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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with our consolidated and nonconsolidated interim financial statements prepared in accordance with accounting principles generally accepted in Japan (Japanese GAAP) for banks, including the notes to those interim financial statements, included elsewhere in this interim report.

Unless otherwise indicated, the financial information in the following discussion is based on our interim consolidated financial statements.

In this section, except where the context indicates otherwise, "we" or "our" means Shinsei Bank, Limited, its subsidiaries and its affiliates accounted for by the equity method and "Shinsei" or "the Bank" refers to Shinsei Bank on a nonconsolidated basis.

Financial and operational figures less than ¥0.1 billion have been truncated. All percentages have been rounded to the nearest 0.1% unless otherwise noted.

Fiscal year 2017 refers to the consolidated accounting period ended March 31, 2018, and other accounting periods are denoted in the same manner. The term "current fiscal year" refers to fiscal year 2017 and the term "previous fiscal year" refers to fiscal year 2016. The term the "first half" refers to the period from April 1 to September 30 of each indicated fiscal year and the term the "second half" refers to the period from October 1 to March 31 of each indicated fiscal year.

OVERVIEW

Shinsei Bank, Limited, is a leading diversified Japanese financial institution providing a full range of financial products and services to both institutional and individual customers. Our operations are organized into three business groups: the Institutional Business, the Global Markets Business and the Individual Business.

- In our businesses serving institutional clients, in order to provide financial products and services that meet the needs of our customers through a strategic and systematically organized business promotion structure, the operations of the Institutional Business are focused primarily on the provision of financial institution, corporate and public sector financing and advisory services while the operations of the Global Markets Business are focused primarily on the provision of various Global Markets services. The operations of the Institutional Business consist of business undertaken directly by the Bank and the business undertaken by Showa Leasing Co., Ltd. (Showa Leasing).
- The operations of the Individual Business consist of the retail banking business and the consumer finance business. In the retail banking business the Bank is continuing efforts to improve the convenience of services aimed at fulfilling the needs of our customers. In the consumer finance business, the Bank is engaged in the provision of unsecured personal loans through the Bank, Shinsei Financial Co., Ltd. (Shinsei Financial) and Shinsei Personal Loan Co., Ltd. (Shinsei Personal Loan) as well as the provision of installment sales credit, credit card and settlement services through APLUS FINANCIAL Co., Ltd. (APLUS FINANCIAL).

FINANCIAL SUMMARY FOR THE INTERIM PERIOD ENDED SEPTEMBER 30, 2017

In the interim period ended September 30, 2017 (April 1, 2017 to September 30, 2017), the Shinsei Bank Group recorded a consolidated profit attributable to owners of the parent (hereinafter, "net income") of ¥25.1 billion, increased ¥0.1 billion compared to the interim period ended September 30, 2016. This first half result equates a 49% progression toward the Bank's fiscal year 2017 net income forecast of ¥51.0 billion and is a healthy progression toward the achievement of our full year forecast.

A total revenue of ¥115.9 billion was recorded for the first half of fiscal year 2017, increased ¥2.6 billion compared to the first half of fiscal year 2016. Of this amount, net interest income totaled ¥64.1 billion, increased ¥3.7 billion compared to net interest income totaling ¥60.4 billion recorded in the first half of fiscal year 2016 and this increase was due to loan growth of consumer finance. At the same time, noninterest income totaled ¥51.7 billion, decreased ¥1.0 billion compared to noninterest income totaling ¥52.7 billion recorded in the first half of fiscal year 2016. This resulted from decrease in income from the sale of asset management products in the retail banking business as well as decrease in gains on sales of bonds in ALM operations, while noninterest income increased in the gain on sales of equities in the Corporate Business and Principal Transactions Business as well as the increase of fee income from Corporate Business.

OVERVIEW (CONTINUED)

While having continued to promote operational efficiency, general and administrative expenses totaled ¥71.6 billion, a ¥0.2 billion increase from the first half of fiscal year 2016, mainly due to expense increases for bolstering business franchise including advertisement and premises expense as well as IT systems.

Net credit costs totaled ¥19.8 billion in the first half of fiscal year 2017, increased ¥5.1 billion compared to net credit costs of ¥14.7 billion recorded in the first half of fiscal year 2016. This was due largely to the revision of reserve ratio for loan losses of unsecured loan as well as the provisioning of general reserves for loan losses corresponding to the steady growth of the loan balance of consumer finance business.

The balance of loans and bills discounted as of September 30, 2017 totaled ¥4,909.1 billion, increased ¥75.7 billion compared to ¥4,833.4 billion as of March 31, 2017. While the balance of loans to institutional clients and housing loan has declined, this growth in the overall balance was supported by the sustained growth of the Structured Finance and Consumer Finance Business loan balances.

A net interest margin of 2.42% was recorded for the first half of fiscal year 2017, increased from 2.41% recorded for the first half of fiscal year 2016. This increase was corresponding to the increase of unsecured loan balance and the improvement in the yield of interest-earning securities.

The Basel III domestic standard (grandfathering basis) consolidated core capital adequacy ratio as of September 30, 2017 was 13.05%, remained at the same level of 13.06% as of March 31, 2017. While the accumulation of retained earnings increased, the risk asset increased due to the increase of loan balance. At the same time, the Bank's Basel III international standard (fully loaded basis) Common Equity Tier 1 Ratio remains at 12.3% as of March 31, 2017, to 12.2% as of September 30, 2017. Capital adequacy ratios continue to be maintained at adequate levels.

The nonperforming loan balance (nonconsolidated basis) under the Financial Revitalization Law decreased ¥1.4 billion during the first half of fiscal year 2017 to ¥8.9 billion as of September 30, 2017. Additionally, the proportion of nonperforming claims to the overall loan balance was 0.19% as of September 30, 2017, from 0.22% recorded as of March 31, 2017.

Significant Events**Realignment of Group Companies**

Shinsei Bank consolidated the Shinsei Bank Group's servicer business and real estate secured loan business, and realign the Shinsei Principal Investments Group (hereinafter, the "Shinsei PI Group"). Shinsei Bank first made Alfa Servicer Co., Ltd. (hereinafter, "Alfa Servicer"), a wholly-owned subsidiary of the Shinsei Bank Group's member company, APLUS Co., Ltd. (Chiyoda-ku, Tokyo; Representative Director & President Akira Watanabe; hereinafter, "APLUS"), a wholly-owned subsidiary of the Bank, and then merged it with Shinsei Servicing & Consulting Limited (hereinafter, "SSC") which engages in servicing business in the Shinsei PI Group. In addition, the Bank merged Shinsei Principal Investments Limited (hereinafter, "SPI"), Shinsei Property Finance Co., Ltd. (hereinafter, "SPF"), and Shinsei Investment & Finance Limited (hereinafter, "SIF") to consolidate the real estate secured loan business in the Shinsei Bank Group. The Bank completed the consolidation of both businesses as of October 1, 2017. Together with the business consolidation described above, Shinsei Bank made Shinsei Corporate Investment Limited (hereinafter, "SCI") a wholly-owned subsidiary of the Bank as of October 1, 2017.

Under its Third Medium-Term Management Plan, Shinsei Bank is endeavoring to create new businesses outside the traditional frameworks of the financial business by reviewing the Group's business operations from the perspective of its customers based on their true needs. The Group realigning is part of the Bank's efforts to review its business operation structure and optimize the Group's existing business functions.

SELECTED FINANCIAL DATA (CONSOLIDATED)

Shinsei Bank, Limited and its Consolidated Subsidiaries

As of and for the six months ended September 30, 2017 and 2016, and as of and for the fiscal year ended March 31, 2017

Billions of yen (except per share data and percentages)

	Sept. 30, 2017 (6 months)	Sept. 30, 2016 (6 months)	Mar. 31, 2017 (1 year)
Statements of income data:			
Net interest income	¥ 64.1	¥ 60.4	¥ 122.2
Net fees and commissions	11.5	12.9	25.5
Net trading income	3.4	4.8	7.3
Net other business income	36.7	34.9	73.3
Total revenue	115.9	113.2	228.5
General and administrative expenses	71.9	72.8	144.2
Amortization of goodwill and intangible assets acquired in business combinations	2.2	2.9	5.2
Total general and administrative expenses	74.2	75.8	149.4
Net credit costs (recoveries)	19.8	14.7	31.8
Net business profit after net credit costs (recoveries)	24.3	22.6	47.1
Other gains (losses), net	5.1	4.4	4.6
Income before income taxes	27.0	27.0	51.7
Current income taxes	0.5	1.9	2.1
Deferred income taxes (benefit)	1.2	0.2	(0.9)
Profit attributable to noncontrolling interests	0.0	(0.0)	(0.2)
Profit attributable to owners of the parent	¥ 25.1	¥ 24.9	¥ 50.7
Balance sheet data:			
Trading assets	¥ 223.8	¥ 318.8	¥ 244.1
Securities	1,144.2	1,028.6	1,014.6
Loans and bills discounted	4,909.1	4,611.3	4,833.4
Customers' liabilities for acceptances and guarantees	365.2	291.7	346.6
Reserve for credit losses	(98.8)	(95.6)	(100.1)
Total assets	9,455.3	8,997.1	9,258.3
Deposits, including negotiable certificates of deposit	6,000.2	5,785.7	5,862.9
Trading liabilities	198.7	289.7	212.2
Borrowed money	788.0	760.6	789.6
Acceptances and guarantees	365.2	291.7	346.6
Total liabilities	8,614.2	8,206.9	8,437.5
Common stock	512.2	512.2	512.2
Total equity	841.1	790.2	820.7
Total liabilities and equity	¥ 9,455.3	¥ 8,997.1	¥ 9,258.3
Per share data⁽¹⁾:			
Common equity ⁽²⁾	¥ 3,243.13	¥ 3,039.64	¥ 3,163.89
Basic earnings per share	96.98	95.10	194.65
Diluted earnings per share	96.98	95.09	194.64
Capital adequacy data:			
Capital ratio (Basel III, Domestic Standard)	13.1%	14.1%	13.1%
Average balance data:			
Securities	¥ 1,087.3	¥ 1,150.2	¥ 1,116.3
Loans and bills discounted	4,895.2	4,563.1	4,679.1
Total assets	9,356.8	8,962.9	9,093.5
Interest-bearing liabilities	7,494.0	7,203.2	7,283.4
Total liabilities	8,525.8	8,171.2	8,286.6
Total equity	830.9	791.6	806.9
Other data:			
Return on assets	0.5%	0.6%	0.6%
Return on equity ⁽²⁾	6.0%	6.3%	6.3%
Ratio of deposits, including negotiable certificates of deposit, to total liabilities	69.7%	70.5%	69.5%
Expense-to-revenue ratio ⁽³⁾	62.1%	64.4%	63.1%
Nonperforming claims, nonconsolidated	¥ 8.9	¥ 34.7	¥ 10.3
Ratio of nonperforming claims to total claims, nonconsolidated	0.2%	0.8%	0.2%

Notes: (1) Shinsei Bank consolidated its shares with a rate of ten shares of common stock into one share on October 1, 2017. Per Share Data is calculated as if the consolidation of shares had occurred at the beginning of the FY2016

(2) Stock acquisition rights and noncontrolling interests are excluded from equity.

(3) The expense-to-revenue ratio is calculated by dividing general and administrative expenses by total revenue.

RESULTS OF OPERATIONS (CONSOLIDATED)

NET INTEREST INCOME

Net interest income in the interim period ended September 30, 2017 totaled ¥64.1 billion, increased ¥3.7 billion from ¥60.4 billion recorded in the interim period ended September 30, 2016. The effects of the base rate reduction

caused by the introduction of the negative interest rate policy and the compression of spreads caused by the resulting increase in competition has remained within the Bank's expectations.

NET REVENUE ON INTEREST-EARNING ASSETS

The table below shows the principal components of net revenue on interest-earning assets.

TABLE 1. INTEREST-EARNING ASSETS AND INTEREST-BEARING LIABILITIES (CONSOLIDATED)

	Billions of yen (except Yield/Rates)					
	Six months ended September 30, 2017			Six months ended September 30, 2016		
	Average Balance	Interest	Yield/Rate ⁽⁴⁾	Average Balance	Interest	Yield/Rate ⁽⁴⁾
Interest-earning assets:						
Loans and bills discounted	¥ 4,895.2	¥ 66.7	2.72%	¥ 4,563.1	¥ 62.8	2.75%
Lease receivables and leased investment assets/ installment receivables	745.5	18.7	5.01	732.9	19.3	5.25
Securities	1,087.3	6.1	1.14	1,150.2	4.3	0.76
Other interest-earning assets ⁽¹⁾	164.2	0.9	n.m.	205.2	1.0	n.m. ⁽³⁾
Total revenue on interest-earning assets (A)	¥ 6,892.4	¥ 92.5	2.68%	¥ 6,651.5	¥ 87.6	2.63%
Interest-bearing liabilities:						
Deposits, including negotiable certificates of deposit	¥ 5,923.1	¥ 4.3	0.15%	¥ 5,781.1	¥ 3.7	0.13%
Borrowed money	741.3	1.7	0.46	737.0	1.7	0.48
Subordinated debt	12.4	0.1	2.37	26.9	0.3	2.80
Other borrowed money	728.9	1.5	0.43	710.1	1.3	0.39
Corporate bonds	108.1	0.5	1.01	101.5	0.5	1.12
Subordinated bonds	31.4	0.4	2.55	31.6	0.4	2.52
Other corporate bonds	76.7	0.1	0.37	69.8	0.1	0.49
Other interest-bearing liabilities ⁽¹⁾	721.4	3.1	n.m.	583.5	1.7	n.m. ⁽³⁾
Total expense on interest-bearing liabilities (B)	¥ 7,494.0	¥ 9.6	0.26%	¥ 7,203.2	¥ 7.8	0.22%
Net interest margin (A) - (B)		82.9	2.42%		79.7	2.41%
Noninterest-bearing sources of funds:						
Noninterest-bearing (assets) liabilities, net	¥ (1,431.2)	—	—	¥ (1,336.3)	—	—
Total equity excluding noncontrolling interests ⁽²⁾	829.6	—	—	784.6	—	—
Total noninterest-bearing sources of funds (C)	¥ (601.6)	—	—	¥ (551.7)	—	—
Total interest-bearing liabilities and noninterest-bearing sources of funds (D) = (B) + (C)	¥ 6,892.4	¥ 9.6	0.28%	¥ 6,651.5	¥ 7.8	0.23%
Net revenue on interest-earning assets/ yield on interest-earning assets (A) - (D)		82.9	2.40%		79.7	2.39%
Reconciliation of total revenue on interest-earning assets to total interest income						
Total revenue on interest-earning assets	¥ 6,892.4	¥ 92.5	2.68%	¥ 6,651.5	¥ 87.6	2.63%
Less: Income on lease transactions and installment receivables	745.5	18.7	5.01	732.9	19.3	5.25
Total interest income	¥ 6,146.8	¥ 73.8	2.40%	¥ 5,918.5	¥ 68.2	2.30%
Total interest expenses	—	9.6	—	—	7.8	—
Net interest income		64.1	—		60.4	—

Notes: (1) Other interest-earning assets and other interest-bearing liabilities include interest swaps and funding swaps.

(2) Represents a simple average of the balance as of the beginning and the end of the presented period.

(3) n.m. is not meaningful.

(4) Percentages have been rounded from the third decimal place.

RESULTS OF OPERATIONS (CONSOLIDATED) (CONTINUED)

The item "Net interest income (including leased assets and installment receivables)" in the preceding table includes net interest revenue as well as revenue earned on lease receivables, leased investment assets and installment receivables. However, while the Bank considers income recorded from lease transactions and installment receivables to be a component of interest income, Japanese GAAP does not recognize income on lease transactions and installment receivables as a component of net interest income. Therefore, in our interim consolidated statements of income, income on lease transactions and installment receivables is reported in net other business income in accordance with Japanese GAAP.

A net interest margin of 2.42% was recorded for the first half of fiscal year 2017, increased from 2.41% recorded for the first half of fiscal year 2016. This increase was due to corresponding to the increase of loan balance in consumer finance business and the improvement in the yield of interest-earning securities.

Additionally, net interest income including income on leased assets and installment receivables totaled ¥82.9 billion in the first half of fiscal year 2017, increased from ¥79.7 billion recorded in the interim period ended September 30, 2016. This increase reflects a increase in

interest revenue recorded from interest earnings assets from ¥87.6 billion recorded in the first half of fiscal year 2016 to ¥92.5 billion recorded in the interim period ended September 30, 2017 exceeding the increase in interest expenses incurred on interest bearing liabilities from ¥7.8 billion recorded in the first half of fiscal year 2016 to ¥9.6 billion recorded in the interim period ended September 30, 2017.

NET FEES AND COMMISSIONS

Net fees and commissions is mainly comprised of fee income from structured finance including domestic real estate nonrecourse finance and project finance, fee income recorded from the guarantee and other businesses in the Consumer Finance Business and fee income associated with mutual funds sales and insurance products. Net fees and commissions totaled ¥11.5 billion in the first half of fiscal year 2017, reduced from ¥12.9 billion recorded in the interim period ended September 30, 2016. This reduction was the result of a decline in fee income recorded on the sale of asset management products in the Retail Banking Business.

NET TRADING INCOME

The table below shows the principal components of net trading income.

TABLE 2. NET TRADING INCOME (CONSOLIDATED)

	Billions of yen		
	Six months ended September 30, 2017	Six months ended September 30, 2016	Change (Amount)
Income from trading securities	¥ 1.6	¥ 0.8	¥ 0.8
Income (loss) from securities held to hedge trading transactions	0.1	0.2	(0.1)
Income from trading-related financial derivatives	1.6	3.7	(2.1)
Other, net	0.0	0.0	0.0
Net trading income	¥ 3.4	¥ 4.8	¥ (1.4)

Net trading income is comprised of customer derivative transaction related revenues as well as revenues recorded from proprietary trading undertaken by the Bank. Net

trading income in the interim period ended September 30, 2017 totaled ¥3.4 billion, reduced from ¥4.8 billion recorded in the interim period ended September 30, 2016.

RESULTS OF OPERATIONS (CONSOLIDATED) (CONTINUED)

NET OTHER BUSINESS INCOME (LOSS)

The table below shows the principal components of net other business income.

TABLE 3. NET OTHER BUSINESS INCOME (LOSS) (CONSOLIDATED)

	Billions of yen		
	Six months ended September 30, 2017	Six months ended September 30, 2016	Change (Amount)
Net gain on monetary assets held in trust	¥ 1.4	¥ 2.3	¥ (0.8)
Net gain on foreign exchanges	5.2	3.5	1.7
Net gain on securities	5.7	8.9	(3.2)
Net gain on other monetary claims purchased	0.6	(1.0)	1.6
Other, net:	4.8	1.7	3.0
Income (loss) from derivative transactions for banking purpose, net	(0.0)	(0.6)	0.5
Equity in net income of affiliates	2.9	1.1	1.7
Gain on lease cancellation and other lease income (loss), net	1.5	0.7	0.8
Other, net	0.3	0.5	(0.1)
Net other business income before income on lease transactions and installment receivables, net	17.9	15.6	2.3
Income on lease transactions and installment receivables, net	18.7	19.3	(0.5)
Net other business income	¥ 36.7	¥ 34.9	¥ 1.7

Net other business income recorded in the interim period ended September 30, 2017 totaled ¥36.7 billion, increased from ¥34.9 billion recorded in the interim period ended September 30, 2016. This reflected a gain on the large sale of equities in corporate business and revenues from equity method investment in affiliated companies, while decrease in gains on bonds in treasury operations.

TOTAL REVENUE

As a result of the preceding, total revenue of ¥115.9 billion was recorded in the interim period ended September 30, 2017, compared to ¥113.2 billion recorded during the interim period ended September 30, 2016.

GENERAL AND ADMINISTRATIVE EXPENSES

The table below sets forth the principal components of our general and administrative expenses.

TABLE 4. GENERAL AND ADMINISTRATIVE EXPENSES (CONSOLIDATED)

	Billions of yen		
	Six months ended September 30, 2017	Six months ended September 30, 2016	Change (Amount)
Personnel expenses	¥ 28.5	¥ 28.6	¥ (0.1)
Premises expenses	10.0	11.2	(1.1)
Technology and data processing expenses	10.3	10.0	0.2
Advertising expenses	5.8	5.4	0.3
Consumption and property taxes	4.4	4.8	(0.4)
Deposit insurance premium	0.8	1.0	(0.1)
Other general and administrative expenses	11.8	11.5	0.3
General and administrative expenses	71.9	72.8	(0.9)
Amortization of goodwill and intangible assets acquired in business combinations	2.2	2.9	(0.6)
Total general and administrative expenses	¥ 74.2	¥ 75.8	¥ (1.6)

RESULTS OF OPERATIONS (CONSOLIDATED) (CONTINUED)

General and administrative expenses excluding amortization of goodwill and intangible assets acquired in business combinations totaled ¥71.9 billion in the interim period ended September 30, 2017, decreased from ¥72.8 billion recorded in the interim period ended September 30, 2016. This decrease was due to having continued to promote operational efficiency, while the Bank's allocation of management resources in strategic areas such as IT systems and advertising necessary for expanding the Bank's business base.

Personnel expenses declined from ¥28.6 billion recorded in the interim period ended September 30, 2016 to ¥28.5 billion in the interim period ended September 30, 2017. While the Bank has increased personnel in strategic focus business areas where it seeks to expand its customer base and enhance profitability, expenses were reduced through the promotion of operational efficiency.

Nonpersonnel expenses totaled ¥43.4 billion in the interim period ended September 30, 2017, compared to ¥44.2 billion recorded in the interim period ended September 30, 2016, due to the implementation of strict expense controls and continued efforts to improve operational efficiency across all businesses. The Bank's performances in the major components of nonpersonnel expenses were as follows: 1) While having continued to improve operational efficiency, premises expenses totaled ¥11.0 billion in the interim period ended September 30,

2017, decreased from ¥11.2 billion recorded in the previous first half; 2) Technology and data processing expenses totaled ¥10.3 billion in the interim period ended September 30, 2017, increased from ¥10.0 billion recorded in the interim period ended September 30, 2016, as investment for the stabilization of our systems continued; 3) As a result of having proactively undertaken advertising activities in order to expand our customer base, advertising expenses increased from ¥5.4 billion recorded in the interim period ended September 30, 2016, to ¥5.8 billion in the interim period ended September 30, 2017.

Consumption and property taxes totaled ¥4.4 billion in the interim period ended September 30, 2017, decreased compared to ¥4.8 billion recorded in the interim period ended September 30, 2016. This increase is primarily the result of the effects of enterprise taxation.

Deposit insurance premium totaled ¥0.8 billion in the interim period ended September 30, 2017, decreased compared to ¥1.0 billion recorded in the interim period ended September 30, 2016, as there were decrease of the insurance premium rate, the basis for calculating premiums.

Other general and administrative expenses totaled ¥11.8 billion in the interim period ended September 30, 2017, increased compared to ¥11.5 billion recorded in the interim period ended September 30, 2016, due to outsourcing expenses in Individual Business.

AMORTIZATION OF GOODWILL AND INTANGIBLE ASSETS ACQUIRED IN BUSINESS COMBINATIONS

Amortization of goodwill and intangible assets acquired in business combinations related to the acquisition of consumer finance and commercial finance subsidiaries totaled ¥2.2 billion in the interim period ended September 30, 2017, reduced from ¥2.9 billion recorded in the interim

period ended September 30, 2016.

This reduction is mainly attributable to the application of the sum-of-the-years' digits method in the amortization of goodwill and intangible assets acquired in business combinations related to Shinsei Financial.

TABLE 5. AMORTIZATION OF GOODWILL AND INTANGIBLE ASSETS ACQUIRED IN BUSINESS COMBINATIONS (CONSOLIDATED)

	Billions of yen		
	Six months ended September 30, 2017	Six months ended September 30, 2016	Change (Amount)
Shinsei Financial	¥ 1.2	¥ 1.7	¥ (0.5)
Shinsei Personal Loan ⁽¹⁾	(0.1)	(0.1)	—
Showa Leasing	1.2	1.3	(0.1)
Others	0.0	0.0	—
Amortization of goodwill and intangible assets acquired in business combinations	¥ 2.2	¥ 2.9	¥ (0.6)

Note: (1) the former SHINKI

RESULTS OF OPERATIONS (CONSOLIDATED) (CONTINUED)

NET CREDIT COSTS (RECOVERIES)

The following table details the principal components of net credit costs (recoveries).

TABLE 6. NET CREDIT COSTS (RECOVERIES) (CONSOLIDATED)

	Billions of yen		
	Six months ended September 30, 2017	Six months ended September 30, 2016	Change (Amount)
Losses on write-off or sales of loans	¥ 0.4	¥ 1.1	¥ (0.7)
Net provision of reserve for loan losses:			
Net provision of general reserve for loan losses	15.1	10.9	4.2
Net provision of specific reserve for loan losses	6.9	5.4	1.5
Net provision of reserve for loan losses to restructuring countries	(0.0)	(0.0)	0.0
Subtotal	22.1	16.3	5.8
Other credit costs (recoveries) relating to leasing business	0.2	(0.0)	0.3
Recoveries of written-off claims	(2.9)	(2.7)	(0.2)
Net credit costs (recoveries)	¥ 19.8	¥ 14.7	¥ 5.1

The principal components of net credit costs are provisions and reversals of reserves for loan losses. In accordance with Japanese GAAP, the Bank maintains general and specific reserves for loan losses, specified reserves for loans losses to restructuring countries as well as a specific reserve for other credit losses. Subsidiaries such as Shinsei Financial, APLUS FINANCIAL, Shinsei Personal Loan and Showa Leasing also maintain general and specific reserves for loan losses.

In the interim period ended September 30, 2017, the Bank recorded net credit costs totaling ¥19.8 billion, compared to net credit recoveries of ¥14.7 billion recorded in the interim period ended September 30, 2016. This increase is largely attributable to the provisioning of reserves for loan losses corresponding to the growth of the

loan balance growth of the consumer finance business as well as the absence of the significant gains recorded on the reversal of loan loss reserves in the Institutional Business during the previous first half.

Recoveries of written-off claims totaled ¥2.9 billion in the first half of fiscal year 2017, decreased compared to ¥2.7 billion recorded in the first half of fiscal year 2016. Major components of recoveries recorded in the interim period ended September 30, 2016, included ¥0.3 billion in Shinsei Bank on a nonconsolidated basis and ¥2.5 billion in Shinsei Financial. It should be noted that excluding recoveries of written-off claims, net credit costs recorded in the interim period ended September 30, 2017 totaled ¥22.8 billion, increased compared to ¥17.4 billion recorded in the interim period ended September 30, 2016.

RESULTS OF OPERATIONS (CONSOLIDATED) (CONTINUED)**OTHER GAINS (LOSSES), NET**

Other net gains totaled ¥5.1 billion in the interim period ended September 30, 2017, increased compared to other net gains of ¥4.4 billion recorded in the interim period ended September 30, 2016.

TABLE 7. OTHER GAINS (LOSSES), NET (CONSOLIDATED)

	Billions of yen		
	Six months ended September 30, 2017	Six months ended September 30, 2016	Change (Amount)
Gains on sale of nonperforming loans	¥ —	¥ 1.8	¥ (1.8)
Gain on liquidation of subsidiaries	—	0.5	(0.5)
Loss on liquidation of subsidiaries	(0.0)	(0.5)	0.4
Gain on sale of investments in subsidiaries	—	0.2	(0.2)
Impairment losses on long-lived assets	(0.7)	(0.0)	(0.7)
Gain on reversal of stock acquisition rights	0.2	—	0.2
Reversal of reserve for losses on interest repayment	3.9	—	3.9
Other, net	1.7	2.3	(0.5)
Total	¥ 5.1	¥ 4.4	¥ 0.7

INCOME BEFORE INCOME TAXES

As a result of the preceding factors, income before taxes recorded in the interim period ended September 30, 2017, totaled ¥27.0 billion, compared to ¥27.0 billion recorded in the interim period ended September 30, 2016.

INCOME TAXES (BENEFIT)

The sum of all current and deferred income taxes totaled a net expense of ¥1.8 billion in the interim period ended September 30, 2017, compared to a net expense of ¥2.1 billion recorded in the interim period ended September 30, 2016.

PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

As a result of the preceding factors, the Bank recorded a profit attributable to owners of the parent totaling ¥25.1 billion in the interim period ended September 30, 2017, reduced compared to ¥24.9 billion recorded in the interim period ended September 30, 2016.

RESULTS OF OPERATIONS (CONSOLIDATED) (CONTINUED)

RECONCILIATION OF REPORTED-BASIS AND OPERATING-BASIS RESULTS

In addition to analyzing the results of its operations in the format used in its financial statements, referred to as the "reported basis," Shinsei Bank also engages in the management of its organization utilizing an "operating-basis" assessment of individual business lines in evaluating achieved results against targeted goals. Operating-basis results are generally calculated by adjusting the reported-basis results for amortization of goodwill and intangible assets acquired in business combinations, certain revenue items, amortization of net actuarial gains or losses on lump-sum retirement payments and extraordinary expenses. In general, operating-basis results represent what the Bank considers to be "core" portion of its reported profit attributable to owners of the parent is in compliance with Japanese GAAP. The following table reconciles the Bank's reported-basis and operating-basis results.

TABLE 8. RECONCILIATION FROM REPORTED-BASIS RESULTS TO OPERATING-BASIS RESULTS (CONSOLIDATED)

	Billions of yen					
	Six months ended September 30, 2017			Six months ended September 30, 2016		
	Reported-basis	Reclassifications	Operating-basis	Reported-basis	Reclassifications	Operating-basis
Revenue:						
Net interest income	¥ 64.1	¥ —	¥ 64.1	¥ 60.4	¥ —	¥ 60.4
Noninterest income	51.7	—	51.7	52.7	—	52.7
Total revenue	115.9	—	115.9	113.2	—	113.2
General and administrative expenses ⁽¹⁾⁽³⁾	71.9	(0.3)	71.6	72.8	(1.5)	71.3
Amortization of goodwill and intangible assets acquired in business combinations ⁽²⁾⁽³⁾	2.2	(2.2)	—	2.9	(2.9)	—
Total general and administrative expenses	74.2	(2.5)	71.6	75.8	(4.4)	71.3
Net business profit/Ordinary business profit ⁽²⁾	41.6	2.5	44.2	37.3	4.4	41.8
Net credit costs (recoveries)	19.8	—	19.8	14.7	—	14.7
Amortization of goodwill and intangible assets acquired in business combinations ⁽²⁾	—	2.2	2.2	—	2.9	2.9
Other gains (losses), net ⁽¹⁾	5.1	(0.3)	4.8	4.4	(1.5)	2.9
Income before income taxes	27.0	—	27.0	27.0	—	27.0
Income taxes and profit attributable to noncontrolling interests	1.9	—	1.9	2.1	—	2.1
Profit attributable to owners of the parent	¥ 25.1	¥ —	¥ 25.1	¥ 24.9	¥ —	¥ 24.9

Notes: (1) Reclassifications consist principally of adjustments relating to lump-sum compensation and amortization of actuarial gains or losses from general and administrative expenses to other gains (losses), net.

(2) Amortization of goodwill and intangible assets acquired in business combinations associated with acquisitions of companies is reclassified under ordinary business profit after net credit costs.

(3) Amortization of goodwill and intangible assets acquired in business combinations associated with partial acquisitions of business is classified to general and administrative expenses.

RESULTS OF OPERATIONS (CONSOLIDATED) (CONTINUED)

BUSINESS LINES RESULTS

Management monitors the performance of each business line on an operating-basis. The following section details the operating-basis ordinary business profit (loss) after net credit costs (recoveries) on a business line level.

TABLE 9. OPERATING-BASIS ORDINARY BUSINESS PROFIT (LOSS) AFTER NET CREDIT COSTS (RECOVERIES) BY BUSINESS LINE (CONSOLIDATED)

	Billions of yen		
	Six months ended September 30, 2017	Six months ended September 30, 2016	Change (Amount)
Institutional Group:			
Net interest income	¥ 12.0	¥ 10.8	¥ 1.2
Noninterest income	20.8	15.7	5.0
Total revenue	32.9	26.5	6.3
General and administrative expenses	15.8	15.9	(0.1)
Ordinary business profit	17.0	10.6	6.4
Net credit costs (recoveries)	1.2	0.4	0.7
Ordinary business profit after net credit costs (recoveries)	¥ 15.8	¥ 10.1	¥ 5.7
Global Markets Group:			
Net interest income	¥ 1.1	¥ 1.0	¥ 0.1
Noninterest income	4.1	4.2	(0.0)
Total revenue	5.3	5.2	0.0
General and administrative expenses	3.5	3.5	0.0
Ordinary business profit	1.7	1.7	0.0
Net credit costs (recoveries)	0.0	(0.0)	0.0
Ordinary business profit after net credit costs (recoveries)	¥ 1.7	¥ 1.7	¥ 0.0
Individual Group:			
Net interest income	¥ 51.7	¥ 48.4	¥ 3.3
Noninterest income	23.4	23.3	0.0
Total revenue	75.2	71.8	3.3
General and administrative expenses	50.8	50.8	(0.0)
Ordinary business profit	24.3	20.9	3.4
Net credit costs	18.6	14.2	4.4
Ordinary business profit after net credit costs	¥ 5.7	¥ 6.7	¥ (1.0)
Corporate/Other⁽¹⁾:			
Net interest income	¥ (0.8)	¥ 0.1	¥ (1.0)
Noninterest income	3.3	9.3	(6.0)
Total revenue	2.4	9.5	(7.0)
General and administrative expenses	1.4	1.0	0.3
Ordinary business profit	1.0	8.5	(7.4)
Net credit costs (recoveries)	(0.0)	0.0	(0.0)
Ordinary business profit after net credit costs (recoveries)	¥ 1.0	¥ 8.5	¥ (7.4)
Total:			
Net interest income	¥ 64.1	¥ 60.4	¥ 3.7
Noninterest income	51.7	52.7	(1.0)
Total revenue	115.9	113.2	2.6
General and administrative expenses	71.6	71.3	0.2
Ordinary business profit	44.2	41.8	2.4
Net credit costs (recoveries)	19.8	14.7	5.1
Ordinary business profit after net credit costs (recoveries)	¥ 24.3	¥ 27.1	¥ (2.7)

Notes: (1)"Corporate/Other" includes company-wide accounts which are not included in our reportable segments, allocation variance of indirect expense and elimination amount of intersegment transactions.

(2)Costs associated with the funding operations have been allocated to the interest earning businesses on a management accounting basis.

RESULTS OF OPERATIONS (CONSOLIDATED) (CONTINUED)

INSTITUTIONAL BUSINESS

The Institutional Business consists of: 1) Corporate Business, which provides financial products and services to the Bank's corporate, public corporation and financial institution customers; 2) Structured Finance, which provides services including real estate finance and project finance; 3) Principal Transactions, which is engaged in businesses such as credit trading, private equity and asset-backed investment businesses; and 4) Showa Leasing.

TABLE 10. INSTITUTIONAL BUSINESS ORDINARY BUSINESS PROFIT (LOSS) AFTER NET CREDIT COSTS (RECOVERIES) BY BUSINESS/SUBSIDIARY (CONSOLIDATED)⁽¹⁾

	Billions of yen		
	Six months ended September 30, 2017	Six months ended September 30, 2016	Change (Amount)
Corporate Business:			
Net interest income	¥ 5.1	¥ 5.4	¥ (0.3)
Noninterest income	5.8	2.4	3.4
Total revenue	11.0	7.8	3.1
General and administrative expenses	6.2	6.2	(0.0)
Ordinary business profit	4.7	1.6	3.1
Net credit costs	(0.8)	0.1	(0.9)
Ordinary business profit after net credit costs	¥ 5.6	¥ 1.4	¥ 4.1
Structured Finance:			
Net interest income	¥ 4.6	¥ 4.6	¥ (0.0)
Noninterest income	3.2	4.4	(1.1)
Total revenue	7.8	9.1	(1.2)
General and administrative expenses	3.4	3.2	0.1
Ordinary business profit	4.4	5.8	(1.4)
Net credit costs (recoveries)	1.6	0.8	0.7
Ordinary business profit after net credit costs (recoveries)	¥ 2.7	¥ 4.9	¥ (2.2)
Principal Transactions:			
Net interest income	¥ 2.3	¥ 1.3	¥ 1.0
Noninterest income	5.0	1.6	3.4
Total revenue	7.4	2.9	4.4
General and administrative expenses	2.0	2.2	(0.1)
Ordinary business profit (loss)	5.3	0.7	4.6
Net credit costs (recoveries)	(0.2)	(0.1)	(0.0)
Ordinary business profit (loss) after net credit costs (recoveries)	¥ 5.6	¥ 0.8	¥ 4.7
Showa Leasing:			
Net interest income	¥ (0.0)	¥ (0.6)	¥ 0.6
Noninterest income	6.6	7.2	(0.5)
Total revenue	6.5	6.5	0.0
General and administrative expenses	4.1	4.2	(0.0)
Ordinary business profit	2.4	2.3	0.1
Net credit costs (recoveries)	0.5	(0.3)	0.9
Ordinary business profit after net credit costs (recoveries)	¥ 1.8	¥ 2.7	¥ (0.8)
Institutional Business:			
Net interest income	¥ 12.0	¥ 10.8	¥ 1.2
Noninterest income	20.8	15.7	5.0
Total revenue	32.9	26.5	6.3
General and administrative expenses	15.8	15.9	(0.1)
Ordinary business profit	17.0	10.6	6.4
Net credit costs (recoveries)	1.2	0.4	0.7
Ordinary business profit after net credit costs (recoveries)	¥ 15.8	¥ 10.1	¥ 5.7

Note: (1) Net of consolidation adjustments, if applicable.

RESULTS OF OPERATIONS (CONSOLIDATED) (CONTINUED)

The Institutional Business recorded total revenue of ¥32.9 billion in the interim period ended September 30, 2017, compared to ¥26.5 billion in the interim period ended September 30, 2016. Of this amount, net interest income accounted for ¥12.0 billion, compared with ¥10.8 billion recorded in the interim period ended September 30, 2016. Noninterest income accounted for the remaining ¥20.8 billion, up from ¥15.7 billion recorded in the interim period ended September 30, 2016. The increase in net interest income was due to the increase in dividend revenue from Principal Transactions, while the increase in noninterest income was the result of factors including increases in gain on the sale of securities and revenues from equity method investment in affiliates, as well as the rise in fee income in the Corporate Business.

Within the Institutional Business, the Corporate Business recorded total revenue of ¥11.0 billion, compared to ¥7.8 billion in the interim period ended September 30, 2016. This increase was due to the rise in fee income resulting from a number of factors, including the following continued efforts in the corporate clients business to promote the cultivation of new customers, along with the expansion of the customer base by the development of the derivatives-related business, efforts in the financial institutions business to provide a diverse range of investment products, including structured products leveraging the Group's expertise, to regional financial institutions and other customers, and the recording of gains on the sale of equities.

The Structured Finance recorded total revenue of ¥7.8 billion in the interim period ended September 30, 2017, compared to ¥9.1 billion in the interim period ended September 30, 2016. The main cause of the decline was the absence of some major revenues recorded in the year-earlier period. Nonetheless, operating assets increased steadily, centered on the project finance and real estate finance businesses.

The Principal Transactions recorded total revenue of ¥7.4 billion in the interim period ended September 30, 2017, compared to ¥2.9 billion in the interim period ended September 30, 2016. The increase was due to factors including the increase in dividend revenue in the Private Equity business, the rise in revenues from equity investment in affiliated companies, and solid net gain on the sale of securities.

Showa Leasing recorded total revenue of ¥6.5 billion, the same as a year earlier. Although there was a non-recurrence of gains on the sale of equities recorded in the same period of the previous year, total revenue was buoyed by progress on initiatives through the continued cultivation of business with customers.

General and administrative expenses fell slightly to ¥15.8 billion in the interim period ended September 30, 2017, compared to ¥15.9 billion in the interim period ended September 30, 2016. This was due to efforts aimed at efficient operations, while shifting management resources to areas of focus.

Net credit costs in the interim period ended September 30, 2017 totaled ¥1.2 billion, compared to ¥0.4 billion of net credit costs in the interim period ended September 30, 2016. This was due to factors including the increase in costs owing to the steady accumulation of operating assets.

As a result of the preceding factors, the Institutional Group recorded an ordinary business profit after net credit costs of ¥15.8 billion in the interim period ended September 30, 2017, compared to ¥10.1 billion recorded in the interim period ended September 30, 2016.

RESULTS OF OPERATIONS (CONSOLIDATED) (CONTINUED)

GLOBAL MARKETS BUSINESS

The Global Markets Business consists of: 1) Markets, which engages in foreign exchange, derivatives, and other capital markets businesses and 2) Others, which includes businesses such as asset management and wealth management, Shinsei Securities Co., Ltd., and other global markets.

TABLE 11. GLOBAL MARKETS BUSINESS ORDINARY BUSINESS PROFIT (LOSS) AFTER NET CREDIT COSTS (RECOVERIES) BY BUSINESS (CONSOLIDATED)⁽¹⁾

	Billions of yen		
	Six months ended September 30, 2017	Six months ended September 30, 2016	Change (Amount)
Markets:			
Net interest income	¥ 0.9	¥ 0.9	¥ (0.0)
Noninterest income	2.9	3.3	(0.3)
Total revenue	3.9	4.3	(0.4)
General and administrative expenses	1.9	1.7	0.1
Ordinary business profit	1.9	2.5	(0.5)
Net credit costs (recoveries)	(0.0)	(0.0)	0.0
Ordinary business profit after net credit costs (recoveries)	¥ 1.9	¥ 2.5	¥ (0.5)
Others⁽²⁾:			
Net interest income	¥ 0.2	¥ 0.1	¥ 0.1
Noninterest income	1.1	0.8	0.3
Total revenue	1.4	0.9	0.4
General and administrative expenses	1.6	1.7	(0.1)
Ordinary business profit (loss)	(0.2)	(0.8)	0.6
Net credit costs (recoveries)	0.0	0.0	(0.0)
Ordinary business profit (loss) after net credit costs (recoveries)	¥ (0.2)	¥ (0.8)	¥ 0.6
Global Markets Business:			
Net interest income	¥ 1.1	¥ 1.0	¥ 0.1
Noninterest income	4.1	4.2	(0.0)
Total revenue	5.3	5.2	0.0
General and administrative expenses	3.5	3.5	0.0
Ordinary business profit	1.7	1.7	0.0
Net credit costs (recoveries)	0.0	(0.0)	0.0
Ordinary business profit after net credit costs (recoveries)	¥ 1.7	¥ 1.7	¥ 0.0

Notes: (1)Net of consolidation adjustments, if applicable.

(2)In accordance with the organizational change on June 1, 2017, a portion of the profit and loss of "Others" in Global Markets Group was transferred to "Retail banking" on a management accounting basis.

The Global Markets Business recorded total revenue of ¥5.3 billion in the interim period ended September 30, 2017, compared to ¥5.2 billion recorded in the interim period ended September 30, 2016. This slight increase was the result of continued efforts from the previous year to deepen business transactions with customers.

The Markets business recorded total revenue of ¥3.9 billion in the interim period ended September 30, 2017, compared to ¥4.3 billion recorded in the previous fiscal first half. This was primarily due to weak performance in market-related transactions.

Other global markets recorded total revenue of ¥1.4 billion in the interim period ended September 30, 2017, compared to ¥0.9 billion in the previous fiscal first half. This increase was due to the strong performance of the securities brokerage businesses and other factors.

General and administrative expenses recorded in the Global Markets Business totaled ¥3.5 billion in the interim period ended September 30, 2017, the same as in the year-earlier period. This was the result of working to enhance efficiency followed by investing necessary management resources in each business line.

Net credit costs recorded in the Global Markets Business totaled ¥0.0 billion (¥16 million) in the interim period ended September 30, 2017, compared to net credit recoveries of ¥0.0 billion (¥5 million) recorded in the interim period ended September 30, 2016.

As a result of the preceding factors, the Global Markets Business recorded an ordinary business profit after net credit costs of ¥1.7 billion in the interim period ended September 30, 2017, the same as in the interim period ended September 30, 2016.

RESULTS OF OPERATIONS (CONSOLIDATED) (CONTINUED)

INDIVIDUAL BUSINESS

The Individual Business consists of: 1) Retail Banking, 2) Shinsei Bank Card Loan Lake ("Shinsei Bank Lake") and its subsidiaries Shinsei Financial, 3) APLUS FINANCIAL, and 4) Shinsei Property Finance.

The "Shinsei Financial and Shinsei Bank Lake" segment of the Individual Business includes Shinsei Personal Loan (formerly "SHINKI") under the "NOLOAN" brand.

TABLE 12. INDIVIDUAL BUSINESS ORDINARY BUSINESS PROFIT (LOSS) AFTER NET CREDIT COSTS (RECOVERIES) BY BUSINESS/SUBSIDIARY (CONSOLIDATED)⁽¹⁾

	Billions of yen		
	Six months ended September 30, 2017	Six months ended September 30, 2016	Change (Amount)
Retail Banking⁽²⁾:			
Net interest income	¥ 11.2	¥ 11.8	¥ (0.6)
Loans	5.3	5.4	(0.1)
Deposits	5.9	6.4	(0.4)
Noninterest income	0.1	1.3	(1.1)
Asset management products	3.0	3.6	(0.6)
Other fees (ATM, Fund transfer, FX etc.)	(2.8)	(2.2)	(0.5)
Total revenue	11.4	13.2	(1.7)
General and administrative expenses	14.8	14.4	0.3
Ordinary business profit (loss)	(3.3)	(1.2)	(2.1)
Net credit costs (recoveries)	0.1	(0.6)	0.8
Ordinary business profit (loss) after net credit costs (recoveries)	¥ (3.4)	¥ (0.5)	¥ (2.9)
Shinsei Financial and Shinsei Bank Lake⁽³⁾:			
Net interest income	¥ 34.1	¥ 31.7	¥ 2.3
Shinsei Bank Lake	21.7	18.2	3.5
NOLOAN	3.1	3.3	(0.2)
Noninterest income	(0.1)	(0.6)	0.4
Total revenue	33.9	31.0	2.8
General and administrative expenses	16.5	17.1	(0.5)
Ordinary business profit	17.3	13.9	3.3
Net credit costs	12.5	10.1	2.4
Ordinary business profit after net credit costs	¥ 4.7	¥ 3.7	¥ 0.9
APLUS FINANCIAL:			
Net interest income	¥ 5.5	¥ 4.3	¥ 1.2
Noninterest income	22.7	22.5	0.1
Total revenue	28.2	26.8	1.3
General and administrative expenses	18.9	18.8	0.0
Ordinary business profit	9.3	8.0	1.2
Net credit costs	5.8	4.7	1.0
Ordinary business profit after net credit costs	¥ 3.4	¥ 3.2	¥ 0.2
Others⁽⁴⁾:			
Net interest income	¥ 0.8	¥ 0.4	¥ 0.4
Noninterest income	0.6	0.1	0.5
Total revenue	1.5	0.6	0.9
General and administrative expenses	0.5	0.4	0.0
Ordinary business profit	1.0	0.1	0.8
Net credit costs (recoveries)	0.0	(0.0)	0.0
Ordinary business profit after net credit costs (recoveries)	¥ 0.9	¥ 0.1	¥ 0.7
Individual Business:			
Net interest income	¥ 51.7	¥ 48.4	¥ 3.3
Noninterest income	23.4	23.3	0.0
Total revenue	75.2	71.8	3.3
General and administrative expenses	50.8	50.8	(0.0)
Ordinary business profit	24.3	20.9	3.4
Net credit costs	18.6	14.2	4.4
Ordinary business profit after net credit costs	¥ 5.7	¥ 6.7	¥ (1.0)

Notes: (1)Net of consolidation adjustments, if applicable.

(2)In accordance with the organizational change on June 1, 2017, a portion of the profit and loss of "Others" in Global Markets Group was transferred to "Retail banking" on a management accounting basis.

(3)Income of Shinsei Financial, "Shinsei Bank Card Loan - Lake", and "Shinsei Bank Smart Card Loan Plus" are combined on a management accounting basis.

(4)Includes Shinsei Property Finance and unallocated consumer finance business financials.

RESULTS OF OPERATIONS (CONSOLIDATED) (CONTINUED)

The Individual Business recorded an ordinary business profit after net credit costs of ¥5.7 billion in the interim period ended September 30, 2017, compared to ¥6.7 billion in the interim period ended September 30, 2016.

RETAIL BANKING

The Retail Banking Business recorded total revenue of ¥11.4 billion in the interim period ended September 30, 2017, compared to ¥13.2 billion in the interim period ended September 30, 2016. Of this amount, net interest income was ¥11.2 billion, compared to ¥11.8 billion recorded in the first half of the previous fiscal year. This decrease was the result of the decline in deposit margins. Noninterest income totaled ¥0.1 billion in the interim period ended September 30, 2017, a decline from the ¥1.3 billion recorded in the previous fiscal first half. This was the result of a decline in fee income resulting from the delay in the recovery of sales of asset management products, the decline in the new disbursement of housing loans, and other factors.

General and administrative expenses totaled ¥14.8 billion in the interim period ended September 30, 2017, an increase compared to the ¥14.4 billion recorded in the previous fiscal first half. This was absence of the reversal of estimated expenses in the previous fiscal first half, despite continued efforts to pursue rationalization and efficiency in this fiscal half.

Net credit costs of ¥0.1 billion were recorded in the interim period ended September 30, 2017, compared to recoveries of ¥0.6 billion in the interim period ended September 30, 2016. This was due to the non-recurrence of the impact of the improvement in the loan loss reserve rate recorded in the interim period ended September 30, 2016.

As a result of the preceding factors, an ordinary business loss after net credit costs of ¥3.4 billion was recorded in the interim period ended September 30, 2017, compared to a loss of ¥0.5 billion recorded in the previous fiscal first half.

SHINSEI FINANCIAL AND SHINSEI BANK LAKE

Shinsei Financial and Shinsei Bank Lake recorded a combined ordinary business profit after net credit costs after related consolidation adjustments of ¥4.7 billion in the interim period ended September 30, 2017, compared to ¥3.7 billion in the interim period ended September 30, 2016.

Total revenue was ¥33.9 billion in the interim period ended September 30, 2017, compared to ¥31.0 billion in the previous fiscal first half, primarily the result of the growth of the loan balance.

Net credit costs were ¥12.5 billion in the interim period ended September 30, 2017, compared to ¥10.1 billion in the interim period ended September 30, 2016. While the

Bank has continued to engage in a phased fine-tuning of credit standards in addition to the strengthening of collection capabilities, the year-on-year growth of the loan balance reflected increase in net credit costs.

APLUS FINANCIAL

APLUS FINANCIAL recorded an ordinary business profit after net credit costs after related consolidation adjustments of ¥3.4 billion in the interim period ended September 30, 2017, compared to ¥3.2 billion in the previous fiscal first half.

Total revenue in the interim period ended September 30, 2017 was ¥28.2 billion, increased from ¥26.8 billion recorded in the previous fiscal first half.

Of this amount, net interest income was ¥5.5 billion, increased from ¥4.3 billion in the previous fiscal first half, due to the steady growth of the loan balance.

Noninterest income was ¥22.7 billion, increased from ¥22.5 billion in the previous fiscal first half, due to the strong performance by the credit card business and other factors.

General and administrative expenses were ¥18.9 billion in the interim period ended September 30, 2017, compared to ¥18.8 billion in the previous fiscal first half. While having continued to pursue rationalization and efficiency across business lines, the Group's implementation of various initiatives aimed at enhancing the customer experience resulted in an increase in expenses.

Net credit costs were ¥5.8 billion in the interim period ended September 30, 2017, compared to ¥4.7 billion in the same period of the previous fiscal year.

Others include the results of Shinsei Property Finance and unallocated consumer finance business financials.

INTEREST REPAYMENTS

Regarding reserves for losses on interest repayments, in accordance with the revision of future interest repayment costs, ¥3.9 billion was reversed in the interim period ended September 30, 2017, whereas additional reserves totaling ¥5.1 billion were provisioned in the fiscal year ended March 31, 2017.

Shinsei Financial's usage of reserves for losses on interest repayments (interest repayments and related principal amortization) was ¥9.0 billion in the interim period ended September 30, 2017, compared to ¥17.6 billion utilized in the previous fiscal first half. As ¥3.9 billion of reserves for losses on interest repayments were reversed in the interim period ended September 30, 2017, the total balance of reserves for losses on interest repayments was ¥74.9 billion as of September 30, 2017, compared to ¥87.8 billion as of March 31, 2017.

RESULTS OF OPERATIONS (CONSOLIDATED) (CONTINUED)

Shinsei Personal Loan's usage of reserves for losses on interest repayments (interest repayments and related principal amortization) in the interim period ended September 30, 2017 was ¥1.4 billion, compared to ¥1.9 billion in the previous fiscal first half. In the interim period ended September 30, 2017, no additional reserves for losses on interest repayments were made and the total balance of reserves for losses on interest repayments was ¥5.4 billion as of September 30, 2017, compared to ¥6.9 billion as of March 31, 2017.

APLUS FINANCIAL and its consolidated subsidiaries' usage of reserves for losses on interest repayments (interest repayments and related principal amortization) was ¥2.3 billion in the interim period ended September 30, 2017, compared to ¥2.4 billion utilized in the previous fiscal first half. In the interim period ended September 30, 2017, no additional reserves for losses on interest repayments were provisioned and the total balance of reserves for losses on interest repayments was ¥4.6 billion as of September 30, 2017, compared to ¥7.0 billion as of March 31, 2017.

CORPORATE/OTHER

Corporate/Other consists of: 1) Treasury, which engages in the ALM and fundraising operations, and 2) Others, which includes company-wide accounts, variances from budgeted allocations of indirect expenses and eliminated amounts of inter-segment transactions.

TABLE 13. CORPORATE/OTHER ORDINARY BUSINESS PROFIT (LOSS) AFTER NET CREDIT COSTS (RECOVERIES) BY BUSINESS (CONSOLIDATED)⁽¹⁾

	Billions of yen		
	Six months ended September 30, 2017	Six months ended September 30, 2016	Change (Amount)
Treasury:			
Net interest income	¥ (0.8)	¥ 0.1	¥ (1.0)
Noninterest income	2.9	7.5	(4.5)
Total revenue	2.1	7.7	(5.5)
General and administrative expenses	0.8	0.8	0.0
Ordinary business profit	1.2	6.8	(5.6)
Net credit costs	—	—	—
Ordinary business profit after net credit costs	¥ 1.2	¥ 6.8	¥ (5.6)
Others⁽¹⁾:			
Net interest income	¥ (0.0)	¥ 0.0	¥ (0.0)
Noninterest income	0.3	1.8	(1.5)
Total revenue	0.3	1.8	(1.5)
General and administrative expenses	0.5	0.1	0.3
Ordinary business profit	(0.1)	1.6	(1.8)
Net credit costs (recoveries)	(0.0)	0.0	0.0
Ordinary business profit after net credit costs (recoveries)	¥ (0.1)	¥ 1.6	¥ (1.8)
Corporate/Other⁽¹⁾:			
Net interest income	¥ (0.8)	¥ 0.1	¥ (1.0)
Noninterest income	3.3	9.3	(6.0)
Total revenue	2.4	9.5	(7.0)
General and administrative expenses	1.4	1.0	0.3
Ordinary business profit	1.0	8.5	(7.4)
Net credit costs (recoveries)	(0.0)	0.0	(0.0)
Ordinary business profit after net credit costs (recoveries)	¥ 1.0	¥ 8.5	¥ (7.4)

Note: (1)*Corporate/Other* includes company-wide accounts which are not included in our reportable segments, allocation variance of indirect expense and elimination amount of intersegment transactions.

Reported business results of Corporate/Other includes the results of Treasury, which is responsible for the ALM operations of the entire Bank.

Corporate/Other recorded total revenue of ¥2.4 billion in the interim period ended September 30, 2017,

compared to ¥9.5 billion recorded in the interim period ended September 30, 2016. This was the result of factors such as the decline in bond-related (JGBs and other bonds) income in Treasury.

RESULTS OF OPERATIONS (NONCONSOLIDATED)**SUMMARY OF NONCONSOLIDATED FINANCIAL RESULTS**

We disclose nonconsolidated financial information in addition to our consolidated financial statements. As a recipient of public funds, we are required by the Financial Services Agency of Japan ("FSA") to update and report on nonconsolidated performance in relation to targets set forth in our Revitalization Plan on a quarterly basis and to publicly disclose that information semi-annually. Shinsei recorded a

net income of ¥22.9 billion on a nonconsolidated basis for the six months ended September 30, 2017. Differences between the net income on a nonconsolidated basis and consolidated basis result mainly from the gains and losses from our consolidated subsidiaries, including Showa Leasing, Shinsei Financial, APLUS FINANCIAL and Shinsei Personal Loan, the gains and losses on our investment in our equity method affiliate, Jih Sun Financial Holding Co., Ltd., and the dividends received from our major consolidated subsidiaries.

TABLE 14. SUPPLEMENTAL MEASURES (NONCONSOLIDATED)

	Billions of yen	
	Six months ended September 30, 2017	Six months ended September 30, 2016
Gross business profit (gyomu sorieki) :		
Net interest income	¥ 51.5	¥ 47.7
Net fees and commissions ⁽¹⁾	(5.3)	(2.4)
Net trading income	1.6	3.7
Net other business income	6.0	9.2
Total gross business profit	53.8	58.2
Expenses ⁽²⁾	39.9	38.7
Net business profit (jisshitsu gyomu jun-eki)	13.9	19.5
Other, net ⁽³⁾	4.1	1.4
Net operating income (keijo rieki)	18.1	21.0
Extraordinary income (loss)	6.1	3.1
Income before income taxes	24.2	24.1
Current income taxes (benefit)	(0.6)	0.0
Deferred income taxes (benefit)	1.9	0.0
Net income	¥ 22.9	¥ 24.1

Notes: (1) Includes net gain (loss) on monetary assets held in trust of ¥1.1 billion and ¥0.6 billion for the six months ended September 30, 2017 and 2016, respectively.

(2) General and administrative expenses with certain adjustment.

(3) Excludes net gain (loss) on monetary assets held in trust.

SUPPLEMENTAL NONCONSOLIDATED MEASURES

In addition to the reporting items set forth in our nonconsolidated financial statements, the Banking Act of Japan requires us to disclose gross business profit (gyomu sorieki) on a nonconsolidated basis. Furthermore, in the Japanese banking industry, net business profit (jisshitsu gyomu jun-eki) has traditionally been used as a measure of the profitability of core banking operations. We review these non Japanese GAAP performance measures in monitoring the results of our operations.

Gross business profit (gyomu sorieki) is the sum of:

- net interest income, which excludes interest expense related to investment in monetary assets held in trust;
- net fees and commissions, which includes net gain (loss) on monetary assets held in trust (in keeping with the definition of gross business profit in our Revitalization Plan);

- net trading income; and
- net other business income, which excludes net gain (loss) on monetary assets held in trust and on equity securities.

Net business profit (jisshitsu gyomu jun-eki) is gross business profit (gyomu sorieki) minus nonconsolidated expenses, which corresponds to general and administrative expenses adjusted for certain items.

While these non Japanese GAAP business profit measures should not be viewed as a substitute for net income, management believes that these measures provide a meaningful way of comparing a number of the important components of Shinsei's revenues and profitability from year to year. The table above sets forth these supplemental financial data and corresponding reconciliations to net income under Japanese GAAP for the presented period.

FINANCIAL CONDITION

TOTAL ASSETS

Consolidated total assets increased from ¥9,258.3 billion to ¥9,455.3 billion over the six months ended September 30, 2017.

The balance of loans and bills discounted was ¥4,909.1

billion as of September 30, 2017, an increase of ¥75.7 billion from ¥4,833.4 billion as of March 31, 2017. While the balance of corporate loan and housing loan decreased, the increase was supported by the growth of the loan balance in the Structured Finance and the Consumer Finance Businesses.

TABLE 15. LOANS BY BORROWER INDUSTRY (CONSOLIDATED)

	Billions of yen (except percentages)			
	As of September 30, 2017		As of September 30, 2016	
Domestic offices (excluding Japan offshore market account):				
Manufacturing	¥ 199.1	4.2%	¥ 197.1	4.4%
Agriculture and forestry	0.0	0.0	0.0	0.0
Fishery	—	—	0.2	0.0
Mining, quarrying and gravel extraction	0.6	0.0	0.2	0.0
Construction	7.5	0.2	15.3	0.3
Electric power, gas, heat supply and water supply	221.7	4.6	231.6	5.1
Information and communications	47.0	1.0	44.0	1.0
Transportation, postal service	200.6	4.2	180.7	4.0
Wholesale and retail	109.4	2.3	105.5	2.3
Finance and insurance	553.8	11.6	519.8	11.5
Real estate	602.4	12.6	574.7	12.8
Services	335.5	7.0	316.9	7.0
Local government	68.9	1.4	74.7	1.7
Others	2,438.5	51.0	2,247.6	49.9
Total domestic (A)	¥ 4,785.5	100.0%	¥ 4,508.9	100.0%
Overseas offices (including Japan offshore market accounts):				
Governments	¥ 0.4	0.4%	¥ 0.6	0.7%
Financial institutions	19.1	15.5	7.2	7.1
Others	103.9	84.1	94.3	92.2
Total overseas (B)	¥ 123.6	100.0%	¥ 102.3	100.0%
Total (A+B)	¥ 4,909.1		¥ 4,611.3	

FUNDING AND LIQUIDITY

The table below shows changes in the proportion of our overall funding represented by funds raised from deposits in our Retail and Institutional Banking businesses. Shinsei

continues to optimize its funding base through deposits mainly from retail customers.

TABLE 16. DIVERSIFICATION BY DEPOSITS TYPE (CONSOLIDATED)

	Billions of yen	
	As of September 30, 2017	As of September 30, 2016
Retail deposits	¥ 4,954.7	¥ 4,786.8
Institutional deposits	1,045.5	998.9
Total	¥ 6,000.2	¥ 5,785.7

TOTAL EQUITY

Total equity as of September 30, 2017 was ¥841.1 billion and included noncontrolling interests of ¥1.3 billion.

FINANCIAL CONDITION (CONTINUED)

ASSET QUALITY AND DISPOSAL OF NONPERFORMING LOANS OF SHINSEI

At September 30, 2017, 12.1% of our consolidated nonperforming loans as disclosed in accordance with the guidelines of the Japanese Bankers Association (JBA) were held by Shinsei and most of the rest were held by Shinsei Financial and APLUS FINANCIAL. This discussion of our asset quality presents information of Shinsei on a nonconsolidated basis unless specified otherwise. In particular, nonperforming claims as defined in the Financial Revitalization Law are only disclosed on a nonconsolidated basis, and therefore do not include nonperforming claims held by Shinsei Financial, APLUS FINANCIAL and Showa Leasing. For a discussion regarding the nonperforming claims of Shinsei Financial, APLUS FINANCIAL and Showa Leasing.

We classify our obligors and assess our asset quality based on our self-assessment guidelines developed in accordance with guidelines published by the FSA. We generally perform our self-assessment quarterly. The self-assessment process involves classifying obligors based on their financial condition and then categorizing claims against obligors in order of collection risk. Based on these classifications, we establish reserves and disclose our nonperforming loans and other claims using criteria specified in the Financial Revitalization Law. We also disclose our nonperforming loans under a format devised by the JBA for the disclosure of risk-monitored loans.

CLAIMS CLASSIFIED UNDER THE FINANCIAL REVITALIZATION LAW

Under the Financial Revitalization Law, Japanese banks categorize their nonconsolidated total claims in four categories by reference to the nature of the relevant assets. In addition to loans and bills discounted, claims that are subject to disclosure under the Financial Revitalization Law include foreign exchange claims, securities lent, private placement bonds guaranteed by Shinsei, accrued income and suspense payments in other assets, as well as customers' liabilities for acceptances and guarantees.

DISCLOSURE OF CLAIMS CLASSIFIED UNDER THE FINANCIAL REVITALIZATION LAW

Our current management team has consistently emphasized the monitoring of nonperforming claims. Shinsei's total amount of nonperforming claims as disclosed pursuant to the Financial Revitalization Law decreased 14.3%, to ¥8.9 billion, between March 31, 2017 and September 30, 2017. During the six months ended September 30, 2017, claims against bankrupt and quasi-bankrupt obligors decreased from ¥2.9 billion to ¥2.5 billion, and doubtful claims decreased from ¥3.6 billion to ¥3.4 billion, and substandard claims decreased from ¥3.8 billion to ¥2.9 billion, as a result of our self assessment. The ratio of nonperforming claims disclosed under the Financial Revitalization Law to total nonconsolidated claims as of September 30, 2017 was 0.2%, was same as March 31, 2017.

Shinsei's claims against other need caution obligors, excluding substandard claims, totaled ¥38.2 billion as of September 30, 2017, a 27.9% decrease from ¥53.0 billion as of March 31, 2017, which included private placement bonds guaranteed by Shinsei classified as claims against other need caution obligors.

These claims represented 0.8% of total nonconsolidated claims as of September 30, 2017, down from 1.1% as of March 31, 2017.

FINANCIAL CONDITION (CONTINUED)
**COMPARISON OF CATEGORIES OF OBLIGORS,
CLAIMS UNDER THE FINANCIAL REVITALIZATION LAW AND RISK-MONITORED LOANS
(NONCONSOLIDATED)**

(Billions of yen)

Obligor Classifications	Internal Ratings	Reserve Ratios for Borrowers Type	Claims Classified under the Financial Revitalization Law ⁽²⁾⁽³⁾		Risk-monitored Loans ⁽²⁾		
			Total loans and bills discounted:	4,557.0	Other 85.5	Total loans and bills discounted:	4,557.0
Legally bankrupt	9E	100.0% for unsecured portion	Claims against bankrupt and quasi-bankrupt obligors	2.5 (Amount of coverage, coverage ratio) (2.5*, 100.0%)		Loans to bankrupt obligors	0.6
Virtually bankrupt	9D	100.0% for unsecured portion	*Amount of reserve for loan losses is 0.3, collateral and guarantees is 2.1				
Possibly bankrupt	9C	47.4% for unsecured portion	Doubtful claims	3.4 (Amount of coverage, coverage ratio) (1.6*, 48.4%)		Nonaccrual delinquent loans	5.3
			*Amount of reserve for loan losses is 1.5, collateral and guarantees is -				
Need caution	Substandard	47.3% for unsecured portion	Substandard claims (loan account only)	2.9 (Amount of coverage, coverage ratio) (1.9*, 66.1%)		Loans past due for three months or more	2.9
	Other need caution	5.8% for total claims	*Amount of reserve for loan losses is 0.7, collateral and guarantees is 1.1			Restructured loans	
Normal	0A-6C	0.4% for total claims	Normal claims	4,633.7		Normal	4,548.2
			Total nonperforming claims and ratio to total claims		Total risk-monitored loans and ratio to total loans and bills discounted		
			8.9, 0.2% (Total amount of coverage, coverage ratio) (6.1*, 69.1%)		8.8, 0.2%		
			*Total amount of reserve for loan losses is 2.7, collateral and guarantees is 3.4				

Notes: (1) Financial and operational data that are stated in multiples of ¥0.1 billion have been truncated. All percentages have been rounded to the nearest 0.1%.

(2) The Financial Revitalization Law requires us to classify and disclose "claims" which include, in addition to loans and bills discounted, foreign exchange claims, securities lent, private placement bonds guaranteed by Shinsei, accrued income and suspense payments in other assets, as well as customers' liabilities for acceptances and guarantees. By comparison, as for risk-monitored loans, the format devised by the JBA only classifies, and calls for disclosure of, certain loans and bills discounted.

(3) Shaded claims denoted claims that are considered to be nonperforming under the Financial Revitalization Law.

FINANCIAL CONDITION (CONTINUED)

TABLE 17. CLAIMS CLASSIFIED UNDER THE FINANCIAL REVITALIZATION LAW (NONCONSOLIDATED)

	Billions of yen (except percentages)		
	As of September 30, 2017	As of September 30, 2016	As of March 31, 2017
Claims against bankrupt and quasi-bankrupt obligors	¥ 2.5	¥ 4.1	¥ 2.9
Doubtful claims	3.4	26.7	3.6
Substandard claims	2.9	3.9	3.8
Total claims disclosed under the Financial Revitalization Law ⁽¹⁾	8.9	34.7	10.3
Normal claims and claims against other need caution obligors, excluding substandard claims	4,633.7	4,391.8	4,706.7
Total claims	¥ 4,642.6	¥ 4,426.6	¥ 4,717.1
Ratio of total claims disclosed under the Financial Revitalization Law to total claims	0.2%	0.8%	0.2%

Note: (1) Total claims consists of loans and bills discounted, foreign exchange claims, securities lent, accrued interest income and suspense payments in other assets, as well as customers' liabilities for acceptances and guarantees.

COVERAGE RATIOS

As of September 30, 2017, nonconsolidated coverage ratios for claims classified under the Financial Revitalization Law, which for each category of claims is the total of collateral pledged against claims, guarantees for claims and reserve for loan losses, measured against total claims, were 100.0% for claims against bankrupt and quasi-bankrupt

obligors, 48.4% for doubtful claims and 66.1% for substandard claims. For all claims classified under the Financial Revitalization Law, the coverage ratio was 69.1%.

Shinsei directly writes off, rather than reserves, the portion of claims against bankrupt and quasi-bankrupt obligors that are estimated to be uncollectible. As of September 30, 2017, ¥18.9 billion of such claims were written off on a nonconsolidated basis.

TABLE 18. COVERAGE RATIOS FOR NONPERFORMING CLAIMS DISCLOSED UNDER THE FINANCIAL REVITALIZATION LAW (NONCONSOLIDATED)

	Billions of yen (except percentages)				
	Amount of claims	Amounts of coverage			Coverage ratio
Reserve for loan losses		Collateral and guarantees	Total		
As of September 30, 2017:					
Claims against bankrupt and quasi-bankrupt obligors	¥ 2.5	¥ 0.3	¥ 2.1	¥ 2.5	100.0%
Doubtful claims	3.4	1.5	0.0	1.6	48.4
Substandard claims	2.9	0.7	1.1	1.9	66.1
Total	¥ 8.9	¥ 2.7	¥ 3.4	¥ 6.1	69.1%
As of September 30, 2016:					
Claims against bankrupt and quasi-bankrupt obligors	¥ 4.1	¥ —	¥ 4.1	¥ 4.1	100.0%
Doubtful claims	26.7	1.6	24.9	26.5	99.4
Substandard claims	3.9	1.2	1.7	3.0	77.4
Total	¥ 34.7	¥ 2.9	¥ 30.8	¥ 33.7	97.0%
As of March 31, 2017:					
Claims against bankrupt and quasi-bankrupt obligors	¥ 2.9	¥ 0.2	¥ 2.7	¥ 2.9	100.0%
Doubtful claims	3.6	2.0	0.0	2.0	58.2
Substandard claims	3.8	1.0	1.5	2.6	69.4
Total	¥ 10.3	¥ 3.3	¥ 4.3	¥ 7.7	74.2%

FINANCIAL CONDITION (CONTINUED)

RESERVE FOR CREDIT LOSSES

The following table sets forth a breakdown of Shinsei's total reserve for credit losses on a nonconsolidated basis as of the dates indicated:

TABLE 19. RESERVE FOR CREDIT LOSSES (NONCONSOLIDATED)

	Billions of yen (except percentages)	
	As of September 30, 2017	As of September 30, 2016
General reserve for loan losses	¥ 24.0	¥ 21.3
Specific reserve for loan losses	2.0	2.5
Reserve for loans to restructuring countries	—	0.0
Subtotal of reserve for loan losses	26.1	23.8
Specific reserve for other credit losses	—	3.9
Total reserve for credit losses	¥ 26.1	¥ 27.7
Total claims ⁽¹⁾	¥ 4,642.6	¥ 4,426.6
Ratio of total reserve for loan losses to total claims	0.6%	0.5%
Ratio of total reserve for credit losses to total claims	0.6%	0.6%

Note: (1) Total claims consist loans and bills discounted, foreign exchange claims, securities lent, accrued interest income and suspense payments in other assets, as well as customers' liabilities for acceptances and guarantees.

As of September 30, 2017 and September 30, 2016, total reserve for credit losses on a nonconsolidated basis was ¥26.1 billion and ¥27.7 billion, respectively, constituting 0.6% and 0.6%, respectively, of total claims.

FINANCIAL CONDITION (CONTINUED)

TABLE 20. RESERVE RATIOS BY BORROWERS' CATEGORY (NONCONSOLIDATED)

		Percentages	
		As of September 30, 2017	As of September 30, 2016
Legally and virtually bankrupt	(unsecured portion)	100.0%	100.0%
Possibly bankrupt	(unsecured portion)	47.4%	253.8%
Substandard	(unsecured portion)	47.3%	65.1%
Other need	(total claims)	5.8%	5.9%
	(unsecured portion)	13.4%	11.1%
Normal	(total claims)	0.4%	0.4%

RISK-MONITORED LOANS

Consolidated risk-monitored loans increased by ¥1.5 billion during the six months ended September 30, 2017 to ¥73.3 billion.

The following tables set forth information concerning our consolidated and nonconsolidated risk-monitored loans as of the dates indicated:

TABLE 21. RISK-MONITORED LOANS (CONSOLIDATED)

		Billions of yen (except percentages)	
		As of September 30, 2017	As of September 30, 2016
Total loans and bills discounted		¥ 4,909.1	¥ 4,611.3
Loans to bankrupt obligors (A)		5.1	4.6
Nonaccrual delinquent loans (B)		32.7	58.3
Subtotal (A)+(B)		¥ 37.9	¥ 62.9
Ratio to total loans and bills discounted		0.8%	1.4%
Loans past due for three months or more (C)		¥ 1.5	¥ 1.4
Restructured loans (D)		33.8	29.9
Total risk-monitored loans (A)+(B)+(C)+(D)		¥ 73.3	¥ 94.3
Ratio to total loans and bills discounted		1.5%	2.0%
Reserve for credit losses		¥ 98.8	¥ 95.6

TABLE 22. RISK-MONITORED LOANS (NONCONSOLIDATED)

		Billions of yen (except percentages)	
		As of September 30, 2017	As of September 30, 2016
Total loans and bills discounted		¥ 4,557.0	¥ 4,337.7
Loans to bankrupt obligors (A)		0.6	1.1
Nonaccrual delinquent loans (B)		5.3	29.6
Subtotal (A)+(B)		¥ 5.9	¥ 30.8
Ratio to total loans and bills discounted		0.1%	0.7%
Loans past due for three months or more (C)		¥ 0.9	¥ 1.1
Restructured loans (D)		1.9	2.7
Total risk-monitored loans (A)+(B)+(C)+(D)		¥ 8.8	¥ 34.7
Ratio to total loans and bills discounted		0.2%	0.8%
Reserve for credit losses		¥ 26.1	¥ 27.7

FINANCIAL CONDITION (CONTINUED)

TABLE 23. RISK-MONITORED LOANS BY BORROWER INDUSTRY (NONCONSOLIDATED)

	Billions of yen	
	As of September 30, 2017	As of September 30, 2016
Domestic offices (excluding Japan offshore market account):		
Manufacturing	¥ 3.0	¥ 0.7
Agriculture and forestry	—	—
Fishery	—	—
Mining, quarrying and gravel extraction	—	—
Construction	—	0.0
Electric power, gas, heat supply and water supply	—	—
Information and communications	0.0	0.0
Transportation and postal service	—	0.7
Wholesale and retail	0.0	0.3
Finance and insurance	—	—
Real estate	—	26.0
Services	0.3	0.2
Local government	—	—
Individual	2.7	2.5
Overseas yen loan and overseas loans booked domestically	1.0	2.4
Total domestic (A)	¥ 7.3	¥ 33.1
Overseas offices (including Japan offshore market accounts):		
Governments	¥ —	¥ —
Financial institutions	—	—
Others	1.5	1.6
Total overseas (B)	¥ 1.5	¥ 1.6
Total (A+B)	¥ 8.8	¥ 34.7

ASSET QUALITY OF SHINSEI FINANCIAL, APLUS FINANCIAL AND SHOWA LEASING

Shinsei Financial, APLUS FINANCIAL and Showa Leasing classify their obligors and assess their asset quality based on self-assessment guidelines developed in accordance with guidelines published by the FSA. They generally perform their self-assessment quarterly and at least semi-annually. The assessment of Shinsei Financial, APLUS

FINANCIAL and Showa Leasing where applicable, include, among other things, an assessment of credit extended to credit card customers as well as lease obligors, unsecured personal loans and customer guarantees.

The following tables set forth information concerning consolidated risk-monitored loans and risk-monitored installment receivables held by Shinsei, Shinsei Financial, APLUS FINANCIAL and Showa Leasing and other subsidiaries as of the dates indicated:

FINANCIAL CONDITION (CONTINUED)

TABLE 24. RISK-MONITORED LOANS BREAKDOWN FOR LARGE ENTITIES (CONSOLIDATED)

	Billions of yen				Total
	Shinsei	Shinsei Financial	APLUS FINANCIAL	Other subsidiaries	
As of September 30, 2017:					
Loans to bankrupt obligors	¥ 0.6	¥ 4.2	¥ 0.0	¥ 0.2	¥ 5.1
Nonaccrual delinquent loans	5.3	12.5	9.5	5.3	32.7
Loans past due for three months or more	0.9	0.0	0.1	0.4	1.5
Restructured loans	1.9	23.0	8.7	0.0	33.8
Total	¥ 8.8	¥ 39.7	¥ 18.5	¥ 6.0	¥ 73.3
As of September 30, 2016:					
Loans to bankrupt obligors	¥ 1.1	¥ 2.9	¥ 0.0	¥ 0.5	¥ 4.6
Nonaccrual delinquent loans	29.6	11.1	12.6	4.7	58.3
Loans past due for three months or more	1.1	0.0	0.1	0.1	1.4
Restructured loans	2.7	19.4	7.6	0.0	29.9
Total	¥ 34.7	¥ 33.5	¥ 20.5	¥ 5.5	¥ 94.3
As of March 31, 2017:					
Loans to bankrupt obligors	¥ 0.7	¥ 3.4	¥ 0.0	¥ 0.3	¥ 4.6
Nonaccrual delinquent loans	5.7	11.3	11.1	5.0	33.3
Loans past due for three months or more	1.1	0.0	0.1	0.4	1.7
Restructured loans	2.6	20.8	8.3	0.0	32.0
Total	¥ 10.3	¥ 35.7	¥ 19.6	¥ 5.9	¥ 71.7

TABLE 25. RISK-MONITORED INSTALLMENT RECEIVABLES INCLUDED IN OTHER ASSETS BREAKDOWN FOR LARGE ENTITIES (CONSOLIDATED)⁽¹⁾

	Billions of yen				Total
	Shinsei Financial	APLUS FINANCIAL	Showa Leasing	Other subsidiaries	
As of September 30, 2017:					
Credits to bankrupt obligors	¥ —	¥ 0.0	¥ 0.0	¥ 0.0	¥ 0.0
Nonaccrual delinquent credits	—	4.5	3.1	—	7.6
Credits past due for three months or more	—	0.3	0.1	—	0.4
Restructured credits	—	0.1	—	—	0.1
Total	¥ —	¥ 4.9	¥ 3.3	¥ 0.0	¥ 8.3
As of September 30, 2016:					
Credits to bankrupt obligors	¥ —	¥ 0.0	¥ 0.0	¥ 0.1	¥ 0.1
Nonaccrual delinquent credits	0.0	6.0	3.9	0.0	10.0
Credits past due for three months or more	—	0.4	0.0	—	0.4
Restructured credits	—	0.2	0.0	—	0.2
Total	¥ 0.0	¥ 6.7	¥ 3.9	¥ 0.1	¥ 10.8
As of March 31, 2017:					
Credits to bankrupt obligors	¥ —	¥ 0.0	¥ 0.0	¥ 0.1	¥ 0.1
Nonaccrual delinquent credits	—	5.7	3.5	0.0	9.3
Credits past due for three months or more	—	0.3	0.0	—	0.4
Restructured credits	—	0.1	0.0	—	0.1
Total	¥ —	¥ 6.3	¥ 3.5	¥ 0.1	¥ 10.0

Note: (1) Neither Shinsei Bank (nonconsolidated) nor Shinsei Personal Loan had any such installment receivables.

FINANCIAL CONDITION (CONTINUED)

CAPITAL RATIOS

From the fiscal year ended March 31, 2014, the Basel III methodology has been adopted to calculate capital ratios. For credit risk, the Foundation Internal Ratings Based Approach (FIRB) has been applied. For operational risk, the Standardized Approach (TSA) has been adopted and the Internal Model Method has been used for market risk.

Our total capital adequacy ratio (Basel III) as of September 30, 2017 was 13.1%, compared with 13.1% as of March 31, 2017.

See "COMPOSITION OF CAPITAL DISCLOSURE (CONSOLIDATED)" on Page 88.

INTERIM CONSOLIDATED BALANCE SHEET (UNAUDITED)

Shinsei Bank, Limited, and its Consolidated Subsidiaries
As of September 30, 2017

	Millions of yen		Thousands of U.S. dollars (Note 1)
	Sept. 30, 2017	Mar. 31, 2017	Sept. 30, 2017
ASSETS			
Cash and due from banks (Notes 3, 21 and 32)	¥ 1,476,306	¥ 1,398,691	\$ 13,092,465
Call loans (Note 32)	—	4,472	—
Receivables under securities borrowing transactions (Note 32)	1,514	1,625	13,427
Other monetary claims purchased (Notes 4 and 32)	37,162	44,243	329,569
Trading assets (Notes 5, 21, 32 and 33)	223,836	244,113	1,985,066
Monetary assets held in trust (Notes 6, 21 and 32)	235,558	241,681	2,089,021
Securities (Notes 7, 21, 22 and 32)	1,144,237	1,014,635	10,147,545
Loans and bills discounted (Notes 8, 21 and 32)	4,909,161	4,833,452	43,536,375
Foreign exchanges (Note 9)	31,773	19,617	281,782
Lease receivables and leased investment assets (Notes 21, 30 and 32)	181,083	191,488	1,605,916
Other assets (Notes 10, 21, 22, 32 and 33)	819,687	895,158	7,269,307
Premises and equipment (Notes 11, 21 and 30)	49,622	47,980	440,074
Intangible assets (Notes 12 and 30)	55,590	52,020	493,001
Assets for retirement benefits	8,540	7,075	75,745
Deferred issuance expenses for debentures	0	0	2
Deferred tax assets	14,871	15,542	131,888
Customers' liabilities for acceptances and guarantees (Note 20)	365,276	346,675	3,239,416
Reserve for credit losses (Note 13)	(98,868)	(100,154)	(876,808)
Total assets	¥ 9,455,353	¥ 9,258,324	\$ 83,853,790
LIABILITIES AND EQUITY			
Liabilities:			
Deposits, including negotiable certificates of deposit (Notes 14, 21 and 32)	¥ 6,000,293	¥ 5,862,922	\$ 53,212,965
Debentures (Notes 15 and 32)	3,738	6,561	33,157
Call money (Note 32)	80,900	53,600	717,453
Payables under repurchase agreements (Notes 21 and 32)	35,394	36,467	313,894
Payables under securities lending transactions (Notes 21 and 32)	389,400	337,952	3,453,353
Trading liabilities (Notes 16, 32 and 33)	198,703	212,241	1,762,184
Borrowed money (Notes 17, 21, 22 and 32)	788,048	789,670	6,988,726
Foreign exchanges (Note 9)	67	102	602
Short-term corporate bonds (Note 32)	187,900	168,000	1,666,371
Corporate bonds (Notes 18, 21, 22 and 32)	94,600	112,600	838,950
Other liabilities (Notes 19, 21, 32 and 33)	367,883	388,307	3,262,531
Accrued employees' bonuses	4,929	8,519	43,713
Accrued directors' bonuses	32	75	284
Liabilities for retirement benefits	8,402	8,256	74,518
Reserve for reimbursement of debentures	3,625	3,737	32,156
Reserve for losses on interest repayments	85,048	101,846	754,242
Acceptances and guarantees (Notes 20, 21 and 32)	365,276	346,675	3,239,416
Total liabilities	8,614,245	8,437,537	76,394,515
Equity:			
Common stock (Note 23)	512,204	512,204	4,542,431
Capital surplus	78,506	78,506	696,226
Stock acquisition rights (Note 24)	330	584	2,935
Retained earnings	335,053	312,538	2,971,382
Treasury stock, at cost (Note 23)	(79,539)	(79,539)	(705,390)
Accumulated other comprehensive income:			
Unrealized gain (loss) on available-for-sale securities (Note 7)	7,705	10,299	68,340
Deferred gain (loss) on derivatives under hedge accounting	(14,029)	(13,925)	(124,421)
Foreign currency translation adjustments	510	199	4,531
Defined retirement benefit plans	(961)	(1,344)	(8,523)
Total	839,781	819,524	7,447,512
Noncontrolling interests	1,326	1,262	11,763
Total equity	841,107	820,786	7,459,275
Total liabilities and equity	¥ 9,455,353	¥ 9,258,324	\$ 83,853,790

See accompanying "Notes to Interim Consolidated Financial Statements (Unaudited)," which are an integral part of these statements.

INTERIM CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

Shinsei Bank, Limited, and its Consolidated Subsidiaries
For the six months ended September 30, 2017

	Millions of yen		Thousands of U.S. dollars (Note 1)
	Sept. 30, 2017 (6 months)	Sept. 30, 2016 (6 months)	Sept. 30, 2017 (6 months)
Interest income:			
Interest on loans and bills discounted	¥ 66,741	¥ 62,841	\$ 591,892
Interest and dividends on securities	6,197	4,370	54,958
Interest on deposits with banks	537	535	4,766
Other interest income	403	548	3,576
Total interest income	73,879	68,296	655,192
Interest expenses:			
Interest on deposits, including negotiable certificates of deposit	4,324	3,722	38,351
Interest and discounts on debentures	2	6	22
Interest on other borrowings	1,686	1,773	14,961
Interest on corporate bonds	545	570	4,840
Other interest expenses	3,127	1,749	27,737
Total interest expenses	9,687	7,821	85,911
Net interest income	64,192	60,474	569,281
Fees and commissions income	24,292	24,698	215,437
Fees and commissions expenses	12,707	11,724	112,699
Net fees and commissions	11,584	12,973	102,738
Net trading income (loss) (Note 25)	3,432	4,840	30,441
Other business income (loss), net:			
Income on lease transactions and installment receivables, net	18,710	19,306	165,932
Net gain (loss) on monetary assets held in trust	1,489	2,345	13,211
Net gain (loss) on foreign exchanges	5,299	3,592	47,000
Net gain (loss) on securities	5,786	8,989	51,320
Net gain (loss) on other monetary claims purchased	609	(1,027)	5,405
Other, net (Note 26)	4,810	1,727	42,662
Net other business income (loss)	36,706	34,934	325,531
Total revenue	115,916	113,223	1,027,991
General and administrative expenses:			
Personnel expenses	28,524	28,640	252,966
Premises expenses	10,081	11,268	89,405
Technology and data processing expenses	10,349	10,063	91,785
Advertising expenses	5,808	5,467	51,511
Consumption and property taxes	4,452	4,882	39,488
Deposit insurance premium	887	1,026	7,875
Other general and administrative expenses	11,857	11,539	105,159
General and administrative expenses	71,962	72,888	638,188
Amortization of goodwill and intangible assets acquired in business combinations	2,271	2,963	20,147
Total general and administrative expenses	74,233	75,851	658,336
Net business profit (loss)	41,682	37,371	369,655
Net credit costs (recoveries) (Note 27)	19,858	14,719	176,113
Other gains (losses), net (Note 28)	5,193	4,418	46,056
Income (loss) before income taxes	27,017	27,070	239,599
Income taxes (benefit):			
Current	583	1,933	5,179
Deferred	1,245	204	11,044
Profit	25,187	24,932	223,376
Profit (loss) attributable to noncontrolling interests	85	(3)	756
Profit (loss) attributable to owners of the parent	¥ 25,102	¥ 24,936	\$ 222,620
		Yen	U.S. dollars (Note 1)
Basic earnings per share (Note 29)	¥ 96.98	¥ 95.10	\$ 0.86
Diluted earnings per share (Note 29)	¥ 96.97	¥ 95.09	\$ 0.86

See accompanying "Notes to Interim Consolidated Financial Statements (Unaudited)," which are an integral part of these statements.
Shinsei Bank consolidated its shares with a rate of ten shares of common stock into one share on October 1, 2017. The above EPS data is calculated as if the consolidation of shares had occurred at the beginning of the FY2016

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

Shinsei Bank, Limited, and its Consolidated Subsidiaries
For the six months ended September 30, 2017

	Millions of yen		Thousands of U.S. dollars (Note 1)
	Sept. 30, 2017 (6 months)	Sept. 30, 2016 (6 months)	Sept. 30, 2017 (6 months)
Profit	¥ 25,187	¥ 24,932	\$ 223,376
Other comprehensive income:			
Unrealized gain (loss) on available-for-sale securities	(2,794)	(1,971)	(24,787)
Deferred gain (loss) on derivatives under hedge accounting	(104)	(1,225)	(923)
Foreign currency translation adjustments	176	(2,162)	1,565
Defined retirement benefit plans	378	94	3,356
Share of other comprehensive income in affiliates	337	(1,649)	2,995
Total other comprehensive income	(2,006)	(6,913)	(17,794)
Comprehensive income	¥ 23,181	¥ 18,018	\$ 205,582
Total comprehensive income attributable to:			
Owners of the parent	¥ 23,099	¥ 18,756	\$ 204,854
Noncontrolling interests	82	(737)	728

See accompanying "Notes to Interim Consolidated Financial Statements (Unaudited)," which are an integral part of these statements.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

Shinsei Bank, Limited, and its Consolidated Subsidiaries
For the six months ended September 30, 2017

Millions of yen

	Accumulated other comprehensive income									Total	Noncontrolling interests	Total equity
	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock, at cost	Unrealized gain (loss) on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Foreign currency translation adjustments	Defined retirement benefit plans			
BALANCE, April 1, 2017	¥ 512,204	¥ 78,506	¥ 584	¥ 312,538	¥ (79,539)	¥ 10,299	¥ (13,925)	¥ 199	¥ (1,344)	¥ 819,524	¥ 1,262	¥ 820,786
Dividends				(2,588)						(2,588)		(2,588)
Profit attributable to owners of the parent				25,102						25,102		25,102
Purchase of treasury stock					(0)					(0)		(0)
Changes in ownership interest of the parent related to transactions with noncontrolling interests		(0)								(0)		(0)
Changes by inclusion of consolidated subsidiaries				(0)						(0)		(0)
Changes by exclusion of consolidated subsidiaries				—						—		—
Net change during the period			(253)			(2,593)	(104)	311	383	(2,256)	64	(2,192)
BALANCE, September 30, 2017	¥ 512,204	¥ 78,506	¥ 330	¥ 335,053	¥ (79,539)	¥ 7,705	¥ (14,029)	¥ 510	¥ (961)	¥ 839,781	¥ 1,326	¥ 841,107

Millions of yen

	Accumulated other comprehensive income									Total	Noncontrolling interests	Total equity
	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock, at cost	Unrealized gain (loss) on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Foreign currency translation adjustments	Defined retirement benefit plans			
BALANCE, April 1, 2016	¥ 512,204	¥ 79,461	¥ 512	¥ 267,716	¥ (72,559)	¥ 11,911	¥ (14,770)	¥ 362	¥ (2,970)	¥ 781,869	¥ 11,254	¥ 793,124
Dividends				(2,653)						(2,653)		(2,653)
Profit attributable to owners of the parent				24,936						24,936		24,936
Purchase of treasury stock					(9,999)					(9,999)		(9,999)
Changes in ownership interest of the parent related to transactions with noncontrolling interests		(675)								(675)		(675)
Changes by inclusion of consolidated subsidiaries				(2)						(2)		(2)
Changes by exclusion of consolidated subsidiaries				(22)						(22)		(22)
Net change during the period			53			(1,697)	(1,225)	(3,341)	93	(6,118)	(8,325)	(14,443)
BALANCE, September 30, 2016	¥ 512,204	¥ 78,786	¥ 565	¥ 289,974	¥ (82,558)	¥ 10,213	¥ (15,996)	¥ (2,978)	¥ (2,876)	¥ 787,333	¥ 2,929	¥ 790,263

Thousands of U.S. dollars (Note 1)

	Accumulated other comprehensive income									Total	Noncontrolling interests	Total equity
	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock, at cost	Unrealized gain (loss) on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Foreign currency translation adjustments	Defined retirement benefit plans			
BALANCE, April 1, 2017	\$ 4,542,431	\$ 696,226	\$ 5,183	\$ 2,771,718	\$ (705,388)	\$ 91,342	\$ (123,498)	\$ 1,768	\$ (11,920)	\$ 7,267,863	\$ 11,195	\$ 7,279,058
Dividends				(22,955)						(22,955)		(22,955)
Profit attributable to owners of the parent				222,620						222,620		222,620
Purchase of treasury stock					(2)					(2)		(2)
Changes in ownership interest of the parent related to transactions with noncontrolling interests		(0)								(0)		(0)
Changes by inclusion of consolidated subsidiaries				(0)						(0)		(0)
Changes by exclusion of consolidated subsidiaries				—						—		—
Net change during the period			(2,248)			(23,002)	(923)	2,763	3,397	(20,014)	568	(19,446)
BALANCE, September 30, 2017	\$ 4,542,431	\$ 696,226	\$ 2,935	\$ 2,971,382	\$ (705,390)	\$ 68,340	\$ (124,421)	\$ 4,531	\$ (8,523)	\$ 7,447,512	\$ 11,763	\$ 7,459,275

See accompanying "Notes to Interim Consolidated Financial Statements (Unaudited)," which are an integral part of these statements.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

Shinsei Bank, Limited, and its Consolidated Subsidiaries
For the six months ended September 30, 2017

	Millions of yen		Thousands of
	Sept. 30, 2017 (6 months)	Sept. 30, 2016 (6 months)	Sept. 30, 2017 (6 months)
Cash flows from operating activities:			
Income (loss) before income taxes	¥ 27,017	¥ 27,070	\$ 239,599
Adjustments for:			
Income taxes paid	(571)	(426)	(5,065)
Depreciation (other than leased assets as lessor)	5,319	6,919	47,176
Amortization of goodwill and intangible assets acquired in business combinations	2,271	2,963	20,147
Impairment losses on long-lived assets	740	31	6,570
Net change in reserve for credit losses	(1,285)	4,273	(11,399)
Net change in reserve for losses on interest repayments	(16,797)	(22,106)	(148,971)
Net change in other reserves	(3,746)	(3,373)	(33,225)
Interest income	(73,879)	(68,296)	(655,192)
Interest expenses	9,687	7,821	85,911
Investment (gains) losses	(7,176)	(10,833)	(63,644)
Net exchange (gain) loss	(9,613)	24,945	(85,253)
Net change in trading assets	20,277	17,537	179,831
Net change in trading liabilities	(13,537)	(4,579)	(120,054)
Net change in loans and bills discounted	(75,703)	(48,455)	(671,368)
Net change in deposits, including negotiable certificates of deposit	137,359	(15,255)	1,218,158
Net change in debentures	(2,823)	(5,541)	(25,036)
Net change in borrowed money (other than subordinated debt)	(2,675)	7,920	(23,728)
Net change in corporate bonds (other than subordinated corporate bonds)	(18,000)	16,978	(159,631)
Net change in interest-bearing deposits with banks (other than due from the Bank of Japan)	31,305	7,209	277,629
Net change in call loans, receivables under resale agreements, receivables under securities borrowing transactions and other monetary claims purchased	11,665	21,990	103,458
Net change in call money, payables under repurchase agreements, payables under securities lending transactions, and short-term corporate bonds (liabilities)	97,574	125,682	865,332
Net change in foreign exchange assets and liabilities	(12,190)	(8,685)	(108,111)
Interest received	73,280	70,383	649,880
Interest paid	(7,880)	(7,515)	(69,891)
Net change in securities for trading purposes	—	7	—
Net change in monetary assets held in trust for trading purposes	2,699	9,087	23,939
Net change in lease receivables and leased investment assets	10,404	10,055	92,275
Other, net	(40,069)	(28,343)	(355,354)
Total adjustments	116,637	110,393	1,034,385
Net cash provided by (used in) operating activities	143,654	137,464	1,273,984
Cash flows from investing activities:			
Purchase of investments	(889,331)	(1,241,869)	(7,886,939)
Proceeds from sales of investments	803,948	1,338,503	7,129,728
Proceeds from maturity of investments	66,600	99,881	590,636
Purchase of premises and equipment (other than leased assets as lessor)	(2,288)	(2,754)	(20,298)
Purchase of intangible assets (other than leased assets as lessor)	(11,486)	(7,342)	(101,866)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	—	(443)	—
Proceeds from sale of investments in subsidiaries resulting in change in scope of consolidation	—	2,950	—
Other, net	57	(12)	507
Net cash provided by (used in) investing activities	(32,501)	188,914	(288,232)
Cash flows from financing activities:			
Repayment of subordinated debt	—	(38,600)	—
Proceeds from noncontrolling shareholders	4	32	37
Payment for capital returned to noncontrolling shareholders	—	(6,439)	—
Dividends paid	(2,588)	(2,653)	(22,955)
Dividends paid to noncontrolling shareholders	—	(451)	—
Payment for purchase of treasury stock	(0)	(9,999)	(2)
Purchase of investments in subsidiaries not resulting in change in scope of consolidation	(0)	(1,321)	(0)
Net cash provided by (used in) financing activities	(2,584)	(59,434)	(22,920)
Foreign currency translation adjustments on cash and cash equivalents	48	(422)	426
Net change in cash and cash equivalents	108,617	266,521	963,258
Cash and cash equivalents at beginning of the period	1,329,867	1,080,357	11,793,788
Cash and cash equivalents at end of the period (Note 3)	¥ 1,438,484	¥ 1,346,878	\$ 12,757,047

Note: Investments consist of securities and monetary assets held in trust for other than trading purposes.
See accompanying "Notes to Interim Consolidated Financial Statements (Unaudited)," which are an integral part of these statements.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Shinsei Bank, Limited, and its Consolidated Subsidiaries
For the six months ended September 30, 2017

1. BASIS OF PRESENTATION OF INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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 accordance with the Banking Act of Japan (the "Banking Act"), and compiled from the interim consolidated financial statements prepared under the provisions set forth in the Financial Instruments and Exchange Act 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 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 Act 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 conform to 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 translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥112.76 to U.S.\$1.00, the rate of exchange prevailing on the Tokyo foreign exchange market on September 30, 2017. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CONSOLIDATED

(A) PRINCIPLES OF CONSOLIDATION

The Group determines its scope of consolidation under the concepts of control and influence. Those companies over which the Bank is able to directly or indirectly exercise control are fully consolidated, except if they are immaterial, judging from the financial position or results of operations, such as assets, ordinary income, profit (the Group's interest portion), retained earnings (the Group's interest portion) and accumulated other comprehensive income (the Group's interest portion) of the Group, or the control over the subsidiary is temporary, and those companies over which the Bank is able to directly or indirectly exercise significant influence are accounted for through the equity method, except if they are immaterial, judging from the financial position or results of operations, such as assets, ordinary income, profit (the Group's interest portion), retained earnings (the Group's interest portion) and accumulated other comprehensive income (the Group's interest portion) of the Group.

The numbers of subsidiaries and affiliates as of September 30, 2017 and March 31, 2017 were as follows:

	September 30, 2017	March 31, 2017
Consolidated subsidiaries	95	124
Unconsolidated subsidiaries	103	97
Affiliates accounted for by the equity method	23	20
Affiliates accounted for not applying the equity method	—	—

Femto LLC and 2 other companies were newly consolidated due to their formation and SL SIERRA CO., LTD. was newly consolidated due to its increased materiality.

Additionally, Peninsula LLP and 21 other companies were excluded from the scope of consolidation due to liquidation, SCP Capital I Ltd. and 2 other companies were excluded from the scope of consolidation due to the sale of shares, and Biwa Godo Kaisha and 7 other companies were excluded from the scope of consolidation due to their decreased materiality in the six months ended September 30, 2017.

Femto Growth Fund II L.P. and 2 other companies were newly included in the scope of application of the equity method due to their formation in the six months ended September 30, 2017.

Unconsolidated subsidiaries are primarily operating companies that are engaged in the leasing business under the Tokumei Kumiai (anonymous partnership) system. Under the Tokumei Kumiai system assets, profits and losses essentially do not belong to individual operating companies or their parent companies but to the members of the anonymous partnership, and furthermore, as the Group does not have any material transactions with these subsidiaries, pursuant to Article 5, Paragraph 1, Section 2 and Article 7, Paragraph 1, Section 2 of the regulations concerning interim consolidated financial statements, respectively, these subsidiaries are excluded from the scope of consolidation and the scope of application of the

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**CONSOLIDATED**

equity method.

Other unconsolidated subsidiaries are excluded from the scope of consolidation and the scope of application of the equity method due to their immateriality to the financial position or operational results of the Group.

ORTHOREBIRTH CO., LTD. was not treated as an affiliate even though the Group owns 20% to 50% of its voting rights because the objective for the Group to own the voting rights is merely to obtain capital gains and the fact meets the requirement according to Paragraph 24 of the Accounting Standards Board of Japan (the "ASBJ") guidance No.22 "Implementation Guidance on Determining a Subsidiary and an Affiliate."

Major consolidated subsidiaries as of September 30, 2017 were as listed below:

Name	Location	Percentage ownership
APLUS FINANCIAL Co., Ltd.	Japan	95.0%
Showa Leasing Co., Ltd.	Japan	100.0%
Shinsei Personal Loan Co., Ltd.	Japan	100.0%
Shinsei Financial Co., Ltd.	Japan	100.0%
Shinsei Trust & Banking Co., Ltd.	Japan	100.0%
Shinsei Securities Co., Ltd.	Japan	100.0%
Shinsei Principal Investments Ltd.	Japan	100.0%

Note: Shinsei Principal Investments Ltd. changed its name to Shinsei Investment & Finance Ltd. on October 1, 2017. (See Note 34)

All significant inter-company transactions, related account balances and unrealized gains have been eliminated upon consolidation. As of September 30, 2017, the six month period ending dates were September 30 for 68 subsidiaries, March 31 for 1 subsidiary, June 30 for 25 subsidiaries and August 31 for 1 subsidiary. Regarding the 1 company of the Bank's consolidated subsidiaries which have interim period ends other than September 30, consolidation was performed utilizing its six month period-end interim financial statements prepared in accordance with the provisional settlements of accounts performed on September 30 and other consolidated subsidiaries have been consolidated utilizing their respective statements. Appropriate adjustments have been made for significant transactions that occurred during the period from the ending dates of their interim period to September 30, 2017.

A major affiliate accounted for by the equity method as of September 30, 2017 was as listed below:

Name	Location	Percentage ownership
Jih Sun Financial Holding Co., Ltd.	Taiwan	36.0%

(B) GOODWILL AND INTANGIBLE ASSETS ACQUIRED IN BUSINESS COMBINATIONS

The Bank recognized certain identifiable intangible assets in connection with the acquisition of Showa Leasing, Shinsei Financial and their consolidated subsidiaries, because they were separable such as contractual or other legal rights.

The identified intangible assets with amortization method and period are as listed below:

Showa Leasing

Identified intangible assets	Amortization method	Amortization period
Customer relationship	Sum-of-the-years digits	20 years
Sublease contracts	Straight-line	Subject to the remaining contract years

Shinsei Financial

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 being amortized on a consistent basis primarily over 20 years. The amortization period of 20 years is the maximum period allowed under Japanese GAAP and was determined based upon the Bank's business strategy.

With regard to the acquisitions executed before April 1, 2010, recorded with the previous accounting standard, when the purchase price was lower than the fair value of the net assets acquired, including identified intangible assets, the difference was recorded as negative goodwill and has been amortized on a straight-line basis primarily over 20 years, which is the maximum period allowed under the previous accounting standard.

(C) IMPAIRMENT OF GOODWILL AND INTANGIBLE ASSETS ACQUIRED IN BUSINESS COMBINATIONS

The Bank conducts impairment testing for goodwill and intangible assets acquired in business combinations as a result of certain triggering events including:

- A result or an indication of an operating loss or negative cash flow for two consecutive years
- Impairment of underlying investment securities is recognized
- A material adverse change in the business environment surrounding subsidiaries, such as a change in law which significantly and negatively impacts their business
- Management decisions that could have an adverse effect on the value of goodwill and intangible assets which were acquired in business combination

As the first step of the impairment test, we estimate the undiscounted future cash flows of the business. If the value of the undiscounted future cash flows is less than the book value of the net assets, including goodwill and intangible assets acquired in business combination, of the business, it is determined that impairment exists.

The next step of the impairment test is to measure the

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONSOLIDATED

amount of the impairment loss, which is to compare the “value in use,” which is recoverable amount calculated as the discounted value of future cash flows of the business, with the net asset book value which includes unamortized balances of goodwill and intangible assets acquired in business combination.

Finally, the impairment loss on goodwill is calculated as the residual, (i) less (ii) below.

(i) Impairment loss for the total of goodwill and intangible assets acquired in business combination is recognized as an amount by which the net asset book value exceeds the “value in use.” The recoverable amount of intangible assets acquired in business combination is determined by discounted cash flow method (“DCF method”), which is also used to measure the acquired assets, and (ii) the impairment loss of intangible assets acquired in business combinations, is determined as the difference between the recoverable amount and book value.

(D) TRANSLATION OF FOREIGN CURRENCY FINANCIAL STATEMENTS AND TRANSACTIONS

- (a) The interim financial statements of consolidated foreign subsidiaries are translated into Japanese yen at exchange rates as of their respective 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” under accumulated other comprehensive income in a separate component of equity in the accompanying consolidated balance sheets.
- (b) Foreign currency accounts held by consolidated foreign subsidiaries are translated into functional currency of each subsidiary at exchange rates as of their respective balance sheet dates.
- (c) Foreign currency-denominated assets and liabilities of the Bank and consolidated domestic subsidiaries are translated into Japanese yen at exchange rates as of their respective balance sheet dates, 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 in the interim consolidated statements of cash flows, consist of cash on hand, due from the Bank of Japan and noninterest-bearing deposits.

(F) OTHER MONETARY CLAIMS PURCHASED

Other monetary claims purchased held for trading purposes, except for those included in trading accounts, 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 liquidity and credit risks.

Trading income and trading losses 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 accounting standards 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 of which fair value cannot be reliably determined are carried at cost.

(I) SECURITIES

Securities other than securities in (G) VALUATION OF TRADING ACCOUNT ACTIVITIES are classified into the four categories, principally based on the management’s intent to own the security, as follows:

- (i) 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 “Other business income (loss), net.”
- (ii) Securities being held to maturity are debt securities which the management has both a positive intent and ability to hold until maturity. Securities being held to maturity are carried at amortized cost determined by the moving average method.
- (iii) Available-for-sale securities are securities other than (i) trading securities and (ii) securities being held to maturity. Available-for-sale securities are carried at fair value with the corresponding unrealized gains and losses, net of applicable taxes, recorded directly in a

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONSOLIDATED

separate component of equity, after deducting the amount charged to profit or loss by applying fair value hedge accounting. The cost of these securities upon sale is determined by the moving average method. Available-for-sale securities for which fair value cannot be reliably determined are carried at cost determined by the moving average method.

- (iv) Investments in unconsolidated subsidiaries and affiliates that are not accounted for by the equity method are carried at cost determined by the moving average method. In addition, investments in partnerships and others are carried at the amount of the Group's share of net asset value in their most recent financial statements.

In the event individual securities (except for those whose fair value cannot be reliably determined), other than trading securities, experience a decline in fair value which is significant as compared to the acquisition cost of such securities, the securities are written down as the decline in fair value 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. Estimated useful lives of buildings and equipment as of September 30, 2017 were principally as follows:

Buildings	3 years to 50 years
Equipment.....	2 years to 20 years

(K) SOFTWARE

Capitalized software for internal use is depreciated using the straight-line method based on the Group's estimated useful lives (primarily 5 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 an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of an asset or asset group. The impairment loss is measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the sum of discounted cash flows from the continuing use and eventual disposition of the asset, or the net selling price at disposition.

(M) DEFERRED CHARGES

Deferred issuance expenses for debentures and corporate bonds are amortized using the straight-line method over the term of the debentures and corporate bonds.

(N) RESERVE FOR CREDIT LOSSES

The reserve for credit 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 undergoing bankruptcy, special liquidation proceedings or similar legal proceedings ("legally bankrupt obligors") or to obligors who have not yet legally or formally gone bankrupt but who are substantially in bankruptcy because they are in serious financial difficulties and are not deemed to be capable of restructuring ("virtually bankrupt obligors"), 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 not yet in bankruptcy but are in financial difficulties and are very likely to go bankrupt in the future ("possibly bankrupt obligors"), except for claims to obligors with larger amount than predetermined one, 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.

With regard to claims to possibly bankrupt obligors, restructured loans and certain claims for which the reserve has been provided based on the DCF method (as mentioned below) in previous fiscal years, provided that obligors' cash flows for debt service are reasonably estimable and the balance of claims to such obligors is at or larger than a predetermined amount, the reserve for credit losses is determined as the difference between (i) relevant estimated cash flows discounted by the original contractual interest rate and (ii) the book value of the claim (DCF method). In case where it is difficult to reasonably estimate future cash flows, the reserve is provided based on expected loss amount for the remaining term of respective claims.

For other claims, a general reserve is provided based on historical loan loss experience.

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 based on the predetermined internal rules for self-assessment of asset quality. The risk management divisions, that are independent from sales promotion divisions and credit

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONSOLIDATED

analysis divisions, conduct verifications of these assessments, and additional reserves may be provided based on the verification results.

The consolidated subsidiaries other than the domestic trust and banking subsidiary calculate the general reserve for general claims based on the actual historical loss ratio, and the specific reserve for claims to possibly bankrupt obligors, virtually bankrupt obligors and legally bankrupt obligors based on estimated losses, considering the recoverable value.

For collateralized or guaranteed claims of the Bank and certain consolidated subsidiaries to legally bankrupt obligors or virtually bankrupt obligors, the amount of claims exceeding the estimated value of collateral or guarantees, which is deemed uncollectible, has been charged off in principal and totaled ¥77,254 million (U.S.\$685,124 thousand) and ¥109,727 million as of September 30, 2017 and March 31, 2017, 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) EMPLOYEES' RETIREMENT BENEFITS AND PENSION PLAN ASSETS

The Bank has a noncontributory defined benefit pension plan. APLUS Co., Ltd. ("APLUS") and Showa Leasing have a noncontributory defined benefit pension plan and an unfunded severance indemnity plan. Shinsei Financial and certain consolidated domestic subsidiaries have unfunded severance indemnity plans. These plans cover substantially all of the Group's employees. Certain consolidated subsidiaries recognize retirement benefit obligations at the amount that would be payable if employees retired voluntarily at the consolidated balance sheet date.

The Group accounts for liabilities or assets for retirement benefits based on the projected benefit obligations and plan assets at the consolidated balance sheet date. The projected benefit obligations are allocated over the periods on a benefit formula basis. Actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized as "Accumulated other comprehensive income" in equity after tax effects, and are recognized in profit or loss over a certain period no longer than the expected average remaining service period of the employees.

(Q) RESERVE FOR REIMBURSEMENT OF DEBENTURES

The reserve for reimbursement of debentures is provided for estimated losses on future reimbursement requests of debentures derecognized from liabilities.

(R) RESERVE FOR LOSSES ON INTEREST REPAYMENTS

The reserve for losses on interest repayments is provided for estimated losses on reimbursements of excess interest payments 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 Act of Japan. The reserve is established in the amount of the estimated future reimbursement requests based on past experience.

(S) ASSET RETIREMENT OBLIGATIONS

An asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset. The asset retirement obligation is associated with the retirement of such tangible fixed asset.

The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability.

The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

(T) STOCK OPTIONS

The Group measures the cost of employee stock options based on the fair value at the grant date and recognizes compensation expense over the vesting period as consideration for receiving goods or services. In the consolidated balance sheet, stock options are presented as "Stock acquisition rights" in a component of equity until the exercise of the right or the expiration of the period.

(U) LEASE TRANSACTIONS

(As lessee)

Finance lease transactions are capitalized by recognizing lease assets and lease obligations in the consolidated balance sheets.

Depreciation of lease assets from finance lease transactions that are deemed to transfer ownership of the leased property to the lessee, is computed using the same method as the one applied to owned assets. Depreciation of lease assets from finance lease transactions that are not deemed to transfer ownership of the leased property to the lessee is computed using the straight-line method over

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONSOLIDATED

the leasing period. Residual values of lease assets are the guaranteed value determined in the lease contracts or zero for assets without such guaranteed value.

(As lessor)

The Group recognizes the finance leases that are deemed to transfer ownership of the leased property to the lessee as lease receivables, and the finance leases that are not deemed to transfer ownership of the leased property to the lessee as leased investment assets.

In addition, depreciation of tangible leased assets as lessor for operating lease transactions is computed using the straight-line method over the leasing period assuming that residual values are the disposal price estimable at the end of the estimated leasing period.

Profit on each finance lease transaction is calculated on the basis of the internal rate of return of each transaction.

With regard to finance lease transactions entered into prior to April 1, 2008, that are not deemed to transfer ownership of the leased property to the lessee, leased investment assets are recognized at those book values of leased properties as of March 31, 2008, according to the transitional provision of the accounting standard.

As a result of this transitional treatment, "Income before income taxes" increased by ¥47 million (U.S.\$425 thousand) and ¥58 million for the six months ended September 30, 2017 and 2016, respectively, as compared to what would have been reported if the revised accounting standard was applied retroactively to all finance lease transactions as lessor.

(V) INSTALLMENT SALES FINANCE AND CREDIT GUARANTEES

Fees from installment sales finance have principally been prorated over the respective installment periods by using the sum-of-the-months digits method, or by using the credit-balance method.

Fees from credit guarantees have been recognized by the sum-of-the-months digits method, the straight-line method or the credit-balance method over the contract terms.

(W) REVENUE RECOGNITION FOR INTEREST ON CONSUMER LENDING BUSINESS

Consolidated subsidiaries specialized in the consumer lending business accrued interest income at the balance sheet date at the lower of the amount determined using a rate permissible under the Interest Rate Restriction Act of Japan or the amount determined using rates on contracts with customers.

(X) 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 corporate 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 deducted from the carrying amount of deferred tax assets to the extent that it is not considered that taxable profit will be estimated to be sufficient enough to allow the benefit of part or all of the deferred tax assets to be realized.

(Y) DERIVATIVES AND HEDGE ACCOUNTING

Derivatives are stated at fair value. Except for derivatives in (G) VALUATION OF TRADING ACCOUNT ACTIVITIES, derivative transactions that meet the hedge accounting criteria are primarily accounted for using the deferral method whereby unrealized gains and losses are deferred in a separate component of equity until the gains and losses on the hedged items are realized.

(a) 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. The Bank adopted portfolio hedging to determine the effectiveness of its hedging instruments in accordance with Industry Audit Committee Report No. 24 issued, on February 13, 2002, by the Japanese Institute of Certified Public Accountants (JICPA). Under portfolio hedging activities to mitigate the change in fair value, 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.

As for portfolio hedging activities to fix cash flows, the effectiveness is assessed based on the correlation between the base interest rate index of the hedged cash flow and that of the hedging instrument.

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

(b) Hedge of foreign exchange fluctuation risks

The Bank applies either deferral hedge accounting or fair value hedge accounting in accordance with Industry Audit Committee Report No. 25 issued, on July 29,

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONSOLIDATED

2002, by of the JICPA, to the derivative transactions that meet the hedge accounting criteria for mitigating foreign currency fluctuation risks of its financial assets and liabilities.

Funding swap transactions are foreign exchange swaps, and consist of spot foreign exchange contracts bought or sold and forward foreign exchange contracts bought or sold. 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 bought or sold.

Under deferral hedge accounting, hedged items are identified by grouping the foreign currency-denominated financial assets and liabilities by currency and designating derivative transactions such as currency swap transactions, funding swap transactions and forward exchange contracts as hedging instruments. Hedge effectiveness is assessed by confirming that the total foreign currency position of the hedged items is equal to or larger than that of hedging instruments.

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 unconsolidated subsidiaries, 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 equal or exceed the acquisition cost of such foreign currency assets.

(c) 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 nonarbitrary and strict hedging policy in accordance with Industry Audit Committee Reports No. 24 and No. 25 of the JICPA. 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.

(Z) PER SHARE INFORMATION

Basic earnings per share ("EPS") calculations represent profit attributable to owners of the parent which is 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 EPS calculations consider the dilutive effect of common stock equivalents, which include stock acquisition rights, assuming 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.

3. CASH AND CASH EQUIVALENTS

CONSOLIDATED

The reconciliation of cash and cash equivalents and cash and due from banks in the consolidated balance sheets as of September 30, 2017 and 2016 was as follows:

As of September 30,	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Cash and due from banks	¥ 1,476,306	¥ 1,385,580	\$13,092,465
Interest-bearing deposits included in due from banks (other than due from the Bank of Japan)	(37,821)	(38,702)	(335,418)
Cash and cash equivalents	¥ 1,438,484	¥ 1,346,878	\$12,757,047

4. OTHER MONETARY CLAIMS PURCHASED**CONSOLIDATED**

(a) Other monetary claims purchased as of September 30, 2017 and March 31, 2017 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2017	Mar. 31, 2017	Sept. 30, 2017
Trading purposes	¥ 2,528	¥ 4,213	\$ 22,425
Other	34,633	40,030	307,144
Total	¥ 37,162	¥ 44,243	\$ 329,569

(b) The fair value and the unrealized loss which is included in net gain (loss) on other monetary claims purchased for trading purposes as of September 30, 2017 and March 31, 2017 were as follows:

	Millions of yen				Thousands of U.S. dollars	
	Sept. 30, 2017		Mar. 31, 2017		Sept. 30, 2017	
	Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss
Trading purposes	¥ 2,528	¥ 710	¥ 4,213	¥ 1,110	\$22,425	\$ 6,300

5. TRADING ASSETS**CONSOLIDATED**

Trading assets as of September 30, 2017 and March 31, 2017 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2017	Mar. 31, 2017	Sept. 30, 2017
Trading securities	¥ 4,437	¥ 1,743	\$ 39,350
Derivatives for trading securities	1,750	1,531	15,524
Derivatives for securities held to hedge trading transactions	23,470	21,812	208,148
Trading-related financial derivatives	194,177	205,290	1,722,043
Other	—	13,736	—
Total	¥ 223,836	¥ 244,113	\$1,985,066

6. MONETARY ASSETS HELD IN TRUST

CONSOLIDATED

(a) Monetary assets held in trust as of September 30, 2017 and March 31, 2017 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2017	Mar. 31, 2017	Sept. 30, 2017
Trading purposes	¥ 19,097	¥ 21,797	\$ 169,368
Other	216,460	219,883	1,919,653
Total	¥ 235,558	¥ 241,681	\$ 2,089,021

(b) The fair value and the unrealized gain or loss which is included in net gain (loss) on monetary assets held in trust for trading purposes as of September 30, 2017 and March 31, 2017 were as follows:

	Millions of yen				Thousands of U.S. dollars	
	Sept. 30, 2017		Mar. 31, 2017		Sept. 30, 2017	
	Fair value	Unrealized gain	Fair value	Unrealized loss	Fair value	Unrealized gain
Trading purposes	¥ 19,097	¥ 75	¥ 21,797	¥ 58	\$ 169,368	\$ 674

(c) The acquisition cost and the carrying amount of monetary assets held in trust for other than trading purposes as of September 30, 2017 and March 31, 2017 were as follows:

	Millions of yen							
	Sept. 30, 2017				Mar. 31, 2017			
	Acquisition cost	Gross unrealized gain	Gross unrealized loss	Carrying amount	Acquisition cost	Gross unrealized gain	Gross unrealized loss	Carrying amount
Other	¥ 217,222	¥ 47	¥ 810	¥ 216,460	¥ 220,543	¥ 47	¥ 706	¥ 219,883

	Thousands of U.S. dollars			
	Sept. 30, 2017			
	Acquisition cost	Gross unrealized gain	Gross unrealized loss	Carrying amount
Other	\$ 1,926,417	\$ 421	\$ 7,186	\$ 1,919,653

7. SECURITIES

CONSOLIDATED

(a) Securities as of September 30, 2017 and March 31, 2017 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2017	Mar. 31, 2017	Sept. 30, 2017
Trading securities	¥ 0	¥ 0	\$ 0
Securities being held to maturity	493,827	496,268	4,379,459
Securities available for sale:			
Securities carried at fair value	550,693	424,032	4,883,769
Securities carried at cost whose fair value cannot be reliably determined	42,877	41,573	380,251
Investments in unconsolidated subsidiaries and affiliates	56,838	52,760	504,067
Total	¥ 1,144,237	¥ 1,014,635	\$ 10,147,545

The above balances do not include securities held in connection with securities borrowing transactions with or without cash collateral, securities purchased under resale agreements or securities accepted as collateral for 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, 2017 and March 31, 2017 were ¥8,488 million (U.S.\$75,276 thousand) and ¥6,667 million, respectively. In addition, ¥1,007 million (U.S.\$8,930 thousand) and nil of those securities were further pledged as of September 30, 2017 and March 31, 2017, respectively.

The amount of guarantee obligations for privately-placed bonds (Paragraph 3 of Article 2 of the Financial Instruments and Exchange Act) included in securities as of September 30, 2017 and March 31, 2017 were ¥950 million (U.S.\$8,425 thousand) and ¥1,000 million, respectively.

7. SECURITIES (CONTINUED)

CONSOLIDATED

(b) The amortized/acquisition cost and the fair values of securities (other than trading securities) as of September 30, 2017 and March 31, 2017 were as follows:

	Sept. 30, 2017				Mar. 31, 2017			
	Amortized/ Acquisition cost	Gross unrealized gain	Gross unrealized loss	Fair value	Amortized/ Acquisition cost	Gross unrealized gain	Gross unrealized loss	Fair value
Securities being held to maturity:								
Japanese national government bonds	¥ 492,426	¥ 3,972	—	¥ 496,399	¥ 493,562	¥ 5,593	—	¥ 499,156
Other	1,401	76	—	1,477	2,706	164	—	2,870
Total	¥ 493,827	¥ 4,049	—	¥ 497,877	¥ 496,268	¥ 5,758	—	¥ 502,026
Securities available for sale:								
Equity securities	¥ 10,002	¥ 13,420	¥ 215	¥ 23,208	¥ 12,916	¥ 14,785	¥ 255	¥ 27,446
Japanese national government bonds	41,088	18	175	40,931	2,036	18	—	2,055
Japanese local government bonds	—	—	—	—	—	—	—	—
Japanese corporate bonds	147,876	323	2,057	146,142	118,562	330	1,023	117,869
Foreign securities	328,469	1,364	2,323	327,510	270,042	1,519	2,314	269,247
Other ¹	14,324	1,339	191	15,472	11,360	1,221	37	12,543
Total	¥ 541,762	¥ 16,466	¥ 4,964	¥ 553,265	¥ 414,918	¥ 17,875	¥ 3,631	¥ 429,162

Thousands of U.S. dollars

	Sept. 30, 2017			
	Amortized/ Acquisition cost	Gross unrealized gain	Gross unrealized loss	Fair value
Securities being held to maturity:				
Japanese national government bonds	\$ 4,367,032	\$ 35,233	—	\$ 4,402,266
Other	12,426	680	—	13,106
Total	\$ 4,379,459	\$ 35,914	—	\$ 4,415,372
Securities available for sale:				
Equity securities	\$ 88,710	\$ 119,020	\$ 1,910	\$ 205,820
Japanese national government bonds	364,393	165	1,561	362,998
Japanese local government bonds	—	—	—	—
Japanese corporate bonds	1,311,429	2,866	18,249	1,296,046
Foreign securities	2,912,995	12,099	20,603	2,904,490
Other ¹	127,038	11,883	1,702	137,218
Total	\$ 4,804,565	\$ 146,032	\$ 44,025	\$ 4,906,572

Note: 1 This includes other monetary claims purchased whose fair value can be reliably determined.

In the event individual securities (except for those whose fair value cannot be reliably determined), other than trading securities, experience a decline in fair value which is significant as compared to the acquisition cost of such securities, the securities are written down as the decline in fair value is deemed to be other than temporary, and the difference is recorded as an impairment loss.

Impairment loss on such securities for the six months ended September 30, 2017, was ¥0 million (U.S. \$3 thousand), which was related to foreign securities.

Impairment loss on such securities for the fiscal year ended March 31, 2017, was ¥27 million, which was related to equity securities.

The Group's rules for the determination of whether an other-than-temporary impairment has occurred differ by the obligor classification of the security issuer based upon the Group's self-assessment guidelines. The details of these rules are as follows:

Securities issued by "legally bankrupt," "virtually bankrupt" and "possibly bankrupt" obligors	The fair value of securities is less than the amortized/acquisition cost
Securities issued by "need caution" obligors	The fair value of securities declines by 30% or more compared to the amortized/acquisition cost
Securities issued by "normal" obligors	The fair value of securities declines by 50% or more compared to the amortized/acquisition cost

7. SECURITIES (CONTINUED)**CONSOLIDATED**

“Legally bankrupt” obligors are those who have already gone bankrupt from a legal and/or formal perspective.
 “Virtually bankrupt” obligors are those who have not yet legally or formally gone bankrupt but who are substantially in bankruptcy because they are in serious financial difficulties and are not deemed to be capable of restructuring.
 “Possibly bankrupt” obligors are those who are not yet in bankruptcy but are in financial difficulties and are very likely to go bankrupt in the future.
 “Need caution” obligors are those who are in need of close attention because there are problems with their borrowings.
 “Normal” obligors are those whose business conditions are favorable and who are deemed not to have any particular problems in their financial position.

(c) Unrealized gain (loss) on available-for-sale securities as of September 30, 2017 and March 31, 2017 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2017	Mar. 31, 2017	Sept. 30, 2017
Unrealized gain (loss) before deferred tax on:			
Available-for-sale securities	¥ 11,502	¥ 14,244	\$ 102,007
The Group's interests in available-for-sale securities held by partnerships recorded as securities whose fair value cannot be reliably determined and other adjustments	848	1,246	7,525
Securities being held to maturity, reclassified from available-for-sale in the past, under extremely illiquid market conditions	(81)	(172)	(719)
Other monetary assets held in trust	(762)	(659)	(6,764)
Deferred tax liabilities	(2,753)	(3,110)	(24,422)
Unrealized gain (loss) on available-for-sale securities before interest adjustments	8,753	11,548	77,626
Noncontrolling interests	(19)	(20)	(171)
The Group's interests in unrealized gain (loss) on available-for-sale securities held by affiliates to which the equity method is applied	(1,027)	(1,227)	(9,116)
Unrealized gain (loss) on available-for-sale securities	¥ 7,705	¥ 10,299	\$ 68,340

8. LOANS AND BILLS DISCOUNTED**CONSOLIDATED**

Loans and bills discounted as of September 30, 2017 and March 31, 2017 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2017	Mar. 31, 2017	Sept. 30, 2017
Loans on deeds	¥ 4,142,485	¥ 4,053,330	\$36,737,191
Loans on bills	15,844	20,070	140,519
Bills discounted	2,864	3,265	25,402
Overdrafts	747,966	756,786	6,633,263
Total	¥ 4,909,161	¥ 4,833,452	\$43,536,375

(a) Risk-monitored loans

Loans and bills discounted include loans to bankrupt obligors of ¥5,160 million (U.S.\$45,768 thousand) and ¥4,618 million as of September 30, 2017 and March 31, 2017, respectively, as well as nonaccrual delinquent loans of ¥32,742 million (U.S.\$290,371 thousand) and ¥33,358 million as of September 30, 2017 and March 31, 2017, respectively.

Nonaccrual delinquent loans include loans classified as “possibly bankrupt” and “virtually bankrupt” under the Group’s self-assessment guidelines.

In addition to nonaccrual delinquent loans as defined, certain other loans classified as “substandard” under the Group’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 excluding loans to bankrupt obligors and nonaccrual delinquent loans. The balances of loans past due for three months or more as of September 30, 2017 and March 31, 2017 were ¥1,572 million (U.S.\$13,950 thousand) and ¥1,728 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 excluding loans to bankrupt obligors, nonaccrual delinquent loans or loans past due for three months or more. The outstanding balances of restructured loans as of September 30, 2017 and March 31, 2017 were ¥33,830 million (U.S.\$300,021 thousand) and ¥32,023 million, respectively.

(b) Loan participations

The total amounts accounted for as the transfer of loans by loan participations as of September 30, 2017 and March 31, 2017 were ¥8,088 million (U.S.\$71,730 thousand) and ¥8,359 million, respectively. This “off-balance sheet” treatment is in accordance with guidelines issued by the

JICPA. The total amounts of such loans in which the Bank participated were ¥13,898 million (U.S.\$123,260 thousand) and ¥5,927 million as of September 30, 2017 and March 31, 2017, respectively.

(c) Bills discounted

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 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 amounts of such bills discounted held as of September 30, 2017 and March 31, 2017 were ¥2,864 million (U.S.\$25,402 thousand) and ¥3,265 million, respectively.

(d) Loan commitments

The Bank and certain consolidated subsidiaries set credit lines of overdrafts and issue commitments to extend credit to meet the financing needs of customers. The unfulfilled amounts of these commitments were ¥3,568,036 million (U.S.\$31,642,748 thousand) and ¥3,534,470 million as of September 30, 2017 and March 31, 2017, out of which the amounts with the commitments of the agreements expiring within one year or being able to be cancelled at any time with no condition were ¥3,242,058 million (U.S.\$28,751,850 thousand) and ¥3,252,609 million as of September 30, 2017 and March 31, 2017, respectively. Since a large majority of these commitments expires without being drawn upon, the unfulfilled amounts do not necessarily represent future cash requirements. Many such agreements include conditions granting the Bank and its 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.

9. FOREIGN EXCHANGES**CONSOLIDATED**

Foreign exchange assets and liabilities as of September 30, 2017 and March 31, 2017 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2017	Mar. 31, 2017	Sept. 30, 2017
Foreign exchange assets:			
Foreign bills receivable	¥ 2,699	¥ 3,028	\$ 23,937
Due from foreign banks	29,074	16,589	257,845
Total	¥ 31,773	¥ 19,617	\$281,782
Foreign exchange liabilities:			
Foreign bills payable	¥ 67	¥ 102	\$ 602
Total	¥ 67	¥ 102	\$ 602

10. OTHER ASSETS**CONSOLIDATED**

Other assets as of September 30, 2017 and March 31, 2017 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2017	Mar. 31, 2017	Sept. 30, 2017
Accrued income	¥ 14,427	¥ 14,081	\$ 127,946
Prepaid expenses	4,326	4,098	38,373
Fair value of derivatives	74,383	80,443	659,658
Accounts receivable	33,254	114,350	294,917
Installment receivables	540,102	541,401	4,789,841
Security deposits	11,603	11,332	102,906
Suspense payments	17,640	18,561	156,447
Margin deposits for futures transactions	5,145	3,832	45,634
Cash collateral paid for financial instruments	43,362	48,856	384,558
Other	75,439	58,200	669,029
Total	¥ 819,687	¥ 895,158	\$7,269,307

Installment receivables in "Other assets" as of September 30, 2017 and March 31, 2017 include credits to bankrupt obligors of ¥66 million (U.S.\$588 thousand) and ¥113 million, nonaccrual delinquent credits of ¥7,680 million (U.S.\$68,111 thousand) and ¥9,306 million, credits past

due for three months or more of ¥440 million (U.S.\$3,908 thousand) and ¥423 million, and restructured credits of ¥132 million (U.S.\$1,175 thousand) and ¥184 million, respectively.

11. PREMISES AND EQUIPMENT**CONSOLIDATED**

Premises and equipment as of September 30, 2017 and March 31, 2017 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2017	Mar. 31, 2017	Sept. 30, 2017
Buildings	¥ 29,632	¥ 29,649	\$ 262,790
Land	3,075	3,180	27,278
Tangible leased assets as lessor	52,311	47,335	463,917
Other	28,190	28,518	250,006
Subtotal	113,210	108,684	1,003,991
Accumulated depreciation	(63,587)	(60,703)	(563,917)
Net book value	¥ 49,622	¥ 47,980	\$ 440,074

12. INTANGIBLE ASSETS**CONSOLIDATED**

Intangible assets as of September 30, 2017 and March 31, 2017 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2017	Mar. 31, 2017	Sept. 30, 2017
Software	¥ 39,784	¥ 34,099	\$352,823
Goodwill, net:			
Goodwill	16,757	18,492	148,616
Negative goodwill	(3,627)	(3,808)	(32,167)
Intangible assets acquired in business combinations	1,786	2,504	15,839
Intangible leased assets as lessor	0	0	4
Other	889	732	7,886
Total	¥ 55,590	¥ 52,020	\$493,001

13. RESERVE FOR CREDIT LOSSES**CONSOLIDATED**

Reserve for credit losses as of September 30, 2017 and March 31, 2017 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2017	Mar. 31, 2017	Sept. 30, 2017
Reserve for loan losses:			
General reserve for loan losses	¥ 74,936	¥ 68,947	\$ 664,565
Specific reserve for loan losses	23,932	27,093	212,243
Reserve for loan losses to restructuring countries	—	0	—
Subtotal	98,868	96,041	876,808
Specific reserve for other credit losses	—	4,112	—
Total	¥ 98,868	¥ 100,154	\$ 876,808

14. DEPOSITS, INCLUDING NEGOTIABLE CERTIFICATES OF DEPOSIT**CONSOLIDATED**

Deposits, including negotiable certificates of deposit, as of September 30, 2017 and March 31, 2017 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2017	Mar. 31, 2017	Sept. 30, 2017
Current	¥ 37,403	¥ 14,023	\$ 331,709
Ordinary	2,261,223	2,230,883	20,053,420
Notice	18,833	17,629	167,025
Time	2,800,634	2,756,729	24,837,126
Negotiable certificates of deposit	418,325	373,673	3,709,878
Other	463,872	469,982	4,113,807
Total	¥ 6,000,293	¥ 5,862,922	\$53,212,965

15. DEBENTURES**CONSOLIDATED**

(a) Debentures as of September 30, 2017 and March 31, 2017 consisted of the following:

Issuer	Description	Issue	Maturity	Interest Rate (%)	Millions of yen		Thousands of U.S. dollars
					Sept. 30, 2017	Mar. 31, 2017	Sept. 30, 2017
Shinsei Bank, Limited	Five-year coupon debentures ¹	Apr. 2012 to Apr. 2013	Apr. 2017 to Apr. 2018	0.08	¥ 3,738	¥ 6,561	\$33,157
Total					¥ 3,738	¥ 6,561	\$33,157

¹ This includes a series of five-year Long-Term Credit Debentures.

(b) Annual maturities of debentures as of September 30, 2017 were as follows:

Year ending September 30,	Millions of yen	Thousands of U.S. dollars
2018	¥ 3,738	\$33,157
2019 and thereafter	—	—
Total	¥ 3,738	\$33,157

16. TRADING LIABILITIES**CONSOLIDATED**

Trading liabilities as of September 30, 2017 and March 31, 2017 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2017	Mar. 31, 2017	Sept. 30, 2017
Derivatives for trading securities	¥ 1,081	¥ 952	\$ 9,588
Derivatives for securities held to hedge trading transactions	16,651	16,329	147,672
Trading-related financial derivatives	180,469	193,338	1,600,471
Trading securities sold for short sales	502	1,621	4,454
Total	¥ 198,703	¥ 212,241	\$1,762,184

17. BORROWED MONEY**CONSOLIDATED**

(a) Borrowed money as of September 30, 2017 and March 31, 2017 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2017	Mar. 31, 2017	Sept. 30, 2017
Subordinated debt	¥ 12,400	¥ 12,400	\$ 109,968
Other	775,648	777,270	6,878,758
Total	¥ 788,048	¥ 789,670	\$6,988,726

(b) Annual maturities of borrowed money as of September 30, 2017 were as follows:

Year ending September 30,	Millions of yen	Thousands of U.S. dollars
2018	¥ 377,578	\$ 3,348,511
2019	102,986	913,326
2020	71,613	635,093
2021	50,444	447,359
2022 and thereafter	185,426	1,644,437
Total	¥ 788,048	\$ 6,988,726

18. CORPORATE BONDS**CONSOLIDATED**

(a) Corporate bonds as of September 30, 2017 and March 31, 2017 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2017	Mar. 31, 2017	Sept. 30, 2017
Subordinated bonds	¥ 31,400	¥ 31,400	\$ 278,468
Other corporate bonds	63,200	81,200	560,482
Total	¥ 94,600	¥ 112,600	\$ 838,950

(b) Subordinated bonds as of September 30, 2017 and March 31, 2017 consisted of the following:

Issuer	Description	Issue	Maturity	Interest Rate (%)	Millions of yen		Thousands of U.S. dollars
					Sept. 30, 2017	Mar. 31, 2017	Sept. 30, 2017
Shinsei Bank, Limited	Unsecured subordinated bonds, payable in Yen ¹	Oct. 2012 to Dec. 2013	Oct. 2022 to Dec. 2023	2.02 to 4.00	¥ 31,400	¥ 31,400	\$ 278,468
Total					¥ 31,400	¥ 31,400	\$ 278,468

Notes:

¹ This includes a series of subordinated bonds, payable in Yen.

(c) Annual maturities of corporate bonds as of September 30, 2017 were as follows:

Year ending September 30,	Millions of yen	Thousands of U.S. dollars
2018	¥ 13,000	\$ 115,289
2019	20,000	177,368
2020	15,000	133,026
2021	5,000	44,342
2022 and thereafter	41,600	369,825
Total	¥ 94,600	\$ 838,950

19. OTHER LIABILITIES**CONSOLIDATED**

Other liabilities as of September 30, 2017 and March 31, 2017 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2017	Mar. 31, 2017	Sept. 30, 2017
Accrued expenses	¥ 26,272	¥ 24,461	\$ 232,996
Unearned income	23,986	23,379	212,720
Income taxes payable	2,308	3,273	20,474
Fair value of derivatives	78,006	73,604	691,795
Matured debentures, including interest	2,220	3,807	19,690
Accounts payable	65,997	71,471	585,291
Deferred gains on installment receivables and credit guarantees	30,761	31,468	272,808
Asset retirement obligations	9,119	8,970	80,873
Deposits payable	96,968	99,257	859,951
Cash collateral received for financial instruments	16,164	34,210	143,356
Other	16,076	14,402	142,577
Total	¥ 367,883	¥ 388,307	\$ 3,262,531

20. ACCEPTANCES AND GUARANTEES**CONSOLIDATED**

Acceptances and guarantees as of September 30, 2017 and March 31, 2017 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2017	Mar. 31, 2017	Sept. 30, 2017
Guarantees	¥ 365,276	¥ 346,675	\$3,239,416

21. ASSETS PLEDGED AS COLLATERAL**CONSOLIDATED**

Assets pledged as collateral and liabilities collateralized as of September 30, 2017 and March 31, 2017 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2017	Mar. 31, 2017	Sept. 30, 2017
Assets pledged as collateral:			
Cash and due from banks	¥ 10	¥ 10	\$ 89
Trading assets	191	730	1,696
Monetary assets held in trust	448	508	3,974
Securities	623,072	563,096	5,525,652
Loans and bills discounted	86,582	90,574	767,848
Lease receivables and leased investment assets	15,607	23,515	138,417
Other assets	102,530	57,190	909,281
Premises and equipment	6,389	6,815	56,661
Liabilities collateralized:			
Deposits, including negotiable certificates of deposit	¥ 861	¥ 1,071	\$ 7,640
Payables under repurchase agreements	35,394	36,467	313,894
Payables under securities lending transactions	388,392	267,414	3,444,413
Borrowed money	308,111	329,769	2,732,454
Corporate bonds	—	2,000	—
Other liabilities	26	15	233
Acceptances and guarantees	946	954	8,391

In addition, ¥60 million (U.S.\$532 thousand) and ¥60 million of cash and due from banks and ¥20,315 million (U.S.\$180,162 thousand) and ¥47,770 million of securities as of September 30, 2017 and March 31, 2017, were pledged as collateral for transactions, including exchange settlements, swap transactions, replacement of margin for futures transactions and other.

Also, ¥5,145 million (U.S.\$45,634 thousand) and ¥3,832 million of margin deposits for futures transactions outstanding, ¥11,603 million (U.S.\$102,906 thousand) and

¥11,332 million of security deposits, ¥43,362 million (U.S.\$384,558 thousand) and ¥48,856 million of cash collateral paid for financial instruments, ¥221 million (U.S.\$1,960 thousand) and nil of guarantee deposits under resale agreements and repurchase agreements, ¥96 million (U.S.\$854 thousand) and ¥92 million of margin on foreign exchange and ¥36,666 million (U.S.\$325,171 thousand) and ¥11,994 million of cash collateral for Zengin-net were included in "Other assets" as of September 30, 2017 and March 31, 2017, respectively.

22. NONRECOURSE DEBTS**CONSOLIDATED**

Nonrecourse debts in consolidated special purpose companies as of September 30, 2017 and March 31, 2017 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2017	Mar. 31, 2017	Sept. 30, 2017
Nonrecourse debts:			
Borrowed money	¥ 16,157	¥ 49,876	\$143,288
Corporate bonds	—	2,000	—
Assets corresponding to nonrecourse debts:			
Securities	¥ 36,416	¥ 66,983	\$322,955
Other assets	—	6,987	—

The above balances included certain amount of “Assets pledged as collateral” in Note 21.

23. EQUITY**CONSOLIDATED**

The authorized number of shares of common stock as of September 30, 2017 was 4,000,000 thousand shares.

Shinsei Bank undertook a 1-for-10 reverse stock split on October 1, 2017 based on the number of shares held by shareholders recorded in the Register of Shareholders as of the end of the day on September 30, 2017.

In accordance with a decrease in the number of outstanding shares after reverse stock split, the aggregate number of authorized shares decreased at the one-tenth as of October 1, 2017.

The authorized number of shares of common stock as of October 1, 2017 is 400 million shares.

The following table shows changes in the number of shares of common stock.

	Thousands	
	Issued number of shares	Number of treasury stock
Six months ended September 30, 2017:		
Beginning of period	2,750,346	161,955
Increase ¹	—	1
Decrease	—	—
End of period	2,750,346	161,957
Six months ended September 30, 2016:		
Beginning of period	2,750,346	96,429
Increase ²	—	65,564
Decrease	—	—
End of period	2,750,346	161,993

¹ The increase of shares is associated with the acquisition of fractional shares.

² The increase of shares is associated with the repurchase from market.

24. STOCK ACQUISITION RIGHTS**CONSOLIDATED**

The Bank and a subsidiary issue stock acquisition rights as a stock option plan to directors, executive officers and employees of the Bank and its subsidiaries.

Some stock acquisition rights provide eligible individuals (the "holders") with the right to purchase stock of the issuers, without any cash consideration, others with offsetting the remuneration claims against the issuers. 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") by the number of 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 between the issuers and the holders to whom stock acquisition rights were allotted based on the resolution of the annual general meeting of shareholders and the meeting of the Board of Directors which resolves the issuance of stock acquisition rights subsequent to the shareholders' meeting.

The following table shows the details of stock acquisition rights issued during the six months ended September 30, 2017.

Date of issuance	Total number of stock options (shares) at the issuance	Total number of holders at the issuance	Exercise period	Exercise price (Yen)	Fair value at the grant date (Yen)
May 25, 2017	Common stocks 167,300 shares	2	May 26, 2017-May 25, 2047	¥ 1	¥ 178

(a) Stock-based compensation expenses for the six months ended September 30, 2017 and 2016 were as follows.

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2017	Sept. 30, 2016	Sept. 30, 2017
General and administrative expenses	¥ 40	¥ 53	\$ 355

(b) Gains on unexercised and forfeited stock acquisition rights for the six months ended September 30, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2017	Sept. 30, 2016	Sept. 30, 2017
Other gains (losses), net	¥ 293	¥ —	\$ 2,607

25. NET TRADING INCOME (LOSS)**CONSOLIDATED**

Net trading income (loss) for the six months ended September 30, 2017 and 2016 consisted of the following:

Six months ended September 30,	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Income (loss) from trading securities	¥ 1,659	¥ 822	\$14,720
Income (loss) from securities held to hedge trading transactions	104	206	928
Income (loss) from trading-related financial derivatives	1,615	3,798	14,328
Other, net	52	13	465
Total	¥ 3,432	¥ 4,840	\$30,441

26. OTHER BUSINESS INCOME (LOSS), NET**CONSOLIDATED**

“Other, Net” in other business income (loss), net, for the six months ended September 30, 2017 and 2016 consisted of the following:

Six months ended September 30,	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Income (loss) from derivatives entered into for banking purposes, net	¥ (64)	¥ (661)	\$ (575)
Equity in net income (loss) of affiliates	2,961	1,199	26,266
Gain on lease cancellation and other lease income (loss), net	1,591	704	14,110
Other, net	322	484	2,860
Total	¥ 4,810	¥ 1,727	\$ 42,662

27. NET CREDIT COSTS**CONSOLIDATED**

Net credit costs for the six months ended September 30, 2017 and 2016 consisted of the following:

Six months ended September 30,	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Losses on write-off or sales of loans	¥ 406	¥ 1,143	\$ 3,603
Net provision (reversal) of reserve for loan losses:			
Net provision (reversal) of general reserve for loan losses	15,142	10,903	134,290
Net provision (reversal) of specific reserve for loan losses	6,985	5,408	61,950
Net provision (reversal) of reserve for loan losses to restructuring countries	(0)	(0)	(2)
Subtotal	22,127	16,311	196,237
Other credit costs (recoveries) relating to leasing business	273	(30)	2,425
Recoveries of written-off claims	(2,948)	(2,705)	(26,153)
Total	¥ 19,858	¥ 14,719	\$ 176,113

28. OTHER GAINS (LOSSES), NET**CONSOLIDATED**

Other gains (losses), net for the six months ended September 30, 2017 and 2016 consisted of the following:

Six months ended September 30,	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Gains on sale of nonperforming loans	¥ —	¥ 1,874	\$ —
Gain on liquidation of subsidiaries	—	532	—
Loss on liquidation of subsidiaries	(30)	(528)	(272)
Gain on sale of investments in subsidiaries	—	257	—
Impairment losses on long-lived assets	(740)	(31)	(6,570)
Gain on reversal of stock acquisition rights	293	—	2,607
Reversal of reserve for losses on interest repayment	3,924	—	34,806
Other, net	1,746	2,313	15,484
Total	¥ 5,193	¥ 4,418	\$ 46,056

- Impairment losses on long-lived assets

For the six months ended September 30, 2017 and 2016, respectively, “Impairment losses on long-lived assets” of ¥740 million (U.S.\$6,570 thousand) and ¥31 million were recognized mainly on the properties of the Bank’s branches which were decided to be closed and on the unused IT-related properties. In addition, certain consolidated subsidiaries which belong to Institutional Business made a decision to move their office mainly due to their corporate reorganization, and recorded impairment losses on their certain retired assets, assuming their recoverable amount to be zero.

29. EARNINGS PER SHARE**CONSOLIDATED**

A reconciliation of the difference between basic and diluted EARNINGS PER SHARE (“EPS”) for the six months ended September 30, 2017 and 2016 was as follows:

	Earnings (Millions of yen)	Weighted average shares (Thousands)	EPS (Yen)	EPS (U.S. dollars)
For the six months ended September 30, 2017:				
Basic EPS				
Profit (loss) attributable to owners of the parent available to common shareholders	¥ 25,102	258,838	¥ 96.98	\$ 0.86
Effect of dilutive securities				
Stock acquisition rights	—	25		
Diluted EPS				
Profit (loss) attributable to owners of the parent for computation	¥ 25,102	258,864	¥ 96.97	\$ 0.86
For the six months ended September 30, 2016:				
Basic EPS				
Profit (loss) attributable to owners of the parent available to common shareholders	¥ 24,936	262,209	¥ 95.10	
Effect of dilutive securities				
Stock acquisition rights	—	9		
Diluted EPS				
Profit (loss) attributable to owners of the parent for computation	¥ 24,936	262,218	¥ 95.09	

Notes

1 Shinsei Bank consolidated its shares with a rate of ten shares of common stock into one share on October 1, 2017. The above EPS data is calculated as if the consolidation of shares had occurred at the beginning of the FY2016

30. LEASE TRANSACTIONS**CONSOLIDATED****(A) FINANCE LEASE TRANSACTIONS****AS LESSEE**

- (a) For finance lease transactions, where the ownership of the property is deemed to transfer to the lessee, lease assets are software included in "Intangible assets."
 (b) For finance lease transactions, where the ownership of the property is not deemed to transfer to the lessee, lease assets are primarily buildings, tools, equipment and fixtures included in "Premises and equipment."
 (c) Depreciation method is described in "(U) LEASE TRANSACTIONS" in Note 2 "SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES."

AS LESSOR

- (a) Breakdown of "Lease receivables and leased investment assets" as of September 30, 2017 and March 31, 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2017	Mar. 31, 2017	Sept. 30, 2017
Lease receivables	¥ 64,938	¥ 67,078	\$ 575,901
Leased investment assets:			
Lease payment receivables	127,449	134,320	1,130,275
Estimated residual value	5,158	5,454	45,747
Interest equivalent	(16,777)	(15,690)	(148,793)
Other	314	323	2,786
Subtotal	116,144	124,409	1,030,015
Total	¥ 181,083	¥ 191,488	\$ 1,605,916

- (b) Lease payment receivables for "Lease receivables and leased investment assets" as of September 30, 2017 were as follows:

	Lease receivables		Leased investment assets	
	Millions of yen	Thousands of U.S. dollars	Millions of yen	Thousands of U.S. dollars
Due within one year	¥ 21,052	\$ 186,702	¥ 38,267	\$ 339,371
Due after one year within two years	15,732	139,522	29,160	258,605
Due after two years within three years	11,328	100,469	20,722	183,778
Due after three years within four years	8,539	75,730	13,891	123,192
Due after four years within five years	4,936	43,781	8,037	71,283
Due after five years	6,530	57,919	17,370	154,046
Total	¥ 68,120	\$ 604,123	¥ 127,449	\$ 1,130,275

30. LEASE TRANSACTIONS (CONTINUED)**CONSOLIDATED****(B) OPERATING LEASE TRANSACTIONS**

Noncancelable operating lease obligations as lessee and lease payment receivables as lessor as of September 30, 2017 and March 31, 2017 were as follows:

AS LESSEE

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2017	Mar. 31, 2017	Sept. 30, 2017
Lease obligations:			
Due within one year	¥ 4,638	¥ 4,609	\$ 41,135
Due after one year	6,084	7,697	53,957
Total	¥ 10,722	¥ 12,306	\$ 95,091

AS LESSOR

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2017	Mar. 31, 2017	Sept. 30, 2017
Lease payment receivables:			
Due within one year	¥ 4,917	¥ 4,544	\$ 43,608
Due after one year	20,930	20,001	185,622
Total	¥ 25,847	¥ 24,545	\$ 229,230

31. SEGMENT INFORMATION**CONSOLIDATED****(A) SEGMENT INFORMATION****(a) DESCRIPTION OF REPORTABLE SEGMENTS**

Our reportable segments are businesses whose individual financial information is available and regular evaluation by the Executive Committee is made in order to decide how much resources are allocated.

The Businesses provide a wide variety of financial products and services to institutional and individual customers through our Institutional Business, Global Markets Business and Individual Business. These Businesses consist of operating segments which provide their respective financial products and services. The Institutional Business consists of the "Corporate Business," "Structured Finance," "Principal Transactions," and "Showa Leasing" and the Global Markets Business consists of the "Markets," and "Other Global Markets" as reportable segments. The Individual Business consists of "Retail Banking," "Shinsei Financial" and "APLUS FINANCIAL." Also, the business and operations excluding any of the Institutional Business, the Global Markets Business, and the Individual Business are classified as the "Corporate/Other". The "Treasury" in the "Corporate/Other" is a reportable segment.

In the Institutional Business, the "Corporate Business" segment provides financial products and services, advisory services, and trust business for corporate, public, and

financial sectors. The "Structured Finance" segment provides real estate finance, such as nonrecourse loans, financial products and services for real estate and construction industries, project finance and specialty finance, such as M&A finance. The "Principal Transactions" segment provides financial products and services related to credit trading and private equity businesses. "Showa Leasing" segment primarily provides financial products and services related to leasing.

In the Global Markets Business, the "Markets" segment engages in foreign exchanges, derivatives, equity-related transactions and other capital markets transactions. The "Other Global Markets" segment consists of securities business provided by Shinsei Securities, asset management and wealth management businesses.

In the Individual Business, the "Retail Banking" segment provides financial products and services for retail customers, "Shinsei Financial" segment, which consists of Shinsei Financial Co., Ltd., Shinsei Personal Loan Co., Ltd. and Shinsei Bank Card Loan—Lake in the Bank, etc., provides consumer finance business, and "APLUS FINANCIAL" segment provides installment sales credit, cards, loans and settlement services. The "Other" segment consists of profit and loss attributable to the Consumer

31. SEGMENT INFORMATION (CONTINUED)

CONSOLIDATED

Finance Headquarter and other subsidiaries.

In the Corporate/Other, the “Treasury” segment engages in ALM operations and fund raising including capital instruments.

Also, we newly established a “Group Headquarter” in the Bank, integrating indirect functions in the Bank and in group companies, in order to facilitate “selection and concentration” in businesses, which are set as a comprehensive strategy of 3rd Medium-term Management Plan on April 1, 2017 and promote a group-wide measure to realize creating values by group integration.

The overview of revision of reportable segments resulting from organization changes is stated below.

On June 1, 2017, we integrated the business related to Asset Management Products Division, which was formerly in the Global Markets Group, into the Retail Products Division in the Individual Group. On June 30, 2017, we transferred a part of business related to Asset Management Controlling Division in Global Markets Group to Principal Investments Department in Institutional Group. As the result, the reporting segment in the first half fiscal year was revised as shown below.

“Principal Transactions” segment in Institutional Group includes a part of business related to asset management, which was formerly included in “Other Global Markets” segment.

“Retail Banking” segment in Individual Group includes an asset management product business, which was formerly included in “Other Global Markets” segment. As the result, there is a revision in the reporting segment.

As a result of this organizational change, classification of reportable segments has changed, and “REVENUE, PROFIT (LOSS), ASSETS, LIABILITIES AND OTHER ITEMS BY REPORTABLE SEGMENTS” for the six months ended September 30, 2016 was presented based on the new classification of reportable segments.

(b) METHODS OF MEASUREMENT FOR THE AMOUNTS OF REVENUE, PROFIT (LOSS), ASSETS, LIABILITIES AND OTHER ITEMS BY REPORTABLE SEGMENTS

The accounting policies of each reportable segment are consistent to those disclosed in Note 2, “SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,” except for interest on inter-segment transactions and indirect expense.

Interest on inter-segment transactions is calculated using an inter-office rate. Indirect expense is allocated, based on the predetermined internal rule, to each reportable segment according to the budget which is set at the beginning of the fiscal year.

In the interim period, we have changed the allocation method of expenses in order to evaluate performances in each segment properly; expenses of the funding business related to Retail Banking, which were formerly included in “Retail Banking” segment, have been allocated to each segment in proportion to operating assets, in order to cover costs related to bank’s funding operation. In addition, the amount of profit and loss of reportable segments for the six months ended September 30, 2016 is presented based on the allocation method for the six months ended September 30, 2017.

31. SEGMENT INFORMATION (CONTINUED)

CONSOLIDATED

(c) REVENUE, PROFIT (LOSS), ASSETS, LIABILITIES AND OTHER ITEMS BY REPORTABLE SEGMENTS

Six months ended September 30, 2017	Millions of yen						
	Institutional Business				Global Markets Business		
	Corporate Business	Structured Finance	Principal Transactions	Showa Leasing	Markets	Other Global Markets	
Revenue:	¥ 11,031	¥ 7,854	¥ 7,424	¥ 6,593	¥ 3,913	¥ 1,426	
Net Interest Income	5,145	4,605	2,367	(36)	930	252	
Noninterest Income ¹	5,886	3,249	5,057	6,629	2,982	1,174	
Expenses	6,232	3,425	2,041	4,139	1,948	1,632	
Net Credit Costs (Recoveries)	(836)	1,680	(221)	578	(19)	36	
Segment Profit (Loss)	¥ 5,635	¥ 2,748	¥ 5,605	¥ 1,875	¥ 1,985	¥ (242)	
Segment Assets ²	¥ 1,602,366	¥ 1,391,158	¥ 170,298	¥ 495,617	¥ 436,572	¥ 44,044	
Segment Liabilities	¥ 943,138	¥ 78,074	¥ 10,101	¥ 1,896	¥ 201,920	¥ 34,485	
Includes:							
1. Equity in net income (loss) of affiliates	¥ —	¥ —	¥ 2,449	¥ —	¥ —	¥ —	
2. Investment in affiliates	—	—	55,759	—	—	—	
Other:							
Impairment losses on long-lived assets:	¥ —	¥ —	¥ 34	¥ —	¥ —	¥ —	
Amortization:							
Goodwill (Negative Goodwill)	¥ —	¥ —	¥ —	¥ 1,073	¥ —	¥ —	
Intangible assets acquired in business combinations	—	—	—	134	—	—	
Unamortized balance:							
Goodwill (Negative Goodwill)	¥ —	¥ —	¥ —	¥ 16,098	¥ —	¥ —	
Intangible assets acquired in business combinations	—	—	—	1,061	—	—	

Six months ended September 30, 2017	Millions of yen						
	Individual Business				Corporate/Other		
	Retail Banking	Consumer Finance		Other	Treasury	Other	Total
Revenue:	¥ 11,454	¥ 33,922	¥ 28,258	¥ 1,566	¥ 2,130	¥ 339	¥ 115,916
Net Interest Income	11,263	34,113	5,521	894	(865)	(0)	64,192
Noninterest Income ¹	191	(191)	22,736	672	2,996	339	51,724
Expenses	14,802	16,588	18,922	513	897	516	71,659
Net Credit Costs (Recoveries)	128	12,595	5,843	78	—	(4)	19,858
Segment Profit (Loss)	¥ (3,476)	¥ 4,738	¥ 3,492	¥ 975	¥ 1,233	¥ (172)	¥ 24,398
Segment Assets ²	¥ 1,323,089	¥ 513,038	¥ 964,160	¥ 65,382	¥ 655,632	¥ 0	¥ 7,661,360
Segment Liabilities	¥ 4,958,520	¥ 51,864	¥ 287,831	¥ 178	¥ —	¥ 0	¥ 6,568,013
Includes:							
1. Equity in net income (loss) of affiliates	¥ —	¥ —	¥ —	¥ 512	¥ —	¥ —	¥ 2,961
2. Investment in affiliates	—	—	—	940	—	—	56,699
Other:							
Impairment losses on long-lived assets:	¥ —	¥ 117	¥ —	¥ —	¥ —	¥ 588	¥ 740
Amortization:							
Goodwill (Negative Goodwill)	¥ —	¥ 480	¥ —	¥ (0)	¥ —	¥ —	¥ 1,553
Intangible assets acquired in business combinations	—	584	—	—	—	—	718
Unamortized balance:							
Goodwill (Negative Goodwill)	¥ —	¥ (2,964)	¥ —	¥ (3)	¥ —	¥ —	¥ 13,130
Intangible assets acquired in business combinations	—	724	—	—	—	—	1,786

31. SEGMENT INFORMATION (CONTINUED)

CONSOLIDATED

Six months ended September 30, 2016	Millions of yen					
	Institutional Business				Global Markets Business	
	Institutional Business	Structured Finance	Principal Transactions	Showa Leasing	Markets	Other Global Markets
Revenue:	¥ 7,887	¥ 9,121	¥ 2,969	¥ 6,573	¥ 4,316	¥ 968
Net Interest Income	5,450	4,689	1,319	(641)	933	122
Noninterest Income ¹	2,436	4,432	1,650	7,214	3,382	845
Expenses	6,260	3,233	2,221	4,235	1,778	1,776
Net Credit Costs (Recoveries)	140	889	(147)	(392)	(44)	38
Segment Profit (Loss)	¥ 1,487	¥ 4,999	¥ 896	¥ 2,730	¥ 2,582	¥ (846)
Segment Assets ²	¥ 1,646,058	¥ 1,139,787	¥ 180,808	¥ 457,516	¥ 504,177	¥ 66,794
Segment Liabilities	¥ 896,664	¥ 71,036	¥ 3,788	¥ —	¥ 277,128	¥ 62,351
Includes:						
1. Equity in net income (loss) of affiliates	¥ —	¥ —	¥ 1,199	¥ —	¥ —	¥ —
2. Investment in affiliates	—	—	47,118	—	—	—
Other:						
Impairment losses on long-lived assets:	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —
Amortization:						
Goodwill (Negative Goodwill)	¥ —	¥ —	¥ —	¥ 1,202	¥ —	¥ —
Intangible assets acquired in business combinations	—	—	—	150	—	—
Unamortized balance:						
Goodwill (Negative Goodwill)	¥ —	¥ —	¥ —	¥ 18,244	¥ —	¥ —
Intangible assets acquired in business combinations	—	—	—	1,345	—	—

Six months ended September 30, 2016	Millions of yen						
	Retail Banking	Individual Business			Corporate/Other		
		Shinsei Financial	APLUS FINANCIAL	Other	Treasury	Other	Total
Revenue:	¥ 13,239	¥ 31,078	¥ 26,886	¥ 612	¥ 7,715	¥ 1,851	¥ 113,220
Net Interest Income	11,863	31,765	4,302	490	176	1	60,474
Noninterest Income ¹	1,375	(686)	22,584	122	7,539	1,849	52,746
Expenses	14,480	17,113	18,836	417	858	173	71,384
Net Credit Costs (Recoveries)	(690)	10,165	4,761	(4)	—	3	14,719
Segment Profit (Loss)	¥ (549)	¥ 3,799	¥ 3,287	¥ 199	¥ 6,856	¥ 1,674	¥ 27,116
Segment Assets ²	¥ 1,310,530	¥ 460,720	¥ 861,875	¥ 19,541	¥ 616,117	¥ 0	¥ 7,263,928
Segment Liabilities	¥ 4,798,002	¥ 34,180	¥ 234,847	¥ 123	¥ 307	¥ 0	¥ 6,378,430
Includes:							
1. Equity in net income (loss) of affiliates	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ 1,199
2. Investment in affiliates	—	—	—	—	—	—	47,118
Other:							
Impairment losses on long-lived assets:	¥ —	¥ 10	¥ —	¥ —	¥ —	¥ 20	¥ 31
Amortization:							
Goodwill (Negative Goodwill)	¥ —	¥ 808	¥ —	¥ (0)	¥ —	¥ —	¥ 2,010
Intangible assets acquired in business combinations	—	803	—	—	—	—	953
Unamortized balance:							
Goodwill (Negative Goodwill)	¥ —	¥ (2,007)	¥ —	¥ (3)	¥ —	¥ —	¥ 16,233
Intangible assets acquired in business combinations	—	1,890	—	—	—	—	3,235

31. SEGMENT INFORMATION (CONTINUED)

CONSOLIDATED

Six months ended September 30, 2017	Thousands of U.S. dollars					
	Institutional Business				Global Markets Business	
	Institutional Business	Structured Finance	Principal Transactions	Showa Leasing	Markets	Other Global Markets
Revenue:	\$ 97,832	\$ 69,661	\$ 65,846	\$ 58,471	\$ 34,707	\$ 12,651
Net Interest Income	45,632	40,847	20,998	(323)	8,254	2,237
Noninterest Income ¹	52,200	28,814	44,849	58,794	26,453	10,413
Expenses	55,269	30,383	18,101	36,708	17,278	14,477
Net Credit Costs (Recoveries)	(7,417)	14,901	(1,966)	5,129	(175)	322
Segment Profit (Loss)	\$ 49,980	\$ 24,376	\$ 49,711	\$ 16,635	\$ 17,605	\$ (2,148)
Segment Assets ²	\$14,210,414	\$12,337,338	\$ 1,510,274	\$ 4,395,329	\$ 3,871,698	\$ 390,604
Segment Liabilities	\$ 8,364,120	\$ 692,398	\$ 89,588	\$ 16,819	\$ 1,790,711	\$ 305,833
Includes:						
1. Equity in net income (loss) of affiliates	\$ —	\$ —	\$ 21,719	\$ —	\$ —	\$ —
2. Investment in affiliates	—	—	494,496	—	—	—
Other:						
Impairment losses on long-lived assets:	\$ —	\$ —	\$ 306	\$ —	\$ —	\$ —
Amortization:						
Goodwill (Negative Goodwill)	\$ —	\$ —	\$ —	\$ 9,518	\$ —	\$ —
Intangible assets acquired in business combinations	—	—	—	1,192	—	—
Unamortized balance:						
Goodwill (Negative Goodwill)	\$ —	\$ —	\$ —	\$ 142,766	\$ —	\$ —
Intangible assets acquired in business combinations	—	—	—	9,411	—	—

Six months ended September 30, 2017	Thousands of U.S. dollars						
	Retail Banking	Individual Business			Corporate/Other		
		Shinsei Financial	APLUS FINANCIAL	Other	Treasury	Other	Total
Revenue:	\$ 101,582	\$ 300,836	\$ 250,604	\$ 13,897	\$ 18,893	\$ 3,010	\$ 1,027,991
Net Interest Income	99,886	302,534	48,965	7,931	(7,679)	(2)	569,281
Noninterest Income ¹	1,696	(1,698)	201,639	5,966	26,572	3,012	458,710
Expenses	131,271	147,116	167,811	4,553	7,957	4,578	635,501
Net Credit Costs (Recoveries)	1,139	111,702	51,822	695	—	(39)	176,113
Segment Profit (Loss)	\$ (30,827)	\$ 42,019	\$ 30,971	\$ 8,649	\$ 10,936	\$ (1,529)	\$ 216,377
Segment Assets ²	\$16,283,499	\$ 8,550,558	\$ 345,339	\$ 234,500	\$ 5,814,408	\$ —	\$67,943,960
Segment Liabilities	\$44,434,067	\$ 2,552,605	\$ 1,581	\$ —	\$ —	\$ —	\$58,247,722
Includes:							
1. Equity in net income (loss) of affiliates	\$ —	\$ —	\$ —	\$ 4,547	\$ —	\$ —	\$ 26,266
2. Investment in affiliates	—	—	—	8,340	—	—	502,836
Other:							
Impairment losses on long-lived assets:	\$ —	\$ 1,042	\$ —	\$ —	\$ —	\$ 5,219	\$ 6,570
Amortization:							
Goodwill (Negative Goodwill)	\$ —	\$ 4,258	\$ —	\$ (2)	\$ —	\$ —	\$ 13,774
Intangible assets acquired in business combinations	—	5,182	—	—	—	—	6,374
Unamortized balance:							
Goodwill (Negative Goodwill)	\$ —	\$ (26,290)	\$ —	\$ (27)	\$ —	\$ —	\$ 116,449
Intangible assets acquired in business combinations	—	6,428	—	—	—	—	15,839

Notes: (1) "Revenue," which represents gross operating profit under our management reporting, is presented as a substitute for sales in other industries. "Revenue" is defined as the total of net interest income, net fees and commissions, net trading income and net other business income on the management reporting basis. "Revenue" represents income and related cost attributable to our core business.

(2) "Expenses" are general and administrative expenses deducting amortization of goodwill and intangible assets acquired in business combinations, amortization of actuarial gains or losses of retirement benefit cost and lump-sum payments.

(3) "Net Credit Costs (Recoveries)" consists of provision/reversal of reserve for credit losses, losses on write-off/sales of loans and recoveries of written-off claims.

(4) "Segment Assets" consists of other monetary claims purchased, trading assets, monetary assets held in trust, securities, loans and bills discounted, lease receivables and leased investment assets, installment receivables, tangible leased assets, intangible leased assets and customer's liabilities for acceptances and guarantees.

(5) "Segment Liabilities" consists of deposits, including negotiable certificates of deposit, debentures, trading liabilities and acceptances and guarantees.

(6) Regarding assets and liabilities not allocated to each business segment, there are related revenue and expense items which are allocated to each business segment based on rational allocation method. For example, interest on other borrowings is considered a part of "Revenue" and included in segment income, although borrowed money is not allocated to each segment liabilities. In addition, depreciation is considered a part of "Expenses" and included in segment income, although premises and equipment excluding tangible leased assets and intangible assets excluding intangible leased assets are not allocated to each segment assets.

(7) "Other" under the Corporate/Other includes company-wide accounts which are not included in our reportable segments, allocation variance of indirect expense and elimination amount of inter-segment transactions.

31. SEGMENT INFORMATION (CONTINUED)

CONSOLIDATED

(d) RECONCILIATION BETWEEN THE SEGMENT INFORMATION AND THE CONSOLIDATED FINANCIAL STATEMENTS

(i) A reconciliation between total segment profit and income (loss) before income taxes on the consolidated statements of income for the six months ended September 30, 2017 and 2016 was as follows:

Six months ended September 30,	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Total segment profit	¥ 24,398	¥ 27,116	\$ 216,377
Amortization of goodwill acquired in business combinations	(1,553)	(2,010)	(13,774)
Amortization of intangible assets acquired in business combinations	(718)	(953)	(6,374)
Lump-sum payments	(303)	(1,500)	(2,687)
Other gains (losses), net	5,193	4,418	46,056
Income (loss) before income taxes	¥ 27,017	¥ 27,070	\$ 239,599

(ii) A reconciliation between total segment assets and total assets on the consolidated balance sheets as of September 30, 2017 and 2016 was as follows:

As of September 30,	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Total segment assets	¥ 7,661,360	¥ 7,263,928	\$67,943,960
Cash and due from banks	1,476,306	1,385,580	13,092,465
Receivables under securities borrowing transactions	1,514	14,397	13,427
Foreign exchanges	31,773	25,697	281,782
Other assets excluding installment receivables	279,584	309,893	2,479,466
Premises and equipment excluding tangible leased assets	24,679	26,193	218,866
Intangible assets excluding intangible leased assets	55,590	47,769	492,997
Assets for retirement benefits	8,540	3,816	75,745
Deferred issuance expenses for debentures	0	1	2
Deferred tax assets	14,871	15,553	131,888
Reserve for credit losses	(98,868)	(95,638)	(876,808)
Total assets	¥ 9,455,353	¥ 8,997,193	\$83,853,790

(iii) A reconciliation between total segment liabilities and total liabilities on the consolidated balance sheets as of September 30, 2017 and 2016 was as follows:

As of September 30,	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Total segment liabilities	¥ 6,568,013	¥ 6,378,430	\$58,247,722
Call money	80,900	22,400	717,453
Payables under repurchase agreements	35,394	45,955	313,894
Payables under securities lending transactions	389,400	215,645	3,453,353
Borrowed money	788,048	760,649	6,988,726
Foreign exchanges	67	63	602
Short-term corporate bonds	187,900	153,000	1,666,371
Corporate bonds	94,600	112,100	838,950
Other liabilities	367,883	389,318	3,262,531
Accrued employees' bonuses	4,929	4,895	43,713
Accrued directors' bonuses	32	35	284
Liabilities for retirement benefits	8,402	8,993	74,518
Reserve for reimbursement of debentures	3,625	3,081	32,156
Reserve for losses on interest repayments	85,048	111,588	754,242
Deferred tax liabilities	—	772	—
Total liabilities	¥ 8,614,245	¥ 8,206,929	\$76,394,515

31. SEGMENT INFORMATION (CONTINUED)**CONSOLIDATED****(B) RELATED INFORMATION****(a) INFORMATION BY SERVICES**

Income regarding major services for the six months ended September 30, 2017 and 2016 was as follows:

Six months ended September 30,	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Loan Businesses	¥ 69,690	¥ 65,546	\$ 618,044
Lease Businesses	3,292	4,041	29,196
Securities Investment Businesses	11,949	13,360	105,972
Installment Sales and Guarantee Businesses	23,763	23,321	210,745

(b) GEOGRAPHICAL INFORMATION*(i) REVENUE*

Revenue from external domestic customers exceeded 90% of total revenue on the consolidated statements of income for the six months ended September 30, 2017 and 2016, therefore geographical revenue information is not presented.

(ii) PREMISES AND EQUIPMENT

The balance of domestic premises and equipment exceeded 90% of total balance of premises and equipment on the consolidated balance sheets as of September 30, 2017 and 2016, therefore geographical premises and equipment information is not presented.

(c) MAJOR CUSTOMER INFORMATION

Revenue to a specific customer did not reach 10% of total revenue on the consolidated statements of income for the six months ended September 30, 2017 and 2016, therefore major customer information is not presented.

32. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

CONSOLIDATED

Fair values of financial instruments as of September 30, 2017 and March 31, 2017 were as follows:

	Millions of yen					
	Sept. 30, 2017			Mar. 31, 2017		
	Carrying amount	Fair value	Unrealized gain (loss)	Carrying amount	Fair value	Unrealized gain (loss)
Assets:						
(1) Cash and due from banks	¥ 1,476,306	¥ 1,476,306	¥ —	¥ 1,398,691	¥ 1,398,691	¥ —
(2) Call loans	—	—	—	4,472	4,472	—
(3) Receivables under securities borrowing transactions	1,514	1,514	—	1,625	1,625	—
(4) Other monetary claims purchased						
Trading purposes	2,528	2,528	—	4,213	4,213	—
Other ¹	34,342	35,045	703	39,731	40,547	815
(5) Trading assets						
Securities held for trading purposes	4,437	4,437	—	15,479	15,479	—
(6) Monetary assets held in trust ¹	234,579	240,048	5,468	240,911	246,403	5,492
(7) Securities						
Trading securities	0	0	—	0	0	—
Securities being held to maturity	493,827	497,877	4,049	496,268	502,026	5,758
Securities available for sale	550,693	550,693	—	424,032	424,032	—
Equity securities of affiliates	51,749	34,920	(16,828)	49,375	33,160	(16,215)
(8) Loans and bills discounted ²	4,909,161			4,833,452		
Reserve for credit losses	(64,634)			(60,484)		
Net	4,844,527	5,001,403	156,876	4,772,968	4,934,474	161,505
(9) Lease receivables and leased investment assets	181,083			191,488		
Estimated Residual Value ³	(5,136)			(5,425)		
Reserve for credit losses	(2,034)			(2,053)		
Net	173,911	178,622	4,710	184,008	187,559	3,550
(10) Other assets						
Installment receivables	540,102			541,401		
Deferred gains on installment receivables	(12,502)			(14,205)		
Reserve for credit losses	(10,182)			(10,446)		
Net	517,418	560,632	43,214	516,750	556,047	39,297
Total	¥ 8,385,835	¥ 8,584,030	¥ 198,195	¥ 8,148,530	¥ 8,348,735	¥ 200,204
Liabilities:						
(1) Deposits, including negotiable certificates of deposit	¥ 6,000,293	¥ 6,000,746	¥ (453)	¥ 5,862,922	¥ 5,864,410	¥ (1,487)
(2) Debentures	3,738	3,739	(0)	6,561	6,564	(2)
(3) Call money	80,900	80,900	—	53,600	53,600	—
(4) Payables under repurchase agreements	35,394	35,394	—	36,467	36,467	—
(5) Payables under securities lending transactions	389,400	389,400	—	337,952	337,952	—
(6) Trading liabilities						
Trading securities sold for short sales	502	502	—	1,621	1,621	—
(7) Borrowed money	788,048	788,465	(417)	789,670	791,278	(1,607)
(8) Short-term corporate bonds	187,900	187,837	62	168,000	167,946	53
(9) Corporate bonds	94,600	95,041	(441)	112,600	113,252	(652)
Total	¥ 7,580,778	¥ 7,582,028	¥ (1,249)	¥ 7,369,396	¥ 7,373,093	¥ (3,696)
Derivative instruments ⁴ :						
Hedge accounting is not applied	¥ 25,291	¥ 25,291	¥ —	¥ 20,095	¥ 20,095	¥ —
Hedge accounting is applied	(7,718)	(7,718)	—	4,758	4,758	—
Total	¥ 17,573	¥ 17,573	¥ —	¥ 24,853	¥ 24,853	¥ —
Other:						
Guarantee contracts ⁵	¥ 365,276	¥ 708		¥ 346,675	¥ (122)	

32. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED)

CONSOLIDATED

	Thousands of U.S. dollars		
	Sept. 30, 2017		
	Carrying amount	Fair value	Unrealized gain (loss)
Assets:			
(1) Cash and due from banks	\$ 13,092,465	\$ 13,092,465	\$ —
(2) Call loans	—	—	—
(3) Receivables under securities borrowing transactions	13,427	13,427	—
(4) Other monetary claims purchased			
Trading purposes	22,425	22,425	—
Other ¹	304,561	310,797	6,236
(5) Trading assets			
Securities held for trading purposes	39,350	39,350	—
(6) Monetary assets held in trust ¹	2,080,341	2,128,841	48,500
(7) Securities			
Trading securities	0	0	—
Securities being held to maturity	4,379,459	4,415,372	35,914
Securities available for sale	4,883,769	4,883,769	—
Equity securities of affiliates	458,931	309,690	(149,241)
(8) Loans and bills discounted ²	43,536,375		
Reserve for credit losses	(573,205)		
Net	42,963,170	44,354,416	1,391,246
(9) Lease receivables and leased investment assets	1,605,916		
Estimated Residual Value ³	(45,554)		
Reserve for credit losses	(18,044)		
Net	1,542,317	1,584,093	41,776
(10) Other assets			
Installment receivables	4,789,841		
Deferred gains on installment receivables	(110,876)		
Reserve for credit losses	(90,298)		
Net	4,588,666	4,971,909	383,243
Total	\$ 74,368,881	\$ 76,126,554	\$ 1,757,673
Liabilities:			
(1) Deposits, including negotiable certificates of deposit	\$ 53,212,965	\$ 53,216,983	\$ (4,018)
(2) Debentures	33,157	33,164	(7)
(3) Call money	717,453	717,453	—
(4) Payables under repurchase agreements	313,894	313,894	—
(5) Payables under securities lending transactions	3,453,353	3,453,353	—
(6) Trading liabilities			
Trading securities sold for short sales	4,454	4,454	—
(7) Borrowed money	6,988,726	6,992,426	(3,700)
(8) Short-term corporate bonds	1,666,371	1,665,814	557
(9) Corporate bonds	838,950	842,866	(3,916)
Total	\$ 67,229,322	\$ 67,240,406	\$ (11,083)
Derivative instruments ⁴ :			
Hedge accounting is not applied	\$ 224,295	\$ 224,295	\$ —
Hedge accounting is applied	(68,447)	(68,447)	—
Total	\$ 155,848	\$ 155,848	\$ —

	Contract amount	Fair value
Other:		
Guarantee contracts ⁵	\$ 3,239,416	\$ 6,288

1 Carrying amounts of Other monetary claims purchased and Monetary assets held in trust are presented as the amount net of reserve for credit losses because they are immaterial.

2 For consumer loans held by consolidated subsidiaries included in Loans and bills discounted, reserve for losses on interest repayments of ¥85,048 million (U.S.\$754,242 thousand) and ¥101,846 million was recognized for estimated losses on reimbursements of excess interest payments as of September 30, 2017 and March 31, 2017, respectively, which included the reserve for losses on interest repayments that have a possibility of being appropriated for loan principal in the future.

3 Estimated residual value of leased investment assets arising from finance lease transactions, where the ownership of the property is not deemed to transfer to the lessee, is deducted from leased investment assets.

4 Derivative instruments include derivative transactions both in trading assets and liabilities, and in other assets and liabilities. Derivative instruments are presented as net of assets and liabilities and presented with () when a liability stands on net basis.

5 Contract amount for guarantee contracts presents the amount of "Acceptances and guarantees" on the consolidated balance sheets. Unearned guarantee fees of ¥22,571 million (U.S.\$200,175 thousand) and ¥21,889 million were recognized as "Other liabilities" as of September 30, 2017 and March 31, 2017, respectively.

32. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED)

CONSOLIDATED

(Note 1) Valuation methodologies for financial instruments

Assets:

(1) Cash and due from banks

The fair values are measured at carrying amounts because the fair values of due from banks with no maturity are approximate to carrying amounts. Likewise, for due from banks with maturity, the fair values are measured at carrying amounts because most of them are with short maturity of six months or less, therefore the fair values are approximate to carrying amounts.

(2) Call loans and (3) Receivables under securities borrowing transactions

The fair values are measured at carrying amounts because most of them are with short maturity of three months or less, therefore the fair values are approximate to carrying amounts.

(4) Other monetary claims purchased

The fair values are measured at quoted prices from third parties or determined using the DCF method.

(5) Trading assets

The fair values are measured at market prices or quoted prices from third parties, or determined using the DCF method.

(6) Monetary assets held in trust

The fair values are determined using the DCF method based on the characteristics of the components of the entrusted assets.

(7) Securities

The fair values of marketable equity securities are measured at closing prices on exchanges. The fair values of bonds and mutual funds are measured at market prices or quoted prices from third parties or determined using the DCF method.

(8) Loans and bills discounted

The fair values of loans and bills discounted with fixed interest rate are determined by discounting contractual cash flows, and the fair values of loans and bills discounted with floating interest rate are determined by discounting expected cash flows based on the forward rates (for loans and bills discounted hedged by interest rate swaps which meet specific matching criteria, the expected cash flows include the cash flows of the interest rate swaps), using the risk-free rate adjusted to account for credit risk (after consideration of collateral) with CDS spreads etc. corresponding to internal credit rating of each borrower. The fair values of housing loans are determined by discounting expected cash flows at the rates that consist of the risk free rate and spreads that would be applied for the new housing loans with the same terms at the

consolidated balance sheet date. The fair values of consumer loans are determined by discounting expected cash flows that reflect expected loss at the rates that consist of the risk-free rate and certain costs, by a group of similar product types and customer segments.

Regarding loans to obligors classified as “legally bankrupt,” “virtually bankrupt” or “possibly bankrupt,” fair values are measured at carrying amounts net of reserves for loan losses because the fair values of those loans are approximate to carrying amounts net of reserves for loan losses, which are calculated based on the DCF method described in “(N)RESERVE FOR CREDIT LOSSES” in Note 2 “SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES” or based on amounts which are expected to be collected through the disposal of collateral or execution of guarantees.

(9) Lease receivables and leased investment assets

The fair values are primarily determined by discounting contractual cash flows at the rates that would be applied for the new contracts by a group of major product categories.

(10) Installment receivables

The fair values are primarily determined by discounting expected cash flows that reflect the probability of prepayment at the rates that consist of the risk-free rate, credit risk and certain costs, by major product category groups.

Liabilities:

(1) Deposits, including negotiable certificates of deposit

The fair values of demand deposits, such as current deposits and ordinary deposits are recognized as the payment amount at the consolidated balance sheet date.

The fair values of the deposits with maturity of six months or less are approximate to carrying amounts because of their short term maturity. The fair values of time deposits and negotiable certificates of deposit are determined by discounting expected cash flows that consist of the risk free rate and spread that would be applied for the new contracts with the same terms at the consolidated balance sheet date.

(2) Debentures and (9) Corporate bonds

The fair values of marketable corporate bonds are measured at market prices.

The fair values of nonmarketable corporate bonds under the Medium Term Note program are determined by discounting expected cash flows at the actual average funding rates of corporate time deposits etc. funded within the past three months of the consolidated balance sheet date.

The fair values of retail debentures are determined by discounting contractual cash flows at the latest actual funding rate of large-denomination (¥10 million or more)

32. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED)**CONSOLIDATED**

time deposits.

The fair values of step-up callable subordinated bonds are determined by discounting expected cash flows, which reflect the probability of early redemption at the rates that consist of the risk-free rate and the CDS spread of the Bank.

(3) Call money, (4) Payables under repurchase agreements and (5) Payables under securities lending transactions

The fair values are approximate to carrying amounts for call money and bills sold, payables under repurchase agreements, and payables under securities lending transactions with short maturities of three months or less.

(6) Trading liabilities

The fair values are measured at market prices.

(7) Borrowed money

The fair values of borrowed money with fixed interest rates are primarily determined by discounting contractual cash flows (for borrowed money hedged by interest rate swaps which meet specific matching criteria, the contractual cash flows include the cash flows of the interest rate swaps), and the fair values of borrowed money with floating interest rates are determined by discounting expected

cash flows on forward rates, at the funding rates that reflect the credit risk of the borrower.

The fair values of step-up callable subordinated borrowings are determined by discounting expected cash flows that reflect the probability of early redemption at the rates that consist of the risk-free rate and the CDS spread of the Bank.

(8) Short-term corporate bonds

The fair values are approximate to carrying amounts because most of them are with short maturities of six months or less.

Derivative instruments:

The fair values are primarily measured at closing prices on exchanges or determined using the DCF method or option-pricing models.

Other:

Guarantee contracts

The fair values are determined by discounting the amount of difference between the original contractual cash flows and the expected cash flows that would be applied for the new contracts with the same terms at the risk-free rate.

(Note 2) Carrying amount of the financial instruments whose fair value cannot be reliably determined

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2017	Mar. 31, 2017	Sept. 30, 2017
Equity securities without readily available market price ^{1,2}	¥ 11,450	¥ 9,641	\$ 101,547
Investment in partnerships and others ^{1,2}	36,516	35,316	323,840
Total	¥ 47,966	¥ 44,958	\$ 425,387

¹ Equity securities without readily available market price are out of the scope of fair value disclosure because their fair values cannot be reliably determined. Investments in partnerships and others, the assets of which comprise equity securities without readily available market price, are out of the scope of fair values disclosure because fair values of those investments cannot be reliably determined.

² For the six months ended September 30, 2017 and for the fiscal years ended March 31, 2017, impairment losses on equity securities without readily available market price of ¥22 million (U.S.\$199 thousand) and ¥102 million, and on investment in partnerships and others of ¥81 million (U.S.\$726 thousand) and ¥67 million were recognized, respectively.

33. DERIVATIVE FINANCIAL INSTRUMENTS**CONSOLIDATED****(A) DERIVATIVE TRANSACTIONS TO WHICH HEDGE ACCOUNTING WAS NOT APPLIED**

The fair values of derivatives on the consolidated balance sheets as of September 30, 2017 and March 31, 2017 are adjusted for credit risk by a reduction of ¥1,240 million (U.S.\$10,999 thousand) and ¥1,070 million, respectively, and also adjusted for liquidity risk by a reduction of ¥1,569 million (U.S.\$13,920 thousand) and ¥1,523 million, respectively.

Regardless of this accounting treatment, the reduction of those risks is not reflected in the fair values shown in the following tables.

33. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

CONSOLIDATED

(a) INTEREST RATE-RELATED TRANSACTIONS

Interest rate-related transactions as of September 30, 2017 and March 31, 2017 were as follows:

	Millions of yen							
	Sept. 30, 2017				Mar. 31, 2017			
	Contract/Notional principal				Contract/Notional principal			
	Total	Maturity over 1 year	Fair value	Unrealized gain (loss)	Total	Maturity over 1 year	Fair value	Unrealized gain (loss)
Futures contracts (listed):								
Sold	¥ 554	¥ —	¥ (0)	¥ (0)	¥ 825	¥ 274	¥ 0	¥ 0
Bought	556	—	(1)	(1)	551	—	(2)	(2)
Interest rate options (listed):								
Sold	—	—	—	—	—	—	—	—
Bought	—	—	—	—	—	—	—	—
Interest rate swaps (over-the-counter):								
Receive fixed and pay floating	4,752,588	3,920,448	160,870	160,870	4,739,594	4,024,229	168,475	168,475
Receive floating and pay fixed	4,320,528	3,550,826	(144,441)	(144,441)	4,330,906	3,604,461	(150,731)	(150,731)
Receive floating and pay floating	1,728,751	1,408,465	1,712	1,712	1,529,661	1,284,881	1,983	1,983
Interest rate swaptions (over-the-counter):								
Sold	843,836	632,636	(3,190)	(1,548)	1,022,114	728,914	(6,836)	(4,387)
Bought	895,663	744,967	1,491	(1,110)	963,096	850,332	3,354	242
Interest rate options (over-the-counter):								
Sold	17,823	12,323	(150)	166	21,745	17,745	(227)	200
Bought	20,323	9,323	101	(70)	29,131	14,245	165	(46)
Total			¥ 16,392	¥ 15,576			¥ 16,182	¥ 15,735

Thousands of U.S. dollars

	Sept. 30, 2017			
	Contract/Notional principal			
	Total	Maturity over 1 year	Fair value	Unrealized gain (loss)
Futures contracts (listed):				
Sold	\$ 4,918	\$ —	\$ (3)	\$ (3)
Bought	4,935	—	(14)	(14)
Interest rate options (listed):				
Sold	—	—	—	—
Bought	—	—	—	—
Interest rate swaps (over-the-counter):				
Receive fixed and pay floating	42,147,826	34,768,077	1,426,667	1,426,667
Receive floating and pay fixed	38,316,147	31,490,128	(1,280,964)	(1,280,964)
Receive floating and pay floating	15,331,249	12,490,830	15,190	15,190
Interest rate swaptions (over-the-counter):				
Sold	7,483,473	5,610,469	(28,296)	(13,735)
Bought	7,943,092	6,606,661	13,229	(9,848)
Interest rate options (over-the-counter):				
Sold	158,063	109,286	(1,331)	1,474
Bought	180,234	82,681	902	(626)
Total			\$ 145,379	\$ 138,140

Notes:

- (1) Derivatives included in the table above were measured at fair value and the unrealized gains and losses were recognized in income.
- (2) The fair values of listed transactions represent the closing price on the Tokyo Financial Exchange and other exchanges. The fair values of over-the-counter transactions are calculated primarily by using the DCF method or option pricing models.

33. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

CONSOLIDATED

(b) CURRENCY-RELATED TRANSACTIONS

Currency-related transactions as of September 30, 2017 and March 31, 2017 were as follows:

	Millions of yen							
	Sept. 30, 2017				Mar. 31, 2017			
	Contract/Notional principal				Contract/Notional principal			
	Total	Maturity over 1 year	Fair value	Unrealized gain (loss)	Total	Maturity over 1 year	Fair value	Unrealized gain (loss)
Currency swaps (over-the-counter)	¥ 446,895	¥ 318,379	¥ (861)	¥ (861)	¥ 427,099	¥ 349,441	¥ (2,654)	¥ (2,654)
Forward foreign exchange contracts (over-the-counter):								
Sold	1,580,050	28,626	(13,454)	(13,454)	919,175	28,599	(3,899)	(3,899)
Bought	860,716	57,486	23,332	23,332	832,739	56,322	10,976	10,976
Currency options (over-the-counter):								
Sold	871,861	345,008	(16,608)	9,678	796,993	339,162	(12,770)	10,762
Bought	854,013	305,444	11,573	(5,009)	777,127	305,919	8,651	(5,672)
Total			¥ 3,981	¥ 13,685			¥ 303	¥ 9,513

	Thousands of U.S. dollars			
	Sept. 30, 2017			
	Contract/Notional principal			
	Total	Maturity over 1 year	Fair value	Unrealized gain (loss)
Currency swaps (over-the-counter)	\$ 3,963,247	\$ 2,823,513	\$ (7,639)	\$ (7,639)
Forward foreign exchange contracts (over-the-counter):				
Sold	14,012,512	253,868	(119,321)	(119,321)
Bought	7,633,174	509,816	206,921	206,921
Currency options (over-the-counter):				
Sold	7,732,010	3,059,671	(147,288)	85,830
Bought	7,573,729	2,708,799	102,639	(44,425)
Total			\$ 35,312	\$ 121,366

Notes:

- (1) Derivatives included in the table above were measured at fair value and the unrealized gains and losses were recognized in income.
- (2) The fair values are calculated primarily by using the DCF method or option pricing models.

33. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

CONSOLIDATED

(c) EQUITY-RELATED TRANSACTIONS

Equity-related transactions as of September 30, 2017 and March 31, 2017 were as follows:

	Millions of yen							
	Sept. 30, 2017				Mar. 31, 2017			
	Contract/Notional principal				Contract/Notional principal			
	Total	Maturity over 1 year	Fair value	Unrealized gain (loss)	Total	Maturity over 1 year	Fair value	Unrealized gain (loss)
Equity index futures (listed):								
Sold	¥ 21,956	¥ 11,654	¥ (1,301)	¥ (1,301)	¥ 21,982	¥ 7,898	¥ (913)	¥ (913)
Bought	934	—	2	2	1,609	—	(21)	(21)
Equity index options (listed):								
Sold	187,793	66,431	(9,742)	684	173,792	62,516	(10,573)	1,301
Bought	148,854	57,831	12,610	1,063	176,781	52,081	12,245	(590)
Equity options (over-the-counter):								
Sold	13,905	10,836	(6,500)	(4,740)	16,260	10,836	(5,500)	(3,610)
Bought	21,151	14,377	12,530	8,864	21,151	14,377	10,866	7,199
Other (over-the-counter):								
Sold	1,200	1,200	75	75	1,200	1,200	113	113
Bought	2,300	1,300	(97)	(97)	2,670	2,300	(194)	(194)
Total			¥ 7,576	¥ 4,550			¥ 6,023	¥ 3,285

Thousands of U.S. dollars

	Sept. 30, 2017			
	Contract/Notional principal			
	Total	Maturity over 1 year	Fair value	Unrealized gain (loss)
Equity index futures (listed):				
Sold	\$ 194,721	\$ 103,359	\$ (11,542)	\$ (11,542)
Bought	8,285	—	21	21
Equity index options (listed):				
Sold	1,665,429	589,138	(86,404)	6,070
Bought	1,320,096	512,870	111,837	9,434
Equity options (over-the-counter):				
Sold	123,315	96,105	(57,649)	(42,044)
Bought	187,583	127,509	111,123	78,610
Other (over-the-counter):				
Sold	10,642	10,642	673	673
Bought	20,397	11,529	(867)	(867)
Total			\$ 67,193	\$ 40,355

Notes:

- (1) Derivatives included in the table above were measured at fair value and the unrealized gains and losses were recognized in income.
- (2) The fair values of listed transactions represent the closing price on the Osaka Exchange and other exchanges. The fair values of over-the-counter transactions are calculated primarily by using the DCF method or option pricing model.

33. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)**CONSOLIDATED****(d) BOND-RELATED TRANSACTIONS**

Bond-related transactions as of September 30, 2017 and March 31, 2017 were as follows:

	Millions of yen							
	Sept. 30, 2017				Mar. 31, 2017			
	Contract/Notional principal				Contract/Notional principal			
	Total	Maturity over 1 year	Fair value	Unrealized gain (loss)	Total	Maturity over 1 year	Fair value	Unrealized gain (loss)
Bond futures (listed):								
Sold	¥ 28,739	¥ —	¥ 73	¥ 73	¥ 19,012	¥ —	¥ (22)	¥ (22)
Bought	23,923	—	(144)	(144)	17,289	—	34	34
Bond options (listed):								
Sold	—	—	—	—	—	—	—	—
Bought	—	—	—	—	—	—	—	—
Total			¥ (71)	¥ (71)			¥ 12	¥ 12
	Thousands of U.S. dollars							
	Sept. 30, 2017							
	Contract/Notional principal							
	Total	Maturity over 1 year	Fair value	Unrealized gain (loss)				
Bond futures (listed):								
Sold	\$ 254,872	\$ —	\$ 648	\$ 648				
Bought	212,166	—	(1,279)	(1,279)				
Bond options (listed):								
Sold	—	—	—	—				
Bought	—	—	—	—				
Total			\$ (631)	\$ (631)				

Notes:

- (1) Derivatives included in the table above were measured at fair value and the unrealized gains and losses were recognized in income.
- (2) The fair values of listed transactions represent the closing price on the Osaka Exchange and other exchanges.

(e) CREDIT DERIVATIVES TRANSACTIONS

Credit derivatives transactions as of September 30, 2017 and March 31, 2017 were as follows:

	Millions of yen							
	Sept. 30, 2017				Mar. 31, 2017			
	Contract/Notional principal				Contract/Notional principal			
	Total	Maturity over 1 year	Fair value	Unrealized gain (loss)	Total	Maturity over 1 year	Fair value	Unrealized gain (loss)
Credit default option (over-the-counter):								
Sold	¥ 94,300	¥ 56,750	¥ 1,097	¥ 1,097	¥ 127,466	¥ 68,050	¥ 1,049	¥ 1,049
Bought	91,750	54,500	(876)	(876)	129,386	67,750	(882)	(882)
Total			¥ 221	¥ 221			¥ 166	¥ 166
	Thousands of U.S. dollars							
	Sept. 30, 2017							
	Contract/Notional principal							
	Total	Maturity over 1 year	Fair value	Unrealized gain (loss)				
Credit default option (over-the-counter):								
Sold	\$ 836,289	\$ 503,281	\$ 9,734	\$ 9,734				
Bought	813,675	483,327	(7,774)	(7,774)				
Total			\$ 1,960	\$ 1,960				

Notes:

- (1) Derivatives included in the table above were measured at fair value and the unrealized gains and losses were recognized in income.
- (2) The fair values are calculated primarily by using the DCF method.
- (3) "Sold" stands for accepting credit risk and "Bought" stands for transferring credit risk.

33. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

CONSOLIDATED

(B) DERIVATIVE TRANSACTIONS TO WHICH HEDGE ACCOUNTING WAS APPLIED**(a) INTEREST RATE-RELATED TRANSACTIONS**

Interest rate-related transactions which are accounted for using the deferral method as of September 30, 2017 and March 31, 2017 were as follows:

	Millions of yen					
	Sept. 30, 2017			Mar. 31, 2017		
	Contract/Notional principal			Contract/Notional principal		
	Total	Maturity over 1 year	Fair value	Total	Maturity over 1 year	Fair value
Interest rate swaps:						
Receive fixed and pay floating	¥ 492,400	¥ 325,000	¥ 2,989	¥ 492,400	¥ 406,000	¥ 3,714
Receive floating and pay fixed	244,189	234,316	(14,685)	243,943	233,370	(15,426)
Total			¥ (11,695)			¥ (11,711)
	Thousands of U.S. dollars					
	Sept. 30, 2017					
	Contract/Notional principal					
	Total	Maturity over 1 year	Fair value			
Interest rate swaps:						
Receive fixed and pay floating	\$ 4,366,797	\$ 2,882,228	\$ 26,513			
Receive floating and pay fixed	2,165,573	2,078,015	(130,236)			
Total			\$ (103,722)			

Notes:

- (1) Most of the hedged items are interest-bearing assets and liabilities such as loans and bills discounted, available-for-sale securities (bonds) and deposits, including negotiable certificate of deposit.
- (2) Interest rate swaps are primarily accounted for using deferral method in accordance with Industry Audit Committee Report No.24 of the JICPA.
- (3) The fair values are calculated primarily by using the DCF method.

33. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)**CONSOLIDATED**

Interest rate swaps which meet specific matching criteria as of September 30, 2017 and March 31, 2017 were as follows:

	Millions of yen					
	Sept. 30, 2017			Mar. 31, 2017		
	Contract/Notional principal			Contract/Notional principal		
	Total	Maturity over 1 year	Fair value	Total	Maturity over 1 year	Fair value
Interest rate swaps:						
Receive floating and pay fixed	¥ 22,002	¥ 9,652	¥ —	¥ 23,874	¥ 10,528	¥ —
	Thousands of U.S. dollars					
	Sept. 30, 2017					
	Contract/Notional principal					
	Total	Maturity over 1 year	Fair value			
Interest rate swaps:						
Receive floating and pay fixed	\$ 195,123	\$ 85,605	\$ —			

Notes:

- (1) The hedged items are loans and bills discounted and borrowed money.
- (2) Interest rate swaps which meet specific matching criteria are accounted for as component of hedged loans and bills discounted and borrowed money. Therefore, the fair value of those interest rate swaps is included in the fair value of loans and bills discounted and borrowed money in fair value information shown in Note 32 "FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES."

(b) CURRENCY-RELATED TRANSACTIONS

Currency-related transactions which are accounted for using the deferral method as of September 30, 2017 and March 31, 2017 were as follows:

	Millions of yen					
	Sept. 30, 2017			Mar. 31, 2017		
	Contract/Notional principal			Contract/Notional principal		
	Total	Maturity over 1 year	Fair value	Total	Maturity over 1 year	Fair value
Currency swaps	¥ 292,115	¥ 228,812	¥ 3,977	¥ 292,449	¥ 240,752	¥ 16,470
	Thousands of U.S. dollars					
	Sept. 30, 2017					
	Contract/Notional principal					
	Total	Maturity over 1 year	Fair value			
Currency swaps	\$ 2,590,591	\$ 2,029,198	\$ 35,275			

Notes:

- (1) Most of the hedged items are foreign currency denominated loans and bills discounted, securities, deposits, and foreign exchanges.
- (2) Currency swap transactions are primarily accounted for using deferral method in accordance with Industry Audit Committee Report No.25 of the JICPA.
- (3) The fair values are calculated primarily by using the DCF method.

34. SUBSEQUENT EVENTS

CONSOLIDATED

(A) MERGERS BETWEEN CONSOLIDATED SUBSIDIARIES

As a result of reviewing the business operation structure, on October 1, 2017, two consolidated subsidiaries in the servicer area have merged, at the same time, three consolidated subsidiaries in the real estate secured loan business area have also merged in order to optimize the Group's existing business functions.

Prior to the following mergers, the Bank purchased the entire shares of Alfa Servicer Co., Ltd. from APLUS, and the Bank received the entire shares of Shinsei Servicing & Consulting Limited as a dividend in kind from Shinsei Principal Investments Limited, both transactions were effective on July 1, 2017. As a result, Alfa Servicer Co., Ltd. and Shinsei Servicing & Consulting Limited became directly wholly-owned subsidiaries of the Bank.

a. TRANSACTION OUTLINE OF REALIGNMENT IN THE SERVICER BUSINESS**(i) Names and business descriptions of the companies**

· Surviving company

Name: Alfa Servicer Co., Ltd.

Business: Claim management and collection business

· Absorbed company

Name: Shinsei Servicing & Consulting Limited

Business: Claim management and collection business

(ii) Date of business combination

October 1, 2017

(iii) Legal form of the business combination

Absorption-type merger

(iv) Name of the company after business combination

Alfa Servicer Co., Ltd.

b. TRANSACTION OUTLINE OF REALIGNMENT IN THE REAL ESTATE SECURED LOAN BUSINESS**(i) Names and business descriptions of the companies**

· Surviving company

Name: Shinsei Principal Investments Limited

Business: Financial instruments business

· Absorbed companies

Name: Shinsei Investment & Finance Limited

Business: Finance business

Name: Shinsei Property Finance Co., Ltd.

Business: Real estate secured loan business

(ii) Date of business combination

October 1, 2017

(iii) Legal form of the business combination

Absorption-type merger

(iv) Name of the company after business combination

Shinsei Investment & Finance Limited

Note: On October 1 2017, Shinsei Principal Investments Limited, the surviving company, changed its name to Shinsei Investment & Finance Limited.

c. OVERVIEW OF THE ACCOUNTING TREATMENT

Based on "Accounting Standard for Business Combinations (ASBJ Statement No. 21 of September 13, 2013)" and "Guidance on Accounting Standards for Business Combinations and Business Divestitures (ASBJ Guidance No. 10 of September 13, 2013)," the Bank treated a series of transactions as a transaction under common control.

INTERIM NONCONSOLIDATED BALANCE SHEET (UNAUDITED)

Shinsei Bank, Limited
As of September 30, 2017

	Millions of yen		Thousands of U.S. dollars (Note)
	Sept. 30, 2017	Mar. 31, 2017	Sept. 30, 2017
ASSETS			
Cash and due from banks	¥ 1,408,288	¥ 1,313,376	\$ 12,489,255
Call loans	—	4,472	—
Other monetary claims purchased	128,496	133,245	1,139,559
Trading assets	218,449	227,608	1,937,292
Monetary assets held in trust	114,296	118,872	1,013,627
Securities	1,486,426	1,369,326	13,182,216
Loans and bills discounted	4,557,090	4,536,434	40,414,070
Foreign exchanges	31,773	19,617	281,782
Other assets	199,593	270,648	1,770,073
Premises and equipment	15,945	16,550	141,414
Intangible assets	20,408	17,414	180,994
Prepaid pension cost	5,045	3,887	44,746
Deferred issuance expenses for debentures	0	0	2
Deferred tax assets	660	1,134	5,860
Customers' liabilities for acceptances and guarantees	25,747	48,526	228,343
Reserve for credit losses	(26,130)	(29,335)	(231,739)
Total assets	¥ 8,186,093	¥ 8,051,781	\$ 72,597,493
LIABILITIES AND EQUITY			
Liabilities:			
Deposits, including negotiable certificates of deposit	¥ 6,133,060	¥ 5,992,609	\$ 54,390,394
Debentures	3,738	6,561	33,157
Call money	80,900	53,600	717,453
Payables under repurchase agreements	35,394	36,467	313,894
Payables under securities lending transactions	388,392	337,952	3,444,413
Trading liabilities	197,505	210,031	1,751,553
Borrowed money	286,961	336,519	2,544,890
Foreign exchanges	67	102	602
Corporate bonds	51,600	57,600	457,609
Other liabilities	153,649	155,454	1,362,627
Accrued employees' bonuses	2,462	4,674	21,836
Reserve for reimbursement of debentures	3,625	3,737	32,156
Acceptances and guarantees	25,747	48,526	228,343
Total liabilities	7,363,106	7,243,837	65,298,926
Equity:			
Common stock	512,204	512,204	4,542,431
Capital surplus	79,465	79,465	704,735
Stock acquisition rights	270	534	2,396
Retained earnings:			
Legal reserve	14,738	14,220	130,703
Unappropriated retained earnings	307,352	287,508	2,725,724
Unrealized gain (loss) on available-for-sale securities	6,071	9,444	53,845
Deferred gain (loss) on derivatives under hedge accounting	(17,576)	(15,894)	(155,878)
Treasury stock, at cost	(79,539)	(79,539)	(705,390)
Total equity	822,986	807,944	7,298,567
Total liabilities and equity	¥ 8,186,093	¥ 8,051,781	\$ 72,597,493

Note: U.S. dollar amounts, presented solely for the readers' convenience, are translated at ¥112.76=U.S.\$1.00, the rate of exchange prevailing on the Tokyo foreign exchange market on September 30, 2017.

INTERIM NONCONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

Shinsei Bank, Limited
For the six months ended September 30, 2017

	Millions of yen		Thousands of U.S. dollars (Note)
	Sept. 30, 2017 (6 months)	Sept. 30, 2016 (6 months)	Sept. 30, 2017 (6 months)
Interest income:			
Interest on loans and bills discounted	¥ 46,088	¥ 41,700	\$ 408,730
Interest and dividends on securities	12,361	11,068	109,626
Interest on deposits with banks	521	514	4,629
Other interest income	509	629	4,523
Total interest income	59,481	53,912	527,508
Interest expenses:			
Interest on deposits, including negotiable certificates of deposit	4,326	3,723	38,367
Interest and discounts on debentures	2	6	22
Interest on other borrowings	258	402	2,292
Interest on corporate bonds	437	597	3,879
Other interest expenses	3,017	1,563	26,759
Total interest expenses	8,041	6,294	71,319
Net interest income	51,439	47,618	456,189
Fees and commissions income	7,961	9,795	70,609
Fees and commissions expenses	14,486	12,889	128,473
Net fees and commissions	(6,524)	(3,093)	(57,864)
Net trading income	1,650	3,727	14,634
Other business income (loss), net:			
Net gain (loss) on monetary assets held in trust	1,157	644	10,268
Net gain (loss) on foreign exchanges	4,472	2,609	39,662
Net gain (loss) on securities	5,162	8,819	45,781
Net gain (loss) on other monetary claims purchased	88	14	782
Other, net	326	(518)	2,894
Net other business income (loss)	11,206	11,569	99,387
Total revenue	57,772	59,822	512,347
General and administrative expenses:			
Personnel expenses	14,236	13,761	126,255
Premises expenses	6,474	7,621	57,420
Technology and data processing expenses	5,542	4,441	49,151
Advertising expenses	3,821	3,717	33,888
Consumption and property taxes	2,658	2,858	23,574
Deposit insurance premium	887	1,026	7,875
Other general and administrative expenses	6,613	6,800	58,648
Total general and administrative expenses	40,233	40,226	356,811
Net business profit	17,538	19,595	155,536
Net credit costs (recoveries)	824	308	7,316
Other gains (losses), net	7,577	4,838	67,203
Income (loss) before income taxes	24,291	24,125	215,423
Income taxes (benefit):			
Current	(639)	7	(5,671)
Deferred	1,980	1	17,565
Net income (loss)	¥ 22,949	¥ 24,115	\$ 203,528

Note: U.S. dollar amounts, presented solely for the readers' convenience, are translated at ¥112.76=U.S.\$1.00, the rate of exchange prevailing on the Tokyo foreign exchange market on September 30, 2017.

INTERIM NONCONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

Shinsei Bank, Limited

For the six months ended September 30, 2017

	Millions of yen								
	Retained earnings								
	Common stock	Capital surplus	Stock acquisition rights	Legal reserve	Unappropriated retained earnings	Unrealized gain (loss) on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Treasury stock, at cost	Total equity
BALANCE, April 1, 2017	¥ 512,204	¥ 79,465	¥ 534	¥ 14,220	¥ 287,508	¥ 9,444	¥ (15,894)	¥ (79,539)	¥ 807,944
Dividends				517	(3,106)				(2,588)
Net income (loss)					22,949				22,949
Purchase of treasury stock								(0)	(0)
Net change during the period			(264)			(3,373)	(1,681)		(5,319)
BALANCE, September 30, 2017	¥ 512,204	¥ 79,465	¥ 270	¥ 14,738	¥ 307,352	¥ 6,071	¥ (17,576)	¥ (79,539)	¥ 822,986

	Millions of yen								
	Retained earnings								
	Common stock	Capital surplus	Stock acquisition rights	Legal reserve	Unappropriated retained earnings	Unrealized gain (loss) on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Treasury stock, at cost	Total equity
BALANCE, April 1, 2016	¥ 512,204	¥ 79,465	¥ 512	¥ 13,689	¥ 250,526	¥ 10,777	¥ (18,166)	¥ (72,559)	¥ 776,450
Dividends				530	(3,184)				(2,653)
Net income (loss)					24,115				24,115
Purchase of treasury stock								(9,999)	(9,999)
Net change during the period			21			(2,726)	4,089		1,384
BALANCE, September 30, 2016	¥ 512,204	¥ 79,465	¥ 534	¥ 14,220	¥ 271,457	¥ 8,050	¥ (14,077)	¥ (82,558)	¥ 789,297

	Thousands of U.S. dollars (Note)								
	Retained earnings								
	Common stock	Capital surplus	Stock acquisition rights	Legal reserve	Unappropriated retained earnings	Unrealized gain (loss) on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Treasury stock, at cost	Total equity
BALANCE, April 1, 2017	\$ 4,542,431	\$ 704,735	\$ 4,739	\$ 126,112	\$ 2,549,742	\$ 83,759	\$ (140,962)	\$ (705,388)	\$ 7,165,168
Dividends				4,591	(27,546)				(22,955)
Net income (loss)					203,528				203,528
Purchase of treasury stock								(2)	(2)
Net change during the period			(2,343)			(29,914)	(14,916)		(47,172)
BALANCE, September 30, 2017	\$ 4,542,431	\$ 704,735	\$ 2,396	\$ 130,703	\$ 2,725,724	\$ 53,845	\$ (155,878)	\$ (705,390)	\$ 7,298,567

Note: U.S. dollar amounts, presented solely for the readers' convenience, are translated at ¥112.76=U.S.\$1.00, the rate of exchange prevailing on the Tokyo foreign exchange market on September 30, 2017.

CAPITAL ADEQUACY REQUIREMENT (BASEL ACCORD) PILLAR III (MARKET DISCIPLINE) DISCLOSURE

This chapter describes information that needs to be disclosed in disclosure documents related to the reported business year pursuant to the Financial Services Agency Notice No. 7 of 2014 (Basel Accord - Pillar III: Market Discipline) as the "matters concerning the status of capital adequacy separately prescribed by the Commissioner of the Financial Services Agency" as provided in Article 19-2 (1) (v) (d) of the Ordinance for Enforcement of the Banking Act (Ministry of Finance Ordinance No. 10 of 1982).

"Accord" in this chapter refers to the Financial Services Agency Notice No. 19 of 2006 (Basel Accord - Pillar I: Minimum Capital Ratio).

With regard to the internal controls related to the calculation of the capital adequacy ratio as of March 31, 2017, we received an independent audit by Deloitte Touche Tohmatsu LLC in accordance with "Treatment of Inspection of the Capital Ratio Calculation Framework Based on Agreed-Upon Procedures" (JICPA Industry Committee Report No. 30). The certain procedures performed by the external auditor are not a part of the audit of the financial statements. The certain procedures are agreed with us and the external auditor and are not a validation of appropriateness of the capital ratio itself or opinion on the internal controls related to the capital ratio.

COMPOSITION OF CAPITAL DISCLOSURE (CONSOLIDATED)

Shinsei Bank and subsidiaries

Millions of yen (except percentages)

As of September 30, 2017
Items

	Basel III (Domestic Standard)	Amounts excluded under transitional arrangements
Core capital: instruments and reserves (1)		
Directly issued qualifying common share capital or preferred share capital		
with a compulsory conversion clause plus related capital surplus and retained earnings	¥ 846,224	
of which: capital and capital surplus	590,710	
of which: retained earnings	335,053	
of which: treasury stock (-)	79,539	
of which: earning to be distributed (-)	—	
of which: other than above	—	
Accumulated other comprehensive income (amount allowed to be included in Core capital)	(65)	¥ (384)
of which: foreign currency translation adjustment	510	
of which: amount related defined benefit	(576)	(384)
Stock acquisition right to common shares and preferred shares with a compulsory conversion clause	330	
Adjusted noncontrolling interests (amount allowed to be included in Core capital)	7	
Total of reserves included in Core capital: instruments and reserves	410	
of which: general reserve for loan losses included in Core capital	410	
of which: eligible provision included in Core capital	—	
Eligible noncumulative perpetual preferred shares subject to transitional arrangements (amount allowed to be included in Core capital: instruments and reserves)	—	
Eligible capital instruments subject to transitional arrangements (amount allowed to be included in Core capital: instruments and reserves)	43,400	
Capital instruments issued through measures for capital enhancement by public institutions (amount allowed to be included in Core capital: instruments and reserves)	—	
Land revaluation excess after 55% discount (amount allowed to be included in Core capital: instruments and reserves)	—	
Noncontrolling interests subject to transitional arrangements (amount allowed to be included in Core capital: instruments and reserves)	1,193	
Core capital: instruments and reserves (A)	¥ 891,501	
Core capital: regulatory adjustments (2)		
Total amount of intangible assets (excluding those relating to mortgage servicing rights)	¥ 31,238	¥ 11,248
of which: goodwill (including those equivalent)	13,130	—
of which: other intangibles other than goodwill and mortgage servicing rights	18,108	11,248
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	5,228	3,485
Shortfall of eligible provisions to expected losses	23,005	—
Gain on sale of securitization	5,370	—
Gains and losses due to changes in own credit risk on fair valued liabilities	—	—
Net defined benefit asset	3,543	2,362
Investments in own shares (excluding those reported in the net assets section)	0	0
Reciprocal cross-holdings in common equity	—	—
Investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation ("Other Financial Institutions"), net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above the 10% threshold)	—	—
Amount exceeding the 10% threshold on specific items	—	—
of which: significant investments in the common stock of Other Financial Institutions, net of eligible short positions	—	—
of which: mortgage servicing rights	—	—
of which: deferred tax assets arising from temporary differences (net of related tax liability)	—	—
Amount exceeding the 15% threshold on specific items	—	—
of which: significant investments in the common stock of Other Financial Institutions, net of eligible short positions	—	—
of which: mortgage servicing rights	—	—
of which: deferred tax assets arising from temporary differences (net of related tax liability)	—	—
Core capital: regulatory adjustments (B)	¥ 68,386	
Capital (consolidated)		
Capital (consolidated)((A)-(B))(C)	¥ 823,114	
Risk-weighted assets, etc.		
Total amount of credit risk-weighted assets	¥ 5,791,606	
of which: total amount included in risk-weighted assets by transitional arrangements	14,068	
of which: intangible assets (excluding those relating to goodwill and mortgage servicing rights)	11,248	
of which: deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	3,485	
of which: net defined benefit asset	2,362	
of which: significant investments in the common stock of Other Financial Institutions (net of eligible short positions)	(3,029)	
of which: other than above	1	
Market risk (derived by multiplying the capital requirement by 12.5)	137,066	
Operational risk (derived by multiplying the capital requirement by 12.5)	374,355	
Credit risk-weighted assets adjustments	—	
Operational risk adjustments	—	
Total amount of Risk-weighted assets (D)	¥ 6,303,029	
Capital ratio (consolidated)		
Capital ratio (consolidated)((C)/(D))		13.05%

COMPOSITION OF CAPITAL DISCLOSURE (CONSOLIDATED) (continued)

Shinsei Bank and subsidiaries As of March 31, 2017 Items	Millions of yen (except percentages)	
	Basel III (Domestic Standard)	Amounts excluded under transitional arrangements
Core capital: instruments and reserves (1)		
Directly issued qualifying common share capital or preferred share capital with a compulsory conversion clause plus related capital surplus and retained earnings	¥ 821,122	
of which: capital and capital surplus	590,711	
of which: retained earnings	312,538	
of which: treasury stock (-)	79,539	
of which: earning to be distributed (-)	2,588	
of which: other than above	—	
Accumulated other comprehensive income (amount allowed to be included in Core capital)	(607)	¥ (537)
of which: foreign currency translation adjustment	199	
of which: amount related defined benefit	(806)	(537)
Stock acquisition right to common shares and preferred shares with a compulsory conversion clause	584	
Adjusted noncontrolling interests (amount allowed to be included in Core capital)	8	
Total of reserves included in Core capital: instruments and reserves	216	
of which: general reserve for loan losses included in Core capital	216	
of which: eligible provision included in Core capital	—	
Eligible noncumulative perpetual preferred shares subject to transitional arrangements (amount allowed to be included in Core capital: instruments and reserves)	—	
Eligible capital instruments subject to transitional arrangements (amount allowed to be included in Core capital: instruments and reserves)	43,800	
Capital instruments issued through measures for capital enhancement by public institutions (amount allowed to be included in Core capital: instruments and reserves)	—	
Land revaluation excess after 55% discount (amount allowed to be included in Core capital: instruments and reserves)	—	
Noncontrolling interests subject to transitional arrangements (amount allowed to be included in Core capital: instruments and reserves)	1,192	
Core capital: instruments and reserves (A)	¥ 866,317	
Core capital: regulatory adjustments (2)		
Total amount of intangible assets (excluding those relating to mortgage servicing rights)	¥ 30,865	¥ 9,633
of which: goodwill (including those equivalent)	14,683	—
of which: other intangibles other than goodwill and mortgage servicing rights	16,181	9,633
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	4,823	3,215
Shortfall of eligible provisions to expected losses	9,891	—
Gain on sale of securitization	5,442	—
Gains and losses due to changes in own credit risk on fair valued liabilities	—	—
Net defined benefit asset	2,935	1,956
Investments in own shares (excluding those reported in the net assets section)	—	—
Reciprocal cross-holdings in common equity	—	—
Investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation ("Other Financial Institutions"), net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above the 10% threshold)	—	—
Amount exceeding the 10% threshold on specific items	—	—
of which: significant investments in the common stock of Other Financial Institutions, net of eligible short positions	—	—
of which: mortgage servicing rights	—	—
of which: deferred tax assets arising from temporary differences (net of related tax liability)	—	—
Amount exceeding the 15% threshold on specific items	—	—
of which: significant investments in the common stock of Other Financial Institutions, net of eligible short positions	—	—
of which: mortgage servicing rights	—	—
of which: deferred tax assets arising from temporary differences (net of related tax liability)	—	—
Core capital: regulatory adjustments (B)	¥ 53,957	
Capital (consolidated)		
Capital (consolidated)((A)-(B))(C)	¥ 812,359	
Risk-weighted assets, etc.		
Total amount of credit risk-weighted assets	¥ 5,686,247	
of which: total amount included in risk-weighted assets by transitional arrangements	12,229	
of which: intangible assets (excluding those relating to goodwill and mortgage servicing rights)	9,633	
of which: deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	3,215	
of which: net defined benefit asset	1,956	
of which: significant investments in the common stock of Other Financial Institutions (net of eligible short positions)	(2,575)	
of which: other than above	—	
Market risk (derived by multiplying the capital requirement by 12.5)	158,920	
Operational risk (derived by multiplying the capital requirement by 12.5)	374,813	
Credit risk-weighted assets adjustments	—	
Operational risk adjustments	—	
Total amount of Risk-weighted assets (D)	¥ 6,219,981	
Capital ratio (consolidated)		
Capital ratio (consolidated)((C)/(D))		13.06%

COMPOSITION OF CAPITAL DISCLOSURE (CONSOLIDATED) (continued)

Shinsei Bank and subsidiaries As of September 30, 2016 Items	Millions of yen (except percentages)	
	Basel III (Domestic Standard)	Amounts excluded under transitional arrangements
Core capital: instruments and reserves (1)		
Directly issued qualifying common share capital or preferred share capital		
with a compulsory conversion clause plus related capital surplus and retained earnings	¥ 798,406	
of which: capital and capital surplus	590,990	
of which: retained earnings	289,974	
of which: treasury stock (-)	82,558	
of which: earning to be distributed (-)	—	
of which: other than above	—	
Accumulated other comprehensive income (amount allowed to be included in Core capital)	(4,129)	¥ (1,726)
of which: foreign currency translation adjustment	(2,978)	
of which: amount related defined benefit	(1,150)	(1,726)
Stock acquisition right to common shares and preferred shares with a compulsory conversion clause	565	
Adjusted noncontrolling interests (amount allowed to be included in Core capital)	9	
Total of reserves included in Core capital: instruments and reserves	1,222	
of which: general reserve for loan losses included in Core capital	1,222	
of which: eligible provision included in Core capital	—	
Eligible noncumulative perpetual preferred shares subject to transitional arrangements (amount allowed to be included in Core capital: instruments and reserves)	—	
Eligible capital instruments subject to transitional arrangements (amount allowed to be included in Core capital: instruments and reserves)	43,791	
Capital instruments issued through measures for capital enhancement by public institutions (amount allowed to be included in Core capital: instruments and reserves)	—	
Land revaluation excess after 55% discount (amount allowed to be included in Core capital: instruments and reserves)	—	
Noncontrolling interests subject to transitional arrangements (amount allowed to be included in Core capital: instruments and reserves)	2,559	
Core capital: instruments and reserves (A)	¥ 842,424	
Core capital: regulatory adjustments (2)		
Total amount of intangible assets (excluding those relating to mortgage servicing rights)	¥ 26,297	¥ 11,740
of which: goodwill (including those equivalent)	16,233	—
of which: other intangibles other than goodwill and mortgage servicing rights	10,064	11,740
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	2,816	4,225
Shortfall of eligible provisions to expected losses	4,783	—
Gain on sale of securitization	7,725	—
Gains and losses due to changes in own credit risk on fair valued liabilities	—	—
Net defined benefit asset	1,055	1,583
Investments in own shares (excluding those reported in the net assets section)	6	9
Reciprocal cross-holdings in common equity	—	—
Investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation ("Other Financial Institutions"), net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above the 10% threshold)	—	—
Amount exceeding the 10% threshold on specific items	—	—
of which: significant investments in the common stock of Other Financial Institutions, net of eligible short positions	—	—
of which: mortgage servicing rights	—	—
of which: deferred tax assets arising from temporary differences (net of related tax liability)	—	—
Amount exceeding the 15% threshold on specific items	—	—
of which: significant investments in the common stock of Other Financial Institutions, net of eligible short positions	—	—
of which: mortgage servicing rights	—	—
of which: deferred tax assets arising from temporary differences (net of related tax liability)	—	—
Core capital: regulatory adjustments (B)	¥ 42,685	
Capital (consolidated)		
Capital (consolidated)((A)-(B))(C)	¥ 799,738	
Risk-weighted assets, etc.		
Total amount of credit risk-weighted assets	¥ 5,111,624	
of which: total amount included in risk-weighted assets by transitional arrangements	10,839	
of which: intangible assets (excluding those relating to goodwill and mortgage servicing rights)	11,740	
of which: deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	4,225	
of which: net defined benefit asset	1,583	
of which: significant investments in the common stock of Other Financial Institutions (net of eligible short positions)	(6,730)	
of which: other than above	20	
Market risk (derived by multiplying the capital requirement by 12.5)	192,637	
Operational risk (derived by multiplying the capital requirement by 12.5)	368,477	
Credit risk-weighted assets adjustments	—	
Operational risk adjustments	—	
Total amount of Risk-weighted assets (D)	¥ 5,672,738	
Capital ratio (consolidated)		
Capital ratio (consolidated)((C)/(D))	14.09%	

COMPOSITION OF CAPITAL DISCLOSURE (NONCONSOLIDATED)

Shinsei Bank

Millions of yen (except percentages)

As of September 30, 2017

Items

	Basel III (Domestic Standard)	Amounts excluded under transitional arrangements
Core capital: instruments and reserves (1)		
Directly issued qualifying common share capital or preferred share capital		
with a compulsory conversion clause plus related capital surplus and retained earnings	¥ 834,221	
of which: capital and capital surplus	591,670	
of which: retained earnings	322,090	
of which: treasury stock (-)	79,539	
of which: earning to be distributed (-)	—	
of which: other than above	—	
Stock acquisition right to common shares and preferred shares with a compulsory conversion clause	270	
Total of reserves included in Core capital: instruments and reserves	18	
of which: general reserve for loan losses included in Core capital	18	
of which: eligible provision included in Core capital	—	
Eligible noncumulative perpetual preferred shares subject to transitional arrangements (amount allowed to be included in Core capital: instruments and reserves)	—	
Eligible capital instruments subject to transitional arrangements (amount allowed to be included in Core capital: instruments and reserves)	43,400	
Capital instruments issued through measures for capital enhancement by public institutions (amount allowed to be included in Core capital: instruments and reserves)	—	
Land revaluation excess after 55% discount (amount allowed to be included in Core capital: instruments and reserves)	—	
	¥ 877,909	
Core capital: instruments and reserves (A)		
Core capital: regulatory adjustments (2)		
Total amount of intangible assets (excluding those relating to mortgage servicing rights)	¥ 9,101	¥ 5,302
of which: goodwill (including those equivalent)	952	—
of which: other intangibles other than goodwill and mortgage servicing rights	8,149	5,302
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	1,797	1,198
Shortfall of eligible provisions to expected losses	15,410	—
Gain on sale of securitization	5,370	—
Gains and losses due to changes in own credit risk on fair valued liabilities	—	—
Prepaid pension cost	2,093	1,395
Investments in own shares (excluding those reported in the net assets section)	0	0
Reciprocal cross-holdings in common equity	—	—
Investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation ("Other Financial Institutions"), net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above the 10% threshold)	—	—
Amount exceeding the 10% threshold on specific items	—	—
of which: significant investments in the common stock of Other Financial Institutions, net of eligible short positions	—	—
of which: mortgage servicing rights	—	—
of which: deferred tax assets arising from temporary differences (net of related tax liability)	—	—
Amount exceeding the 15% threshold on specific items	—	—
of which: significant investments in the common stock of Other Financial Institutions, net of eligible short positions	—	—
of which: mortgage servicing rights	—	—
of which: deferred tax assets arising from temporary differences (net of related tax liability)	—	—
	¥ 33,774	
Core capital: regulatory adjustments (B)		
Capital (nonconsolidated)		
Capital (nonconsolidated)((A)-(B))(C)	¥ 844,135	
Risk-weighted assets, etc.		
Total amount of credit risk-weighted assets	¥ 5,277,264	
of which: total amount included in risk-weighted assets by transitional arrangements	4,868	
of which: intangible assets (excluding those relating to goodwill and mortgage servicing rights)	5,302	
of which: deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	1,198	
of which: prepaid pension cost	1,395	
of which: significant investments in the common stock of Other Financial Institutions (net of eligible short positions)	(3,029)	
of which: other than above	1	
Market risk (derived by multiplying the capital requirement by 12.5)	132,120	
Operational risk (derived by multiplying the capital requirement by 12.5)	190,788	
Credit risk-weighted assets adjustments	—	
Operational risk adjustments	—	
Total amount of Risk-weighted assets (D)	¥ 5,600,173	
Capital ratio (nonconsolidated)		
Capital ratio (nonconsolidated)((C)/(D))	15.07%	

COMPOSITION OF CAPITAL DISCLOSURE (NONCONSOLIDATED) (continued)

Shinsei Bank As of March 31, 2017 Items	Millions of yen (except percentages)	
	Basel III (Domestic Standard)	Amounts excluded under transitional arrangements
Core capital: instruments and reserves (1)		
Directly issued qualifying common share capital		
with a compulsory conversion clause plus related capital surplus and retained earnings	¥ 811,271	
of which: capital and capital surplus	591,670	
of which: retained earnings	301,729	
of which: treasury stock (-)	79,539	
of which: earning to be distributed (-)	2,588	
of which: other than above	—	
Stock acquisition right to common shares and preferred shares with a compulsory conversion clause	534	
Total of reserves included in Core capital: instruments and reserves	9	
of which: general reserve for loan losses included in Core capital	9	
of which: eligible provision included in Core capital	—	
Eligible noncumulative perpetual preferred shares subject to transitional arrangements (amount allowed to be included in Core capital: instruments and reserves)	—	
Eligible capital instruments subject to transitional arrangements (amount allowed to be included in Core capital: instruments and reserves)	43,800	
Capital instruments issued through measures for capital enhancement by public institutions (amount allowed to be included in Core capital: instruments and reserves)	—	
Land revaluation excess after 55% discount (amount allowed to be included in Core capital: instruments and reserves)	—	
Core capital: instruments and reserves (A)	¥ 855,615	
Core capital: regulatory adjustments (2)		
Total amount of intangible assets (excluding those relating to mortgage servicing rights)	¥ 7,947	¥ 4,412
of which: goodwill (including those equivalent)	1,035	—
of which: other intangibles other than goodwill and mortgage servicing rights	6,912	4,412
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	2,081	1,387
Shortfall of eligible provisions to expected losses	10,106	—
Gain on sale of securitization	5,442	—
Gains and losses due to changes in own credit risk on fair valued liabilities	—	—
Prepaid pension cost	1,612	1,075
Investments in own shares (excluding those reported in the net assets section)	—	—
Reciprocal cross-holdings in common equity	—	—
Investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation ("Other Financial Institutions"), net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above the 10% threshold)	—	—
Amount exceeding the 10% threshold on specific items	—	—
of which: significant investments in the common stock of Other Financial Institutions, net of eligible short positions	—	—
of which: mortgage servicing rights	—	—
of which: deferred tax assets arising from temporary differences (net of related tax liability)	—	—
Amount exceeding the 15% threshold on specific items	—	—
of which: significant investments in the common stock of Other Financial Institutions, net of eligible short positions	—	—
of which: mortgage servicing rights	—	—
of which: deferred tax assets arising from temporary differences (net of related tax liability)	—	—
Core capital: regulatory adjustments (B)	¥ 27,190	
Capital (nonconsolidated)		
Capital (nonconsolidated)((A)-(B))(C)	¥ 828,424	
Risk-weighted assets, etc.		
Total amount of credit risk-weighted assets	¥ 5,293,647	
of which: total amount included in risk-weighted assets by transitional arrangements	4,299	
of which: intangible assets (excluding those relating to goodwill and mortgage servicing rights)	4,412	
of which: deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	1,387	
of which: prepaid pension cost	1,075	
of which: significant investments in the common stock of Other Financial Institutions (net of eligible short positions)	(2,575)	
of which: other than above	—	
Market risk (derived by multiplying the capital requirement by 12.5)	144,020	
Operational risk (derived by multiplying the capital requirement by 12.5)	192,375	
Credit risk-weighted assets adjustments	—	
Operational risk adjustments	—	
Total amount of Risk-weighted assets (D)	¥ 5,630,043	
Capital ratio (nonconsolidated)		
Capital ratio (nonconsolidated)((C)/(D))	14.71%	

COMPOSITION OF CAPITAL DISCLOSURE (NONCONSOLIDATED) (continued)

Shinsei Bank As of September 30, 2016 Items	Millions of yen (except percentages)	
	Basel III (Domestic Standard)	Amounts excluded under transitional arrangements
Core capital: instruments and reserves (1)		
Directly issued qualifying common share capital or preferred share capital		
with a compulsory conversion clause plus related capital surplus and retained earnings	¥ 794,789	
of which: capital and capital surplus	591,670	
of which: retained earnings	285,678	
of which: treasury stock (-)	82,558	
of which: earning to be distributed (-)	—	
of which: other than above	—	
Stock acquisition right to common shares and preferred shares with a compulsory conversion clause	534	
Total of reserves included in Core capital: instruments and reserves	246	
of which: general reserve for loan losses included in Core capital	246	
of which: eligible provision included in Core capital	—	
Eligible noncumulative perpetual preferred shares subject to transitional arrangements (amount allowed to be included in Core capital: instruments and reserves)	—	
Eligible capital instruments subject to transitional arrangements (amount allowed to be included in Core capital: instruments and reserves)	43,791	
Capital instruments issued through measures for capital enhancement by public institutions (amount allowed to be included in Core capital: instruments and reserves)	—	
Land revaluation excess after 55% discount (amount allowed to be included in Core capital: instruments and reserves)	—	
Core capital: instruments and reserves (A)	¥ 839,361	
Core capital: regulatory adjustments (2)		
Total amount of intangible assets (excluding those relating to mortgage servicing rights)	¥ 5,365	¥ 5,782
of which: goodwill (including those equivalent)	1,117	—
of which: other intangibles other than goodwill and mortgage servicing rights	4,247	5,782
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	741	1,111
Shortfall of eligible provisions to expected losses	6,119	—
Gain on sale of securitization	7,725	—
Gains and losses due to changes in own credit risk on fair valued liabilities	—	—
Prepaid pension cost	667	1,001
Investments in own shares (excluding those reported in the net assets section)	6	9
Reciprocal cross-holdings in common equity	—	—
Investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation ("Other Financial Institutions"), net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above the 10% threshold)	—	—
Amount exceeding the 10% threshold on specific items	—	—
of which: significant investments in the common stock of Other Financial Institutions, net of eligible short positions	—	—
of which: mortgage servicing rights	—	—
of which: deferred tax assets arising from temporary differences (net of related tax liability)	—	—
Amount exceeding the 15% threshold on specific items	—	—
of which: significant investments in the common stock of Other Financial Institutions, net of eligible short positions	—	—
of which: mortgage servicing rights	—	—
of which: deferred tax assets arising from temporary differences (net of related tax liability)	—	—
Core capital: regulatory adjustments (B)	¥ 20,625	
Capital (nonconsolidated)		
Capital (nonconsolidated)((A)-(B))(C)	¥ 818,735	
Risk-weighted assets, etc.		
Total amount of credit risk-weighted assets	¥ 4,834,188	
of which: total amount included in risk-weighted assets by transitional arrangements	1,670	
of which: intangible assets (excluding those relating to goodwill and mortgage servicing rights)	5,782	
of which: deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	1,111	
of which: prepaid pension cost	1,001	
of which: significant investments in the common stock of Other Financial Institutions (net of eligible short positions)	(6,245)	
of which: other than above	20	
Market risk (derived by multiplying the capital requirement by 12.5)	153,352	
Operational risk (derived by multiplying the capital requirement by 12.5)	194,074	
Credit risk-weighted assets adjustments	—	
Operational risk adjustments	—	
Total amount of Risk-weighted assets (D)	¥ 5,181,615	
Capital ratio (nonconsolidated)		
Capital ratio (nonconsolidated)((C)/(D))	15.80%	

QUANTITATIVE DISCLOSURE (CONSOLIDATED)

1. NAMES OF SUBSIDIARIES THAT ARE OUTSIDE THE SCOPE OF REGULATORY CONSOLIDATION WITH LOWER LEVEL OF CAPITAL THAN REQUIRED LEVEL OF ADEQUACY CAPITAL AND AMOUNT OF SHORTAGE

•There are no companies that are subject to the above.

2. CAPITAL ADEQUACY

(1) AMOUNT OF REQUIRED CAPITAL FOR CREDIT RISK

Portfolios under the Standardized Approach (SA)

	Millions of yen	
	As of September 30, 2017	As of September 30, 2016
	Required capital amount	Required capital amount
Shinsei Bank	¥ 460	¥ 14,142
Subsidiaries	3,655	4,591

The Shinsei Bank Lake Business had shifted to the F-IRB approach since March 31, 2017. The total amount of required capital under the standardized approach was ¥14,743 million as of September 30, 2016.

Portfolios under the Internal Ratings-Based Approach (IRB)

	Millions of yen	
	As of September 30, 2017	As of September 30, 2016
	Required capital amount	Required capital amount
Corporate (Excluding Specialized Lending) ¹	¥ 156,674	¥ 154,256
Specialized Lending ²	80,949	78,616
Sovereign	5,209	5,928
Bank	10,128	9,607
Residential mortgages	12,529	14,786
Qualified revolving retails	125,280	70,444
Other retails	164,646	151,787
Equity	21,998	21,676
Regarded (Fund)	17,227	18,806
Securitization	27,357	21,981
Purchase receivables	15,700	23,219
Other assets	5,324	5,239
CVA risk	8,157	9,532
CCP risk	107	98
Total	¥ 651,292	¥ 585,981

¹ "Corporate" includes "Small and Medium-sized Entities."

² "Specialized Lending" refers to a claim whose source of recovery is solely dependent on the cash flow generated from a transaction such as a real estate nonrecourse loan.

(2) AMOUNT OF REQUIRED CAPITAL FOR EQUITY EXPOSURE UNDER IRB

	Millions of yen	
	As of September 30, 2017	As of September 30, 2016
	Required capital amount	Required capital amount
Market-Based Approach Simplified Method	¥ 6,505	¥ 7,443
PD/LGD Method	4,283	4,834
RW100% Applied	4	4
RW250% Applied	11,205	9,394
Total	¥ 21,998	¥ 21,676

(3) AMOUNT OF REQUIRED CAPITAL FOR REGARDED-METHOD EXPOSURE UNDER IRB

	Millions of yen	
	As of September 30, 2017	As of September 30, 2016
	Required capital amount	Required capital amount
Look Through	¥ 1,919	¥ 1,989
Revised Naivete Majority	14,600	11,815
Simplified [400%]	706	859
Simplified [1,250%]	0	4,142
Total	¥ 17,227	¥ 18,806

QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)**(4) AMOUNT OF REQUIRED CAPITAL FOR MARKET RISK**

	Millions of yen	
	As of September 30, 2017	As of September 30, 2016
	Required capital amount	Required capital amount
The Standardized Approach	¥ 306	¥ 608
Interest rate risk	94	144
Equity position risk	4	1
FX risk	176	117
Securitization risk	31	345
The Internal Models Approach (IMA) (General Market Risk)	¥ 10,658	14,802

(5) AMOUNT OF REQUIRED CAPITAL FOR OPERATIONAL RISK

	Millions of yen	
	As of September 30, 2017	As of September 30, 2016
	Required capital amount	Required capital amount
The Standardized Approach	¥ 29,948	¥ 29,478

(6) TOTAL REQUIRED CAPITAL (DOMESTIC STANDARD)

	Millions of yen	
	As of September 30, 2017	As of September 30, 2016
Total Required Capital (Risk-weighted Assets x 4%)	¥ 252,121	¥ 226,909

3. CREDIT RISK EXPOSURE (EXCLUDING SECURITIZATION AND REGARDED EXPOSURE)**(1) AMOUNT OF CREDIT RISK EXPOSURE**

Geographic, Industries or Maturity

	Millions of yen							
	As of September 30, 2017				As of September 30, 2016			
	Amount of Credit Risk Exposure				Amount of Credit Risk Exposure			
	Total	Loans, etc. ¹	Securities ²	Derivatives ³	Total	Loans, etc. ¹	Securities ²	Derivatives ³
Manufacturing	¥ 330,564	¥ 317,802	¥ 60	¥ 12,701	¥ 325,681	¥ 314,303	¥ 70	¥ 11,308
Agriculture	283	283	—	—	554	554	—	—
Mining	1,657	1,654	—	2	769	764	—	4
Construction	46,276	44,976	1,300	—	50,963	50,957	—	6
Electric power, gas, water supply	302,330	289,975	—	12,354	294,616	281,019	—	13,597
Information and communication	55,419	55,412	—	6	62,532	62,518	—	14
Transportation	226,678	223,973	1,999	705	209,102	203,814	1,999	3,288
Wholesale and retail	210,173	192,888	6,013	11,271	206,278	189,724	5,601	10,952
Finance and insurance	2,090,522	2,005,983	55,760	28,778	1,945,556	1,858,606	51,878	35,071
Real estate	744,778	620,764	120,689	3,324	655,911	586,476	63,520	5,915
Services	522,636	516,603	5,836	196	500,449	494,581	5,489	378
Government	599,620	68,138	531,482	—	567,623	72,425	495,198	—
Individuals	3,159,891	3,159,798	—	93	3,019,358	3,019,356	—	2
Others	6,690	6,690	—	—	7,414	7,414	0	—
Domestic Total	8,297,524	7,504,947	723,143	69,433	7,846,813	7,142,516	623,757	80,539
Foreign	965,322	646,951	239,661	78,709	890,785	550,885	258,497	81,402
Total	¥ 9,262,846	¥ 8,151,898	¥ 962,804	¥ 148,143	¥ 8,737,598	¥ 7,693,401	¥ 882,254	¥ 161,942
To 1 year	1,579,133	1,446,926	106,362	25,844	1,309,927	1,237,467	49,271	23,188
1 to 3 years	1,729,909	1,386,350	312,480	31,078	1,627,653	1,364,154	225,994	37,504
3 to 5 years	1,280,949	969,305	293,770	17,873	1,295,813	917,348	358,858	19,606
Over 5 years	2,852,778	2,530,394	249,036	73,346	2,711,853	2,382,080	248,130	81,642
Undated	1,820,076	1,818,920	1,155	—	1,792,349	1,792,349	0	—
Total	¥ 9,262,846	¥ 8,151,898	¥ 962,804	¥ 148,143	¥ 8,737,598	¥ 7,693,401	¥ 882,254	¥ 161,942

1 Excluding purchased receivables.

2 Excluding equity exposures.

3 Credit equivalent amount basis.

QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)**(2) AMOUNT OF DEFAULT EXPOSURE BEFORE PARTIAL WRITE-OFF**

Geographic, Industries

	Millions of yen	
	As of September 30, 2017	As of September 30, 2016
	Default Exposure	Default Exposure
	¥	¥
Manufacturing	4,105	2,108
Agriculture	6	10
Mining	2	—
Construction	1,107	1,257
Electric power, gas, water supply	—	—
Information and communication	90	33
Transportation	52	1,852
Wholesale and retail	2,095	3,067
Finance and insurance	333	399
Real estate	2,617	30,544
Services	2,749	2,442
Government	—	—
Individuals	128,190	140,832
Others	5,388	6,171
Domestic Total	146,738	188,721
Foreign	21,143	32,410
Total	¥ 167,881	¥ 221,132

(3) AMOUNT OF LOAN LOSS RESERVES (GENERAL, SPECIFIC AND COUNTRY RISK) BEFORE PARTIAL WRITE-OFF

	Millions of yen					
	As of September 30, 2017			As of September 30, 2016		
	Start Amount	Change Amount	End Amount	Start Amount	Change Amount	End Amount
General	¥ 70,977	¥ 6,122	¥ 77,100	¥ 64,543	¥ 2,732	¥ 67,276
Specific	135,712	(37,909)	97,803	145,673	(3,612)	142,061
Country	0	(0)	—	0	(0)	0
Total	¥ 206,690	¥ (31,787)	¥ 174,903	¥ 210,218	¥ (879)	¥ 209,338

Geographic

	Millions of yen							
	As of September 30, 2017				As of September 30, 2016			
	Reserve Amount				Reserve Amount			
	Total	General	Specific	Country	Total	General	Specific	Country
Domestic	¥ 149,886	¥ 66,377	¥ 83,508	¥ —	¥ 174,968	¥ 58,280	¥ 116,688	¥ —
Foreign	25,016	10,722	14,294	—	34,369	8,996	25,372	0
Total	¥ 174,903	¥ 77,100	¥ 97,803	¥ —	¥ 209,338	¥ 67,276	¥ 142,061	¥ 0

QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)

Industries

	Millions of yen	
	As of September 30, 2017	As of September 30, 2016
	Reserve Amount	Reserve Amount
Manufacturing	¥ 4,010	¥ 4,542
Agriculture	8	15
Mining	46	4
Construction	882	1,013
Electric power, gas, water supply	721	690
Information and communication	443	249
Transportation	2,594	2,935
Wholesale and retail	2,637	3,329
Finance and insurance	1,668	1,285
Real estate	4,615	4,854
Services	5,027	5,080
Government	38	44
Individuals	124,629	143,189
Others	634	4,730
Foreign	25,016	34,369
Non-classified	1,927	3,001
Total	¥ 174,903	¥ 209,338

1 Although the specific allowance for credit losses does not include the allowance relating to any securitization exposures and exposures relating to funds, the allowance relating to these exposures is not excluded from both the general allowance for credit losses and the allowance for loans to specific foreign borrowers, because we do not manage provisioning with respect to each asset class based on Basel III.

(4) AMOUNT OF WRITE-OFFS

Industries

	Millions of yen	
	Six months ended September 30, 2017	Six months ended September 30, 2016
	Amount of write-off	Amount of write-off
Manufacturing	¥ 56	¥ 30
Agriculture	—	—
Mining	—	—
Construction	8	3
Electric power, gas, water supply	—	—
Information and communication	0	7
Transportation	6	399
Wholesale and retail	523	50
Finance and insurance	4	0
Real estate	—	0
Services	91	147
Government	—	—
Individuals	39,074	13,114
Others	—	—
Foreign	2	317
Non-classified	—	—
Total	¥ 39,769	¥ 14,071

(5) AMOUNT OF EXPOSURES UNDER SA (AFTER CREDIT RISK MITIGATION)

	Millions of yen			
	As of September 30, 2017		As of September 30, 2016	
	Rated	Unrated	Rated	Unrated
0%	¥ 71	¥ 8,590	¥ 51	¥ 8,710
10%	—	—	—	—
20%	23,173	29	39,857	29
35%	—	2,596	—	4,926
50%	50	249	103	3,872
75%	—	26,147	—	273,650
100%	358	24,191	422	14,775
150%	—	1,058	—	1,373
350%	—	—	—	—
1,250%	—	—	—	—
Total	¥ 23,653	¥ 62,863	¥ 40,434	¥ 307,338

QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)**(6) SPECIALIZED LENDING EXPOSURE UNDER SLOTTING CRITERIA AND EQUITY EXPOSURE UNDER MARKET-BASED SIMPLIFIED METHOD**

Specialized lending excluding high-volatility commercial real estate

	Millions of yen	
	As of September 30, 2017	As of September 30, 2016
Risk weight ratio	Amount of Exposure	Amount of Exposure
50%	¥ 119,032	¥ 56,358
70%	420,885	328,026
90%	127,846	121,036
115%	56,347	62,748
250%	39,415	31,586
0% (Default)	—	35,729
Total	¥ 763,528	¥ 635,486

Specialized lending for high-volatility commercial real estate

	Millions of yen	
	As of September 30, 2017	As of September 30, 2016
Risk weight ratio	Amount of Exposure	Amount of Exposure
70%	¥ 16,717	¥ 12,515
95%	47,202	18,933
120%	29,477	8,469
140%	43,247	19,697
250%	18,354	14,018
0% (Default)	—	—
Total	¥ 154,998	¥ 73,634

Equity exposure under Market-Based Simplified Method

	Millions of yen	
	As of September 30, 2017	As of September 30, 2016
Risk weight ratio	Amount of Exposure	Amount of Exposure
300%	¥ 15,038	¥ 21,666
400%	7,899	5,695
Total	¥ 22,937	¥ 27,361

QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)**(7) PORTFOLIOS UNDER IRB EXCLUDING THE AMOUNT OF EXPOSURES UNDER SA (AFTER CREDIT RISK MITIGATION)**

- Estimated average PD, LGD, Risk Weight Ratio and Exposure at Default (EAD) (on-balance and off-balance) for Corporate, Sovereign and Bank exposure

Corporate

Millions of yen (except percentages)

Credit Rating	As of September 30, 2017					As of September 30, 2016				
	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)
0-4	0.15%	45.03%	39.41%	¥ 1,591,011	¥ 166,693	0.16%	44.97%	41.50%	¥ 1,631,803	¥ 182,173
5-6	1.66%	44.09%	97.82%	665,274	70,071	1.70%	44.10%	96.10%	555,870	55,302
9A	9.72%	44.80%	184.46%	86,724	1,991	9.87%	45.54%	192.40%	104,592	2,375
Default	100.00%	48.31%	—	25,833	159	100.00%	44.43%	—	26,984	839

Sovereign

Millions of yen (except percentages)

Credit Rating	As of September 30, 2017					As of September 30, 2016				
	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)
0-4	0.00%	45.00%	2.64%	¥ 2,222,668	¥ 2,639	0.00%	45.00%	3.19%	¥ 2,093,091	¥ 3,012
5-6	0.56%	45.00%	55.42%	3,059	—	0.59%	45.00%	56.95%	3,399	—
9A	—	—	—	—	—	—	—	—	—	—
Default	100.00%	45.00%	—	10	—	100.00%	45.00%	—	11	—

Bank

Millions of yen (except percentages)

Credit Rating	As of September 30, 2017					As of September 30, 2016				
	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)
0-4	0.07%	44.97%	32.79%	¥ 178,485	¥ 103,112	0.07%	45.00%	33.60%	¥ 167,750	¥ 109,804
5-6	0.78%	45.00%	86.68%	21,005	5,334	0.71%	45.00%	80.54%	13,089	1,857
9A	9.72%	45.00%	180.47%	876	—	9.87%	45.00%	202.27%	2,207	246
Default	—	—	—	—	—	—	—	—	—	—

- Estimated average PD, risk weight ratio and amount of exposure for equity exposure under PD/LGD method

Millions of yen (except percentages)

Credit Rating	As of September 30, 2017				As of September 30, 2016			
	PD	LGD	Risk Weight	Amount	PD	LGD	Risk Weight	Amount
0-4	0.13%	90.00%	242.03%	¥ 14,594	0.12%	90.00%	241.47%	¥ 18,316
5-6	1.16%	90.00%	299.74%	2,633	1.31%	90.00%	323.28%	3,776
9A	9.72%	90.00%	661.18%	1,102	9.87%	90.00%	628.51%	88
Default	100.00%	90.00%	1,125.00%	0	100.00%	90.00%	1,125.00%	1

QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)

- Estimated average PD, LGD, risk weight ratio, Exposure at Default (EAD) (on- and off-balance), amount of undrawn commitments and estimated average Credit Conversion Factors (CCF) of undrawn commitments for residential mortgage exposure, qualified revolving retail exposure and other retail exposure

Residential mortgage exposure

Millions of yen (except percentages)

Pool	As of September 30, 2017								As of September 30, 2016					
	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)	Undrawn Amount	Commitment CCF	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)	Undrawn Amount	Commitment CCF
Normal	0.25%	16.50%	8.44%	¥ 1,305,507	¥ 3,946	¥ —	—	0.27%	18.40%	10.22%	¥ 1,287,023	¥ 4,684	¥ —	—
Need caution	65.86%	20.01%	73.01%	1,746	53	—	—	66.91%	23.59%	80.91%	1,767	145	—	—
Default	100.00%	45.01%	42.52%	4,331	51	—	—	100.00%	49.28%	44.63%	4,619	67	—	—

Qualified revolving retail exposure

Millions of yen (except percentages)

Pool	As of September 30, 2017								As of September 30, 2016					
	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)	Undrawn Amount	Commitment CCF	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)	Undrawn Amount	Commitment CCF
Normal	6.22%	77.20%	93.72%	¥ 541,030	¥ 129,830	¥ 2,777,230	4.67%	3.95%	70.53%	64.21%	¥ 282,541	¥ 107,490	¥ 2,293,476	4.68%
Need caution	81.03%	81.10%	117.93%	2,832	45	3,214	1.41%	79.33%	77.10%	116.49%	1,716	1	2,155	0.07%
Default	100.00%	75.53%	—	46,919	—	—	—	100.00%	75.09%	—	48,638	—	—	—

Other retail exposure

Millions of yen (except percentages)

Pool	As of September 30, 2017								As of September 30, 2016					
	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)	Undrawn Amount	Commitment CCF	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)	Undrawn Amount	Commitment CCF
Normal	3.42%	63.39%	84.79%	¥ 526,391	¥ 625,545	¥ 75,992	4.88%	2.96%	62.41%	81.25%	¥ 473,337	¥ 580,448	¥ 79,502	1.87%
Need caution	67.93%	53.49%	106.45%	5,943	2,120	2	0.00%	69.71%	50.69%	97.05%	6,741	2,337	3	0.00%
Default	100.00%	62.92%	0.93%	81,274	502	—	—	100.00%	57.48%	0.82%	94,992	511	—	—

Note: LGD is shown after credit risk mitigation

(8) COMPARATIVE RESULTS OF ACTUAL LOSSES AND EXPECTED LOSSES FOR THE LAST THREE YEARS UNDER F-IRB APPROACH

Corporate, Sovereign & Bank

Millions of yen

	12 months ended September 30, 2017	12 months ended September 30, 2016	12 months ended September 30, 2015
Results of actual losses (a)	¥ 2,293	¥ 1,623	¥ 2,617
Expected losses (b)	10,428	9,340	10,770
Differences ((b) - (a))	8,135	7,717	8,153

Retail

Millions of yen

	12 months ended September 30, 2017	12 months ended September 30, 2016	12 months ended September 30, 2015
Results of actual losses (a)	¥ 30,679	¥ 15,718	¥ 15,690
Expected losses (b)	55,638	32,802	34,237
Differences ((b) - (a))	24,959	17,084	18,546

The above matrix shows the results of default (downgrade below substandard) losses (increase of reserve, write-offs and loss on sale) for the twelve-month period ended September 30, 2015, 2016 and 2017 for the Bank Group's non-default exposures at the start of the twelve-month period, with expected losses. The exposures for the Shinsei Bank Lake business are calculated through the F-IRB approach starting from March 31, 2017.

QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)**4. CREDIT RISK MITIGATION (CRM)****(1) COVERED AMOUNT OF CRM BY COLLATERAL**

FIRB

Millions of yen

	As of September 30, 2017		As of September 30, 2016	
	Eligible financial collateral	Other eligible FIRB collateral	Eligible financial collateral	Other eligible FIRB collateral
Corporate	¥ 3,640	¥ 185,147	¥ 2,528	¥ 169,899
Sovereign	—	—	—	—
Bank	—	1,499	—	—
Total	¥ 3,640	¥ 186,647	¥ 2,528	¥ 169,899

(2) COVERED AMOUNT OF CRM BY GUARANTEE OR CREDIT DERIVATIVES

IRB

Millions of yen

	As of September 30, 2017	As of September 30, 2016
	Corporate	¥ 493
Sovereign	21,887	28,867
Bank	—	—
Residential mortgages	—	—
Qualified revolving retail	—	—
Other retail	—	—
Total	¥ 22,381	¥ 30,649

5. COUNTERPARTY CREDIT RISK OF DERIVATIVES

Millions of yen

	As of September 30, 2017	As of September 30, 2016
	Total amount of gross positive fair value	¥ 311,355
Amount of gross add-on	104,869	98,681
EAD before CRM	416,225	528,023
FX-related	170,436	185,276
Interest-related	227,175	312,153
Equity-related	6,944	14,382
Commodity-related	—	—
Credit derivatives	11,594	16,159
Others	73	51
Amount of net	268,082	366,113
EAD after net	148,143	161,909
Amount covered collateral	—	—
EAD after CRM	148,143	161,909

Note: Current Exposure Method

• Notional amount of credit derivatives which have counterparty risk

Millions of yen

	As of September 30, 2017		As of September 30, 2016	
	Protection-buy	Protection-sell	Protection-buy	Protection-sell
Notional amount				
Single name	¥ 67,250	¥ 58,800	¥ 130,927	¥ 106,317
Multi name	28,500	30,500	40,500	36,500

Not applicable for the following items;

- Amount covered collateral
- Notional amount of credit derivatives which cover exposures by CRM

QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)

6. SECURITIZATION

SECURITIZATION EXPOSURE ORIGINATED BY THE BANK GROUP (CREDIT RISK)

(1) Amount of original assets

Securitization by transfer of assets

Type of original assets	Millions of yen	
	As of September 30, 2017	As of September 30, 2016
	Amount of original assets	Amount of original assets
Residential mortgages	¥ 5,994	¥ 32,821
Consumer loans	—	—
Commercial real estate loans	—	—
Corporate loans	—	—
Others	—	—
Total	¥ 5,994	¥ 32,821

Note: Includes originally securitized assets originated by the Bank Group during the period, even though the Bank Group had no exposure to these particular assets.

(2) Amount of original assets in default or past due 3 months or more

Securitization by transfer of assets

Type of original assets	Millions of yen	
	As of September 30, 2017	As of September 30, 2016
	Amount of Default	Amount of Default
Residential mortgages	¥ 172	¥ 356
Consumer loans	—	—
Commercial real estate loans	—	—
Corporate loans	—	—
Others	—	—
Total	¥ 172	¥ 356

Note: Includes originally securitized assets originated by the Bank Group during the period, even though the Bank Group had no exposure to these particular assets.

(3) Amount of securitization exposure the Bank Group has by type of original assets

Securitization by transfer of assets

Excluding resecuritization

Type of original assets	Millions of yen	
	As of September 30, 2017	As of September 30, 2016
	Amount of Exposure	Amount of Exposure
Residential mortgages	¥ —	¥ 5,153
Consumer loans	—	—
Commercial real estate loans	—	—
Corporate loans	—	—
Others	—	—
Total	¥ —	¥ 5,153

QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)

Resecuritization

Type of original assets	Millions of yen	
	As of September 30, 2017	As of September 30, 2016
	Amount of Exposure	Amount of Exposure
Residential mortgages	¥ —	¥ —
Consumer loans	—	—
Commercial real estate loans	—	—
Corporate loans	—	—
Others	—	—
Total	¥ —	¥ —

(4) Amount of securitization exposure and required capital the Bank Group has by risk weight ratio

Securitization by transfer of assets

Excluding resecuritization exposure

Band of risk weight ratio	Millions of yen			
	As of September 30, 2017		As of September 30, 2016	
	Amount	Required capital amount	Amount	Required capital amount
To 12%	¥ —	¥ —	¥ 2,231	¥ 9
Over 12% to 20%	—	—	2,072	26
Over 20% to 50%	—	—	781	21
Over 50% to 75%	—	—	—	—
Over 75% to 100%	—	—	—	—
Over 100% to 250%	—	—	—	—
Over 250% to 425%	—	—	67	17
Over 425% under 1,250%	—	—	—	—
Total	¥ —	¥ —	¥ 5,153	¥ 75

Resecuritization exposure

Band of risk weight ratio	Millions of yen			
	As of September 30, 2017		As of September 30, 2016	
	Amount	Required capital amount	Amount	Required capital amount
To 30%	¥ —	¥ —	¥ —	¥ —
Over 30% to 50%	—	—	—	—
Over 50% to 100%	—	—	—	—
Over 100% to 225%	—	—	—	—
Over 225% to 500%	—	—	—	—
Over 500% under 1,250%	—	—	—	—
Total	¥ —	¥ —	¥ —	¥ —

(5) Amount of increase of capital by securitization (to be deducted from capital)

Type of original assets	Millions of yen	
	As of September 30, 2017	As of September 30, 2016
	Amount	Amount
Residential mortgages	¥ 5,370	¥ 7,725
Consumer loans	—	—
Commercial real estate loans	—	—
Corporate loans	—	—
Others	—	—
Total	¥ 5,370	¥ 7,725

QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)

(6) Amount of securitization exposure applied risk weight 1,250%

Type of original assets	Millions of yen	
	As of September 30, 2017	As of September 30, 2016
	Amount	Amount
Residential mortgages	¥ 41	¥ 1,383
Consumer loans	—	—
Commercial real estate loans	—	—
Corporate loans	—	—
Others	—	—
Total	¥ 41	¥ 1,383

Not applicable for the following items;

- Amount of assets held for securitization trade
- Summary of current year's securitization activities
- Amount of recognized gain/loss by original asset type during FY2017
- Securitization exposure subject to early amortization
- Credit risk mitigation for resecuritization exposure

SECURITIZATION EXPOSURE IN WHICH THE BANK GROUP INVESTS

(1) Amount of securitization exposure the Bank Group has by type of original asset

Excluding resecuritization exposure

Type of original assets	Millions of yen	
	As of September 30, 2017	As of September 30, 2016
	Amount of Exposure	Amount of Exposure
Residential mortgages	¥ 22,364	¥ 7,854
Consumer loans	—	—
Commercial real estate loans	71,048	44,781
Corporate loans	37,621	26,758
Others	14,577	14,408
Total	¥ 145,612	¥ 93,801

Resecuritization exposure

Type of original assets	Millions of yen	
	As of September 30, 2017	As of September 30, 2016
	Amount of Exposure	Amount of Exposure
Residential mortgages	¥ —	¥ —
Consumer loans	—	—
Commercial real estate loans	—	—
Corporate loans	1,401	1,687
Others	—	—
Total	¥ 1,401	¥ 1,687

QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)

(2) Amount of securitization exposure and required capital for the Bank Group has by risk weight ratio

Excluding resecuritization exposure

Band of risk weight ratio	Millions of yen			
	As of September 30, 2017		As of September 30, 2016	
	Amount	Required capital amount	Amount	Required capital amount
To 12%	¥ 70,774	¥ 490	¥ 48,953	¥ 300
Over 12% to 20%	2,543	39	—	—
Over 20% to 50%	—	—	3,823	138
Over 50% to 75%	—	—	—	—
Over 75% to 100%	8,307	644	10,000	638
Over 100% to 250%	14,682	2,007	6,709	1,163
Over 250% to 425%	20,345	5,614	6,049	1,795
Over 425% under 1,250%	28,957	12,794	18,264	7,758
Total	¥ 145,612	¥ 21,591	¥ 93,801	¥ 11,795

Resecuritization exposure

Band of risk weight ratio	Millions of yen			
	As of September 30, 2017		As of September 30, 2016	
	Amount	Required capital amount	Amount	Required capital amount
To 30%	¥ 1,401	¥ 23	¥ 1,687	¥ 28
Over 30% to 50%	—	—	—	—
Over 50% to 100%	—	—	—	—
Over 100% to 225%	—	—	—	—
Over 225% to 500%	—	—	—	—
Over 500% under 1,250%	—	—	—	—
Total	¥ 1,401	¥ 23	¥ 1,687	¥ 28

(3) Amount of securitization exposure applied risk weight 1,250%

Type of original assets	Millions of yen	
	As of September 30, 2017	As of September 30, 2016
	Amount	Amount
Residential mortgages	¥ 309	¥ 839
Consumer loans	—	—
Commercial real estate loans	—	—
Corporate loans	0	0
Others	—	—
Total	¥ 309	¥ 839

Not applicable for the following items;

- Credit risk mitigation for resecuritization exposure

QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)**SECURITIZATION EXPOSURE IN WHICH THE BANK GROUP INVESTS (MARKET RISK)**

(1) Amount of securitization exposure the Bank Group has by type of original asset
Excluding resecuritization exposure

Type of original assets	Millions of yen	
	As of September 30, 2017	As of September 30, 2016
	Amount of Exposure	Amount of Exposure
Residential mortgages	¥ 1,947	¥ 8,952
Consumer loans	—	2,111
Commercial real estate loans	—	—
Corporate loans	—	—
Others	—	—
Total	¥ 1,947	¥ 11,064

Resecuritization exposure

Type of original assets	Millions of yen	
	As of September 30, 2017	As of September 30, 2016
	Amount of Exposure	Amount of Exposure
Residential mortgages	¥ —	¥ 1,000
Consumer loans	—	—
Commercial real estate loans	—	—
Corporate loans	—	—
Others	—	—
Total	¥ —	¥ 1,000

(2) Amount of securitization exposure and required capital for the Bank Group has by risk weight ratio
Excluding resecuritization exposure

Band of risk weight ratio	Millions of yen			
	As of September 30, 2017		As of September 30, 2016	
	Amount	Required capital amount	Amount	Required capital amount
1.6%	¥ 1,947	¥ 31	¥ 8,952	¥ 143
4%	—	—	—	—
8%	—	—	2,111	168
28%	—	—	—	—
Total	¥ 1,947	¥ 31	¥ 11,064	¥ 312

Resecuritization exposure

Band of risk weight ratio	Millions of yen			
	As of September 30, 2017		As of September 30, 2016	
	Amount	Required capital amount	Amount	Required capital amount
3.2%	¥ —	¥ —	¥ 972	¥ 31
8%	—	—	27	2
18%	—	—	—	—
52%	—	—	—	—
Total	¥ —	¥ —	¥ 1,000	¥ 33

Not applicable for the following items:

- Amount of securitization exposure targeted for comprehensive risk
- Amount of securitization exposure which should be deducted from capital under the Accord Article 302.5.2

QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)**7. MARKET RISK (UNDER INTERNAL MODEL APPROACH)****(1) VaR AT THE END OF SEPTEMBER 2017 AND SEPTEMBER 2016 AND THE HIGH, MEAN AND LOW VaR**

	Millions of yen	
	As of September 30, 2017	As of September 30, 2016
VaR at term end	¥ 761	¥ 1,741
VaR through this term		
High	2,118	2,444
Mean	1,264	1,660
Low	572	1,177

(2) STRESSED VaR AT THE END OF SEPTEMBER 2017 AND SEPTEMBER 2016 AND THE HIGH, MEAN AND LOW VaR

	Millions of yen	
	As of September 30, 2017	As of September 30, 2016
VaR at term end	¥ 3,052	¥ 3,161
VaR through this term		
High	4,161	4,558
Mean	2,665	3,450
Low	1,832	2,393

The trading portfolio experienced no losses that exceeded the specified VaR threshold.

Not applicable for the following items;

- The amount of required capital related to additional risk and comprehensive risk as of the period-end, as well as the maximum, minimum and average values for the amount of required capital for additional risk and comprehensive risk during the disclosure period

8. EQUITY EXPOSURE IN BANKING BOOK**(1) BOOK VALUE AND FAIR VALUE**

	Millions of yen	
	As of September 30, 2017	As of September 30, 2016
Market-based approach		
Listed equity exposure	¥ 15,038	¥ 21,666
Unlisted equity exposure	7,899	5,695
PD/LGD method		
Listed equity exposure	9,810	12,042
Unlisted equity exposure	8,520	10,139

(2) GAIN OR LOSS ON SALE OR DEPRECIATION OF EQUITY EXPOSURE

	Millions of yen	
	Six months ended September 30, 2017	Six months ended September 30, 2016
Gain (loss) on sale	¥ 4,511	¥ 2,853
Loss of depreciation	19	27

QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)**(3) UNREALIZED GAIN OR LOSS WHICH IS RECOGNIZED ON BALANCE SHEET AND NOT RECOGNIZED ON PROFIT AND LOSS STATEMENT**

	Millions of yen	
	As of September 30, 2017	As of September 30, 2016
Unrealized gain (loss)	¥ 14,361	¥ 10,128

(4) AMOUNT FOR EACH PORTFOLIO CLASSIFICATION OF EQUITY EXPOSURE

	Millions of yen	
	As of September 30, 2017	As of September 30, 2016
Market-based approach	¥ 22,937	¥ 27,361
PD/LGD Method	18,330	22,182
RW100% Applied	51	51
RW250% Applied	52,856	44,311

Not applicable for the following items;

- UNREALIZED GAIN OR LOSS WHICH IS NOT RECOGNIZED BOTH ON BALANCE SHEET AND ON PROFIT AND LOSS STATEMENT

9. AMOUNT OF REGARDED EXPOSURE UNDER THE ACCORD ARTICLE 167

	Millions of yen	
	As of September 30, 2017	As of September 30, 2016
Regarded exposure (fund)	¥ 50,948	¥ 46,881

10. INTEREST RATE RISK IN THE BANKING BOOK (IRRBB) THE INCREASE/DECREASE IN ECONOMIC VALUE FOR UPWARD/DOWNWARD RATE SHOCKS ACCORDING TO MANAGEMENT'S METHOD FOR IRRBB

Change in economic values from a 2% interest-rate shock on the banking book:

	Billions of yen	
	As of September 30, 2017	As of September 30, 2016
JPY	¥ (104.5)	¥ (74.8)
USD	(5.1)	(6.1)
Others	(8.4)	(4.7)
Total	¥ (118.1)	¥ (85.6)

QUANTITATIVE DISCLOSURE (NONCONSOLIDATED)

1. CAPITAL ADEQUACY

(1) AMOUNT OF REQUIRED CAPITAL FOR CREDIT RISK

Portfolios under the Standardized Approach (SA)

	Millions of yen	
	As of September 30, 2017	As of September 30, 2016
	Required capital amount	Required capital amount
Shinsei Bank	¥ 460	¥ 14,142
Shinsei Bank Card Loan Lake ¹	—	13,606
Others	460	536

¹ "Shinsei Bank Card Loan Lake" had shifted to the F-IRB approach since March 31, 2017.

Portfolios under the Internal Ratings-Based Approach (IRB)

	Millions of yen	
	As of September 30, 2017	As of September 30, 2016
	Required capital amount	Required capital amount
Corporate (Excluding Specialized Lending) ¹	¥ 128,771	¥ 130,601
Specialized Lending ²	74,922	73,418
Sovereign	5,170	5,903
Bank	9,255	9,084
Residential mortgages	11,852	13,844
Qualified revolving retails	59,031	—
Other retails	3	5
Equity	124,440	128,875
Regarded (Fund)	11,466	13,908
Securitization	27,987	23,003
Purchase receivables	15,680	23,177
Other assets	2,130	2,212
CVA risk	8,035	9,291
CCP risk	107	98
Total	¥ 478,856	¥ 433,424

¹ "Corporate" includes "Small and Medium-sized Entities."

² "Specialized Lending" refers to a claim whose source of recovery is solely dependent on the cash flow generated from a transaction such as a real estate nonrecourse loan.

(2) AMOUNT OF REQUIRED CAPITAL FOR EQUITY EXPOSURE UNDER IRB

	Millions of yen	
	As of September 30, 2017	As of September 30, 2016
	Required capital amount	Required capital amount
Market-Based Approach Simplified Method	¥ 7,539	¥ 10,573
PD/LGD Method	116,890	118,297
RW100% Applied	4	4
RW250% Applied	5	—
Total	¥ 124,440	¥ 128,875

(3) AMOUNT OF REQUIRED CAPITAL FOR REGARDED-METHOD EXPOSURE UNDER IRB

	Millions of yen	
	As of September 30, 2017	As of September 30, 2016
	Required capital amount	Required capital amount
Look Through	¥ 2,087	¥ 2,052
Revised Naivete Majority	8,340	6,364
Simplified [400%]	1,038	1,349
Simplified [1,250%]	0	4,141
Total	¥ 11,466	¥ 13,908

QUANTITATIVE DISCLOSURE (NONCONSOLIDATED) (continued)**(4) AMOUNT OF REQUIRED CAPITAL FOR MARKET RISK**

	Millions of yen	
	As of September 30, 2017	As of September 30, 2016
	Required capital amount	Required capital amount
The Standardized Approach	¥ 236	¥ 208
Interest rate risk	71	105
Equity position risk	4	1
FX risk	161	101
Securitization risk	—	—
The Internal Models Approach (IMA) (General Market Risk)	¥ 10,332	¥ 12,059

(5) AMOUNT OF REQUIRED CAPITAL FOR OPERATIONAL RISK

	Millions of yen	
	As of September 30, 2017	As of September 30, 2016
	Required capital amount	Required capital amount
The Standardized Approach	¥ 15,263	¥ 15,525

(6) TOTAL REQUIRED CAPITAL (DOMESTIC STANDARD)

	Millions of yen	
	As of September 30, 2017	As of September 30, 2016
Total Required Capital (Risk-weighted Assets x 4%)	¥ 224,006	¥ 207,264

2. CREDIT RISK EXPOSURE (EXCLUDING SECURITIZATION AND REGARDED EXPOSURE)**(1) AMOUNT OF CREDIT RISK EXPOSURE**

Geographic, Industries or Maturity

	Millions of yen							
	As of September 30, 2017				As of September 30, 2016			
	Amount of Credit Risk Exposure				Amount of Credit Risk Exposure			
	Total	Loans, etc. ¹	Securities ²	Derivatives ³	Total	Loans, etc. ¹	Securities ²	Derivatives ³
Manufacturing	¥ 270,070	¥ 257,309	¥ 60	¥ 12,701	¥ 263,243	¥ 251,865	¥ 70	¥ 11,308
Agriculture	—	—	—	—	219	219	—	—
Mining	840	837	—	2	375	370	—	4
Construction	8,144	6,844	1,300	—	14,526	14,520	—	6
Electric power, gas, water supply	293,885	281,531	—	12,354	289,828	276,231	—	13,597
Information and communication	37,274	37,268	—	6	47,735	47,721	—	14
Transportation	181,827	179,152	1,999	674	177,719	172,431	1,999	3,288
Wholesale and retail	134,540	117,255	6,013	11,271	131,501	114,947	5,601	10,952
Finance and insurance	2,129,457	2,045,657	55,977	27,822	2,023,819	1,934,920	55,307	33,592
Real estate	733,281	609,268	120,689	3,324	649,172	579,736	63,520	5,915
Services	405,139	399,105	5,836	196	390,828	384,892	5,489	445
Government	590,305	58,823	531,482	—	557,812	62,614	495,198	—
Individuals	1,598,731	1,598,637	—	93	1,534,925	1,534,923	—	2
Others	673	673	—	—	1,047	1,047	—	—
Domestic Total	6,384,173	5,592,365	723,360	68,447	6,082,756	5,376,442	627,185	79,128
Foreign	938,595	604,743	258,129	75,723	868,049	514,074	274,226	79,748
Total	¥ 7,322,768	¥ 6,197,108	¥ 981,489	¥ 144,170	¥ 6,950,805	¥ 5,890,516	¥ 901,412	¥ 158,876
To 1 year	1,384,277	1,251,854	106,362	26,061	1,178,843	1,101,831	52,700	24,311
1 to 3 years	1,270,187	910,500	330,947	28,739	1,246,268	968,657	241,723	35,887
3 to 5 years	1,016,466	705,393	293,770	17,302	1,038,820	660,893	358,858	19,068
Over 5 years	2,190,548	1,869,227	249,254	72,067	2,134,438	1,806,698	248,130	79,609
Undated	1,461,288	1,460,132	1,155	—	1,352,435	1,352,435	—	—
Total	¥ 7,322,768	¥ 6,197,108	¥ 981,489	¥ 144,170	¥ 6,950,805	¥ 5,890,516	¥ 901,412	¥ 158,876

1 Excluding purchased receivables.

2 Excluding equity exposures.

3 Credit equivalent amount basis.

QUANTITATIVE DISCLOSURE (NONCONSOLIDATED) (continued)**(2) AMOUNT OF DEFAULT EXPOSURE BEFORE PARTIAL WRITE-OFF**

Geographic, Industries

	Millions of yen	
	As of September 30, 2017	As of September 30, 2016
	Default Exposure	Default Exposure
Manufacturing	¥ 3,430	¥ 1,267
Agriculture	—	—
Mining	—	—
Construction	19	19
Electric power, gas, water supply	—	—
Information and communication	80	32
Transportation	—	1,476
Wholesale and retail	613	1,333
Finance and insurance	333	394
Real estate	2,398	30,376
Services	1,255	896
Government	—	—
Individuals	4,823	4,969
Others	—	—
Domestic Total	12,956	40,767
Foreign	17,040	29,630
Total	¥ 29,996	¥ 70,398

(3) AMOUNT OF LOAN LOSS RESERVES (GENERAL, SPECIFIC AND COUNTRY RISK) BEFORE PARTIAL WRITE-OFF

	Millions of yen					
	As of September 30, 2017			As of September 30, 2016		
	Start Amount	Change Amount	End Amount	Start Amount	Change Amount	End Amount
General	¥ 22,896	¥ 1,171	¥ 24,067	¥ 21,654	¥ (587)	¥ 21,067
Specific	34,709	(15,384)	19,324	40,675	(4,690)	35,984
Country	0	(0)	—	0	(0)	0
Total	¥ 57,605	¥ (14,213)	¥ 43,392	¥ 62,330	¥ (5,278)	¥ 57,051

Geographic

	Millions of yen							
	As of September 30, 2017				As of September 30, 2016			
	Total	General	Specific	Country	Total	General	Specific	Country
Domestic	¥ 19,428	¥ 13,933	¥ 5,494	¥ —	¥ 23,792	¥ 12,807	¥ 10,985	¥ —
Foreign	23,964	10,133	13,830	—	33,259	8,259	24,998	0
Total	¥ 43,392	¥ 24,067	¥ 19,324	¥ —	¥ 57,051	¥ 21,067	¥ 35,984	¥ 0

QUANTITATIVE DISCLOSURE (NONCONSOLIDATED) (continued)

Industries

	Millions of yen	
	As of September 30, 2017	As of September 30, 2016
	Reserve Amount	Reserve Amount
Manufacturing	¥ 2,690	¥ 2,606
Agriculture	—	1
Mining	6	2
Construction	56	61
Electric power, gas, water supply	691	666
Information and communication	324	151
Transportation	1,795	2,167
Wholesale and retail	1,269	1,752
Finance and insurance	2,255	1,978
Real estate	4,521	4,635
Services	2,296	2,272
Government	—	—
Individuals	3,518	3,589
Others	0	3,907
Foreign	23,964	33,259
Non-classified	—	—
Total	¥ 43,392	¥ 57,051

1 Although the specific allowance for credit losses does not include the allowance relating to any securitization exposures and exposures relating to funds, the allowance relating to these exposures is not excluded from both the general allowance for credit losses and the allowance for loans to specific foreign borrowers, because we do not manage provisioning with respect to each asset class based on Basel III.

(4) AMOUNT OF WRITE-OFFS

Industries

	Millions of yen	
	Six months ended September 30, 2017	Six months ended September 30, 2016
	Amount of write-off	Amount of write-off
Manufacturing	¥ —	¥ —
Agriculture	—	—
Mining	—	—
Construction	5	—
Electric power, gas, water supply	—	—
Information and communication	—	—
Transportation	—	399
Wholesale and retail	496	—
Finance and insurance	—	—
Real estate	—	—
Services	27	45
Government	—	—
Individuals	5	14
Others	—	—
Foreign	2	317
Non-classified	—	—
Total	¥ 537	¥ 776

(5) AMOUNT OF EXPOSURES UNDER SA (AFTER CREDIT RISK MITIGATION)

	Millions of yen			
	As of September 30, 2017		As of September 30, 2016	
	Rated	Unrated	Rated	Unrated
0%	¥ —	¥ —	¥ —	¥ —
10%	—	—	—	—
20%	—	—	—	—
35%	—	2,596	—	4,926
50%	—	—	—	0
75%	—	6,316	—	233,294
100%	—	105	—	91
150%	—	—	—	—
350%	—	—	—	—
1,250%	—	—	—	—
Total	¥ —	¥ 9,018	¥ —	¥ 238,313

QUANTITATIVE DISCLOSURE (NONCONSOLIDATED) (continued)**(6) SPECIALIZED LENDING EXPOSURE UNDER SLOTTING CRITERIA AND EQUITY EXPOSURE UNDER MARKET-BASED SIMPLIFIED METHOD**

Specialized lending excluding high-volatility commercial real estate

	Millions of yen	
	As of September 30, 2017	As of September 30, 2016
Risk weight ratio	Amount of Exposure	Amount of Exposure
50%	¥ 116,375	¥ 54,095
70%	420,885	328,026
90%	127,846	121,036
115%	56,347	62,748
250%	19,161	14,112
0% (Default)	—	35,729
Total	¥ 740,616	¥ 615,748

Specialized lending for high-volatility commercial real estate

	Millions of yen	
	As of September 30, 2017	As of September 30, 2016
Risk weight ratio	Amount of Exposure	Amount of Exposure
70%	¥ 16,717	¥ 12,515
95%	47,202	18,933
120%	29,477	8,469
140%	43,247	19,697
250%	18,354	14,018
0% (Default)	—	—
Total	¥ 154,998	¥ 73,634

Equity exposure under Market-Based Simplified Method

	Millions of yen	
	As of September 30, 2017	As of September 30, 2016
Risk weight ratio	Amount of Exposure	Amount of Exposure
300%	¥ 14,258	¥ 20,563
400%	11,534	15,750
Total	¥ 25,793	¥ 36,313

(7) PORTFOLIOS UNDER IRB EXCLUDING THE AMOUNT OF EXPOSURES UNDER SA (AFTER CREDIT RISK MITIGATION)

• Estimated average PD, LGD, Risk Weight Ratio and Exposure at Default (EAD) (on-balance and off-balance) for Corporate, Sovereign and Bank exposure

Corporate

Credit Rating	As of September 30, 2017					As of September 30, 2016				
	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)
0-4	0.15%	45.03%	39.68%	¥ 1,579,211	¥ 167,900	0.17%	44.96%	42.63%	¥ 1,627,719	¥ 184,361
5-6	1.61%	43.90%	97.42%	540,214	69,823	1.56%	43.96%	95.17%	475,095	55,219
9A	9.72%	44.54%	179.79%	36,657	1,900	9.87%	46.08%	188.88%	51,389	2,375
Default	100.00%	51.87%	—	12,382	150	100.00%	43.89%	—	13,256	839

Sovereign

Credit Rating	As of September 30, 2017					As of September 30, 2016				
	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)
0-4	0.00%	45.00%	2.64%	¥ 2,205,232	¥ 2,639	0.00%	45.00%	3.20%	¥ 2,079,727	¥ 3,012
5-6	0.56%	45.00%	55.42%	3,059	—	0.59%	45.00%	56.95%	3,399	—
9A	—	—	—	—	—	—	—	—	—	—
Default	100.00%	45.00%	—	10	—	100.00%	45.00%	—	11	—

QUANTITATIVE DISCLOSURE (NONCONSOLIDATED) (continued)

Bank

Millions of yen (except percentages)

Credit Rating	As of September 30, 2017					As of September 30, 2016				
	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)
0-4	0.07%	44.96%	35.43%	¥ 125,261	¥ 106,817	0.08%	45.00%	37.46%	¥ 119,483	¥ 114,082
5-6	0.77%	45.00%	86.67%	20,723	5,652	0.71%	45.00%	80.56%	12,805	1,857
9A	9.72%	45.00%	180.77%	849	—	9.87%	45.00%	202.41%	2,193	246
Default	—	—	—	—	—	—	—	—	—	—

- Estimated average PD, risk weight ratio and amount of exposure for equity exposure under PD/LGD method

Millions of yen (except percentages)

Credit Rating	As of September 30, 2017				As of September 30, 2016			
	PD	LGD	Risk Weight	Amount	PD	LGD	Risk Weight	Amount
0-4	0.22%	90.00%	301.12%	¥ 374,114	0.28%	90.00%	300.89%	¥ 396,602
5-6	0.68%	90.00%	303.97%	23,879	1.10%	90.00%	329.09%	7,899
9A	9.72%	90.00%	881.32%	20,340	9.87%	90.00%	886.26%	19,819
Default	100.00%	90.00%	1,125.00%	0	100.00%	90.00%	1,125.00%	0

- Estimated average PD, LGD, risk weight ratio, Exposure at Default (EAD) (on- and off-balance), amount of undrawn commitments and estimated average Credit Conversion Factors (CCF) of undrawn commitments for residential mortgage exposure, qualified revolving retail exposure and other retail exposure

Residential mortgage exposure

Millions of yen (except percentages)

Pool	As of September 30, 2017							As of September 30, 2016						
	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)	Undrawn Amount	Commitment CCF	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)	Undrawn Amount	Commitment CCF
Normal	0.24%	16.23%	8.02%	¥ 1,302,301	¥ —	¥ —	—	0.27%	18.07%	9.68%	¥ 1,282,869	¥ —	¥ —	—
Need caution	65.16%	19.15%	73.20%	1,745	—	—	—	64.97%	21.60%	82.94%	1,764	—	—	—
Default	100.00%	44.91%	44.09%	4,226	—	—	—	100.00%	48.84%	47.21%	4,430	—	—	—

Qualified revolving retail exposure

Millions of yen (except percentages)

Pool	As of September 30, 2017							As of September 30, 2016						
	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)	Undrawn Amount	Commitment CCF	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)	Undrawn Amount	Commitment CCF
Normal	9.36%	86.30%	134.19%	¥ 273,044	¥ 23,852	¥ 459,441	5.19%	—	—	—	¥ —	¥ —	¥ —	—
Need caution	86.53%	86.30%	102.83%	1,343	44	1,417	3.12%	—	—	—	—	—	—	—
Default	100.00%	86.30%	—	118	—	—	—	—	—	—	—	—	—	—

Other retail exposure

Millions of yen (except percentages)

Pool	As of September 30, 2017							As of September 30, 2016						
	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)	Undrawn Amount	Commitment CCF	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)	Undrawn Amount	Commitment CCF
Normal	0.41%	16.26%	10.53%	¥ 395	¥ —	¥ —	—	0.46%	18.04%	12.51%	¥ 432	¥ —	¥ —	—
Need caution	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Default	—	—	—	—	—	—	—	—	—	—	—	—	—	—

Note: LGD is shown after credit risk mitigation

(8) COMPARATIVE RESULTS OF ACTUAL LOSSES AND EXPECTED LOSSES FOR THE LAST THREE YEARS UNDER F-IRB APPROACH

Corporate, Sovereign & Bank

Millions of yen

	12 months ended September 30, 2017	12 months ended September 30, 2016	12 months ended September 30, 2015
Results of actual losses (a)	¥ 1,866	¥ 1,488	¥ 1,808
Expected losses (b)	8,041	6,975	8,666
Differences ((b) - (a))	6,175	5,487	6,858

QUANTITATIVE DISCLOSURE (NONCONSOLIDATED) (continued)

Retail

	Millions of yen		
	12 months ended September 30, 2017	12 months ended September 30, 2016	12 months ended September 30, 2015
Results of actual losses (a)	¥ 13,289	¥ 224	¥ 245
Expected losses (b)	20,057	1,111	1,291
Differences ((b) - (a))	6,768	886	1,046

The above matrix shows the results of default (downgrade below substandard) losses (increase of reserve, write-offs and loss on sale) for the twelve-month period ended September 30, 2015, 2016 and 2017 for the Bank's non-default exposures at the start of the twelve-month period, with expected losses. The exposures for Shinsei Bank Card Loan - Lake are calculated through the F-IRB approach starting from March 31, 2017.

3. CREDIT RISK MITIGATION (CRM)**(1) COVERED AMOUNT OF CRM BY COLLATERAL**

FIRB

	Millions of yen			
	As of September 30, 2017		As of September 30, 2016	
	Eligible financial collateral	Other eligible FIRB collateral	Eligible financial collateral	Other eligible FIRB collateral
Corporate	¥ 3,640	¥ 188,156	¥ 2,528	¥ 171,011
Sovereign	—	—	—	—
Bank	—	1,499	—	—
Total	¥ 3,640	¥ 189,655	¥ 2,528	¥ 171,011

(2) COVERED AMOUNT OF CRM BY GUARANTEE OR CREDIT DERIVATIVES

IRB

	Millions of yen	
	As of September 30, 2017	As of September 30, 2016
Corporate	¥ 493	¥ 1,782
Sovereign	21,887	28,867
Bank	—	—
Residential mortgages	—	—
Qualified revolving retail	—	—
Other retail	—	—
Total	¥ 22,381	¥ 30,649

4. COUNTERPARTY CREDIT RISK OF DERIVATIVES

	Millions of yen	
	As of September 30, 2017	As of September 30, 2016
Total amount of gross positive fair value	¥ 310,473	¥ 435,960
Amount of gross add-on	103,644	97,359
EAD before CRM	414,117	533,319
FX-related	170,925	186,790
Interest-related	225,698	310,090
Equity-related	5,056	14,326
Commodity-related	—	—
Credit derivatives	12,364	22,059
Others	73	51
Amount of net	269,947	374,443
EAD after net	144,170	158,876
Amount covered collateral	—	—
EAD after CRM	144,170	158,876

Note: Current Exposure Method

QUANTITATIVE DISCLOSURE (NONCONSOLIDATED) (continued)

• Notional amount of credit derivatives which have counterparty risk

	Millions of yen			
	As of September 30, 2017		As of September 30, 2016	
Notional amount	Protection-buy	Protection-sell	Protection-buy	Protection-sell
Single name	¥ 58,250	¥ 58,800	¥ 119,487	¥ 110,957
Multi name	28,500	30,500	38,500	38,500

Not applicable for the following items;

- Amount covered collateral
- Notional amount of credit derivatives which cover exposures by CRM

5. SECURITIZATION**SECURITIZATION EXPOSURE ORIGINATED BY THE BANK (CREDIT RISK)**

(1) Amount of original assets

Securitization by transfer of assets

	Millions of yen	
	As of September 30, 2017	As of September 30, 2016
Type of original assets	Amount of original assets	Amount of original assets
Residential mortgages	¥ 5,994	¥ 32,821
Consumer loans	—	—
Commercial real estate loans	—	—
Corporate loans	—	—
Others	116,369	119,474
Total	¥ 122,364	¥ 152,296

Note: Includes originally securitized assets originated by the Bank during the period, even though the Bank had no exposure to these particular assets.

(2) Amount of original assets in default or past due 3 months or more

Securitization by transfer of assets

	Millions of yen	
	As of September 30, 2017	As of September 30, 2016
Type of original assets	Amount of Default	Amount of Default
Residential mortgages	¥ 172	¥ 356
Consumer loans	—	—
Commercial real estate loans	—	—
Corporate loans	—	—
Others	—	—
Total	¥ 172	¥ 356

Note: Includes originally securitized assets originated by the Bank during the period, even though the Bank had no exposure to these particular assets.

(3) Amount of securitization exposure the Bank has by type of original assets

Securitization by transfer of assets

Excluding resecuritization

	Millions of yen	
	As of September 30, 2017	As of September 30, 2016
Type of original assets	Amount of Exposure	Amount of Exposure
Residential mortgages	¥ —	¥ 5,153
Consumer loans	—	—
Commercial real estate loans	—	—
Corporate loans	—	—
Others	100,000	100,256
Total	¥ 100,000	¥ 105,410

QUANTITATIVE DISCLOSURE (NONCONSOLIDATED) (continued)

Resecuritization exposure

Type of original assets	Millions of yen	
	As of September 30, 2017	As of September 30, 2016
	Amount of Exposure	Amount of Exposure
Residential mortgages	¥ —	¥ —
Consumer loans	—	—
Commercial real estate loans	—	—
Corporate loans	—	—
Others	—	—
Total	¥ —	¥ —

(4) Amount of securitization exposure and required capital the Bank has by risk weight ratio

Securitization by transfer of assets

Excluding resecuritization exposure

Band of risk weight ratio	Millions of yen			
	As of September 30, 2017		As of September 30, 2016	
	Amount	Required capital amount	Amount	Required capital amount
To 12%	¥ 100,000	¥ 593	¥ 102,231	¥ 1,027
Over 12% to 20%	—	—	2,328	31
Over 20% to 50%	—	—	781	21
Over 50% to 75%	—	—	—	—
Over 75% to 100%	—	—	—	—
Over 100% to 250%	—	—	—	—
Over 250% to 425%	—	—	67	17
Over 425% under 1,250%	—	—	—	—
Total	¥ 100,000	¥ 593	¥ 105,410	¥ 1,097

Resecuritization exposure

Band of risk weight ratio	Millions of yen			
	As of September 30, 2017		As of September 30, 2016	
	Amount	Required capital amount	Amount	Required capital amount
To 30%	¥ —	¥ —	¥ —	¥ —
Over 30% to 50%	—	—	—	—
Over 50% to 100%	—	—	—	—
Over 100% to 225%	—	—	—	—
Over 225% to 500%	—	—	—	—
Over 500% under 1,250%	—	—	—	—
Total	¥ —	¥ —	¥ —	¥ —

(5) Amount of increase of capital by securitization (to be deducted from capital)

Type of original assets	Millions of yen	
	As of September 30, 2017	As of September 30, 2016
	Amount	Amount
Residential mortgages	¥ 5,370	¥ 7,725
Consumer loans	—	—
Commercial real estate loans	—	—
Corporate loans	—	—
Others	—	—
Total	¥ 5,370	¥ 7,725

QUANTITATIVE DISCLOSURE (NONCONSOLIDATED) (continued)

(6) Amount of securitization exposure applied risk weight 1,250%

Type of original assets	Millions of yen	
	As of September 30, 2017	As of September 30, 2016
	Amount	Amount
Residential mortgages	¥ 41	¥ 1,383
Consumer loans	—	—
Commercial real estate loans	—	—
Corporate loans	—	—
Others	—	—
Total	¥ 41	¥ 1,383

Not applicable for the following items;

- Amount of assets held for securitization trade
- Summary of current year's securitization activities
- Amount of recognized gain/loss by original asset type during FY2017
- Securitization exposure subject to early amortization
- Credit risk mitigation for resecuritization exposure

SECURITIZATION EXPOSURE IN WHICH THE BANK INVESTS

(1) Amount of securitization exposure the Bank has by type of original asset

Excluding resecuritization exposure

Type of original assets	Millions of yen	
	As of September 30, 2017	As of September 30, 2016
	Amount of Exposure	Amount of Exposure
Residential mortgages	¥ 22,364	¥ 7,854
Consumer loans	—	—
Commercial real estate loans	71,048	44,781
Corporate loans	37,621	26,758
Others	20,754	14,408
Total	¥ 151,789	¥ 93,801

Resecuritization exposure

Type of original assets	Millions of yen	
	As of September 30, 2017	As of September 30, 2016
	Amount of Exposure	Amount of Exposure
Residential mortgages	¥ —	¥ —
Consumer loans	—	—
Commercial real estate loans	—	—
Corporate loans	1,401	1,687
Others	—	—
Total	¥ 1,401	¥ 1,687

QUANTITATIVE DISCLOSURE (NONCONSOLIDATED) (continued)

(2) Amount of securitization exposure and required capital for the Bank by risk weight ratio

Excluding resecuritization exposure

Band of risk weight ratio	Millions of yen			
	As of September 30, 2017		As of September 30, 2016	
	Amount	Required capital amount	Amount	Required capital amount
To 12%	¥ 76,951	¥ 527	¥ 48,953	¥ 300
Over 12% to 20%	2,543	39	—	—
Over 20% to 50%	—	—	3,823	138
Over 50% to 75%	—	—	—	—
Over 75% to 100%	8,307	644	10,000	638
Over 100% to 250%	14,682	2,007	6,709	1,163
Over 250% to 425%	20,345	5,614	6,049	1,795
Over 425% under 1,250%	28,957	12,794	18,264	7,758
Total	¥ 151,789	¥ 21,628	¥ 93,801	¥ 11,795

Resecuritization exposure

Band of risk weight ratio	Millions of yen			
	As of September 30, 2017		As of September 30, 2016	
	Amount	Required capital amount	Amount	Required capital amount
To 30%	¥ 1,401	¥ 23	¥ 1,687	¥ 28
Over 30% to 50%	—	—	—	—
Over 50% to 100%	—	—	—	—
Over 100% to 225%	—	—	—	—
Over 225% to 500%	—	—	—	—
Over 500% under 1,250%	—	—	—	—
Total	¥ 1,401	¥ 23	¥ 1,687	¥ 28

(3) Amount of securitization exposure applied risk weight 1,250%

Type of original assets	Millions of yen	
	As of September 30, 2017	As of September 30, 2016
	Amount	Amount
Residential mortgages	¥ 309	¥ 839
Consumer loans	—	—
Commercial real estate loans	—	—
Corporate loans	0	0
Others	—	—
Total	¥ 309	¥ 839

Not applicable for the following items;

- Credit risk mitigation for resecuritization exposure

QUANTITATIVE DISCLOSURE (NONCONSOLIDATED) (continued)**6. MARKET RISK (UNDER INTERNAL MODEL APPROACH)****(1) VAR AT THE END OF SEPTEMBER 2017 AND SEPTEMBER 2016 AND THE HIGH, MEAN AND LOW VAR**

	Millions of yen	
	As of September 30, 2017	As of September 30, 2016
VaR at term end	¥ 729	¥ 1,502
VaR through this term		
High	1,927	1,998
Mean	1,176	1,225
Low	540	745

(2) STRESSED VAR AT THE END OF SEPTEMBER 2017 AND SEPTEMBER 2016 AND THE HIGH, MEAN AND LOW VAR

	Millions of yen	
	As of September 30, 2017	As of September 30, 2016
VaR at term end	¥ 2,933	¥ 2,780
VaR through this term		
High	4,017	3,885
Mean	2,492	2,744
Low	1,755	1,694

The trading portfolio experienced no losses that exceeded the specified VaR threshold

Not applicable for the following items;

- The amount of required capital related to additional risk and comprehensive risk as of the period-end, as well as the maximum, minimum and average values for the amount of required capital for additional risk and comprehensive risk during the disclosure period

7. EQUITY EXPOSURE IN BANKING BOOK**(1) BOOK VALUE AND FAIR VALUE**

	Millions of yen	
	As of September 30, 2017	As of September 30, 2016
Market-based approach		
Listed equity exposure	¥ 14,258	¥ 20,563
Unlisted equity exposure	11,534	15,750
PD/LGD method		
Listed equity exposure	7,689	10,411
Unlisted equity exposure	410,646	413,910

(2) GAIN OR LOSS ON SALE OR DEPRECIATION OF EQUITY EXPOSURE

	Millions of yen	
	Six months ended September 30, 2017	Six months ended September 30, 2016
Gain (loss) on sale	¥ 4,014	¥ 1,727
Loss of depreciation	0	—

QUANTITATIVE DISCLOSURE (NONCONSOLIDATED) (continued)**(3) UNREALIZED GAIN OR LOSS WHICH IS RECOGNIZED ON BALANCE SHEET AND NOT RECOGNIZED ON PROFIT AND LOSS STATEMENT**

	Millions of yen	
	As of September 30, 2017	As of September 30, 2016
Unrealized gain (loss)	¥ 10,591	¥ 7,552

(4) AMOUNT FOR EACH PORTFOLIO CLASSIFICATION OF EQUITY EXPOSURE

	Millions of yen	
	As of September 30, 2017	As of September 30, 2016
Market-based approach	¥ 25,793	¥ 36,313
PD/LGD Method	418,335	424,322
RW100% Applied	51	51
RW250% Applied	26	—

Not applicable for the following items;

- UNREALIZED GAIN OR LOSS WHICH IS NOT RECOGNIZED BOTH ON BALANCE SHEET AND ON PROFIT AND LOSS STATEMENT

8. AMOUNT OF REGARDED EXPOSURE UNDER THE ACCORD ARTICLE 167

	Millions of yen	
	As of September 30, 2017	As of September 30, 2016
Regarded exposure (fund)	¥ 33,966	¥ 32,439

9. INTEREST RATE RISK IN THE BANKING BOOK (IRRBB) THE INCREASE/DECREASE IN ECONOMIC VALUE FOR UPWARD/DOWNWARD RATE SHOCKS ACCORDING TO MANAGEMENT'S METHOD FOR IRRBB

Change in economic values from a 2% interest-rate shock on the banking book:

	Billions of yen	
	As of September 30, 2017	As of September 30, 2016
JPY	¥ (62.0)	¥ (31.5)
USD	(5.1)	(6.1)
Others	(8.4)	(4.7)
Total	¥ (75.7)	¥ (42.4)

CORPORATE INFORMATION

SHINSEI BANK GROUP

AS OF SEPTEMBER 30, 2017

As of September 30, 2017, the Shinsei Bank Group consisted of Shinsei Bank, Limited, 198 subsidiaries (comprising 95 consolidated companies including APLUS FINANCIAL Co., Ltd., Showa Leasing Co., Ltd., Shinsei Financial Co., Ltd. and Shinsei Principal Investments Ltd. and 103 unconsolidated subsidiaries) and 23 affiliated companies (23 affiliated companies accounted for using the equity method, such as Jih Sun Financial Holding Co., Ltd.). The Shinsei Bank Group provides a wide variety of financial products and services to domestic institutional and individual customers through the “Institutional Business,” the “Global Markets Business,” and the “Individual Business.”



MAJOR SUBSIDIARIES AND AFFILIATES

Name	Location	Main business
Major Domestic Subsidiaries		
Showa Leasing Co., Ltd.	Tokyo, Japan	Leasing ¹
Shinsei Trust & Banking Co., Ltd.	Tokyo, Japan	Trust banking ¹
Shinsei Securities Co., Ltd.	Tokyo, Japan	Securities ²
Shinsei Investment Management Co., Ltd.	Tokyo, Japan	Investment trust and discretionary investment advising ²
Shinsei Principal Investments Ltd. ⁵	Tokyo, Japan	Financial instruments business ¹
Shinsei Corporate Investment Limited	Tokyo, Japan	Investment ¹
Shinsei Investment & Finance Limited ⁵	Tokyo, Japan	Investment and finance ¹
Shinsei Servicing & Consulting Limited ⁶	Tokyo, Japan	Servicing business ¹
Shinsei Property Finance Co., Ltd. ⁵	Tokyo, Japan	Real estate collateral finance ³
APLUS FINANCIAL Co., Ltd.	Osaka, Japan	Holding company ³
APLUS Co., Ltd.	Osaka, Japan	Installment credit ³
APLUS Personal Loan Co., Ltd.	Osaka, Japan	Finance ³
Zen-Nichi Shinpan Co., Ltd.	Okayama, Japan	Installment credit ³
Shinsei Financial Co., Ltd.	Tokyo, Japan	Finance ³
Shinsei Personal Loan Co., Ltd.	Tokyo, Japan	Financing for individuals and small businesses ³
Shinsei Business Services Co., Ltd.	Tokyo, Japan	Outsourcing services ⁴
Major Overseas Subsidiaries		
Shinsei International Limited	London, UK	Securities ²
OJBC Co. Ltd.	Tortola, British Virgin Islands	Financial holding company ³
Nippon Wealth Limited	Kowloon, Hong Kong	Investment trust and discretionary investment advising ³
Major Affiliates Accounted for Using the Equity Method		
Jih Sun Financial Holding Co., Ltd.	Taipei, Taiwan	Financial holding company ¹
Nissen Credit Service Co., Ltd.	Kyoto, Japan	Credit card ³

¹ Institutional Business ² Global Markets Business ³ Individual Business ⁴ Corporate/Other

⁵ Merged on October 1, 2017 with Shinsei Principal Investments Ltd. as the surviving company and Shinsei Principal Investments Ltd. changed its company name to Shinsei Investment & Finance Limited.

⁶ Merged on October 1, 2017 with Alpha Servicer Co., Ltd., wholly owned subsidiary of Shinsei Bank, Limited, as the surviving company.

EMPLOYEES

	Six months ended September 30, 2016	FY2016	Six months ended September 30, 2017
Consolidated			
Number of Employees	5,433	5,360	5,438
Nonconsolidated			
Number of Employees	2,254	2,207	2,238
Male	1,294	1,272	1,294
Female	960	935	944
Average age	40 years 6 months	40 years 11 months	41 years 2 months
Average years of service	11 years 7 months	11 years 11 months	9 years 11 months
Average monthly salary	¥481 thousand	¥482 thousand	¥473 thousand

"Average monthly salary" includes overtime wages but excludes annual bonus.

AS OF SEPTEMBER 30, 2017

Capital (in millions)	Established	Acquired	Equity stake held by Shinsei Bank and consolidated subsidiaries (%)		
				Equity stake held by Shinsei Bank	Equity stake held by consolidated subsidiaries of Shinsei Bank
¥ 29,360	1969.4	2005.3	100.0%	100.0%	—%
5,000	1996.11	—	100.0	100.0	—
8,750	1997.8	—	100.0	100.0	—
495	2001.12	—	100.0	100.0	—
100	2006.4	2012.12	100.0	100.0	—
50	2012.11	—	100.0	—	100.0
100	1993.1	2000.9	100.0	—	100.0
500	2001.10	—	100.0	100.0	—
100	1959.5	2002.3	100.0	100.0	—
15,000	1956.10	2004.9	95.0	2.6	92.3
15,000	2009.4	—	100.0	—	100.0
1,000	2009.4	—	100.0	—	100.0
1,000	1957.4	2006.3	100.0	—	100.0
100	1991.6	2008.9	100.0	100.0	—
100	1954.12	2007.12	100.0	—	100.0
54	1985.2	—	100.0	100.0	—
£ 3	2004.9	—	100.0%	100.0%	—%
\$ 36	2013.6	—	50.0	50.0	—
HK\$ 286	2013.8	—	100.0	—	100.0
NT\$ 35,423	2002.2	2006.7	36.0%	—%	36.0%
¥ 4,050	1997.12	2016.12	50.0	50.0	—

As of December 1, 2017

*1 Outside Directors
*2 Outside Audit & Supervisory Board Members**BOARD OF DIRECTORS (7)****Hideyuki Kudo**

Representative Director, President

Yukio Nakamura

Representative Director, Deputy President

J. Christopher Flowers*1Director,
Managing Director and Chief Executive Officer,
J. C. Flowers & Co. LLC**Ernest M. Higa*1**Director,
Chairman President & Chief Executive Officer,
Higa Industries Co., Ltd.**Shigeru Kani*1**Director,
Former Director, Administration Department,
The Bank of Japan, Specially Appointed
Professor, Yokohama College of Commerce**Jun Makihara*1**Director,
Director, Monex Group, Inc.
Director, Philip Morris International Inc.**Ryuichi Tomimura*1**Director,
Executive Vice President,
Representative Director, SIGMAXYZ Inc.**Shinya Nagata**

Audit & Supervisory Board Member

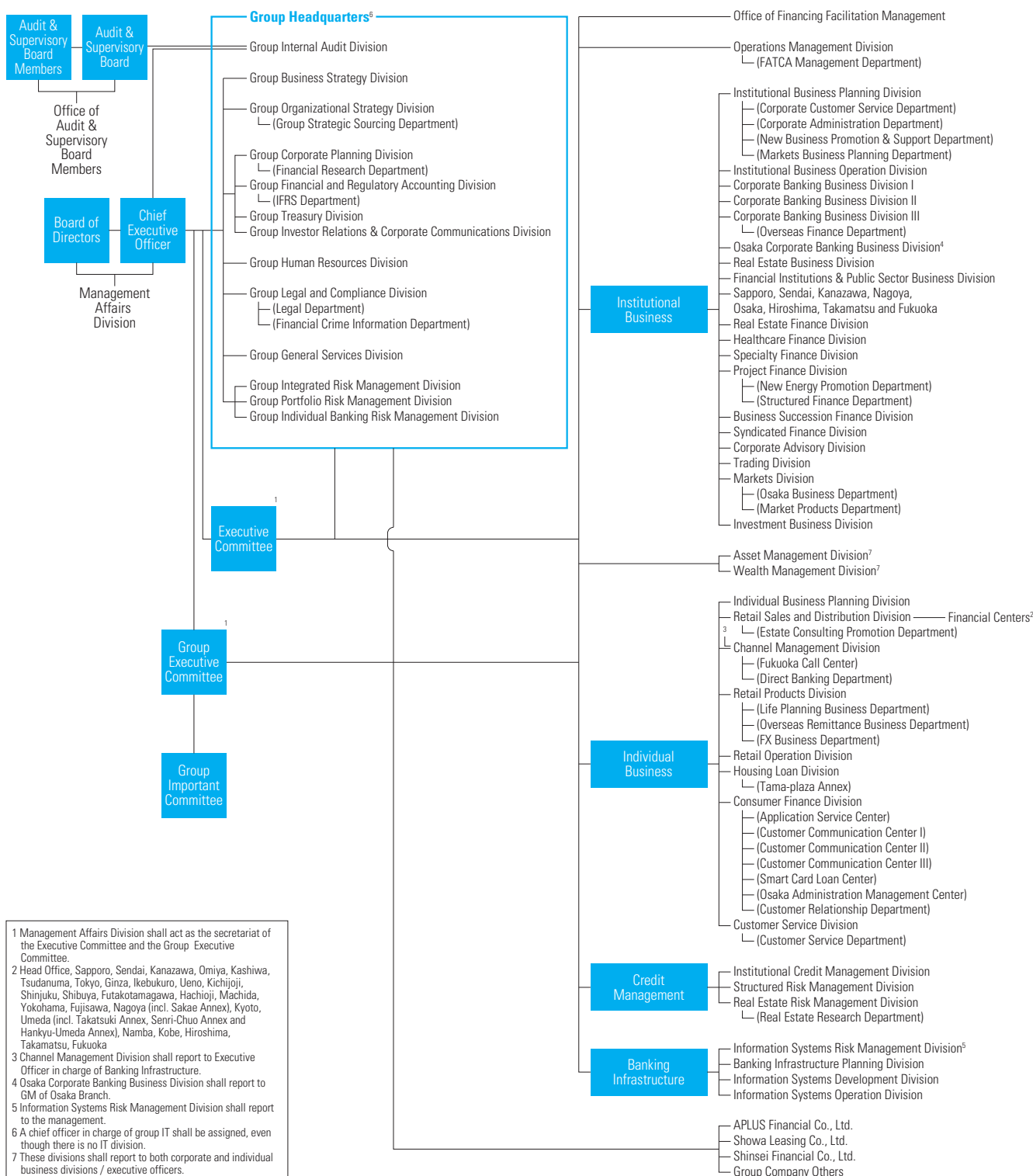
Michio Shibuya*2Audit & Supervisory Board Member
Certified Public Accountant**Kozue Shiga*2**Audit & Supervisory Board Member
Lawyer**GROUP HEADQUARTERS CHIEF OFFICERS AND SENIOR OFFICERS (17)****Akira Hirasawa**Chief Officer
Group Organizational Strategy, Group
Human Resources**Yoshiaki Kozano**Chief Officer
Group Business Strategy**Kyohei Matsumoto**Chief Officer
Group Legal and Compliance**Masayuki Nankouin**Chief Officer
Group Corporate Planning and Finance**Michiyuki Okano**Chief Officer
Group IT**Toichiro Shiomi**Chief Officer
Group Risk, GM,
Group Portfolio Risk Management Division**Masaharu Watanabe**Chief Officer
Group General Services**Shouichi Hirano**Senior Officer
Group Corporate Planning and
Finance**Hirohisa Kazami**Senior Officer
Group Legal and Compliance**Soichiro Komori**Senior Officer
Group IT**Sawaji Kouichi**Senior Officer
Group Human Resources**Tetsuro Shimizu**Senior Officer
Group Business Strategy**Noboru Takemura**Senior Officer
Group Corporate Planning and
Finance**Hiroyuki Torigoe**Senior Officer
Group Business Strategy**Tatsuro Unemori**Senior Officer
Group IT**Takahiro Yoshida**Senior Officer
Group Corporate Planning and
Finance, GM, Group Treasury Division**Takashi Yoshikawa**Senior Officer
Group Business Strategy**SHINSEI BANK EXECUTIVE OFFICERS (31)****Hideyuki Kudo**Representative Director
President and Chief Executive Officer**Yukio Nakamura**Representative Director
Deputy President**Sanjeev Gupta**Senior Managing Executive Officer
Advisor to President and
Chief Executive Officer**Michiyuki Okano**Senior Managing Executive Officer
Group Chief Information Officer,
Head of Banking Infrastructure**Shinichirou Seto**Senior Managing Executive Officer
Head of Institutional Business**Akira Hirasawa**Managing Executive Officer
Executive Officer in
charge of Operations Management**Kiyohiro Kiyotani**Managing Executive Officer
Executive Officer in charge of
Institutional Business, President
& CEO,
Showa Leasing Co., Ltd.**Nozomi Moue**Managing Executive Officer
Executive Officer in
charge of Institutional Business**Tetsuro Shimizu**Managing Executive Officer
Head of Individual Business**Akira Watanabe**Managing Executive Officer
Executive Officer in
charge of Individual Business,
Representative Director and
President and CEO,
APLUS FINANCIAL Co., Ltd.**Shigeto Yanase**Managing Executive Officer
Executive Officer in
charge of Institutional Business,
General Manager, Osaka Branch**Shouichi Hirano**Executive Officer
Executive Officer in charge of
Financing Facilitation,
General Manager,
Office of Financing Facilitation
Management**Taichi Kawai**Executive Officer
General Manager, Syndicated
Finance Division**Takahisa Komoda**Executive Officer
Executive Officer in charge of
Institutional Business**Hirofumi Kusakabe**Executive Officer
Executive Officer in
charge of Institutional Business,
Representative Director and President,
Shinsei Trust & Banking Co., Ltd.**Tsukasa Makizumi**Executive Officer
Head of Credit Risk Management**Masanori Matsubara**Executive Officer
General Manager,
Information Systems Development Division**Yuji Matsuura**Executive Officer
Executive Officer in
charge of Institutional Business**Shinichirou Nagai**Executive Officer
Executive Officer in charge of
Institutional Business and Individual
Business,
General Manager, Asset Management
Division**Nobuyasu Nara**Executive Officer
General Manager,
Institutional Credit Management Division**Hiroki Otake**Executive Officer
General Manager,
Retail Sales and Distribution Division**Eiji Shibazaki**Executive Officer
Executive Officer in
charge of Institutional Business**Satoshi Suzuki**Executive Officer
Executive Officer in
charge of Banking Infrastructure,
General Manager,
Information Systems Risk
Management Division**Kazumi Tanegashima**Executive Officer
General Manager,
Housing Loan Division**Masayoshi Tomita**Executive Officer
Executive Officer in
charge of Individual Business**Hiroyuki Torigoe**Executive Officer
Executive Officer in
charge of Individual Business,
President and CEO,
Shinsei Financial Co., Ltd.

Note: Messrs. Yoshiaki Kozano, Masayuki Nankouin, Toichiro Shiomi, Takahiro Yoshida and Takashi Yoshikawa are also appointed as executive officers.

SENIOR ADVISOR**David Morgan**Supervisory Board Member, HSH Nordbank AG, and Managing Director,
Europe and Asia-Pacific, J.C. Flowers & Co. UK LLP**ADVISOR****Yuji Tsushima****EXECUTIVE ADVISOR****Yasufumi Shimada**

ORGANIZATION

AS OF DECEMBER 1, 2017



NETWORK AS OF NOVEMBER 30, 2017**DOMESTIC OUTLETS:** AS OF NOVEMBER 30, 2017

33 outlets (28 branches including head office, 5 annexes)

Hokkaido

Sapporo Branch

Tohoku

Sendai Branch

Kanto (Excluding Tokyo)

Omiya Branch

Kashiwa Branch

Tsudanuma Branch

Yokohama Branch

Head Office—Tama-plaza Annex

Fujisawa Branch

Tokyo

Head Office

Tokyo Branch

Ginza Branch

Ikebukuro Branch

Ueno Branch

Kichijoji Branch

Shinjuku Branch

Shibuya Branch

Futakotamagawa Branch

Hachioji Branch

Machida Branch

Hokuriku

Kanazawa Branch

Tokai

Nagoya Branch

Sakae Financial Center

Kinki

Kyoto Branch

Osaka Branch

Umeda Branch

Umeda Branch—Hankyu Umeda Annex

Umeda Branch—Senri Chuo Annex

Umeda Branch—Takatsuki Annex

Namba Branch

Kobe Branch

Chugoku

Hiroshima Branch

Shikoku

Takamatsu Branch

Kyushu

Fukuoka Branch

SHINSEI BANK CARD LOAN—LAKE UNSTAFFED BRANCHES: AS OF NOVEMBER 30, 2017

Shinsei Bank Card Loan—Lake unstaffed branches 747 locations

PARTNER TRAIN STATION, CONVENIENCE STORE AND SUPERMARKET ATMS: AS OF NOVEMBER 30, 2017

Seven Bank, Ltd. ATMs	22,302 locations
E-net ATMs	13,110 locations
Lawson ATM Networks ATMs	12,423 locations
AEON Bank ATMs	5,250 locations
VIEW ALTTE ATMs	311 locations
Patsat ATMs	108 locations

STOCK INFORMATION

AS OF SEPTEMBER 30, 2017

Shares Outstanding and Capital

Date	Shares outstanding		Capital		Capital surplus		Notes
	Change	Balance	Change	Balance	Change	Balance	
July 29, 2003	(1,358,537)	2,033,065 ¹	—	451,296	—	18,558	2-for-1 reverse share split for common shares Post reverse split common shares outstanding 1,358,537 thousand shares
July 31, 2006	(99,966)	1,933,098 ¹	—	451,296	—	18,558	Use of call feature for Series 3 Class-B preferred shares Issuance of 200,033 thousand common shares Retirement of Series 3 Class-B preferred shares -300,000 thousand shares
November 16, 2006	(85,000)	1,848,098 ¹	—	451,296	—	18,558	Cancellation of treasury shares (common) -85,000 thousand shares
August 1, 2007	(100,000)	1,748,098 ¹	—	451,296	—	18,558	Mandatory acquisition of Series 3 Class-B preferred shares Issuance of 200,000 thousand common shares Retirement of Series 3 Class-B preferred shares -300,000 thousand shares
February 4, 2008	117,647	1,865,746 ¹	25,000	476,296	25,000	43,558	Third party allocation of shares (common shares) Subscription price ¥425, par value ¥212.5
March 31, 2008	194,600	2,060,346	—	476,296	—	43,558	Use of call feature for Series 2 Class-A preferred shares Issuance of 269,128 thousand common shares Retirement of Series 2 Class-A preferred shares -74,528 thousand shares
March 15, 2011	690,000	2,750,346	35,907	512,204	35,907	79,465	New shares issued through International Offering (common shares) Subscription price ¥108, par value ¥52.04

¹ Figures include number of preferred shares outstanding

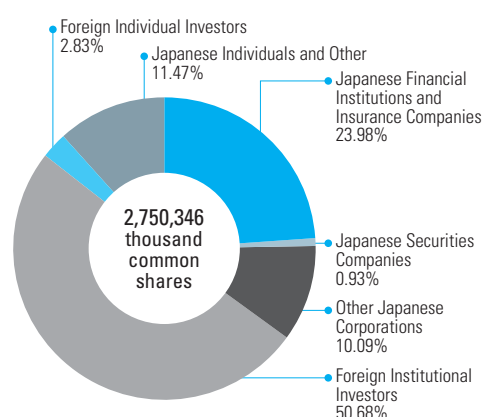
Largest Shareholders

Rank	Shareholders	Thousands of Common Shares	%
1	SATURN IV SUB LP (JPMCB 380111)	323,680	11.76
2	Deposit Insurance Corporation of Japan	269,128	9.78
3	THE RESOLUTION AND COLLECTION CORPORATION	200,000	7.27
4	SHINSEI BANK, LIMITED	161,957	5.88
5	THE MASTER TRUST BANK OF JAPAN, LTD. (TRUST ACCOUNT)	121,162	4.40
6	SATURN JAPAN III SUB C.V. (JPMCB 380113)	110,449	4.01
7	JAPAN TRUSTEE SERVICE BANK, LTD. (TRUST ACCOUNT)	79,519	2.89
8	J. CHRISTOPHER FLOWERS	76,753	2.79
9	JAPAN TRUSTEE SERVICE BANK, LTD. (TRUST ACCOUNT 9)	75,458	2.74
10	STATE STREET BANK AND TRUST COMPANY	67,643	2.45
11	GOLDMAN, SACHS & CO. REG	61,512	2.23
	Total (includes treasury shares)	2,750,346	100.00

Notes: 1 As of September 30, 2017, a group of investors, including affiliates of J.C. Flowers & Co. LLC, holds 553,663,517 common shares or 21.39% of Shinsei Bank's outstanding common shares, excluding treasury shares.

2 As of September 30, 2017, in total, the Deposit Insurance Corporation and the Resolution and Collection Corporation hold 469,128,888 common shares or 18.12% of Shinsei Bank's outstanding common shares, excluding treasury shares.

Largest Shareholders



Notes: 1 "Japanese Financial Institutions and Insurance Companies" includes the Resolution and Collection Corporation.

2 "Other Japanese Corporations" includes the Deposit Insurance Corporation.

3 "Japanese Individuals and Other" includes treasury shares.

RATINGS INFORMATION

AS OF DECEMBER 1, 2017

	Long-Term (Outlook)	Short-Term
Rating and Investment Information, Inc. (R&I)	A- (Stable)	a-1
Japan Credit Rating Agency (JCR)	BBB+ (Positive)	J-2
Standard and Poor's (S&P)	BBB+ (Positive)	A-2
Moody's	Baa2 (Stable)	Prime-2

WEBSITE

Our English and Japanese websites provide a wide range of corporate data as well as information for individual and institutional customers and investors.

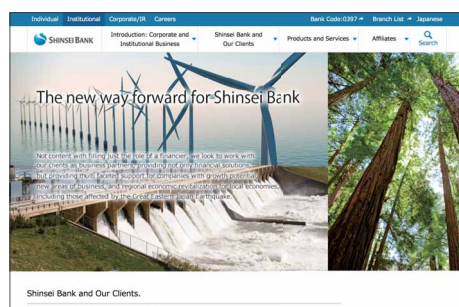
INDIVIDUAL



<http://www.shinseibank.com/english/>

The website for individual customers provides information on our comprehensive retail account, *PowerFlex*. Customers can log on to our Internet banking service, *Shinsai PowerDirect*, submit requests for information on *PowerFlex* and apply to open an account. Product offerings, campaigns, branch and ATM information, and detailed explanations on foreign currency deposits and investment trusts are covered here.

INSTITUTIONAL



<http://www.shinseibank.com/institutional/en/>

This website provides information on our products and services for institutional customers, as well as the various solutions provided to customers based upon their business area, company lifecycle stage and company needs.

Additionally, information regarding branches, affiliates and market reports (Japanese language only) is also available.

CORPORATE/IR



<http://www.shinseibank.com/corporate/en/>

The Corporate/IR website contains information on our corporate and management profiles, history, medium-term management plan, CSR initiatives and corporate governance. It also provides our news release, equity- and debt-related information, financial information and IR calendar.

For further information, please contact:

Investor Relations & Corporate Communications Division

Shinsei Bank, Limited

4-3, Nihonbashi-muromachi 2-chome, Chuo-ku, Tokyo 103-8303, Japan

Tel: 81-3-6880-8303 Fax: 81-3-4560-1706

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