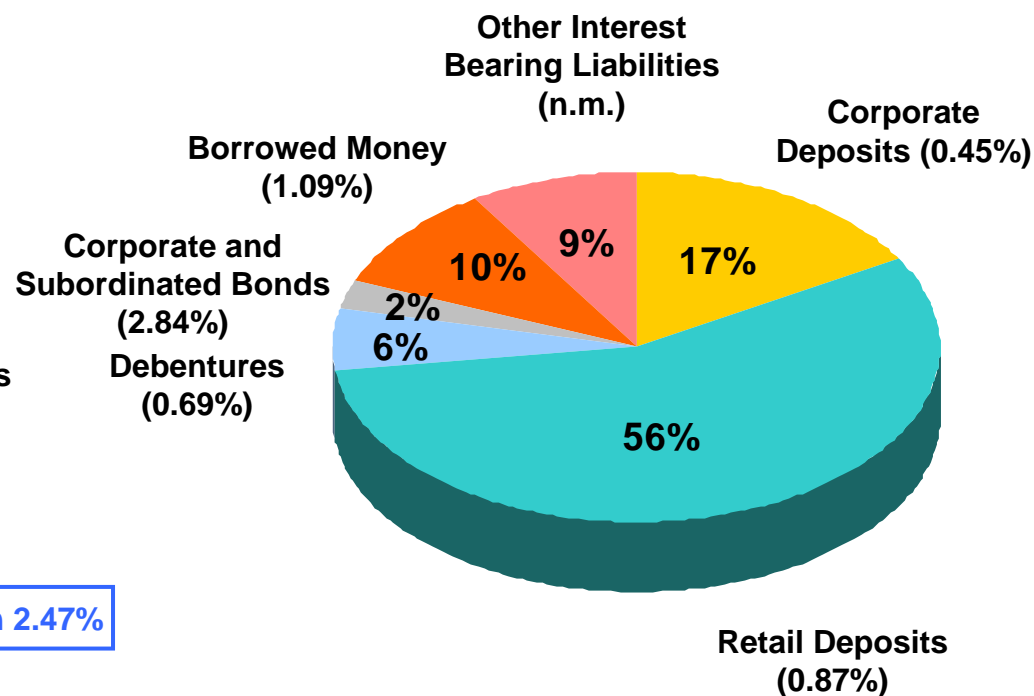
Deposits, Debentures Fund 80% of Balance Sheet

■ FY2009 Average Balances on Consolidated Basis

Uses of Funds (JPY 9,953 billion)
Asset Yields in brackets (3.28%)



Sources of Funds (JPY 9,354 billion¹)
Funding Rates in brackets (0.81%)



Net Interest Margin 2.47%

¹ JPY 599.3 billion of non-interest bearing liabilities are excluded from the balance

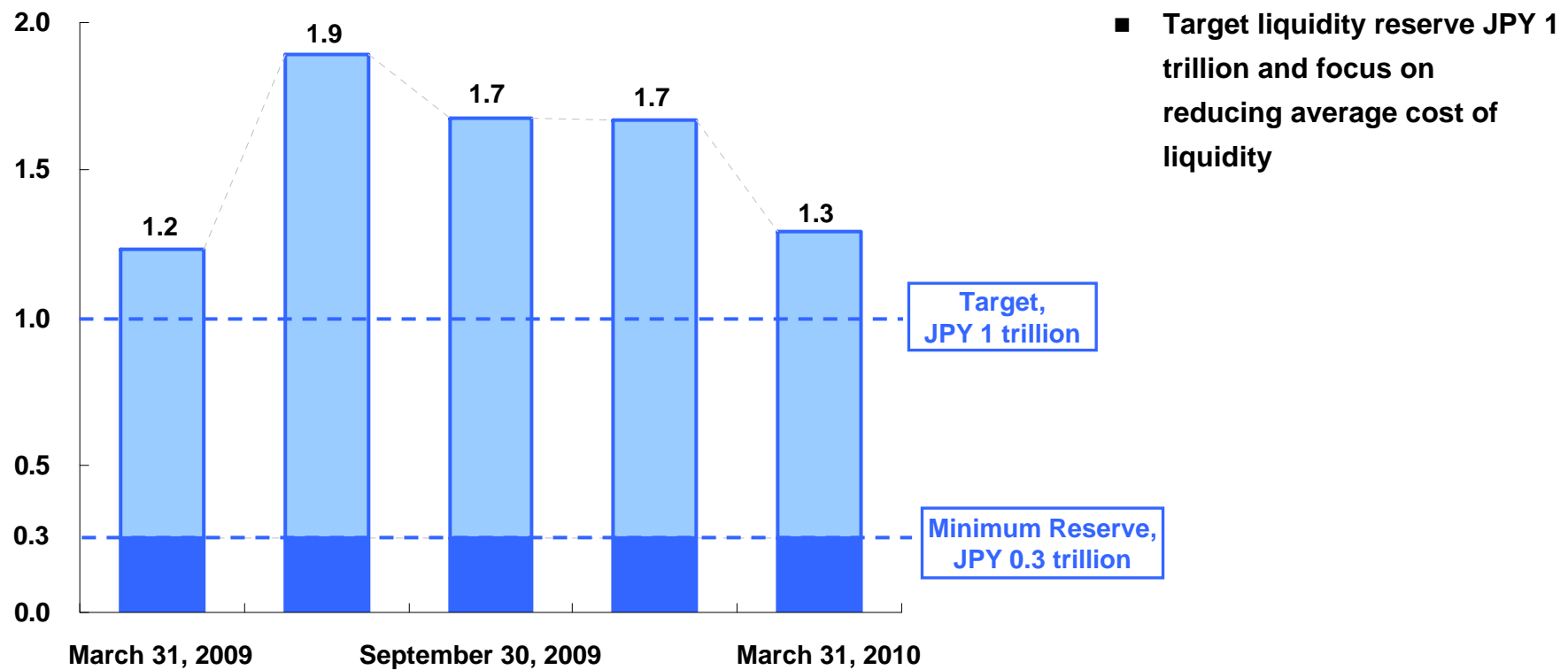
Robust Liquidity Position

Freedom from Credit Sensitive Sources of Funds

Liquidity

(JPY trillion)

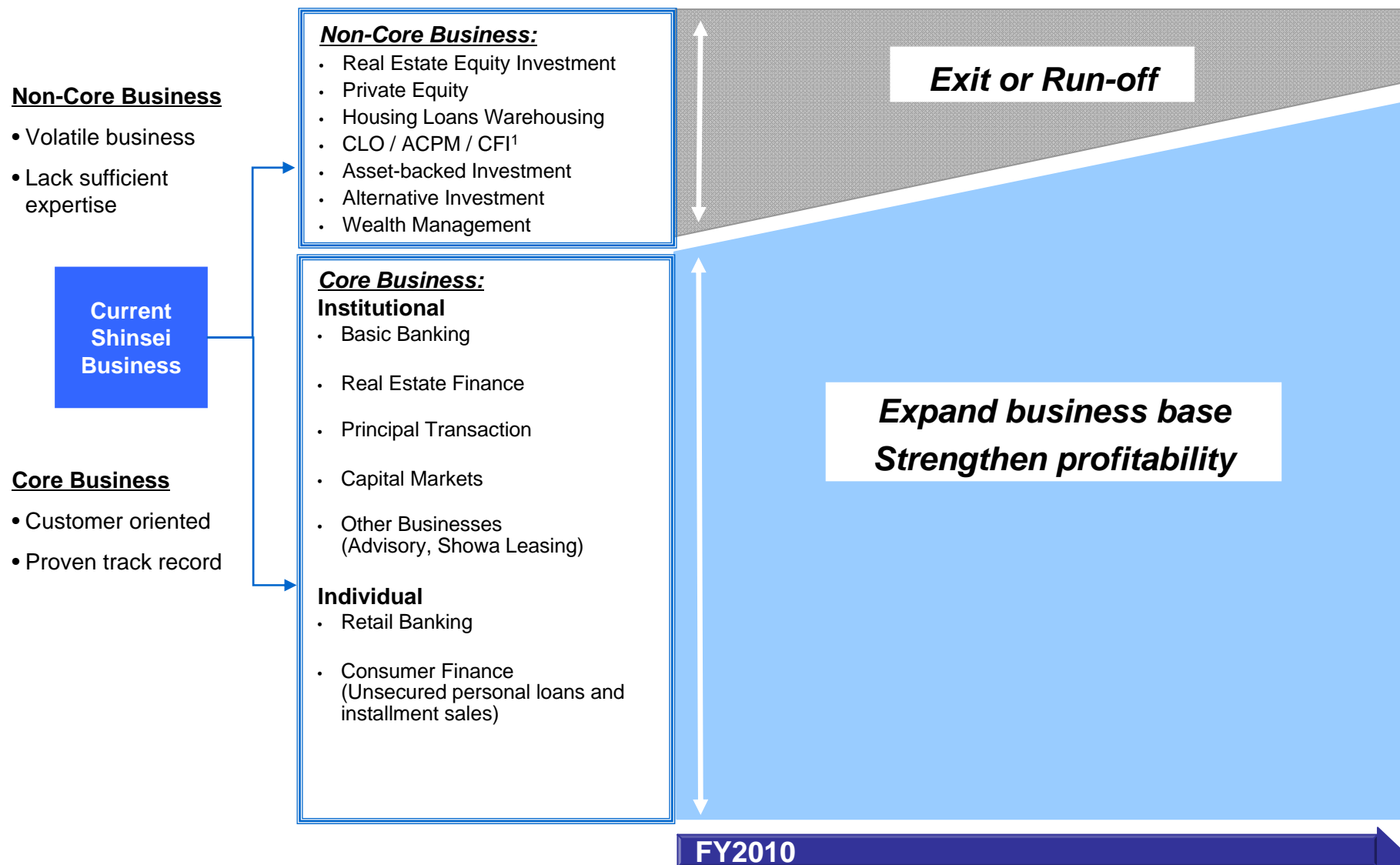
Liquidity Reserve¹



¹Cash, unencumbered JGBs and other assets pledged to Bank of Japan

Business Strategy

Expand Core Businesses, Franchise and Exit Non-Core Business



¹CLO (Collateralized Loan Obligation), ACPM (Active Credit Portfolio Management), CFI (Corporate Floater Investment)

Forecast for Fiscal Year 2010

Conservative Forecast as we Stabilize Operations Post Significant Balance Sheet Cleanup in Fiscal Year 2009

(JPY billion)

	FY2009 Actual	FY2010 Forecast
<i>Consolidated</i>		
Net Income	(140.1)	12.5
Cash Basis Net Income	(53.7)	23.6
<i>Non-Consolidated</i>		
Net Income	(47.6)	10.0

- Expect slow economic growth to continue in the domestic market throughout fiscal year 2010
- Expect moderate improvement in Institutional Group with gradual normalization in credit costs
- Expect moderate profit growth for retail banking, but challenging business environment for consumer finance business
- Conservative Net Income forecast reflects additional time required for full normalization of credit costs, continued pressure on margins in key lending businesses and reduced income from non-core overseas investments

1. Alliance Agreement with Aozora Bank Terminated

2. Strong Revenue from Core Businesses, Steady Capital Ratios, Robust Liquidity

- Top-line revenues up 10.6% due to full year inclusion of Shinsei Financial
- Net interest margin of 2.47% due to lower funding costs, Shinsei Financial
- Expenses down 16.7% year-on-year on normalized basis due to disciplined cost management
- Reduced RWA by 20% with only a 5% balance sheet reduction
- Steady capital ratios, increased capital efficiency
- Robust liquidity and freedom from credit sensitive funding sources

3. Significant Balance Sheet Cleanup

- Results significantly impacted by additional markdowns, impairments and reserves in balance sheet clean-up
- Write-off of APLUS Financial goodwill and intangible assets will reduce gap between Recorded and Cash Basis Net Income going forward

4. Well Positioned for Return to Profitable Growth in Fiscal Year 2010



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