

INTERIM REPORT

Six months ended September 30, 2018

2018

Management Principles

The Shinsei Bank Group has established the following Management Principles and is working on a day-by-day basis toward their attainment.

- To become a banking group that is sought out by customers, and contributes to the development of both domestic and international industrial economies, while maintaining stable profitability.
- To become a banking group that values diverse talents and cultures and is constantly taking on new challenges presented by change, based on its experiences and history.
- To become a banking group that strives for highly transparent management and values that is trusted by all stakeholders including customers, investors and employees.

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and SME Management
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Editorial Policy

This Report fulfills the disclosure requirements (an explanation of the Shinsei Bank's operations and matters regarding its financial position) stipulated under Article 21 of Japan's Banking Act. This Report also contains statements about the Group's management policies and future operating results that are forward-looking in nature. These forward-looking statements are not a guarantee to future performance. Actual results may differ from those indicated in such forward-looking statements due to a variety of factors, including changes in the operating environment.

CEO Message



Results for the first half of fiscal year 2018 (ending March 31, 2019) progressed steadily, mainly reflecting operations positioned in growth areas under the Third Medium-Term Management Plan (Third MTMP). This was despite an austere business environment including the ongoing impact of the negative interest rate policy. Interim profit attributable to owners of the parent came to ¥27.6 billion, a progress rate of 53% towards our fiscal year 2018 forecast of ¥52 billion.

Looking ahead, please be assured that all Shinsei Bank Group employees are unified in working together to meet the expectations of our stakeholders.

We hope to enjoy your continued support and guidance in the future.

January 2019

Hideyuki Kudo

President and Chief Executive Officer

Group Business Profile



SHINSEI FINANCIAL
(Unsecured personal loan, credit guarantees)

SHINSEI PERSONAL LOAN
(Unsecured personal loan)

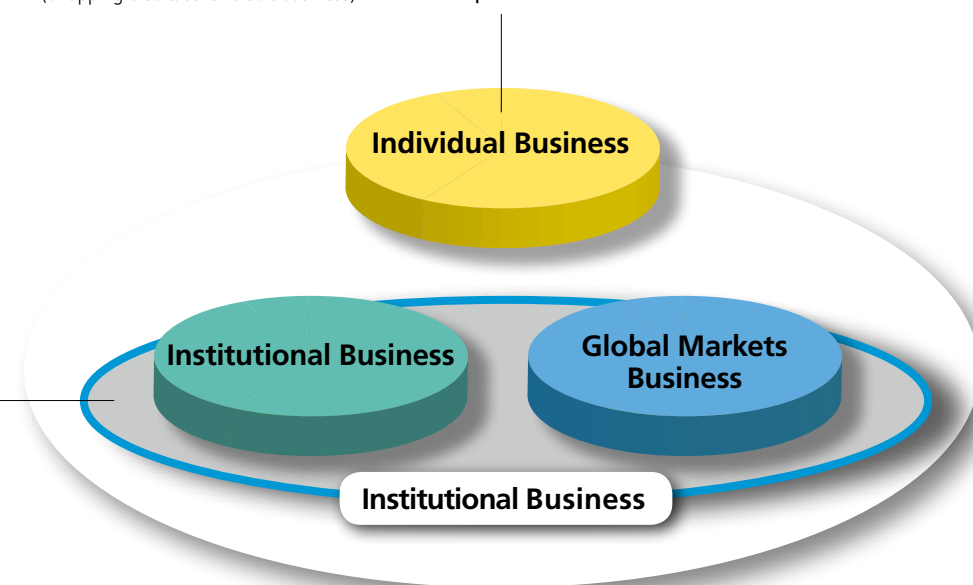
ALPHA SERVICER CO.,LTD.
(Servicing)

APLUS FINANCIAL
(Shopping credit/other credit business)

AJ 全日信販
(Shopping credit/other credit business)

The Individual Business is composed of retail banking, and consumer finance, which handles unsecured personal loans, credit cards, shopping credit, settlements and sales of financial products to individuals and related services.

The Institutional Business is composed of the corporate business, structured finance business, private equity investment and business succession financing business as well as leasing business. The Global Markets Business delivers market services that provide market solutions for foreign exchange and interest rate derivatives, among others.



SHINSEI TRUST
(Trust banking)

SHOWA LEASING CO.,LTD.
(Leasing)

SHINSEI CORPORATE INVESTMENT
(Investment)

SHINSEI INVESTMENT & FINANCE
(Investment and finance)

SHINSEI SECURITIES
(Securities)

SHINSEI INVESTMENT MANAGEMENT
(Investment trust and discretionary investment advising)

SHINSEI INTERNATIONAL
(Securities)

At a Glance

First Half of Fiscal Year 2018

Individual Business

Individual Business

Retail Banking

Yen/foreign currency deposits, structured deposits, investment trusts, brokerage service (through a partner institution), life and nonlife insurance (through partner institutions), housing loan, provision of financial transactions and services for individuals

Shinsei Financial

Consumer finance and credit guarantees

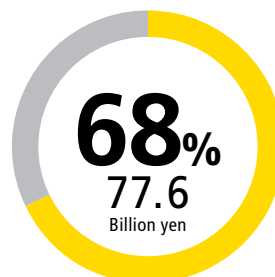
APLUS FINANCIAL

Shopping credit and settlements, credit cards; credit guarantees; finance and collection services

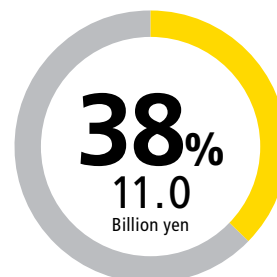
Other Business

Profits and losses of other subsidiaries

Total Revenue



Ordinary Business Profit after Net Credit Costs



Institutional Business

Institutional Business

Corporate Business

Provision of financial products, services and advisory services for corporations, public-sector entities and financial institutions; healthcare finance business, trust banking business

Structured Finance

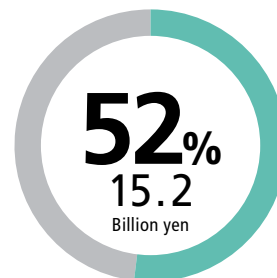
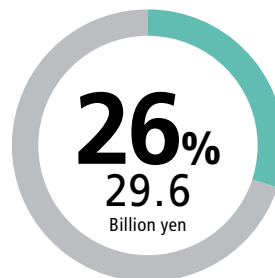
Real estate related nonrecourse finance and corporate finance; project finance; M&A-related finance, etc.; specialty finance

Principal Transactions

Credit trading, private equity, business succession finance, corporate restructuring, asset-backed investment, etc.

Showa Leasing

Financial products and services focused around lease finance



Global Markets Business

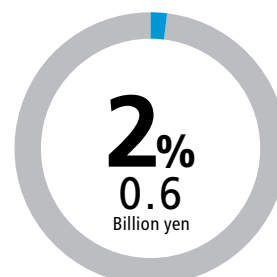
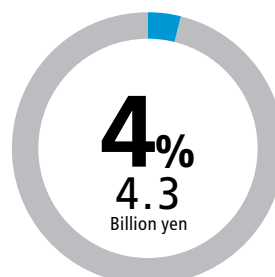
Global Markets Business

Markets Business

Foreign exchange, derivatives, equity-related and other capital markets business

Other Markets Businesses

Shinsei Securities, asset management business, wealth management business



The percentage figures do not add up to 100% due to the contribution of Corporate/Other.

Individual Business

The Individual Business is composed of the marketing of financial products and services to individual customers, centered on retail banking, which accepts deposits and handles asset management products and housing loan; and consumer finance, which handles unsecured loan, credit cards, installment sales credit (shopping credit), and transaction settlements.

Business Results in the First Half of Fiscal Year 2018

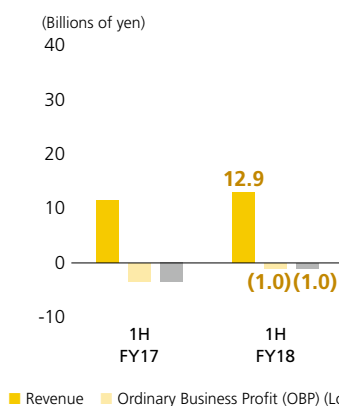
The Retail Banking business is working to deliver products and services that help our customers' asset formation over the medium and long terms in line with our policy to focus on customer-oriented business in light of the continued large-scale financial easing established by the negative interest rate policy of the Bank of Japan. During the first half of fiscal year 2018, the sale and balance of asset management products, primarily annuity products, trended steadily. Moreover, higher US interest rates led to strong margin earnings from foreign currency deposits. The Housing Loan business is delivering unique, high-value-added products that places the business into a different category and moves it away from the interest-rate competition, such as products offered with coupons for housekeeping services and products offered with special policies for debt relief during times of natural disaster. As a result, the housing loan balance reached ¥1.2 trillion.

The Unsecured Loan business began offering products and services under the Lake ALSA brand through Shinsei Financial Co., Ltd. from April 2018. This business is building up a lending balance by implementing an array of measures, including 60-day no interest rate campaigns and placing advertisements that appeal the convenience of Lake ALSA.

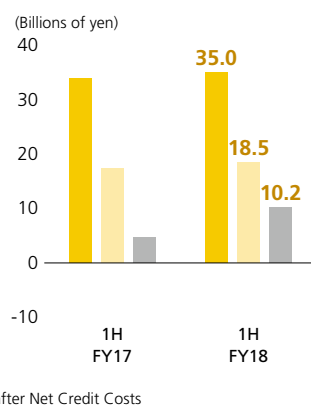
The Credit Card and Shopping Credit business promoted the expansion of IT platforms, primarily those for credit cards, and the greater efficiency of business operations, while at the same time reliably growing operating assets. In terms of transaction settlements, in response to the diversification of settlement methods resulting from technological innovation, this business has been expanding the number of member merchants accepting WeChat Pay, a mobile settlement service targeted at Chinese visitors.

Data on Major Operations

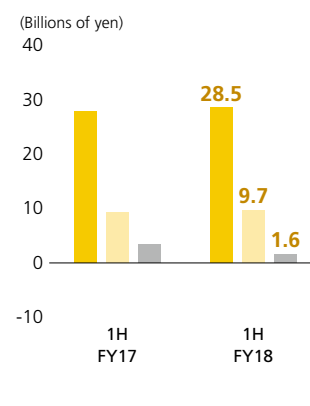
Retail Banking



Unsecured Loan

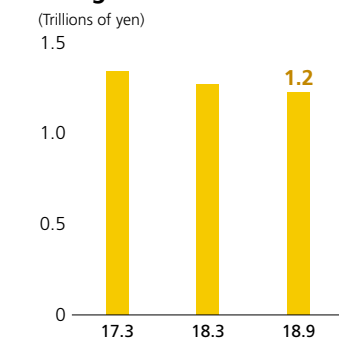


APLUS FINANCIAL

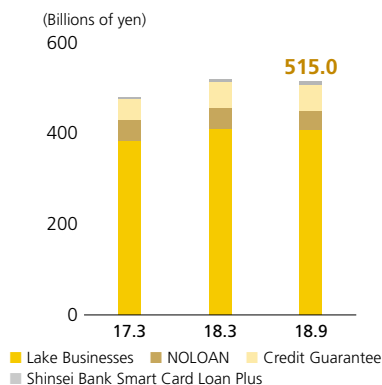


Operating Assets

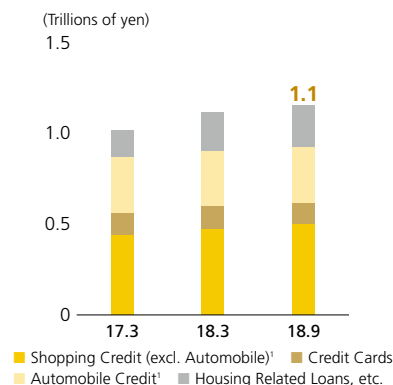
Housing Loan



Unsecured Loan



APLUS FINANCIAL



¹ Includes credit guarantee business

Institutional Business and Global Markets Business

The Institutional Business is composed of the corporate business, which provides solutions to the Bank's corporate and financial institution customers; structured finance, which provides services such as real estate finance and project finance; and principal transactions which include businesses such as private equity and business succession, and other businesses such as leasing business. The Global Markets Business is composed of operations such as the markets business, which offers market solutions such as derivatives for hedging foreign exchange and interest rate risks.

Business Results in the First Half of Fiscal Year 2018

The Corporate Business has continued to see the profitability of the traditional lending business trend at a low level against the backdrop of a stable low-interest rate environment and an improvement in the financial structure of corporations. Despite this situation, in cooperation with Group Companies, initiatives have been advanced along new axes, including providing business flow finance that delivers the required funding for each stage in the business activities of our customers.

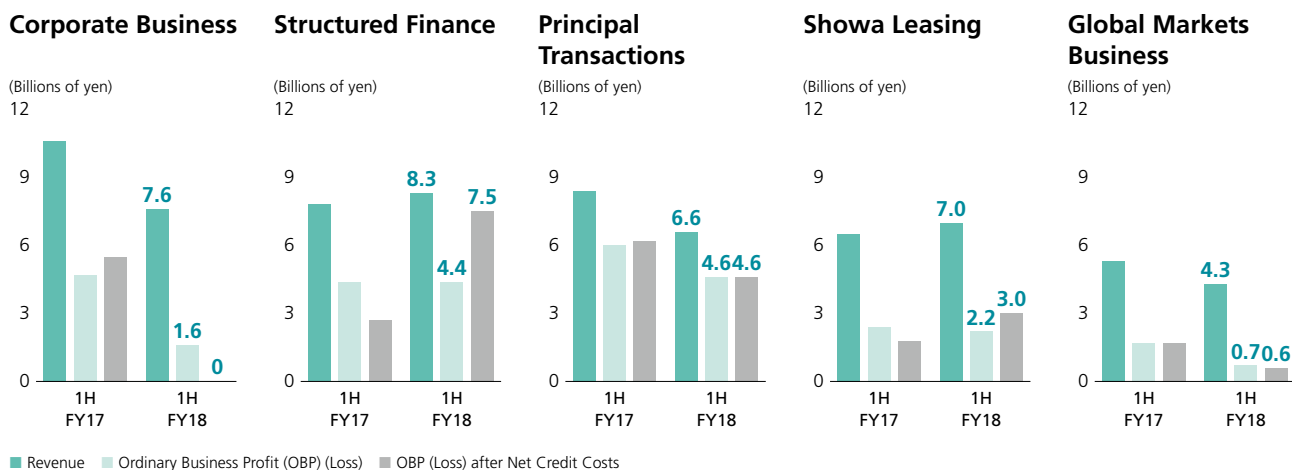
In Structured Finance, which is identified as a growth area in the Third MTMP, the number of finance arrangements grew year on year, continuing the expansion trend from the previous fiscal year. In Project Finance, acquisitions of new projects, primarily those related to domestic renewable energy, trended strongly, whereby undertaking a mix of projects led to progress in accumulating knowledge with a focus on continued growth.

In Real Estate Finance, careful judgments were made regarding the risk-return of each prospective transaction and real estate price trends, while continuing to focus on large metropolitan areas. As a result, the structured finance balance grew steadily.

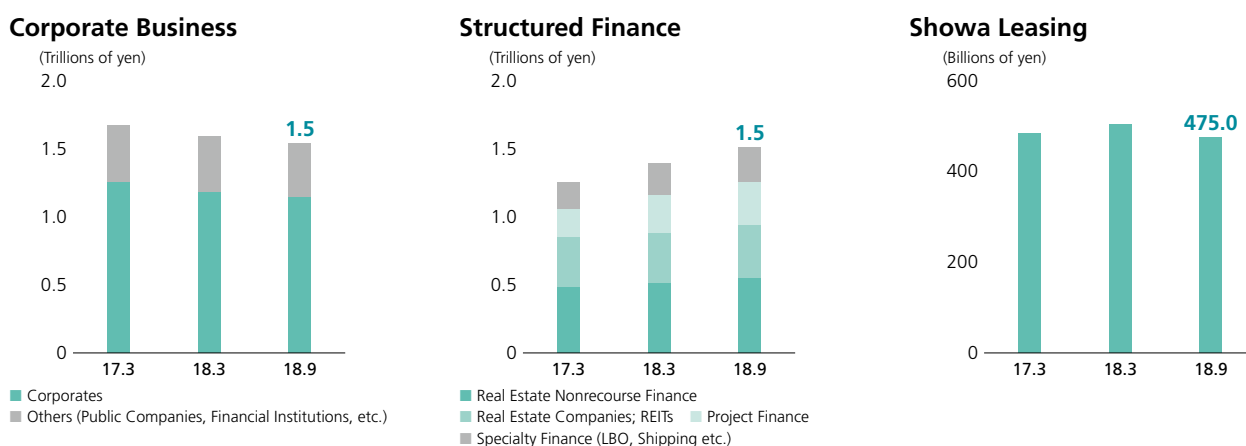
In Principal Transactions, new initiatives for private equity investment and business succession projects were robust.

Showa Leasing has seen the lease industry add new fields, such as overseas business, aircraft, real estate, and infrastructure, as it has moved to diversify its income sources. Against this backdrop, Showa Leasing has promoted the creation of an operational structure that integrates the Shinsei Bank Group as a whole. Moreover, fee income from sales of life insurance products to enterprise customers and brokerage of used equipment owned by companies (buying-selling business) has also contributed.

Data on Major Operations



Operating Assets



Status of Regional Revitalization and SME Management Improvement Initiatives

To improve the management of Small and Medium-sized Enterprises (SMEs) and contribute to regional revitalization, Shinsei Bank engages in initiatives such as those described below, providing our expertise and, depending on the initiative, cooperating with regional financial institutions and the SME Business Support Cooperative. With respect to supporting SMEs and local businesses that have technologies or business models with unrealized growth potential as well as new business fields or business domains that contribute to regional economic revitalization, the Bank goes beyond merely satisfying funding needs to provide financing that emphasizes cash flows and multifaceted solutions to such management issues as business strategy planning and implementation support and other complementary functions. Through such efforts, the Bank aims to expand the operations of growth-stage SME clients and contribute to the development of new business opportunities that accompany innovation.

Examples of Shinsei Bank Initiatives

■ Supporting regional revitalization through business succession

A regional liquor wholesaling company: For approximately half a century, the company had held a position as a major regional liquor wholesaler, but current management had become elderly and lacked a successor, confronting it with the pressing issue of business succession. In a business environment in which every year escalating cost competition with major rivals in the industry became increasingly intense, recruiting external sponsors was seen as the most-promising option. Given this, having received a request from a regional financial institution, which was the main bank for the company, Shinsei Bank agreed to collaborate in searching for a sponsor company. Because this was a sector in which reorganization was for the most part complete, recruiting strong candidates was seen to be a long-term endeavor. However, leveraging the Bank's insights based on a wealth of M&A experience and our nationwide-scale customer base, we fielded a sponsor that showed promise for synergies in the areas of sales and distribution. Consequently, we contributed to maintaining the employment of all employees and improving the vitality of the local economy.

■ Supporting management improvement

A regenerative medicine venture company: Having applied its unique cell lamination technology, the company has had success in putting into practical use a device for producing three-dimensional cellular tissue. The company's innovative technology is expected to lead to dramatic advances in regenerative medicine, but, the company also aimed to develop an improved device capable of producing three-dimensional cellular structures in a shorter time, therefore a partnership with a company possessing extremely precise manufacturing technologies was indispensable in realizing that aim. Recognizing the possibility that the advanced equipment design know-how and other technologies possessed by the semiconductor-related venture company of another partner could meet the demands of the company in question, Shinsei Bank matched the two companies and, as a result, by overcoming these issues they promoted the development of an improved device. In the years to come, the company's product will be utilized by many research institutes and universities, and it is expected that it will greatly contribute to the development of regenerative medicine.

■ Supporting business rehabilitation

A regional Japanese confectionery store: This confectionery store had opened up a number of branches based on its high name recognition in a regional area, however, excessive debt seemed to be hindering its ability to make repayments. Working together with a major bank, the company continued its endeavors to rebuild under its own power, but it was compelled to aim for business rehabilitation in line with legal procedures. Shinsei Bank was therefore appointed as a financial advisor with regard to the selection of a sponsor, and was successful in recruiting a major sponsor who agreed to collaborate to maintain the employment of all employees and sustain the existing business structure. While retaining the landmark name of the store, the company was able to start anew in a way that satisfied local stakeholders.

■ Business succession support

A regional meal service company: As one of the few business operators conforming to the standards set by local government, in addition to being entrusted with providing the meals for local schools the company had supplied dishes and ingredients for food supermarkets and hospitals. In recent years, however, the company had been suffering a deterioration in business performance due to factors such as a decrease in the number of pupils. Despite having worked on a raft of management improvement measures, the company had reached the point where it had ceased rebuilding under its own power. Through its main bank, a local financial institution, Shinsei Bank was approached to cooperate in inviting an outside sponsor. Although the company concerned presented local social conditions to be taken into consideration, such as keeping its workers in employment and the continuation of the school lunch program Shinsei Bank utilized its network, backed by its abundant experience and track record on business revitalization M&A, and succeeded in engaging a prominent sponsor that met the conditions desired by the company. Following the business succession of the new sponsor, performance improved in an extremely short period of time. The local government, which was concerned about the continuation of the school lunch program, and the local financial institution have both been unstinting in their praise of Shinsei Bank with regard to this initiative.

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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, except for claims classified under the Financial Revitalization Law, amount of less than ¥0.1 billion have been rounded. All percentages have been rounded to the nearest 0.1% unless otherwise noted.

Fiscal year 2018 refers to the consolidated accounting period ended March 31, 2019, and other accounting periods are denoted in the same manner. The term "current fiscal year" refers to fiscal year 2018 and the term "previous fiscal year" refers to fiscal year 2017. 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, 2018

In the interim period ended September 30, 2018 (April 1, 2018 to September 30, 2018), the Shinsei Bank Group recorded consolidated profit attributable to owners of the parent of ¥27.6 billion, increased ¥2.5 billion compared to the interim period ended September 30, 2017. This first half result equates to a 53% progression toward the Bank's fiscal year 2018 net income forecast of ¥52.0 billion, and indicates that steady progress is being made.

Total revenue was ¥114.7 billion for the first half of fiscal year 2018, decreased ¥1.1 billion compared to the first half of fiscal year 2017. Of this amount, net interest income totaled ¥66.3 billion, increased ¥2.1 billion compared to net interest income totaling ¥64.1 billion recorded in the first half of fiscal year 2017. This increase was due to the rise in loan interest in the growth areas of unsecured loans and Structured Finance Business. Noninterest income totaled ¥48.3 billion, decreased ¥3.3 billion compared to noninterest income totaling ¥51.7 billion recorded in the first half of fiscal year 2017. This resulted from the non-recurrence of gains on sales of equities in the Corporate Business and Principal Transactions Business posted in the first half of fiscal year 2017 as well decreased derivative transaction-related income, along with other factors, despite the recovery in fee income from the sale of asset management products in the Retail Banking Business.

OVERVIEW (CONTINUED)

General administrative expenses excluding amortization of goodwill and intangible assets totaled ¥71.3 billion in the six months ended September 30, 2018, a ¥0.6 billion decrease from the first half of fiscal year 2017. This was attributable to the reduction in personnel expenses, premises costs, and other expenses in association with the productivity enhancement project.

Net credit costs totaled ¥14.4 billion in the first half of fiscal 2018, decreased ¥5.4 billion compared to net credit costs of ¥19.8 billion recorded in the first half of fiscal year 2017. This was due largely to flat growth in the balance of unsecured loans as well as a reversal due to the calculation of general reserves for loan losses corresponding to the expansion of the portfolio in project finance and other areas in the Institutional Business.

The balance of loans and bills discounted as of September 30, 2018 totaled ¥4,877.0 billion, decreased ¥18.9 billion compared to ¥4,895.9 billion as of March 31, 2018. While there was an increase in the Structured Finance Business, the balance of loans to institutional clients and housing loans declined.

A net interest margin of 2.43% was recorded for the first half of fiscal year 2018, increased from 2.42% recorded for the first half of fiscal year 2017. This was due to an increase in the yield on loans in conjunction with the rise in the composition ratio of the Consumer Finance Business.

The Basel III domestic standard (grandfathering basis) consolidated core capital adequacy ratio as of September 30, 2018 was 12.44%, compared to 12.83% as of March 31, 2018. This was due to the increase in risk assets in conjunction with the rise in the balance of specialized lending and other assets, while there was also a decline in capital due to the impact of factors including the redemption of dated subordinated debt and the purchase of treasury stock. The Bank's Basel III international standard (fully loaded basis) Common Equity Tier 1 Ratio was at 12.2% as of September 30, 2018, remaining at the same level as March 31, 2018. Capital adequacy ratios continue to be maintained at adequate levels.

The nonperforming loan balance (nonconsolidated basis) under the Financial Revitalization Law decreased ¥0.7 billion during the first half of fiscal year 2018 to ¥7.7 billion as of September 30, 2018. Additionally, the proportion of nonperforming claims to the overall loan balance was 0.15% as of September 30, 2018, compared to 0.17% as of March 31, 2018, remaining at a low level.

Significant Events

Buyback and Cancellation of Treasury Shares
Shinsei Bank purchased shares as below based on buyback resolutions approved at meetings of the Board of Directors. With these purchases, the Board of Directors-authorized buybacks have been completed. 7,652,700 shares for a total amount of ¥12,999 million from market on the Tokyo Stock Exchange during a period from May 14, 2018 to October 16, 2018. Also, on May 18, 2018, Shinsei Bank cancelled 16,000,000 treasury shares based on a resolution to cancel treasury shares approved at a meeting of the Board of Directors.

SELECTED FINANCIAL DATA (CONSOLIDATED)

Shinsei Bank, Limited and its Consolidated Subsidiaries

As of and for the six months ended September 30, 2018 and 2017 and as of and for the fiscal year ended March 31, 2018

	Billions of yen (except per share data and percentages)		
	Sept. 30, 2018 (6 months)	Sept. 30, 2017 (6 months)	Mar. 31, 2018 (1 year)
Statements of income data:			
Net interest income	¥ 66.3	¥ 64.1	¥ 128.7
Net fees and commissions	14.5	11.5	25.0
Net trading income	1.8	3.4	8.5
Net other business income	31.9	36.7	69.6
Total revenue	114.7	115.9	232.0
General and administrative expenses	71.3	71.9	142.9
Amortization of goodwill and intangible assets acquired in business combinations	1.7	2.2	3.9
Total general and administrative expenses	73.0	74.2	146.9
Net credit costs (recoveries)	14.4	19.8	37.2
Net business profit after net credit costs (recoveries)	27.1	24.3	47.7
Other gains (losses), net	2.3	5.1	7.6
Income before income taxes	29.5	27.0	55.4
Current income taxes	0.8	0.5	1.2
Deferred income taxes (benefit)	1.0	1.2	2.5
Profit attributable to noncontrolling interests	(0.0)	0.0	0.1
Profit attributable to owners of the parent	¥ 27.6	¥ 25.1	¥ 51.4
Balance sheet data:			
Trading assets	¥ 188.5	¥ 223.8	¥ 205.2
Securities	1,217.5	1,144.2	1,123.5
Loans and bills discounted	4,877.0	4,909.1	4,895.9
Customers' liabilities for acceptances and guarantees	422.1	365.2	395.3
Reserve for credit losses	(100.7)	(98.8)	(100.8)
Total assets	9,535.5	9,455.3	9,456.6
Deposits, including negotiable certificates of deposit	6,041.3	6,000.2	6,067.0
Trading liabilities	166.4	198.7	184.5
Borrowed money	700.2	788.0	739.5
Acceptances and guarantees	422.1	365.2	395.3
Total liabilities	8,662.2	8,614.2	8,600.6
Common stock	512.2	512.2	512.2
Total equity	873.2	841.1	856.0
Total liabilities and equity	¥ 9,535.5	¥ 9,455.3	¥ 9,456.6
Per share data:			
Common equity ⁽¹⁾	¥ 3,547.97	¥ 3,243.13	¥ 3,376.39
Basic earnings per share	110.73	96.98	199.01
Diluted earnings per share	110.72	96.98	198.98
Capital adequacy data:			
Capital ratio (Basel III, Domestic Standard)	12.4%	13.1%	12.8%
Average balance data:			
Securities	¥ 1,176.1	¥ 1,087.3	¥ 1,109.1
Loans and bills discounted	4,921.1	4,895.2	4,903.7
Total assets	9,496.0	9,356.8	9,357.4
Interest-bearing liabilities	7,754.8	7,494.0	7,521.0
Total liabilities	8,631.4	8,525.8	8,519.0
Total equity	864.6	830.9	838.4
Other data:			
Return on assets	0.6%	0.5%	0.5%
Return on equity ⁽¹⁾	6.4%	6.0%	6.1%
Ratio of deposits, including negotiable certificates of deposit, to total liabilities	69.7%	69.7%	70.5%
Expense-to-revenue ratio ⁽²⁾	62.2%	62.1%	61.6%
Nonperforming claims, nonconsolidated	¥ 7.7	¥ 8.9	¥ 8.3
Ratio of nonperforming claims to total claims, nonconsolidated	0.2%	0.2%	0.2%

Note: (1) Stock acquisition rights and noncontrolling interests are excluded from equity.

(2) 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, 2018 totaled ¥66.3 billion, increased ¥2.1 billion from ¥64.1 billion recorded in the interim period

ended September 30, 2017 due to the increase of interest from unsecured loan and structured finance businesses.

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, 2018			Six months ended September 30, 2017		
	Average Balance	Interest	Yield/Rate ⁽⁴⁾	Average Balance	Interest	Yield/Rate ⁽⁴⁾
Interest-earning assets:						
Loans and bills discounted	¥ 4,921.1	¥ 69.6	2.82%	¥ 4,895.2	¥ 66.7	2.72%
Lease receivables and leased investment assets/ installment receivables	746.3	18.1	4.86	745.5	18.7	5.01
Securities	1,176.1	5.9	1.01	1,087.3	6.1	1.14
Other interest-earning assets ⁽¹⁾	179.5	1.0	n.m	164.2	0.9	n.m
Total revenue on interest-earning assets (A)	¥ 7,023.2	¥ 94.8	2.69%	¥ 6,892.4	¥ 92.5	2.68%
Interest-bearing liabilities:						
Deposits, including negotiable certificates of deposit	¥ 6,072.0	¥ 4.0	0.13%	¥ 5,923.1	¥ 4.3	0.15%
Borrowed money	732.6	1.7	0.49	800.2	1.7	0.43
Subordinated debt	7.4	0.0	2.36	12.4	0.1	2.37
Other borrowed money	725.1	1.7	0.47	787.8	1.5	0.40
Corporate bonds	85.4	0.2	0.68	108.1	0.5	1.01
Subordinated bonds	18.6	0.1	1.96	31.4	0.4	2.55
Other corporate bonds	66.8	0.1	0.33	76.7	0.1	0.37
Other interest-bearing liabilities ⁽¹⁾	864.6	4.0	n.m	721.4	3.1	n.m
Total expense on interest-bearing liabilities (B)	¥ 7,754.8	¥ 10.2	0.26%	¥ 7,552.9	¥ 9.6	0.26%
Net interest margin (A) - (B)	–	84.5	2.43%	–	82.9	2.42%
Noninterest-bearing sources of funds:						
Noninterest-bearing (assets) liabilities, net	¥ (1,594.1)	–	–	¥ (1,490.1)	–	–
Total equity excluding noncontrolling interests ⁽²⁾	862.6	–	–	829.6	–	–
Total noninterest-bearing sources of funds (C)	¥ (731.5)	–	–	¥ (660.5)	–	–
Total interest-bearing liabilities and noninterest-bearing sources of funds (D) = (B) + (C)	¥ 7,023.2	¥ 10.2	0.29%	¥ 6,892.4	¥ 9.6	0.28%
Net revenue on interest-earning assets/ yield on interest-earning assets (A) - (D)	–	¥ 84.5	2.40%	–	¥ 82.9	2.40%
Reconciliation of total revenue on interest-earning assets to total interest income						
Total revenue on interest-earning assets	¥ 7,023.2	¥ 94.8	2.69%	¥ 6,892.4	¥ 92.5	2.68%
Less: Income on lease transactions and installment receivables	746.3	18.1	4.86	745.5	18.7	5.01
Total interest income	¥ 6,276.9	¥ 76.6	2.43%	¥ 6,146.8	¥ 73.8	2.40%
Total interest expenses	–	10.2	–	–	9.6	–
Net interest income	–	¥ 66.3	–	–	¥ 64.1	–

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.

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.

RESULTS OF OPERATIONS (CONSOLIDATED) (CONTINUED)

A net interest margin of 2.43% was recorded for the first half of fiscal year 2018, increased from 2.42% recorded for the first half of fiscal year 2017. This increase was due to corresponding to the increase of yield of loans and bills discounted due to the rise in the percentage of Consumer Finance business.

Additionally, net interest income including income on leased assets and installment receivables totaled ¥84.5 billion in the first half of fiscal year 2018, increased from ¥82.9 billion recorded in the interim period ended September 30, 2017. While interest expenses incurred on interest bearing liabilities from ¥9.6 billion recorded in the first half of fiscal year 2017 to ¥10.2 billion recorded in the interim period ended September 30, 2018, interest revenue recorded from interest earnings assets from ¥92.5 billion recorded in the first half of fiscal year 2017 to ¥94.8 billion recorded in the interim period ended September 30, 2018.

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, 2018	Six months ended September 30, 2017	Change (Amount)
Income from trading securities	¥ 1.5	¥ 1.6	¥ (0.0)
Income (loss) from securities held to hedge trading transactions	(0.4)	0.1	(0.5)
Income from trading-related financial derivatives	0.7	1.6	(0.8)
Other, net	—	0.0	(0.0)
Net trading income	¥ 1.8	¥ 3.4	¥ (1.6)

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

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 ¥14.5 billion in the first half of fiscal year 2018, increased from ¥11.5 billion recorded in the interim period ended September 30, 2017. This increase was the result of an increase in fee income recorded on the sale of asset management products in the Retail Banking Business and fee income from shopping credit and settlement recorded in APLUS Financial.

trading income in the interim period ended September 30, 2018 totaled ¥1.8 billion, reduced from ¥3.4 billion recorded in the interim period ended September 30, 2017.

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, 2018	Six months ended September 30, 2017	Change (Amount)
Net gain on monetary assets held in trust	¥ 1.2	¥ 1.4	¥ (0.2)
Net gain on foreign exchanges	6.7	5.2	1.4
Net gain on securities	(1.2)	5.7	(7.0)
Net gain on other monetary claims purchased	0.5	0.6	(0.0)
Other, net:	6.5	4.8	1.6
Income (loss) from derivative transactions for banking purpose, net	(0.0)	(0.0)	0.0
Equity in net income of affiliates	4.0	2.9	1.0
Gain on lease cancellation and other lease income (loss), net	1.1	1.5	(0.4)
Other, net	1.3	0.3	1.0
Net other business income before income on lease transactions and installment receivables, net	13.7	17.9	(4.2)
Income on lease transactions and installment receivables, net	18.1	18.7	(0.5)
Net other business income	¥ 31.9	¥ 36.7	¥ (4.7)

RESULTS OF OPERATIONS (CONSOLIDATED) (CONTINUED)

Net other business income recorded in the interim period ended September 30, 2018 totaled ¥31.9 billion, decreased from ¥36.7 billion recorded in the interim period ended September 30, 2017. This reflected a gain on the foreign exchanges and a gain on equity in net income of affiliates revenues from equity method investment in affiliated, while decrease in a gain on the large sale of equities in corporate business.

TOTAL REVENUE

As a result of the preceding, total revenue of ¥114.7 billion was recorded in the interim period ended September 30, 2018, compared to ¥115.9 billion recorded during the interim period ended September 30, 2017.

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, 2018	Six months ended September 30, 2017	Change (Amount)
Personnel expenses	¥ 28.0	¥ 28.5	¥ (0.4)
Premises expenses	9.7	10.0	(0.3)
Technology and data processing expenses	10.9	10.3	0.6
Advertising expenses	5.4	5.8	(0.3)
Consumption and property taxes	4.7	4.4	0.2
Deposit insurance premium	0.8	0.8	(0.0)
Other general and administrative expenses	11.5	11.8	(0.2)
General and administrative expenses	71.3	71.9	(0.5)
Amortization of goodwill and intangible assets acquired in business combinations	1.7	2.2	(0.5)
Total general and administrative expenses	¥ 73.0	¥ 74.2	¥ (1.1)

General and administrative expenses excluding amortization of goodwill and intangible assets was ¥71.3 billion in the interim period ended September 30, 2018, decreased from ¥71.9 billion in the interim period ended September 30, 2017. This decrease was due to having continued to promote operational efficiency, while allocating management resources to IT systems and other strategic areas.

Personnel expenses declined from ¥28.5 billion in the interim period ended September 30, 2017, to ¥28.0 billion in the interim period ended September 30, 2018. 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 of ¥43.3 billion were recorded in the interim period ended September 30, 2018, compared to ¥43.4 billion recorded in the interim period ended September 30, 2017, due to implementation of strict expense controls. The Bank's performances in the major components of nonpersonnel expenses were as follows: 1) Due to continued efforts to promote operational efficiency, premises expenses totaled ¥9.7 billion in the interim period ended September 30, 2018, decreased from ¥10.0 billion recorded in the previous first

half; 2) Technology and data processing expenses totaled ¥10.9 billion in the interim period ended September 30, 2018, increased from ¥10.3 billion recorded in the interim period ended September 30, 2017, as investment for the stabilization of our systems continued; 3) Advertising expenses decreased from ¥5.8 billion in the interim period ended September 30, 2017, to ¥5.4 billion in the interim period ended September 30, 2018. Although the bank has been engaging in efficient advertising activities in order to expand the customer base, advertising expenses were reduced in light of market conditions; 4) Consumption and property tax expenses totaled ¥4.7 billion in the interim period ended September 30, 2018, increased compared to ¥4.4 billion recorded in the interim period ended September 30, 2017, due primarily to the effects of enterprise taxation; 5) Deposit insurance premium totaled ¥0.8 billion in the interim period ended September 30, 2018, the same level as the interim period ended September 30, 2017, as there was a decrease in the insurance premium rate, the basis for calculating premiums; 6) Other general and administrative expenses totaled ¥11.5 billion in the interim period ended September 30, 2018, decreased compared to ¥11.8 billion recorded in the interim period ended September 30, 2017, due to efforts to increase the efficiency of operating functions and the reduction in office environment maintenance and upgrades.

RESULTS OF OPERATIONS (CONSOLIDATED) (CONTINUED)

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 ¥1.7 billion in the interim period ended September 30, 2018, reduced from ¥2.2 billion recorded in the

interim period ended September 30, 2017.

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, 2018	Six months ended September 30, 2017	Change (Amount)
Shinsei Financial	¥ 0.6	¥ 1.2	¥ (0.5)
Shinsei Personal Loan ⁽¹⁾	(0.1)	(0.1)	—
Showa Leasing	1.1	1.2	(0.0)
Others	(0.0)	(0.0)	—
Amortization of goodwill and intangible assets acquired in business combinations	¥ 1.7	¥ 2.2	¥ (0.5)

Note: (1) the former SHINKI

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, 2018	Six months ended September 30, 2017	Change (Amount)
Losses on write-off or sales of loans	¥ 0.2	¥ 0.4	¥ (0.1)
Net provision of reserve for loan losses:			
Net provision of general reserve for loan losses	8.1	15.1	(6.9)
Net provision of specific reserve for loan losses	8.9	6.9	1.9
Net provision of reserve for loan losses to restructuring countries	—	(0.0)	0.0
Subtotal	17.1	22.1	(4.9)
Other credit costs (recoveries) relating to leasing business	0.1	0.2	(0.1)
Recoveries of written-off claims	(3.1)	(2.9)	(0.2)
Net credit costs (recoveries)	¥ 14.4	¥ 19.8	¥ (5.4)

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, 2018, the Bank recorded net credit costs totaling ¥14.4 billion, compared to net credit costs of ¥19.8 billion recorded in the interim period ended September 30, 2017. This was due to the balance of unsecured loan business remained unchanged and net credit costs recoveries were recorded

due primarily to calculation of general reserve for loan losses in accordance with growth of portfolio mainly in project finance transactions in the Institutional Business.

Recoveries of written-off claims totaled ¥3.1 billion in the first half of fiscal year 2018, increased compared to ¥2.9 billion recorded in the first half of fiscal year 2017. Major components of recoveries recorded in the interim period ended September 30, 2018, included ¥0.05 billion in Shinsei Bank on a nonconsolidated basis and ¥3.0 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, 2018 totaled ¥17.5 billion, increased compared to ¥22.8 billion recorded in the interim period ended September 30, 2017.

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

Other net gains totaled ¥2.3 billion in the interim period ended September 30, 2018, decreased compared to other net gains of ¥5.1 billion recorded in the interim period ended September 30, 2017.

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

	Billions of yen		
	Six months ended September 30, 2018	Six months ended September 30, 2017	Change (Amount)
Loss on liquidation of subsidiaries	¥ —	¥ (0.0)	¥ 0.0
Impairment losses on long-lived assets	(0.3)	(0.7)	0.4
Gain on reversal of stock acquisition rights	0.2	0.2	(0.0)
Reversal of reserve for losses on interest repayment	1.7	3.9	(2.1)
Other, net	0.6	1.7	(1.0)
Total	¥ 2.3	¥ 5.1	¥ (2.8)

INCOME BEFORE INCOME TAXES

As a result of the preceding factors, income before taxes recorded in the interim period ended September 30, 2018, totaled ¥29.5 billion, compared to ¥27.0 billion recorded in the interim period ended September 30, 2017.

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, 2018, compared to a net expense of ¥1.8 billion recorded in the interim period ended September 30, 2017.

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 ¥27.6 billion in the interim period ended September 30, 2018, increased compared to ¥25.1 billion recorded in the interim period ended September 30, 2017.

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, 2018			Six months ended September 30, 2017		
	Reported-basis	Reclassifications	Operating-basis	Reported-basis	Reclassifications	Operating-basis
Revenue:						
Net interest income	¥ 66.3	¥ —	¥ 66.3	¥ 64.1	¥ —	¥ 64.1
Noninterest income	48.3	—	48.3	51.7	—	51.7
Total revenue	114.7	—	114.7	115.9	—	115.9
General and administrative expenses ⁽¹⁾	(71.3)	(0.4)	70.9	71.9	(0.3)	71.6
Amortization of goodwill and intangible assets acquired in business combinations ⁽¹⁾	1.7	(1.7)	—	2.2	(2.2)	—
Total general and administrative expenses	73.0	(2.1)	70.9	74.2	(2.5)	71.6
Net business profit/Ordinary business profit	41.6	2.1	43.7	41.6	2.5	44.2
Net credit costs (recoveries)	14.4	—	14.4	19.8	—	19.8
Amortization of goodwill and intangible assets acquired in business combinations	—	1.7	1.7	—	2.2	2.2
Other gains (losses), net ⁽¹⁾	2.3	(0.4)	1.9	5.1	(0.3)	4.8
Income before income taxes	29.5	—	29.5	27.0	—	27.0
Income taxes and profit attributable to noncontrolling interests	1.8	—	1.8	1.9	—	1.9
Profit attributable to owners of the parent	¥ 27.6	¥ —	¥ 27.6	¥ 25.1	¥ —	¥ 25.1

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.

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, 2018	Six months ended September 30, 2017	Change (Amount)
Institutional Group:			
Net interest income	¥ 11.3	¥ 12.6	¥ (1.2)
Noninterest income	18.2	20.8	(2.5)
Total revenue	29.6	33.5	(3.8)
General and administrative expenses	16.6	15.9	0.7
Ordinary business profit (loss)	13.0	17.6	(4.5)
Net credit costs (recoveries)	(2.2)	1.2	(3.4)
Ordinary business profit (loss) after net credit costs (recoveries)	¥ 15.2	¥ 16.4	¥ (1.1)
Global Markets Group:			
Net interest income	¥ 0.9	¥ 1.1	¥ (0.1)
Noninterest income	3.3	4.1	(0.7)
Total revenue	4.3	5.3	(0.9)
General and administrative expenses	3.5	3.5	0.0
Ordinary business profit (loss)	0.7	1.7	(1.0)
Net credit costs (recoveries)	0.0	0.0	0.0
Ordinary business profit (loss) after net credit costs (recoveries)	¥ 0.6	¥ 1.7	¥ (1.0)
Individual Group:			
Net interest income	¥ 52.8	¥ 51.2	¥ 1.5
Noninterest income	24.8	23.3	1.5
Total revenue	77.6	74.5	3.1
General and administrative expenses	50.0	50.6	(0.6)
Ordinary business profit (loss)	27.6	23.8	3.7
Net credit costs (recoveries)	16.5	18.6	(2.0)
Ordinary business profit (loss) after net credit costs (recoveries)	¥ 11.0	¥ 5.2	¥ 5.8
Corporate/Other⁽¹⁾:			
Net interest income	¥ 1.1	¥ (0.8)	¥ 2.0
Noninterest income	1.8	3.3	(1.4)
Total revenue	3.0	2.4	0.5
General and administrative expenses	0.7	1.4	(0.7)
Ordinary business profit (loss)	2.2	1.0	1.2
Net credit costs (recoveries)	0.0	(0.0)	0.0
Ordinary business profit (loss) after net credit costs (recoveries)	¥ 2.2	¥ 1.0	¥ 1.2
Total:			
Net interest income	¥ 66.3	¥ 64.1	¥ 2.1
Noninterest income	48.3	51.7	(3.3)
Total revenue	114.7	115.9	(1.1)
General and administrative expenses	70.9	71.6	(0.6)
Ordinary business profit (loss)	43.7	44.2	(0.5)
Net credit costs (recoveries)	14.4	19.8	(5.4)
Ordinary business profit (loss) after net credit costs (recoveries)	¥ 29.3	¥ 24.3	¥ 4.9

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, 2018	Six months ended September 30, 2017	Change (Amount)
Corporate Business:			
Net interest income	¥ 5.0	¥ 4.9	¥ 0.0
Noninterest income	2.6	5.7	(3.0)
Total revenue	7.6	10.6	(3.0)
General and administrative expenses	5.9	5.9	0.0
Ordinary business profit (loss)	1.6	4.7	(3.0)
Net credit costs (recoveries)	1.6	(0.8)	2.4
Ordinary business profit (loss) after net credit costs (recoveries)	¥ 0.0	¥ 5.5	¥ (5.5)
Structured Finance:			
Net interest income	¥ 4.9	¥ 4.6	¥ 0.3
Noninterest income	3.4	3.2	0.1
Total revenue	8.3	7.8	0.5
General and administrative expenses	3.9	3.4	0.4
Ordinary business profit (loss)	4.4	4.4	0.0
Net credit costs (recoveries)	(3.0)	1.6	(4.7)
Ordinary business profit (loss) after net credit costs (recoveries)	¥ 7.5	¥ 2.7	¥ 4.7
Principal Transactions:			
Net interest income	¥ 1.5	¥ 3.1	¥ (1.5)
Noninterest income	5.0	5.3	(0.2)
Total revenue	6.6	8.4	(1.7)
General and administrative expenses	1.9	2.3	(0.4)
Ordinary business profit (loss)	4.6	6.0	(1.3)
Net credit costs (recoveries)	(0.0)	(0.2)	0.1
Ordinary business profit (loss) after net credit costs (recoveries)	¥ 4.6	¥ 6.2	¥ (1.5)
Showa Leasing:			
Net interest income	¥ (0.1)	¥ (0.0)	¥ (0.1)
Noninterest income	7.1	6.6	0.5
Total revenue	7.0	6.5	0.4
General and administrative expenses	4.7	4.1	0.6
Ordinary business profit (loss)	2.2	2.4	(0.1)
Net credit costs (recoveries)	(0.7)	0.5	(1.3)
Ordinary business profit (loss) after net credit costs (recoveries)	¥ 3.0	¥ 1.8	¥ 1.1
Institutional Business:			
Net interest income	¥ 11.3	¥ 12.6	¥ (1.2)
Noninterest income	18.2	20.8	(2.5)
Total revenue	29.6	33.5	(3.8)
General and administrative expenses	16.6	15.9	0.7
Ordinary business profit (loss)	13.0	17.6	(4.5)
Net credit costs (recoveries)	(2.2)	1.2	(3.4)
Ordinary business profit (loss) after net credit costs (recoveries)	¥ 15.2	¥ 16.4	¥ (1.1)

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

RESULTS OF OPERATIONS (CONSOLIDATED) (CONTINUED)

The Institutional Business recorded total revenue of ¥29.6 billion in the interim period ended September 30, 2018, compared to ¥33.5 billion in the interim period ended September 30, 2017. Of this amount, net interest income accounted for ¥11.3 billion, compared with ¥12.6 billion in the interim period ended September 30, 2017. Noninterest income likewise fell to ¥18.2 billion, down from ¥20.8 billion recorded in the interim period ended September 30, 2017. The decrease in net interest income was due to the decrease in dividend revenue from Principal Transactions, while the decrease in noninterest income was due to the non-recurrence of gains on the sale of securities posted in the interim period ended September 30, 2017.

Within the Institutional Business, the Corporate Business recorded total revenue of ¥7.6 billion, compared to ¥10.6 billion in the interim period ended September 30, 2017. A major factor for the decrease was the non-recurrence of gains on the sale of equities posted in the interim period ended September 30, 2017.

The Structured Finance recorded total revenue of ¥8.3 billion in the interim period ended September 30, 2018, compared to ¥7.8 billion in the interim period ended September 30, 2017. The increase was due to the rise in fee income from new project finance initiatives as well as the steady increase in operating assets, particularly in project finance.

The Principal Transactions recorded total revenue of ¥6.6 billion in the interim period ended September 30, 2018, compared to ¥8.4 billion in the interim period ended September 30, 2017. The decrease was due to factors including the decrease in dividend revenue in the Private Equity business and the non-recurrence of gains on the sale of securities posted in the interim period ended September 30, 2017.

Showa Leasing recorded total revenue of ¥7.0 billion in the interim period of fiscal year 2018, an increase compared to ¥6.5 billion a year earlier. This increase was primarily due to an increase in fee income in the consulting business.

General and administrative expenses totaled ¥16.6 billion in the six months ended September 30, 2018, compared to ¥15.9 billion in the interim period ended September 30, 2017. This was due to the shifting of management resources to areas of focus, despite efforts aimed at efficient operations.

Net credit costs in the interim period ended September 30, 2018 totaled ¥2.2 billion of net credit recoveries, compared to ¥1.2 billion of net credit costs in the interim period ended September 30, 2017. This was due to factors including a reversal due to the calculation of general reserves for loan losses corresponding to the expansion of the portfolio in project finance and other areas.

As a result of the preceding factors, the Institutional Business recorded an ordinary business profit after net credit costs of ¥15.2 billion in the interim period ended September 30, 2018, compared to ¥16.4 billion recorded in the interim period ended September 30, 2017.

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, 2018	Six months ended September 30, 2017	Change (Amount)
Markets:			
Net interest income	¥ 0.7	¥ 0.9	¥ (0.1)
Noninterest income	2.3	2.9	(0.6)
Total revenue	3.0	3.9	(0.8)
General and administrative expenses	1.9	1.9	(0.0)
Ordinary business profit (loss)	1.1	1.9	(0.7)
Net credit costs (recoveries)	0.0	(0.0)	0.0
Ordinary business profit (loss) after net credit costs (recoveries)	¥ 1.1	¥ 1.9	¥ (0.8)
Others⁽²⁾:			
Net interest income	¥ 0.2	¥ 0.2	¥ (0.0)
Noninterest income	1.0	1.1	(0.1)
Total revenue	1.2	1.4	(0.1)
General and administrative expenses	1.6	1.6	0.0
Ordinary business profit (loss)	(0.4)	(0.2)	(0.2)
Net credit costs (recoveries)	0.0	0.0	0.0
Ordinary business profit (loss) after net credit costs (recoveries)	¥ (0.4)	¥ (0.2)	¥ (0.2)
Global Markets Business:			
Net interest income	¥ 0.9	¥ 1.1	¥ (0.1)
Noninterest income	3.3	4.1	(0.7)
Total revenue	4.3	5.3	(0.9)
General and administrative expenses	3.5	3.5	0.0
Ordinary business profit (loss)	0.7	1.7	(1.0)
Net credit costs (recoveries)	0.0	0.0	0.0
Ordinary business profit (loss) after net credit costs (recoveries)	¥ 0.6	¥ 1.7	¥ (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.

The Global Markets Business recorded total revenue of ¥4.3 billion in the interim period of fiscal year 2018, compared to ¥5.3 billion recorded in the interim period ended September 30, 2017. This decrease was the result of the weak performance in market-related transactions and the year-on-year drop in the securities brokerage business.

The Markets business recorded total revenue of ¥3.0 billion in the interim period ended September 30, 2018, compared to ¥3.9 billion recorded in the previous fiscal first half. This was primarily due to weak performance in market-related transactions.

Others recorded total revenue of ¥1.2 billion during the interim period ended September 30, 2018, compared to ¥1.4 billion in the interim period ended September 30, 2017. This decrease was the result of the year-on-year drop in the securities brokerage business and other factors.

General and administrative expenses recorded in the Global Markets Business totaled ¥3.5 billion in the interim period ended September 30, 2018, the same as in the year-earlier period. This was the result of investing the necessary management resources to enhance efficiency in each business line.

Net credit costs recorded in the Global Markets Business totaled ¥0.0 billion (¥78 million) in the interim period ended September 30, 2018, compared to net credit costs of ¥0.0 billion (¥16 million) recorded in the interim period ended September 30, 2017.

As a result of the preceding factors, the Global Markets Business recorded an ordinary business profit after net credit costs of ¥0.6 billion in the interim period ended September 30, 2018, compared to ¥1.7 billion in the interim period ended September 30, 2017.

RESULTS OF OPERATIONS (CONSOLIDATED) (CONTINUED)

INDIVIDUAL BUSINESS

The Individual Business consists of: 1) Retail Banking, 2) Shinsei Financial and its subsidiaries, and 3) APLUS FINANCIAL.

The "Shinsei Financial" segment includes consumer finance products and services and guarantees services such as Shinsei Financial, Shinsei Bank Lake, "NO LOAN" (operated by Shinsei Personal Loan), and Lake ALSA.

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, 2018	Six months ended September 30, 2017	Change (Amount)
Retail Banking:			
Net interest income	¥ 11.8	¥ 11.2	¥ 0.6
Loans	5.0	5.3	(0.2)
Deposits	6.8	5.9	0.9
Noninterest income	1.0	0.1	0.8
Asset management products	3.5	3.0	0.4
Other fees (ATM, Fund transfer, FX etc.)	(2.4)	(2.8)	0.3
Total revenue	12.9	11.4	1.4
General and administrative expenses	13.9	14.8	(0.9)
Ordinary business profit (loss)	(1.0)	(3.4)	2.3
Net credit costs (recoveries)	0.0	0.1	(0.1)
Ordinary business profit (loss) after net credit costs (recoveries)	¥ (1.0)	¥ (3.5)	¥ 2.5
Shinsei Financial⁽²⁾:			
Net interest income	¥ 34.9	¥ 34.1	¥ 0.8
Shinsei Bank Lake	32.0	30.9	1.0
Noninterest income	0.0	(0.1)	0.2
Total revenue	35.0	33.9	1.0
General and administrative expenses	16.4	16.5	(0.1)
Ordinary business profit (loss)	18.5	17.3	1.2
Net credit costs (recoveries)	8.3	12.5	(4.2)
Ordinary business profit (loss) after net credit costs (recoveries)	¥ 10.2	¥ 4.7	¥ 5.5
APLUS FINANCIAL:			
Net interest income	¥ 5.5	¥ 5.5	¥ 0.0
Noninterest income	22.9	22.3	0.5
Total revenue	28.5	27.9	0.6
General and administrative expenses	18.7	18.5	0.1
Ordinary business profit (loss)	9.7	9.3	0.4
Net credit costs (recoveries)	8.1	5.8	2.2
Ordinary business profit (loss) after net credit costs (recoveries)	¥ 1.6	¥ 3.4	¥ (1.8)
Others:			
Net interest income	¥ 0.3	¥ 0.3	¥ 0.0
Noninterest income	0.8	0.9	(0.1)
Total revenue	1.2	1.2	(0.0)
General and administrative expenses	0.8	0.6	0.1
Ordinary business profit (loss)	0.3	0.6	(0.2)
Net credit costs (recoveries)	0.1	0.0	0.0
Ordinary business profit (loss) after net credit costs (recoveries)	¥ 0.2	¥ 0.5	¥ (0.3)
Individual Business:			
Net interest income	¥ 52.8	¥ 51.2	¥ 1.5
Noninterest income	24.8	23.3	1.5
Total revenue	77.6	74.5	3.1
General and administrative expenses	50.0	50.6	(0.6)
Ordinary business profit (loss)	27.6	23.8	3.7
Net credit costs (recoveries)	16.5	18.6	(2.0)
Ordinary business profit (loss) after net credit costs (recoveries)	¥ 11.0	¥ 5.2	¥ 5.8

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

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

RESULTS OF OPERATIONS (CONSOLIDATED) (CONTINUED)

The Individual Business recorded an ordinary business profit after net credit costs of ¥11.0 billion in the interim period ended September 30, 2018, compared to ¥5.2 billion in the interim period ended September 30, 2017.

RETAIL BANKING

The Retail Banking Business recorded total revenue of ¥12.9 billion in the interim period ended September 30, 2018, compared to ¥11.4 billion in the same period of fiscal year 2017.

Of this amount, net interest income was ¥11.8 billion, compared to ¥11.2 billion recorded in the first half of the previous fiscal year. This was primarily the result of the increase in income from foreign currency deposits. Noninterest income totaled ¥1.0 billion in the interim period ended September 30, 2018, an increase from the ¥0.1 billion recorded in the same period of the previous fiscal year. This was mainly due to the increase in sales of asset management products.

General and administrative expenses totaled ¥13.9 billion in the interim period ended September 30, 2018, a decline compared to the ¥14.8 billion recorded in the same period of the previous fiscal year. This was the result of continued efforts to pursue rationalization and efficiency.

As a result of the preceding factors, net business loss after net credit costs of ¥1.0 billion was recorded in the interim period ended September 30, 2018, compared to a loss of ¥3.5 billion recorded in the same period of the previous fiscal year.

SHINSEI FINANCIAL

Shinsei Financial recorded a combined ordinary business profit after net credit costs after related consolidation adjustments of ¥10.2 billion in the interim period ended September 30, 2018, compared to ¥4.7 billion in the interim period ended September 30, 2017.

Total revenue was ¥35.0 billion in the interim period ended September 30, 2018, compared to ¥33.9 billion in the previous fiscal first half, primarily the result of the growth of the loan balance.

Net credit costs were ¥8.3 billion in the interim period ended September 30, 2018, compared to ¥12.5 billion in the same period of the previous fiscal year. In addition to the Bank's efforts to gradually tighten its credit standards and strengthen its collection capabilities, the growth of the loan balance due to new lending and other factors was less pronounced than in the same period of the previous fiscal year.

APLUS FINANCIAL

APLUS FINANCIAL recorded an ordinary business profit after net credit costs after related consolidation adjustments of ¥1.6 billion in the interim period ended September 30, 2018, compared to ¥3.4 billion in the previous fiscal first half.

Total revenue in the interim period ended September 30, 2018 was ¥28.5 billion, increased from ¥27.9 billion recorded in the previous fiscal first half.

Of this amount, net interest income was ¥5.5 billion, unchanged from the previous fiscal first half.

Noninterest income was ¥22.9 billion, increased from ¥22.3 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 ¥18.7 billion in the interim period ended September 30, 2018, compared to ¥18.5 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 ¥8.1 billion in the interim period ended September 30, 2018, compared to ¥5.8 billion in the same period of the previous fiscal year, partially due to the increase in operating assets.

Others include the results of other subsidiaries and unallocated consumer finance business financials.

INTEREST REPAYMENTS

Regarding reserves for losses on interest repayments, in accordance with the revision of the assumed future interest repayment costs, during the interim period ended September 30, 2018, Shinsei Financial reversed ¥1.5 billion of reserves for losses on interest payments, while Shinsei Personal Loan reversed ¥0.1 billion of reserves for losses on interest payments, whereas in the fiscal year ended March 31, 2018, Shinsei Financial reversed ¥11.8 billion of reserves for losses on interest payments, while Shinsei Personal Loan and APLUS FINANCIAL made additional provisions of reserves for losses on interest repayments of ¥2.7 billion and ¥3.0 billion, respectively.

Shinsei Financial's usage of reserves for losses on interest repayments (interest repayments and related principal amortization) was ¥5.2 billion in the interim period ended September 30, 2018, compared to ¥9.0 billion utilized in the same period of the previous fiscal year. Because ¥1.5 billion of reserves for losses on interest repayments were reversed in the interim period ended September 30, 2018, the total balance of reserves for losses on interest repayments was ¥54.3 billion as of September 30, 2018, compared to ¥61.1 billion as of March 31, 2018.

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, 2018 was ¥0.7 billion, compared to ¥1.4 billion in the same period of the previous fiscal year. Because ¥0.1 billion of reserves for losses on interest repayments were reversed in the interim period ended September 30, 2018, the total balance of reserves for losses on interest repayments was ¥6.5 billion as of September 30, 2018, compared to ¥7.4 billion as of March 31, 2018.

APLUS FINANCIAL and its consolidated subsidiaries' usage of reserves for losses on interest repayments (interest repayments and related principal amortization) was ¥1.2 billion in the interim period ended September 30, 2018, compared to ¥2.3 billion utilized in the same period of the previous fiscal year. In the interim period ended September 30, 2018, no additional reserves for losses on interest repayments were provisioned, and the total balance of reserves for losses on interest repayments was ¥4.9 billion as of September 30, 2018, compared to ¥6.1 billion as of March 31, 2018.

RESULTS OF OPERATIONS (CONSOLIDATED) (CONTINUED)

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, 2018	Six months ended September 30, 2017	Change (Amount)
Treasury:			
Net interest income	¥ 1.1	¥ (0.8)	¥ 2.0
Noninterest income	1.5	2.9	(1.4)
Total revenue	2.6	2.1	0.5
General and administrative expenses	0.8	0.8	(0.0)
Ordinary business profit (loss)	1.8	1.2	0.6
Net credit costs (recoveries)	—	—	—
Ordinary business profit (loss) after net credit costs (recoveries)	¥ 1.8	¥ 1.2	¥ 0.6
Others⁽¹⁾:			
Net interest income	¥ (0.0)	¥ (0.0)	¥ 0.0
Noninterest income	0.3	0.3	0.0
Total revenue	0.3	0.3	0.0
General and administrative expenses	(0.1)	0.5	(0.6)
Ordinary business profit (loss)	0.4	(0.2)	0.6
Net credit costs (recoveries)	0.0	(0.0)	0.0
Ordinary business profit (loss) after net credit costs (recoveries)	¥ 0.4	¥ (0.2)	¥ 0.6
Corporate/Other⁽¹⁾:			
Net interest income	¥ 1.1	¥ (0.8)	¥ 2.0
Noninterest income	1.8	3.3	(1.4)
Total revenue	3.0	2.4	0.5
General and administrative expenses	0.7	1.4	(0.7)
Ordinary business profit (loss)	2.2	1.0	1.2
Net credit costs (recoveries)	0.0	(0.0)	0.0
Ordinary business profit (loss) after net credit costs (recoveries)	¥ 2.2	¥ 1.0	¥ 1.2

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 ¥3.0 billion in the interim period ended September 30, 2018,

compared to ¥2.4 billion recorded in the interim period ended September 30, 2017.

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 net income of ¥14.8 billion on a nonconsolidated

basis for the six months ended September 30, 2018. Differences between the net incomes 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.

RESULTS OF OPERATIONS (NONCONSOLIDATED)**TABLE 14. SUPPLEMENTAL MEASURES (NONCONSOLIDATED)**

	Billions of yen	
	Six months ended September 30, 2018	Six months ended September 30, 2017
Gross business profit (gyomu sorieki) :		
Net interest income	¥ 51.6	¥ 51.5
Net fees and commissions ⁽¹⁾	(5.2)	(5.3)
Net trading income	0.2	1.6
Net other business income	4.8	6.0
Total gross business profit	51.4	53.8
Expenses ⁽²⁾	35.2	39.9
Net business profit (jisshitsu gyomu jun-eki)	16.2	13.9
Other, net ⁽³⁾	(0.4)	4.1
Net operating income (keijo rieki)	15.8	18.1
Extraordinary income (loss)	(1.7)	6.1
Income before income taxes	14.1	24.2
Current income taxes (benefit)	(0.5)	(0.6)
Deferred income taxes (benefit)	(0.1)	1.9
Net income	¥ 14.8	¥ 22.9

Notes: (1) Includes net gain (loss) on monetary assets held in trust of ¥0.5 billion and ¥1.1 billion for the six months ended September 30, 2018 and 2017, 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 ¥9,456.6 billion to ¥9,535.5 billion over the six months ended September 30, 2018.

The balance of loans and bills discounted was ¥4,877.0

billion as of September 30, 2018, an decrease of ¥18.9 billion from ¥4,895.9 billion as of March 31, 2018. 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, 2018		As of September 30, 2017	
Domestic offices (excluding Japan offshore market account):				
Manufacturing	¥ 191.7	4.1%	¥ 199.1	4.2%
Agriculture and forestry	0.0	0.0	0.0	0.0
Fishery	—	—	—	—
Mining, quarrying and gravel extraction	0.4	0.0	0.6	0.0
Construction	7.7	0.2	7.5	0.2
Electric power, gas, heat supply and water supply	268.8	5.7	221.7	4.6
Information and communications	64.6	1.4	47.0	1.0
Transportation, postal service	195.7	4.1	200.6	4.2
Wholesale and retail	111.8	2.4	109.4	2.3
Finance and insurance	530.3	11.2	553.8	11.6
Real estate	574.1	12.2	602.4	12.6
Services	315.9	6.7	335.5	7.0
Local government	58.0	1.2	68.9	1.4
Others	2,406.2	50.9	2,438.5	51.0
Total domestic (A)	¥ 4,725.6	100.0%	¥ 4,785.5	100.0%
Overseas offices (including Japan offshore market accounts):				
Governments	¥ 0.2	0.2%	¥ 0.4	0.4%
Financial institutions	29.0	19.2	19.1	15.5
Others	121.9	80.6	103.9	84.1
Total overseas (B)	¥ 151.3	100.0%	¥ 123.6	100.0%
Total (A+B)	¥ 4,877.0		¥ 4,909.1	

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, 2018	As of September 30, 2017
Retail deposits	¥ 4,762.4	¥ 4,954.7
Institutional deposits	1,278.9	1,045.5
Total	¥ 6,041.3	¥ 6,000.2

TOTAL EQUITY

Total equity as of September 30, 2018 was ¥873.2 billion and included noncontrolling interests of ¥2.1 billion.

FINANCIAL CONDITION (CONTINUED)

ASSET QUALITY AND DISPOSAL OF NONPERFORMING LOANS OF SHINSEI

At September 30, 2018, 10.2% 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 8.4%, to ¥7.7 billion, between March 31, 2018 and September 30, 2018. During the six months ended September 30, 2018, claims against bankrupt and quasi-bankrupt obligors was ¥1.8 billion at the same amount as of March 31, 2018, and doubtful claims decreased from ¥3.5 billion to ¥3.4 billion, and substandard claims decreased from ¥3.0 billion to ¥2.4 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, 2018 was 0.2%, was same as March 31, 2018.

Shinsei's claims against other need caution obligors, excluding substandard claims, totaled ¥83.5 billion as of September 30, 2018, a 91.2% increase from ¥43.6 billion as of March 31, 2018, which included private placement bonds guaranteed by Shinsei classified as claims against other need caution obligors.

These claims represented 1.7% of total nonconsolidated claims as of September 30, 2018, increased from 0.9% as of March 31, 2018.

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 ^{(1) (2)}		Other	Risk-monitored Loans ⁽¹⁾	
				Total loans and bills discounted:	4,798.7		90.2	Total loans and bills discounted:
Legally bankrupt		9E	100.0% for unsecured portion	Claims against bankrupt and quasi-bankrupt obligors (Amount of coverage, coverage ratio) 1.8 (1.8*, 100.0%)			Loans to bankrupt obligors 0.6	
Virtually bankrupt		9D	100.0% for unsecured portion	*Amount of reserve for loan losses is 0.4, collateral and guarantees is 1.4				
Possibly bankrupt		9C	59.6% for unsecured portion	Doubtful claims 3.4 (Amount of coverage, coverage ratio) (2.1*, 60.0%)			Nonaccrual delinquent loans 4.6	
	Need caution	9B	24.0% for unsecured portion	Substandard claims (loan account only) 2.4 (Amount of coverage, coverage ratio) (0.9*, 38.8%)			Loans past due for three months or more 2.4	
		9A	4.8% for total claims	*Amount of reserve for loan losses is 0.4, collateral and guarantees is 0.5			Restructured loans	
Normal		0A-6C	0.3% for total claims	Normal claims 4,881.2			Normal 4,791.0	
				Total nonperforming claims and ratio to total claims 7.7, 0.2% (Total amount of coverage, coverage ratio) (4.8*, 62.9%)			Total risk-monitored loans and ratio to total loans and bills discounted 7.6, 0.2%	
				*Total amount of reserve for loan losses is 2.9, collateral and guarantees is 2.0				

Notes: (1) 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.
 (2) 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, 2018	As of September 30, 2017	As of March 31, 2018
Claims against bankrupt and quasi-bankrupt obligors	¥ 1.8	¥ 2.5	¥ 1.8
Doubtful claims	3.4	3.4	3.5
Substandard claims	2.4	2.9	3.0
Total claims disclosed under the Financial Revitalization Law ⁽¹⁾	7.7	8.9	8.3
Normal claims and claims against other need caution obligors, excluding substandard claims	4,881.2	4,633.7	4,715.7
Total claims	¥ 4,888.9	¥ 4,642.6	¥ 4,724.0
Ratio of total claims disclosed under the Financial Revitalization Law to total claims	0.2%	0.2%	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, 2018, 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, 60.0% for doubtful claims and 38.8% for substandard claims. For all claims classified under the Financial Revitalization Law, the coverage ratio was 62.9%.

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, 2018, ¥4.2 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)				Coverage ratio
	Amount of claims	Amounts of coverage			
		Reserve for loan losses	Collateral and guarantees	Total	
As of September 30, 2018:					
Claims against bankrupt and quasi-bankrupt obligors	¥ 1.8	¥ 0.4	¥ 1.4	¥ 1.8	100.0%
Doubtful claims	3.4	2.0	0.0	2.1	60.0
Substandard claims	2.4	0.4	0.5	0.9	38.8
Total	¥ 7.7	¥ 2.9	¥ 2.0	¥ 4.8	62.9%
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 March 31, 2018:					
Claims against bankrupt and quasi-bankrupt obligors	¥ 1.8	¥ 0.4	¥ 1.3	¥ 1.8	100.0%
Doubtful claims	3.5	1.9	0.1	2.0	57.4
Substandard claims	3.0	0.6	1.0	1.6	55.3
Total	¥ 8.3	¥ 3.0	¥ 2.5	¥ 5.5	65.8%

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, 2018	As of September 30, 2017
General reserve for loan losses	¥ 23.0	¥ 24.0
Specific reserve for loan losses	3.9	2.0
Reserve for loans to restructuring countries	—	—
Total reserve for credit losses	¥ 26.9	¥ 26.1
Total claims ⁽¹⁾	¥ 4,888.9	¥ 4,642.6
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, 2018 and September 30, 2017, total reserve for credit losses on a nonconsolidated basis was

¥26.9 billion and ¥26.1 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, 2018	As of September 30, 2017
Legally and virtually bankrupt	(unsecured portion)	100.0%	100.0%
Possibly bankrupt	(unsecured portion)	59.6%	47.4%
Substandard	(unsecured portion)	24.0%	47.3%
Other need	(total claims)	4.8%	5.8%
	(unsecured portion)	13.8%	13.4%
Normal	(total claims)	0.3%	0.4%

RISK-MONITORED LOANS

Consolidated risk-monitored loans increased by ¥0.3 billion during the six months ended September 30, 2018 to ¥75.2 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, 2018	As of September 30, 2017
Total loans and bills discounted		¥ 4,877.0	¥ 4,909.1
Loans to bankrupt obligors (A)		6.1	5.1
Nonaccrual delinquent loans (B)		29.1	32.7
Subtotal (A) + (B)		¥ 35.2	¥ 37.9
Ratio to total loans and bills discounted		0.7%	0.8%
Loans past due for three months or more (C)		¥ 1.0	¥ 1.5
Restructured loans (D)		38.9	33.8
Total risk-monitored loans (A) + (B) + (C) + (D)		¥ 75.2	¥ 73.3
Ratio to total loans and bills discounted		1.5%	1.5%
Reserve for credit losses		¥ 100.7	¥ 98.8

TABLE 22. RISK-MONITORED LOANS (NONCONSOLIDATED)

		Billions of yen (except percentages)	
		As of September 30, 2018	As of September 30, 2017
Total loans and bills discounted		¥ 4,798.7	¥ 4,557.0
Loans to bankrupt obligors (A)		0.6	0.6
Nonaccrual delinquent loans (B)		4.6	5.3
Subtotal (A) + (B)		¥ 5.2	¥ 5.9
Ratio to total loans and bills discounted		0.1%	0.1%
Loans past due for three months or more (C)		¥ 0.4	¥ 0.9
Restructured loans (D)		1.9	1.9
Total risk-monitored loans (A) + (B) + (C) + (D)		¥ 7.6	¥ 8.8
Ratio to total loans and bills discounted		0.2%	0.2%
Reserve for credit losses		¥ 26.9	¥ 26.1

FINANCIAL CONDITION (CONTINUED)

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

	Billions of yen	
	As of September 30, 2018	As of September 30, 2017
Domestic offices (excluding Japan offshore market account):		
Manufacturing	¥ 2.9	¥ 3.0
Agriculture and forestry	—	—
Fishery	—	—
Mining, quarrying and gravel extraction	—	—
Construction	—	—
Electric power, gas, heat supply and water supply	—	—
Information and communications	0.1	0.0
Transportation and postal service	—	—
Wholesale and retail	0.1	0.0
Finance and insurance	0.1	—
Real estate	—	—
Services	0.4	0.3
Local government	—	—
Individual	2.2	2.7
Overseas yen loan and overseas loans booked domestically	0.2	1.0
Total domestic (A)	¥ 6.3	¥ 7.3
Overseas offices (including Japan offshore market accounts):		
Governments	¥ —	¥ —
Financial institutions	—	—
Others	1.3	1.5
Total overseas (B)	¥ 1.3	¥ 1.5
Total (A+B)	¥ 7.6	¥ 8.8

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				
	Shinsei	Shinsei Financial	APLUS FINANCIAL	Other subsidiaries	Total
As of September 30, 2018:					
Loans to bankrupt obligors	¥ 0.6	¥ 4.6	¥ 0.0	¥ 0.7	¥ 6.1
Nonaccrual delinquent loans	4.6	12.6	8.7	3.1	29.1
Loans past due for three months or more	0.4	0.0	0.3	0.2	1.0
Restructured loans	1.9	27.4	9.5	—	38.9
Total	¥ 7.6	¥ 44.8	¥ 18.5	¥ 4.1	¥ 75.2
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 March 31, 2018:					
Loans to bankrupt obligors	¥ 0.5	¥ 4.6	¥ —	¥ 0.3	¥ 5.6
Nonaccrual delinquent loans	4.7	12.3	9.8	4.2	31.1
Loans past due for three months or more	1.1	0.0	0.3	0.3	1.8
Restructured loans	1.8	25.0	9.2	—	36.2
Total	¥ 8.3	¥ 42.0	¥ 19.5	¥ 4.9	¥ 74.9

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

	Billions of yen				
	Shinsei Financial	APLUS FINANCIAL	Showa Leasing	Other subsidiaries	Total
As of September 30, 2018:					
Credits to bankrupt obligors	¥ —	¥ 0.0	¥ 0.0	¥ 0.0	¥ 0.0
Nonaccrual delinquent credits	—	4.0	1.8	—	5.9
Credits past due for three months or more	—	0.2	0.0	—	0.3
Restructured credits	—	0.0	0.0	—	0.0
Total	¥ —	¥ 4.3	¥ 1.9	¥ 0.0	¥ 6.4
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 March 31, 2018:					
Credits to bankrupt obligors	¥ —	¥ 0.0	¥ 0.0	¥ 0.0	¥ 0.0
Nonaccrual delinquent credits	—	4.5	2.7	—	7.2
Credits past due for three months or more	—	0.3	0.0	—	0.3
Restructured credits	—	0.0	0.0	—	0.0
Total	¥ —	¥ 4.9	¥ 2.8	¥ 0.0	¥ 7.7

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

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, 2018 was 12.44%, compared with 12.83% as of March 31, 2018.

See "COMPOSITION OF CAPITAL DISCLOSURE (CONSOLIDATED)" on Page 77.

INTERIM CONSOLIDATED BALANCE SHEET (UNAUDITED)

Shinsei Bank, Limited, and its Consolidated Subsidiaries
As of September 30, 2018

	Millions of yen		Thousands of U.S. dollars (Note 1)
	Sept. 30, 2018	Mar. 31, 2018	Sept. 30, 2018
ASSETS			
Cash and due from banks (Notes 3, 21 and 32)	¥ 1,396,718	¥ 1,465,663	\$ 12,299,389
Receivables under securities borrowing transactions (Note 32)	572	2,629	5,043
Other monetary claims purchased (Notes 4 and 32)	29,478	36,332	259,582
Trading assets (Notes 5, 21, 32 and 33)	188,546	205,295	1,660,323
Monetary assets held in trust (Notes 6, 21 and 32)	267,528	234,924	2,355,833
Securities (Notes 7, 21, 22 and 32)	1,217,516	1,123,522	10,721,350
Loans and bills discounted (Notes 8, 21 and 32)	4,877,000	4,895,963	42,946,467
Foreign exchanges (Note 9)	33,403	32,511	294,150
Lease receivables and leased investment assets (Notes 21, 30 and 32)	159,291	171,429	1,402,710
Other assets (Notes 10, 21, 32 and 33)	900,554	856,213	7,930,208
Premises and equipment (Notes 11, 21 and 30)	47,693	50,261	419,988
Intangible assets (Notes 12 and 30)	67,054	59,484	590,481
Assets for retirement benefits	14,377	13,261	126,611
Deferred tax assets	14,328	14,705	126,175
Customers' liabilities for acceptances and guarantees (Note 20)	422,187	395,301	3,717,752
Reserve for credit losses (Note 13)	(100,731)	(100,840)	(887,037)
Total assets	¥ 9,535,522	¥ 9,456,660	\$ 83,969,025
LIABILITIES AND EQUITY			
Liabilities:			
Deposits, including negotiable certificates of deposit (Notes 14, 21 and 32)	¥ 6,041,382	¥ 6,067,096	\$ 53,199,919
Debentures (Notes 15 and 32)	–	423	–
Call money (Note 32)	5,325	–	46,895
Payables under repurchase agreements (Notes 21 and 32)	64,347	55,919	566,643
Payables under securities lending transactions (Notes 21 and 32)	542,019	433,462	4,772,979
Trading liabilities (Notes 16, 32 and 33)	166,427	184,582	1,465,545
Borrowed money (Notes 17, 21, 22 and 32)	700,279	739,578	6,166,606
Foreign exchanges (Note 9)	54	102	479
Short-term corporate bonds (Note 32)	193,900	175,700	1,707,467
Corporate bonds (Notes 18 and 32)	87,335	85,000	769,065
Other liabilities (Notes 19, 21, 32 and 33)	355,868	367,734	3,133,753
Accrued employees' bonuses	4,922	8,489	43,343
Accrued directors' bonuses	32	51	284
Liabilities for retirement benefits	8,379	8,366	73,789
Reserve for reimbursement of debentures	4,020	4,130	35,406
Reserve for losses on interest repayments	65,755	74,687	579,036
Acceptances and guarantees (Notes 20, 21 and 32)	422,187	395,301	3,717,752
Total liabilities	8,662,238	8,600,625	76,278,962
Equity:			
Common stock (Note 23)	512,204	512,204	4,510,431
Capital surplus	78,506	78,506	691,321
Stock acquisition rights (Note 24)	102	318	907
Retained earnings	322,186	361,368	2,837,145
Treasury stock, at cost (Note 23)	(37,377)	(89,540)	(329,139)
Accumulated other comprehensive income:			
Unrealized gain (loss) on available-for-sale securities (Note 7)	6,670	5,187	58,739
Deferred gain (loss) on derivatives under hedge accounting	(12,378)	(14,457)	(109,003)
Foreign currency translation adjustments	(1,121)	(1,573)	(9,874)
Defined retirement benefit plans	2,303	2,089	20,282
Total	871,096	854,103	7,670,808
Noncontrolling interests	2,186	1,930	19,255
Total equity	873,283	856,034	7,690,063
Total liabilities and equity	¥ 9,535,522	¥ 9,456,660	\$ 83,969,025

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, 2018

	Millions of yen		Thousands of U.S. dollars (Note 1)
	Sept. 30, 2018 (6 months)	Sept. 30, 2017 (6 months)	Sept. 30, 2018 (6 months)
Interest income:			
Interest on loans and bills discounted	¥ 69,629	¥ 66,741	\$ 613,148
Interest and dividends on securities	5,948	6,197	52,382
Interest on deposits with banks	563	537	4,963
Other interest income	473	403	4,169
Total interest income	76,614	73,879	674,662
Interest expenses:			
Interest on deposits, including negotiable certificates of deposit	4,082	4,324	35,949
Interest and discounts on debentures	0	2	1
Interest on other borrowings	1,784	1,686	15,713
Interest on corporate bonds	292	545	2,573
Other interest expenses	4,110	3,127	36,199
Total interest expenses	10,269	9,687	90,435
Net interest income	66,344	64,192	584,227
Fees and commissions income	27,163	24,292	239,195
Fees and commissions expenses	12,583	12,707	110,807
Net fees and commissions	14,579	11,584	128,388
Net trading income (loss) (Note 25)	1,821	3,432	16,043
Other business income (loss), net:			
Income on lease transactions and installment receivables, net	18,195	18,710	160,226
Net gain (loss) on monetary assets held in trust	1,205	1,489	10,613
Net gain (loss) on foreign exchanges	6,763	5,299	59,560
Net gain (loss) on securities	(1,234)	5,786	(10,870)
Net gain (loss) on other monetary claims purchased	549	609	4,835
Other, net (Note 26)	6,504	4,810	57,275
Net other business income (loss)	31,982	36,706	281,638
Total revenue	114,729	115,916	1,010,296
General and administrative expenses:			
Personnel expenses	28,082	28,524	247,293
Premises expenses	9,776	10,081	86,090
Technology and data processing expenses	10,979	10,349	96,683
Advertising expenses	5,426	5,808	47,782
Consumption and property taxes	4,727	4,452	41,631
Deposit insurance premium	822	887	7,246
Other general and administrative expenses	11,565	11,857	101,847
General and administrative expenses	71,380	71,962	628,572
Amortization of goodwill and intangible assets acquired in business combinations	1,733	2,271	15,265
Total general and administrative expenses	73,114	74,233	643,838
Net business profit (loss)	41,615	41,682	366,458
Net credit costs (recoveries) (Note 27)	14,432	19,858	127,094
Other gains (losses), net (Note 28)	2,341	5,193	20,615
Income (loss) before income taxes	29,523	27,017	259,979
Income taxes (benefit):			
Current	832	583	7,328
Deferred	1,050	1,245	9,253
Profit	27,640	25,187	243,398
Profit (loss) attributable to noncontrolling interests	(49)	85	(437)
Profit (loss) attributable to owners of the parent	¥ 27,689	¥ 25,102	\$ 243,834
		Yen	U.S. dollars (Note 1)
Basic earnings per share (Note 29)	¥ 110.73	¥ 96.98	\$ 0.98
Diluted earnings per share (Note 29)	¥ 110.72	¥ 96.97	\$ 0.98

See accompanying "Notes to Interim Consolidated Financial Statements (Unaudited)," which are an integral part of these statements.
Shinsei Bank executed a 1-for-10 reverse stock split on October 1, 2017. The above EPS data is calculated as if the reverse stock split had been implemented at the beginning of the fiscal year ended March 31, 2018.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

Shinsei Bank, Limited, and its Consolidated Subsidiaries
For the six months ended September 30, 2018

	Millions of yen		Thousands of U.S. dollars (Note 1)
	Sept. 30, 2018 (6 months)	Sept. 30, 2017 (6 months)	Sept. 30, 2018 (6 months)
Profit	¥ 27,640	¥ 25,187	\$ 243,398
Other comprehensive income:			
Unrealized gain (loss) on available-for-sale securities	(3,833)	(2,794)	(33,762)
Deferred gain (loss) on derivatives under hedge accounting	2,079	(104)	18,310
Foreign currency translation adjustments	(621)	176	(5,475)
Defined retirement benefit plans	214	378	1,891
Share of other comprehensive income in affiliates	2,537	337	22,348
Total other comprehensive income	376	(2,006)	3,312
Comprehensive income	¥ 28,016	¥ 23,181	\$ 246,709
Total comprehensive income attributable to:			
Owners of the parent	¥ 27,993	¥ 23,099	\$ 246,507
Noncontrolling interests	22	82	202

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, 2018

	Millions of yen											
	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock, at cost	Accumulated other comprehensive income				Total	Noncontrolling interests	Total equity
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, 2018 (as previously reported)	¥ 512,204	¥ 78,506	¥ 318	¥ 361,368	¥ (89,540)	¥ 5,187	¥ (14,457)	¥ (1,573)	¥ 2,089	¥ 854,103	¥ 1,930	¥ 856,034
Cumulative effect of accounting change of certain foreign affiliates accounted for by the equity method				(48)		4,307				4,259		4,259
BALANCE, April 1, 2018 (as restated)	512,204	78,506	318	361,320	(89,540)	9,495	(14,457)	(1,573)	2,089	858,363	1,930	860,294
Dividends				(2,528)						(2,528)		(2,528)
Profit attributable to owners of the parent				27,689						27,689		27,689
Purchase of treasury stock					(12,558)					(12,558)		(12,558)
Disposal of treasury stock		(45)			89					44		44
Cancellation of treasury stock		(64,632)			64,632					-		-
Transfer to capital surplus from retained earnings		64,677		(64,677)						-		-
Changes in ownership interest of the parent related to transactions with noncontrolling interests		(0)								(0)		(0)
Changes by inclusion of consolidated subsidiaries				-						-		-
Transfer to retained earnings from unrealized gain (loss) on available-for-sale securities				382						382		382
Net change during the period			(216)			(2,824)	2,079	451	213	(295)	255	(40)
BALANCE, September 30, 2018	¥ 512,204	¥ 78,506	¥ 102	¥ 322,186	¥ (37,377)	¥ 6,670	¥ (12,378)	¥ (1,121)	¥ 2,303	¥ 871,096	¥ 2,186	¥ 873,283

	Millions of yen											
	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock, at cost	Accumulated other comprehensive income				Total	Noncontrolling interests	Total equity
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 (as previously reported)	¥ 512,204	¥ 78,506	¥ 584	¥ 312,538	¥ (79,539)	¥ 10,299	¥ (13,925)	¥ 199	¥ (1,344)	¥ 819,524	¥ 1,262	¥ 820,786
Cumulative effect of accounting change of certain foreign affiliates accounted for by the equity method				-		-				-		-
BALANCE, April 1, 2017 (as restated)	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)
Disposal of treasury stock		-			-					-		-
Cancellation of treasury stock		-			-					-		-
Transfer to capital surplus from retained earnings		-		-						-		-
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)
Transfer to retained earnings from unrealized gain (loss) on available-for-sale securities				-						-		-
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

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, 2018 (as previously reported)	\$ 4,510,431	\$ 691,321	\$ 2,809	\$ 3,182,185	\$ (788,490)	\$ 45,679	\$ (127,313)	\$ (13,854)	\$ 18,399	\$ 7,521,168	\$ 17,003	\$ 7,538,171	
Cumulative effect of accounting change of certain foreign affiliates accounted for by the equity method				(424)		37,934				37,510		37,510	
BALANCE, April 1, 2018 (as restated)	4,510,431	691,321	2,809	3,181,760	(788,490)	83,614	(127,313)	(13,854)	18,399	7,558,678	17,003	7,575,681	
Dividends				(22,267)						(22,267)		(22,267)	
Profit attributable to owners of the parent				243,834						243,834		243,834	
Purchase of treasury stock					(110,592)					(110,592)		(110,592)	
Disposal of treasury stock		(398)			792					395		395	
Cancellation of treasury stock		(569,151)			569,151					-		-	
Transfer to capital surplus from retained earnings		569,548		(569,548)						-		-	
Changes in ownership interest of the parent related to transactions with noncontrolling interests		(0)								(0)		(0)	
Changes by inclusion of consolidated subsidiaries				-						-		-	
Transfer to retained earnings from unrealized gain (loss) on available-for-sale securities				3,366						3,366		3,366	
Net change during the period			(1,902)			(24,875)	18,310	3,980	1,882	(2,606)	2,252	(354)	
BALANCE, September 30, 2018	\$ 4,510,431	\$ 691,321	\$ 907	\$ 2,837,145	\$ (329,139)	\$ 58,739	\$ (109,003)	\$ (9,874)	\$ 20,282	\$ 7,670,808	\$ 19,255	\$ 7,690,063	

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, 2018

	Millions of yen		Thousands of
	Sept. 30, 2018 (6 months)	Sept. 30, 2017 (6 months)	Sept. 30, 2018 (6 months)
Cash flows from operating activities:			
Income (loss) before income taxes	¥ 29,523	¥ 27,017	\$ 259,979
Adjustments for:			
Income taxes paid	(746)	(571)	(6,577)
Depreciation (other than leased assets as lessor)	5,598	5,319	49,304
Amortization of goodwill and intangible assets acquired in business combinations	1,733	2,271	15,265
Impairment losses on long-lived assets	315	740	2,779
Net change in reserve for credit losses	(108)	(1,285)	(959)
Net change in reserve for losses on interest repayments	(8,931)	(16,797)	(78,653)
Net change in other reserves	(3,696)	(3,746)	(32,550)
Interest income	(76,614)	(73,879)	(674,662)
Interest expenses	10,269	9,687	90,435
Investment (gains) losses	(623)	(7,176)	(5,494)
Net exchange (gain) loss	(8,550)	(9,613)	(75,298)
Net change in trading assets	16,749	20,277	147,493
Net change in trading liabilities	(18,155)	(13,537)	(159,877)
Net change in loans and bills discounted	18,977	(75,703)	167,117
Net change in deposits, including negotiable certificates of deposit	(25,833)	137,359	(227,491)
Net change in debentures	(423)	(2,823)	(3,725)
Net change in borrowed money (other than subordinated debt)	(26,921)	(2,675)	(237,071)
Net change in corporate bonds (other than subordinated corporate bonds)	12,335	(18,000)	108,621
Net change in interest-bearing deposits with banks (other than due from the Bank of Japan)	(11,716)	31,305	(103,170)
Net change in call loans, receivables under resale agreements, receivables under securities borrowing transactions and other monetary claims purchased	8,911	11,665	78,473
Net change in call money, payables under repurchase agreements, payables under securities lending transactions, and short-term corporate bonds (liabilities)	140,511	97,574	1,237,330
Net change in foreign exchange assets and liabilities	(939)	(12,190)	(8,277)
Interest received	77,168	73,280	679,541
Interest paid	(11,670)	(7,880)	(102,773)
Net change in monetary assets held in trust for trading purposes	1,533	2,699	13,504
Net change in lease receivables and leased investment assets	11,981	10,404	105,504
Other, net	(56,756)	(40,069)	(499,789)
Total adjustments	54,395	116,637	478,999
Net cash provided by (used in) operating activities	83,918	143,654	738,978
Cash flows from investing activities:			
Purchase of investments	(799,563)	(889,331)	(7,040,887)
Proceeds from sales of investments	531,215	803,948	4,677,841
Proceeds from maturity of investments	153,824	66,600	1,354,565
Purchase of premises and equipment (other than leased assets as lessor)	(1,825)	(2,288)	(16,074)
Purchase of intangible assets (other than leased assets as lessor)	(13,411)	(11,486)	(118,099)
Proceeds from acquisition of the business	1,982	–	17,462
Other, net	(258)	57	(2,277)
Net cash provided by (used in) investing activities	(128,035)	(32,501)	(1,127,469)
Cash flows from financing activities:			
Repayment of subordinated debt	(12,400)	–	(109,193)
Payment for redemption of subordinated corporate bonds	(10,000)	–	(88,059)
Proceeds from noncontrolling shareholders	235	4	2,073
Dividends paid	(2,528)	(2,588)	(22,267)
Payment for purchase of treasury stock	(12,558)	(0)	(110,592)
Purchase of investments in subsidiaries not resulting in change in scope of consolidation	(0)	(0)	(0)
Net cash provided by (used in) financing activities	(37,252)	(2,584)	(328,040)
Foreign currency translation adjustments on cash and cash equivalents	100	48	886
Net change in cash and cash equivalents	(81,268)	108,617	(715,644)
Cash and cash equivalents at beginning of the period	1,434,574	1,329,867	12,632,743
Cash and cash equivalents at end of the period (Note 3)	¥ 1,353,305	¥ 1,438,484	\$ 11,917,099

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, 2018

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 ("IFRS").

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.

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 ¥113.56 to U.S. \$1.00, the rate of exchange prevailing on the Tokyo foreign exchange market on September 30, 2018. 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.

Amounts of less than one million yen and one thousand U.S. dollars have been rounded down to the nearest million and rounded to the nearest thousand, respectively except for per share amounts in the presentation of the accompanying interim consolidated financial statements and the notes thereto. As a result, the totals in yen and U.S. dollars do not necessarily equal the sum of the individual amounts.

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 by 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, 2018 and March 31, 2018 were as follows:

	September 30, 2018	March 31, 2018
Consolidated subsidiaries	81	83
Unconsolidated subsidiaries	95	104
Affiliates accounted for by the equity method	32	30
Affiliates accounted for not applying the equity method	—	—

Shinsei Capital Partners, Ltd. and 1 other company were newly consolidated due to their formation.

Additionally, Godo Kaisha Koriyama 5 Gou and 3 other companies were excluded from the scope of consolidation due to liquidation in the six months ended September 30, 2018.

LS Holdings Co., Ltd. was newly included in the scope of application of the equity method due to its formation and Asuka Corporate Advisory Co., Ltd. was newly included in the scope of application of the equity method due to the acquisition of shares in the six months ended September 30, 2018.

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 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONSOLIDATED

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 investment 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, 2018 are 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 Investment & Finance Ltd.	Japan	100.0%

All significant inter-company transactions, related account balances and unrealized gains have been eliminated upon consolidation. As of September 30, 2018, the six month period ending dates were September 30 for 52 subsidiaries, March 31 for 3 subsidiaries, June 30 for 25 subsidiaries and August 31 for 1 subsidiary. Regarding the 4 companies 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, 2018.

A major affiliate accounted for by the equity method as of September 30, 2018 is listed below:

Name	Location	Percentage ownership
Jih Sun Financial Holding Co., Ltd.	Taiwan	36.2%

(B) GOODWILL AND INTANGIBLE ASSETS ACQUIRED IN BUSINESS COMBINATIONS

The Bank recognized certain identifiable intangible assets in connection with the acquisition of Showa Leasing Co., Ltd. ("Showa Leasing"), Shinsei Financial Co., Ltd. ("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 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 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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONSOLIDATED

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 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 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 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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONSOLIDATED

as of September 30, 2018 are 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 to 15 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 cases where it is difficult to reasonably estimate future cash flows, the reserve is provided based on the 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 sales promotion divisions and credit analysis 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 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 ¥52,388 million (U.S. \$461,327 thousand) and ¥63,418 million as of September 30, 2018 and March 31, 2018, 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.

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.

Certain consolidated subsidiaries recognize retirement benefit obligations at the amount that would be payable if employees retired voluntarily at the consolidated balance sheet date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONSOLIDATED

(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 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 ¥57 million (U.S.\$510 thousand) and ¥47 million for the six months ended September 30, 2018 and 2017, 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONSOLIDATED

(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, 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, 2018 and 2017 was as follows:

As of September 30,	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Cash and due from banks	¥ 1,396,718	¥ 1,476,306	\$ 12,299,389
Interest-bearing deposits included in due from banks (other than due from the Bank of Japan)	(43,412)	(37,821)	(382,290)
Cash and cash equivalents	¥ 1,353,305	¥ 1,438,484	\$ 11,917,099

4. OTHER MONETARY CLAIMS PURCHASED**CONSOLIDATED**

(a) Other monetary claims purchased as of September 30, 2018 and March 31, 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2018	Mar. 31, 2018	Sept. 30, 2018
Trading purposes	¥ 1,793	¥ 1,705	\$ 15,797
Other	27,684	34,626	243,785
Total	¥ 29,478	¥ 36,332	\$ 259,582

(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, 2018 and March 31, 2018 were as follows:

	Millions of yen				Thousands of U.S. dollars	
	Sept. 30, 2018		Mar. 31, 2018		Sept. 30, 2018	
	Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss
Trading purposes	¥ 1,793	¥ 669	¥ 1,705	¥ 635	\$ 15,797	\$ 5,897

5. TRADING ASSETS**CONSOLIDATED**

Trading assets as of September 30, 2018 and March 31, 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars	
	Sept. 30, 2018	Mar. 31, 2018	Sept. 30, 2018	Sept. 30, 2018
Trading securities	¥ 3,079	¥ 4,589	\$ 27,119	
Derivatives for trading securities	2,356	1,928	20,755	
Derivatives for securities held to hedge trading transactions	17,662	13,134	155,532	
Trading-related financial derivatives	165,447	185,642	1,456,917	
Total	¥ 188,546	¥ 205,295	\$ 1,660,323	

6. MONETARY ASSETS HELD IN TRUST**CONSOLIDATED**

(a) Monetary assets held in trust as of September 30, 2018 and March 31, 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2018	Mar. 31, 2018	Sept. 30, 2018
Trading purposes	¥ 15,721	¥ 17,255	\$ 138,447
Other	251,806	217,668	2,217,386
Total	¥ 267,528	¥ 234,924	\$ 2,355,833

(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, 2018 and March 31, 2018 were as follows:

	Millions of yen				Thousands of U.S. dollars	
	Sept. 30, 2018		Mar. 31, 2018		Sept. 30, 2018	
	Fair value	Unrealized loss	Fair value	Unrealized gain	Fair value	Unrealized loss
Trading purposes	¥ 15,721	¥ 34	¥ 17,255	¥ 13	\$ 138,447	\$ 305

(c) The acquisition cost and the carrying amount of monetary assets held in trust for other than trading purposes as of September 30, 2018 and March 31, 2018 were as follows:

	Millions of yen							
	Sept. 30, 2018				Mar. 31, 2018			
	Acquisition cost	Gross unrealized gain	Gross unrealized loss	Carrying amount	Acquisition cost	Gross unrealized gain	Gross unrealized loss	Carrying amount
Other	¥ 252,780	¥ 96	¥ 1,070	¥ 251,806	¥ 218,191	¥ 104	¥ 626	¥ 217,668

	Thousands of U.S. dollars			
	Sept. 30, 2018			
	Acquisition cost	Gross unrealized gain	Gross unrealized loss	Carrying amount
Other	\$ 2,225,966	\$ 847	\$ 9,427	\$ 2,217,386

7. SECURITIES

CONSOLIDATED

(a) Securities as of September 30, 2018 and March 31, 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2018	Mar. 31, 2018	Sept. 30, 2018
Trading securities	¥ 0	¥ 0	\$ 0
Securities being held to maturity	455,239	481,303	4,008,805
Securities available for sale:			
Securities carried at fair value	652,260	534,752	5,743,755
Securities carried at cost whose fair value cannot be reliably determined	36,868	42,757	324,662
Investments in unconsolidated subsidiaries and affiliates	73,147	64,708	644,129
Total	¥ 1,217,516	¥ 1,123,522	\$ 10,721,350

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, 2018 and March 31, 2018 were ¥9,315 million (U.S.\$82,034 thousand) and ¥6,960 million, 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, 2018 and March 31, 2018 were ¥3,430 million (U.S.\$30,204 thousand) and ¥1,000 million, respectively.

(b) The amortized/acquisition cost and the fair values of securities (other than trading securities) as of September 30, 2018 and March 31, 2018 were as follows:

	Millions of yen							
	Sept. 30, 2018				Mar. 31, 2018			
	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	¥ 455,239	¥ 2,483	¥ 41	¥ 457,681	¥ 481,303	¥ 3,372	–	¥ 484,676
Total	¥ 455,239	¥ 2,483	¥ 41	¥ 457,681	¥ 481,303	¥ 3,372	–	¥ 484,676
Securities available for sale:								
Equity securities	¥ 10,237	¥ 10,731	¥ 327	¥ 20,641	¥ 10,533	¥ 10,885	¥ 265	¥ 21,152
Japanese national government bonds	99,973	10	574	99,408	23,231	18	–	23,249
Japanese local government bonds	3,300	–	3	3,296	2,300	15	–	2,315
Japanese corporate bonds	166,863	197	1,938	165,123	159,168	215	1,951	157,433
Foreign securities	362,031	2,088	5,518	358,601	328,459	1,458	3,757	326,160
Other ¹	4,745	623	180	5,188	3,874	598	20	4,452
Total	¥ 647,151	¥ 13,650	¥ 8,541	¥ 652,260	¥ 527,567	¥ 13,191	¥ 5,994	¥ 534,763

	Thousands of U.S. dollars			
	Sept. 30, 2018			
	Amortized/ Acquisition cost	Gross unrealized gain	Gross unrealized loss	Fair value
Securities being held to maturity:				
Japanese national government bonds	\$ 4,008,805	\$ 21,865	\$ 369	\$ 4,030,301
Total	\$ 4,008,805	\$ 21,865	\$ 369	\$ 4,030,301
Securities available for sale:				
Equity securities	\$ 90,151	\$ 94,500	\$ 2,880	\$ 181,771
Japanese national government bonds	880,354	92	5,060	875,386
Japanese local government bonds	29,062	–	29	29,032
Japanese corporate bonds	1,469,389	1,738	17,066	1,454,061
Foreign securities	3,188,015	18,390	48,591	3,157,814
Other ¹	41,791	5,486	1,586	45,691
Total	\$ 5,698,762	\$ 120,206	\$ 75,213	\$ 5,743,755

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

7. SECURITIES (CONTINUED)**CONSOLIDATED**

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, 2018, was ¥147 million (U.S.\$1,296 thousand), which was related to equity securities.

Impairment loss on such securities for the fiscal year ended March 31, 2018, was ¥0 million, which was related to foreign 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

"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, 2018 and March 31, 2018 consisted of the following:

	Millions of yen		Thousands of
	Sept. 30, 2018	Mar. 31, 2018	U.S. dollars
Unrealized gain (loss) before deferred tax on:			Sept. 30, 2018
Available-for-sale securities	¥ 5,109	¥ 7,196	\$ 44,993
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	(1,754)	283	(15,452)
Other monetary assets held in trust	(974)	(522)	(8,580)
Deferred tax liabilities	(634)	(1,377)	(5,586)
Unrealized gain (loss) on available-for-sale securities before interest adjustments	1,745	5,579	15,375
Noncontrolling interests	(2)	(13)	(25)
The Group's interests in unrealized gain (loss) on available-for-sale securities held by affiliates to which the equity method is applied	4,927	(378)	43,389
Unrealized gain (loss) on available-for-sale securities	¥ 6,670	¥ 5,187	\$ 58,739

8. LOANS AND BILLS DISCOUNTED**CONSOLIDATED**

Loans and bills discounted as of September 30, 2018 and March 31, 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2018	Mar. 31, 2018	Sept. 30, 2018
Loans on deeds	¥ 4,102,891	¥ 4,126,777	\$ 36,129,726
Loans on bills	15,966	10,686	140,596
Bills discounted	1,662	2,603	14,637
Overdrafts	756,480	755,896	6,661,509
Total	¥ 4,877,000	¥ 4,895,963	\$ 42,946,467

(a) Risk-monitored loans

Loans and bills discounted included loans to bankrupt obligors of ¥6,106 million (U.S.\$53,770 thousand) and ¥5,622 million as of September 30, 2018 and March 31, 2018, respectively, as well as nonaccrual delinquent loans of ¥29,157 million (U.S.\$256,763 thousand) and ¥31,178 million as of September 30, 2018 and March 31, 2018, 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, 2018 and March 31, 2018 were ¥1,011 million (U.S.\$8,907 thousand) and ¥1,842 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, 2018 and March 31, 2018 were ¥38,959 million (U.S.\$343,075 thousand) and ¥36,257 million, respectively.

(b) Loan participations

The total amounts accounted for as the transfer of loans by loan participations as of September 30, 2018 and March 31, 2018 were ¥7,391 million (U.S.\$65,091 thousand) and ¥7,811 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 ¥13,121 million (U.S.\$115,550 thousand) and ¥12,974 million as of September 30, 2018 and March 31, 2018, 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, 2018 and March 31, 2018 were ¥1,662 million (U.S.\$14,637 thousand) and ¥2,603 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 ¥3,335,432 million (U.S.\$29,371,540 thousand) and ¥3,449,452 million as of September 30, 2018 and March 31, 2018, 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 ¥2,982,823 million (U.S.\$26,266,494 thousand) and ¥3,117,131 million as of September 30, 2018 and March 31, 2018, respectively. Since a large majority of these commitments expire 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, 2018 and March 31, 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2018	Mar. 31, 2018	Sept. 30, 2018
Foreign exchange assets:			
Foreign bills receivable	¥ 1,927	¥ 1,777	\$ 16,970
Due from foreign banks	31,476	30,734	277,180
Total	¥ 33,403	¥ 32,511	\$ 294,150
Foreign exchange liabilities:			
Foreign bills sold	¥ –	¥ 80	\$ –
Foreign bills payable	54	22	479
Total	¥ 54	¥ 102	\$ 479

10. OTHER ASSETS**CONSOLIDATED**

Other assets as of September 30, 2018 and March 31, 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2018	Mar. 31, 2018	Sept. 30, 2018
Accrued income	¥ 15,397	¥ 15,522	\$ 135,591
Prepaid expenses	5,084	3,991	44,770
Fair value of derivatives	57,718	73,656	508,266
Accounts receivable	99,135	30,608	872,977
Installment receivables	549,302	558,843	4,837,109
Security deposits	13,451	11,028	118,455
Suspense payments	16,774	20,474	147,716
Margin deposits for futures transactions	5,550	4,582	48,877
Cash collateral paid for financial instruments	47,354	50,527	416,996
Other	90,785	86,976	799,450
Total	¥ 900,554	¥ 856,213	\$ 7,930,208

Installment receivables in “Other assets” as of September 30, 2018 and March 31, 2018 include credits to bankrupt obligors of ¥87 million (U.S.\$768 thousand) and ¥48 million, nonaccrual delinquent credits of ¥5,951 million (U.S.\$52,410 thousand) and ¥7,244 million, credits past

due for three months or more of ¥308 million (U.S.\$2,716 thousand) and ¥382 million, and restructured credits of ¥63 million (U.S.\$561 thousand) and ¥98 million, respectively.

11. PREMISES AND EQUIPMENT**CONSOLIDATED**

Premises and equipment as of September 30, 2018 and March 31, 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2018	Mar. 31, 2018	Sept. 30, 2018
Buildings	¥ 28,336	¥ 28,203	\$ 249,533
Land	2,665	2,680	23,472
Tangible leased assets as lessor	54,045	56,578	475,916
Other	28,396	28,286	250,053
Subtotal	113,443	115,748	998,974
Accumulated depreciation	(65,749)	(65,486)	(578,986)
Net book value	¥ 47,693	¥ 50,261	\$ 419,988

12. INTANGIBLE ASSETS**CONSOLIDATED**

Intangible assets as of September 30, 2018 and March 31, 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2018	Mar. 31, 2018	Sept. 30, 2018
Software	¥ 54,570	¥ 45,298	\$ 480,548
Goodwill, net:			
Goodwill	13,951	15,355	122,859
Negative goodwill	(3,264)	(3,445)	(28,744)
Intangible assets acquired in business combinations	808	1,290	7,123
Intangible leased assets as lessor	0	0	1
Other	987	985	8,693
Total	¥ 67,054	¥ 59,484	\$ 590,481

13. RESERVE FOR CREDIT LOSSES**CONSOLIDATED**

Reserve for credit losses as of September 30, 2018 and March 31, 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2018	Mar. 31, 2018	Sept. 30, 2018
Reserve for loan losses:			
General reserve for loan losses	¥ 73,088	¥ 75,545	\$ 643,609
Specific reserve for loan losses	27,643	25,295	243,428
Reserve for loan losses to restructuring countries	—	—	—
Total	¥ 100,731	¥ 100,840	\$ 887,037

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

Deposits, including negotiable certificates of deposit, as of September 30, 2018 and March 31, 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2018	Mar. 31, 2018	Sept. 30, 2018
Current	¥ 37,904	¥ 37,299	\$ 333,785
Ordinary	2,440,759	2,370,073	21,493,131
Notice	16,843	15,712	148,324
Time	2,585,316	2,691,014	22,766,086
Negotiable certificates of deposit	479,786	438,927	4,224,960
Other	480,771	514,069	4,233,633
Total	¥ 6,041,382	¥ 6,067,096	\$ 53,199,919

15. DEBENTURES**CONSOLIDATED**

Debentures as of September 30, 2018 and March 31, 2018 consisted of the following:

Issuer	Description	Issue	Maturity	Interest Rate (%)	Millions of yen		Thousands of U.S. dollars
					Sept. 30, 2018	Mar. 31, 2018	Sept. 30, 2018
Shinsei Bank, Limited	Five-year coupon debentures ¹	Apr. 2012 to Apr. 2013	Apr. 2017 to Apr. 2018	0.08	¥ —	¥ 423	\$ —
Total					¥ —	¥ 423	\$ —

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

16. TRADING LIABILITIES**CONSOLIDATED**

Trading liabilities as of September 30, 2018 and March 31, 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2018	Mar. 31, 2018	Sept. 30, 2018
Derivatives for trading securities	¥ 1,466	¥ 1,205	\$ 12,910
Derivatives for securities held to hedge trading transactions	13,349	9,630	117,555
Trading-related financial derivatives	151,039	171,121	1,330,039
Trading securities sold for short sales	572	2,625	5,041
Total	¥ 166,427	¥ 184,582	\$ 1,465,545

17. BORROWED MONEY**CONSOLIDATED**

(a) Borrowed money as of September 30, 2018 and March 31, 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2018	Mar. 31, 2018	Sept. 30, 2018
Subordinated debt	¥ —	¥ 12,400	\$ —
Other	700,279	727,178	6,166,606
Total	¥ 700,279	¥ 739,578	\$ 6,166,606

(b) Annual maturities of borrowed money as of September 30, 2018 were as follows:

Year ending September 30,	Millions of yen	Thousands of U.S. dollars
2019	¥ 266,256	\$ 2,344,629
2020	115,249	1,014,881
2021	89,778	790,580
2022	46,710	411,326
2023 and thereafter	182,285	1,605,190
Total	¥ 700,279	\$ 6,166,606

18. CORPORATE BONDS**CONSOLIDATED**

(a) Corporate bonds as of September 30, 2018 and March 31, 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2018	Mar. 31, 2018	Sept. 30, 2018
Subordinated bonds	¥ 15,000	¥ 25,000	\$ 132,089
Other corporate bonds	72,335	60,000	636,976
Total	¥ 87,335	¥ 85,000	\$ 769,065

(b) Subordinated bonds as of September 30, 2018 and March 31, 2018 consisted of the following:

Issuer	Description	Issue	Maturity	Interest Rate (%)	Millions of yen		Thousands of U.S. dollars
					Sept. 30, 2018	Mar. 31, 2018	Sept. 30, 2018
Shinsei Bank, Limited	Unsecured subordinated bonds, payable in Yen ¹	Jun. 2013 to Dec. 2013	Jun. 2023 to Dec. 2023	2.02 to 3.59	¥ 15,000	¥ 25,000	\$ 132,089
Total					¥ 15,000	¥ 25,000	\$ 132,089

Notes:

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

(c) Annual maturities of corporate bonds as of September 30, 2018 were as follows:

Year ending September 30,	Millions of yen	Thousands of U.S. dollars
2019	¥ 20,000	\$ 176,118
2020	15,735	138,561
2021	5,000	44,030
2022	10,000	88,059
2023 and thereafter	36,600	322,297
Total	¥ 87,335	\$ 769,065

19. OTHER LIABILITIES**CONSOLIDATED**

Other liabilities as of September 30, 2018 and March 31, 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2018	Mar. 31, 2018	Sept. 30, 2018
Accrued expenses	¥ 21,744	¥ 24,073	\$ 191,481
Unearned income	23,574	24,027	207,599
Income taxes payable	2,862	2,980	25,206
Fair value of derivatives	72,775	74,588	640,854
Matured debentures, including interest	–	330	–
Accounts payable	60,843	58,548	535,782
Deferred gains on installment receivables and credit guarantees	30,055	30,414	264,662
Asset retirement obligations	8,930	8,954	78,640
Deposits payable	110,722	103,843	975,017
Cash collateral received for financial instruments	5,724	22,078	50,406
Other	18,635	17,892	164,106
Total	¥ 355,868	¥ 367,734	\$ 3,133,753

20. ACCEPTANCES AND GUARANTEES**CONSOLIDATED**

Acceptances and guarantees as of September 30, 2018 and March 31, 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2018	Mar. 31, 2018	Sept. 30, 2018
Guarantees	¥ 422,187	¥ 395,301	\$ 3,717,752

21. ASSETS PLEDGED AS COLLATERAL**CONSOLIDATED**

Assets pledged as collateral and liabilities collateralized as of September 30, 2018 and March 31, 2018 consisted of the following:

	Millions of yen		Thousands of
	Sept. 30, 2018	Mar. 31, 2018	Sept. 30, 2018
Assets pledged as collateral:			
Cash and due from banks	¥ 10	¥ 10	\$ 89
Trading assets	178	195	1,571
Monetary assets held in trust	735	801	6,481
Securities	732,090	663,638	6,446,726
Loans and bills discounted	104,852	103,819	923,322
Lease receivables and leased investment assets	7,407	10,811	65,231
Other assets	91,720	105,606	807,679
Premises and equipment	5,535	5,962	48,748
Liabilities collateralized:			
Deposits, including negotiable certificates of deposit	¥ 983	¥ 909	\$ 8,663
Payables under repurchase agreements	64,347	55,919	566,643
Payables under securities lending transactions	542,019	433,462	4,772,979
Borrowed money	207,899	261,947	1,830,746
Other liabilities	32	25	289
Acceptances and guarantees	476	556	4,198

In addition, nil and ¥60 million of cash and due from banks and nil and ¥8,089 million of securities as of September 30, 2018 and March 31, 2018, were pledged as collateral for transactions, including exchange settlements, swap transactions, replacement of margin for futures transactions and other.

Also, ¥5,550 million (U.S.\$48,877 thousand) and ¥4,582 million of margin deposits for futures transactions outstanding, ¥13,451 million (U.S.\$118,455 thousand) and ¥11,028 million of security deposits, ¥47,354 million

(U.S.\$416,996 thousand) and ¥50,527 million of cash collateral paid for financial instruments, ¥370 million (U.S.\$3,260 thousand) and nil of guarantee deposits under resale agreements and repurchase agreements, ¥163 million (U.S.\$1,443 thousand) and ¥155 million of margin on foreign exchange and ¥50,000 million (U.S.\$440,296 thousand) and ¥48,888 million of cash collateral for Zengin-net were included in "Other assets" as of September 30, 2018 and March 31, 2018, respectively.

22. NONRECOURSE DEBTS**CONSOLIDATED**

Nonrecourse debts in consolidated special purpose companies as of September 30, 2018 and March 31, 2018 consisted of the following:

	Millions of yen		Thousands of
	Sept. 30, 2018	Mar. 31, 2018	Sept. 30, 2018
Nonrecourse debts:			
Borrowed money	¥ 2,639	¥ 5,616	\$ 23,244
Assets corresponding to nonrecourse debts:			
Securities	¥ 21,007	¥ 24,263	\$ 184,993

The above amounts of the assets corresponding to nonrecourse debts are included in "Assets pledged as collateral" in Note 21.

23. EQUITY**CONSOLIDATED**

The authorized number of shares of common stock as of September 30, 2018 was 400,000 thousand shares.

Shinsei Bank executed a 1-for-10 reverse stock split on October 1, 2017 based on the number of shares held by shareholders, who were 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 the above reverse stock split, the aggregate number of authorized shares decreased at the one-tenth on October 1, 2017.

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, 2018:		
Beginning of period	275,034	22,166
Increase ¹	–	7,404
Decrease ^{2, 3}	16,000	16,026
End of period	259,034	13,544
Six months ended September 30, 2017:		
Beginning of period	2,750,346	161,955
Increase ⁴	–	1
Decrease	–	–
End of period	2,750,346	161,957

¹ The increase of treasury stocks is associated with the repurchase from the market.

² The decrease of issued shares is associated with the cancellation of treasury stock.

³ The decrease of 16,026 thousand shares in treasury stock is associated with the cancellation of 16,000 thousand shares, the transfer of 14 thousand shares upon exercise of the stock option (stock acquisition rights), and the disposal of 11 thousand shares as a restricted stock compensation.

⁴ The increase of treasury stocks is associated with the acquisition of fractional shares.

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.

Also, the Bank introduces a restricted stock compensation plan for its directors and executive officers.

Under this plan, the Bank grants monetary compensation receivables to eligible individuals for the allotment of restricted stock. The eligible individuals make in-kind contributions of the monetary compensation receivables in return for the Bank’s common stock which will be issued or disposed of by the Bank in accordance with “Restricted stock allotment contract,” concluded between the Bank and the eligible individuals.

The following table shows the details of stock acquisition rights issued during the six months ended September 30, 2018.

Issuers	Date of issuance	Total number of stock options (shares) at the issuance	Total number of holders at the issuance	Required service period	Exercise period	Exercise price	Fair value at the grant date
The Bank	May 28, 2018	Common stocks 13,220 shares	2	Not applicable	May 29, 2018- May 28, 2048	¥ 1	¥ 1,724
OJBC Co. Ltd	Apr 30, 2018	Class B Preferred shares 109,380 shares	2	Apr 30, 2018- Apr 30, 2020	Apr 30, 2020- Apr 30, 2028	\$ 1.10	\$ 0.22

(a) Stock-based compensation expenses for the six months ended September 30, 2018 and 2017 were as follows.

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2018	Sept. 30, 2017	Sept. 30, 2018
General and administrative expenses	¥ 43	¥ 40	\$ 381

(b) Gains on unexercised and forfeited stock acquisition rights for the six months ended September 30, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2018	Sept. 30, 2017	Sept. 30, 2018
Other gains (losses), net	¥ 215	¥ 293	\$ 1,901

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

Net trading income (loss) for the six months ended September 30, 2018 and 2017 consisted of the following:

Six months ended September 30,	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Income (loss) from trading securities	¥ 1,567	¥ 1,659	\$13,803
Income (loss) from securities held to hedge trading transactions	(473)	104	(4,173)
Income (loss) from trading-related financial derivatives	728	1,615	6,413
Other, net	—	52	—
Total	¥ 1,821	¥ 3,432	\$16,043

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

“Other, net” in other business income (loss), net, for the six months ended September 30, 2018 and 2017 consisted of the following:

Six months ended September 30,	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Income (loss) from derivatives entered into for banking purposes, net	¥ (30)	¥ (64)	\$ (271)
Equity in net income (loss) of affiliates	4,027	2,961	35,466
Gain on lease cancellation and other lease income (loss), net	1,109	1,591	9,766
Other, net	1,398	322	12,313
Total	¥ 6,504	¥ 4,810	\$ 57,275

27. NET CREDIT COSTS (RECOVERIES)**CONSOLIDATED**

Net credit costs (recoveries) for the six months ended September 30, 2018 and 2017 consisted of the following:

Six months ended September 30,	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Losses on write-off or sales of loans	¥ 295	¥ 406	\$ 2,599
Net provision (reversal) of reserve for loan losses:			
Net provision (reversal) of general reserve for loan losses	8,193	15,142	72,148
Net provision (reversal) of specific reserve for loan losses	8,949	6,985	78,810
Net provision (reversal) of reserve for loan losses to restructuring countries	—	(0)	—
Subtotal	17,142	22,127	150,958
Other credit costs (recoveries) relating to leasing business	150	273	1,329
Recoveries of written-off claims	(3,156)	(2,948)	(27,792)
Total	¥ 14,432	¥ 19,858	\$127,094

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

Other gains (losses), net for the six months ended September 30, 2018 and 2017 consisted of the following:

Six months ended September 30,	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Impairment losses on long-lived assets	¥ (315)	¥ (740)	\$ (2,779)
Gain on reversal of stock acquisition rights	215	293	1,901
Reversal of reserve for losses on interest repayment	1,754	3,924	15,454
Loss on liquidation of subsidiaries	–	(30)	–
Other, net	685	1,746	6,039
Total	¥ 2,341	¥ 5,193	\$ 20,615

- Impairment losses on long-lived assets

For the six months ended September 30, 2018 and 2017, respectively, “Impairment losses on long-lived assets” of ¥315 million (U.S.\$2,779 thousand) and ¥740 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, assuming their recoverable amount to be zero. 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, for the six months ended September 30, 2017.

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, 2018 and 2017 was as follows:

	Earnings (Millions of yen)	Weighted average shares (Thousands)	EPS (Yen)	EPS (U.S. dollars)
For the six months ended September 30, 2018:				
Basic EPS				
Profit (loss) attributable to owners of the parent available to common shareholders	¥ 27,689	250,045	¥ 110.73	\$ 0.98
Effect of dilutive securities				
Stock acquisition rights	–	31		
Diluted EPS				
Profit (loss) attributable to owners of the parent for computation	¥ 27,689	250,077	¥ 110.72	\$ 0.98
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	
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	

Notes
Shinsei Bank executed a 1-for-10 reverse stock split on October 1, 2017. The above EPS data is calculated as if the reverse stock split had been implemented at the beginning of the fiscal year ended March 31, 2018.

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 tools, equipment and fixtures included in "Premises and equipment," and 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, 2018 and March 31, 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2018	Mar. 31, 2018	Sept. 30, 2018
Lease receivables	¥ 55,555	¥ 60,184	\$ 489,216
Leased investment assets:			
Lease payment receivables	114,575	122,371	1,008,939
Estimated residual value	4,719	4,971	41,558
Interest equivalent	(15,818)	(16,399)	(139,300)
Other	260	301	2,297
Subtotal	103,736	111,245	913,494
Total	¥ 159,291	¥ 171,429	\$ 1,402,710

- (b) Lease payment receivables for "Lease receivables and leased investment assets" as of September 30, 2018 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	¥ 18,155	\$ 159,872	¥ 33,799	\$ 297,635
Due after one year within two years	13,383	117,851	25,699	226,309
Due after two years within three years	10,566	93,049	18,832	165,841
Due after three years within four years	6,768	59,605	12,588	110,852
Due after four years within five years	4,099	36,098	6,943	61,145
Due after five years	5,274	46,446	16,711	147,156
Total	¥ 58,247	\$ 512,920	¥ 114,575	\$ 1,008,939

(B) OPERATING LEASE TRANSACTIONS

Noncancelable operating lease obligations as lessee and lease payment receivables as lessor as of September 30, 2018 and March 31, 2018 were as follows:

AS LESSEE

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2018	Mar. 31, 2018	Sept. 30, 2018
Lease obligations:			
Due within one year	¥ 4,442	¥ 4,587	\$ 39,119
Due after one year	11,903	4,282	104,818
Total	¥ 16,345	¥ 8,869	\$ 143,936

AS LESSOR

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2018	Mar. 31, 2018	Sept. 30, 2018
Lease payment receivables:			
Due within one year	¥ 4,797	¥ 5,036	\$ 42,247
Due after one year	23,312	24,487	205,285
Total	¥ 28,109	¥ 29,523	\$ 247,531

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 businesses 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 Finance Headquarter and other subsidiaries.

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

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

On October 1, 2017, the Bank combined Alpha Servicer whose principal business is servicing small loans

to individual borrowers with Shinsei Servicing & Consulting Limited whose principal business is servicing non-performing loans and commercial secured loans. Additionally, the Bank combined Shinsei Investment & Finance Limited and Shinsei Property Finance Co., whose real estate secured loan business are highly compatible, and Shinsei Principal Investments Limited, which is responsible for management operations in the Shinsei PI Group. After the mergers, Shinsei Principal Investment has been renamed as Shinsei Investment & Finance Limited. As the result, the reporting segment in the first half fiscal year was revised as shown below.

"Principal Transactions" segment in Institutional Business includes a business related to Shinsei Property Finance, which was formerly included in "Other" within Consumer Finance segment.

"Principal Transactions" segment in Institutional Business includes a New Business Promotion & Support business, which was formerly included in "Corporate Business".

"Other" segment in Individual Business includes a business related to Shinsei Servicing & Consulting, which was formerly included in "Principal Transactions" segment in Institutional Business and a business related to Alpha Servicer, which was formerly included in "APLUS FINANCIAL" segment in Individual Business.

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, 2017 was presented based on the new classification of reportable segments.

Also, after reviewing the Shinsei Bank Group's unsecured loan business strategy, in April 2018 Shinsei Financial launched "Lake ALSA", in order to meet consumer finance product needs, suspending applications and contracts from new customers of Shinsei Bank Card Loan—Lake in the Bank from April 2018. This change has no impact on the segment information.

(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.

31. SEGMENT INFORMATION (CONTINUED)

CONSOLIDATED

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

Six months ended September 30, 2018	Millions of yen					
	Institutional Business				Global Markets Business	
	Corporate Business	Structured Finance	Principal Transactions	Showa Leasing	Markets	Other Global Markets
Revenue ¹ :	¥ 7,639	¥ 8,395	¥ 6,618	¥ 7,019	¥ 3,093	¥ 1,248
Net Interest Income	5,027	4,968	1,539	(156)	745	239
Noninterest Income ¹	2,612	3,427	5,078	7,175	2,347	1,009
Expenses ²	5,985	3,910	1,990	4,749	1,912	1,679
Net Credit Costs (Recoveries) ³	1,628	(3,051)	(22)	(787)	14	64
Segment Profit (Loss)	¥ 26	¥ 7,536	¥ 4,650	¥ 3,056	¥ 1,166	¥ (494)
Segment Assets ^{4, ii}	¥ 1,541,758	¥ 1,512,329	¥ 195,013	¥ 475,002	¥ 361,976	¥ 42,828
Segment Liabilities ⁵	¥ 1,131,488	¥ 118,812	¥ 8,337	¥ 2,531	¥ 163,678	¥ 40,672
Includes:						
i. Equity in net income (loss) of affiliates	¥ -	¥ -	¥ 3,628	¥ 0	¥ -	¥ -
ii. Investment in affiliates	-	-	65,316	1,132	-	-
Other:						
Goodwill (Negative Goodwill):	¥	¥	¥	¥	¥	¥
Amortization	-	-	(0)	1,073	-	-
Unamortized balance	-	-	(2)	13,951	-	-
Intangible assets acquired in business combinations:						
Amortization	-	-	-	118	-	-
Unamortized balance	-	-	-	808	-	-
Impairment losses on long-lived assets	¥ 0	¥ -	¥ 0	¥ -	¥ -	¥ -

Six months ended September 30, 2018	Millions of yen						
	Retail Banking	Individual Business			Corporate/Other		
		Shinsei Financial	APLUS FINANCIAL	Other	Treasury	Other ⁷	Total
Revenue ¹ :	¥ 12,925	¥ 35,005	¥ 28,523	¥ 1,229	¥ 2,692	¥ 336	¥ 114,729
Net Interest Income	11,877	34,993	5,567	377	1,164	(0)	66,344
Noninterest Income ¹	1,047	12	22,955	851	1,528	336	48,384
Expenses ²	13,932	16,450	18,768	866	857	(109)	70,994
Net Credit Costs (Recoveries) ³	0	8,307	8,116	156	-	5	14,432
Segment Profit (Loss)	¥ (1,007)	¥ 10,247	¥ 1,638	¥ 205	¥ 1,835	¥ 440	¥ 29,302
Segment Assets ^{4, ii}	¥ 1,240,101	¥ 519,682	¥ 1,070,245	¥ 50,785	¥ 727,288	¥ 0	¥ 7,737,011
Segment Liabilities ⁵	¥ 4,763,392	¥ 51,576	¥ 348,301	¥ 1,205	¥ -	¥ -	¥ 6,629,998
Includes:							
i. Equity in net income (loss) of affiliates	¥ -	¥ -	¥ -	¥ 399	¥ -	¥ -	¥ 4,027
ii. Investment in affiliates	-	-	-	7,686	-	-	74,136
Other:							
Goodwill (Negative Goodwill):	¥	¥	¥	¥	¥	¥	¥
Amortization	-	149	29	-	-	-	1,251
Unamortized balance	-	(3,261)	-	-	-	-	10,687
Intangible assets acquired in business combinations:							
Amortization	-	363	-	-	-	-	481
Unamortized balance	-	-	-	-	-	-	808
Impairment losses on long-lived assets	¥ 143	¥ 123	¥ -	¥ 0	¥ -	¥ 47	¥ 315

31. SEGMENT INFORMATION (CONTINUED)

CONSOLIDATED

Six months ended September 30, 2017	Millions of yen					
	Institutional Business				Global Markets Business	
	Institutional Business	Structured Finance	Principal Transactions	Showa Leasing	Markets	Other Global Markets
Revenue ¹ :	¥ 10,684	¥ 7,854	¥ 8,411	¥ 6,593	¥ 3,913	¥ 1,426
Net Interest Income	4,981	4,605	3,109	(36)	930	252
Noninterest Income ⁱ	5,703	3,249	5,302	6,629	2,982	1,174
Expenses ²	5,961	3,425	2,396	4,139	1,948	1,632
Net Credit Costs (Recoveries) ³	(834)	1,680	(202)	578	(19)	36
Segment Profit (Loss)	¥ 5,557	¥ 2,748	¥ 6,218	¥ 1,875	¥ 1,985	¥ (242)
Segment Assets ^{4, ii}	¥ 1,594,948	¥ 1,391,158	¥ 204,158	¥ 495,617	¥ 436,572	¥ 44,044
Segment Liabilities ⁵	¥ 941,944	¥ 78,074	¥ 11,295	¥ 1,896	¥ 201,920	¥ 34,485
Includes:						
i. Equity in net income (loss) of affiliates	¥ –	¥ –	¥ 2,449	¥ –	¥ –	¥ –
ii. Investment in affiliates	–	–	55,759	–	–	–
Other:						
Goodwill (Negative Goodwill):	¥	¥	¥	¥	¥	¥
Amortization	–	–	(0)	1,073	–	–
Unamortized balance	–	–	(3)	16,098	–	–
Intangible assets acquired in business combinations:						
Amortization	–	–	–	134	–	–
Unamortized balance	–	–	–	1,061	–	–
Impairment losses on long-lived assets	¥ –	¥ –	¥ 34	¥ –	¥ –	¥ –

Six months ended September 30, 2017	Millions of yen						
	Retail Banking	Individual Business			Corporate/Other		
		Shinsei Financial	APLUS FINANCIAL	Other	Treasury	Other ⁷	Total
Revenue ¹ :	¥ 11,454	¥ 33,922	¥ 27,901	¥ 1,292	¥ 2,130	¥ 330	¥ 115,916
Net Interest Income	11,263	34,113	5,521	322	(865)	(5)	64,192
Noninterest Income ⁱ	191	(191)	22,380	969	2,996	336	51,724
Expenses ²	14,855	16,588	18,570	685	897	558	71,659
Net Credit Costs (Recoveries) ³	128	12,595	5,843	57	–	(4)	19,858
Segment Profit (Loss)	¥ (3,529)	¥ 4,738	¥ 3,488	¥ 549	¥ 1,233	¥ (224)	¥ 24,398
Segment Assets ^{4, ii}	¥ 1,323,089	¥ 513,038	¥ 964,160	¥ 38,940	¥ 655,632	¥ 0	¥ 7,661,360
Segment Liabilities ⁵	¥ 4,958,520	¥ 51,864	¥ 287,831	¥ 178	¥ –	¥ 0	¥ 6,568,013
Includes:							
i. Equity in net income (loss) of affiliates	¥ –	¥ –	¥ –	¥ 512	¥ –	¥ –	¥ 2,961
ii. Investment in affiliates	–	–	–	940	–	–	56,699
Other:							
Goodwill (Negative Goodwill):	¥	¥	¥	¥	¥	¥	¥
Amortization	–	480	–	–	–	–	1,553
Unamortized balance	–	(2,964)	–	–	–	–	13,130
Intangible assets acquired in business combinations:							
Amortization	–	584	–	–	–	–	718
Unamortized balance	–	724	–	–	–	–	1,786
Impairment losses on long-lived assets	¥ –	¥ 117	¥ –	¥ –	¥ –	¥ 588	¥ 740

31. SEGMENT INFORMATION (CONTINUED)

CONSOLIDATED

Six months ended September 30, 2018	Thousands of U.S. dollars					
	Institutional Business				Global Markets Business	
	Institutional Business	Structured Finance	Principal Transactions	Showa Leasing	Markets	Other Global Markets
Revenue ¹ :	\$ 67,275	\$ 73,933	\$ 58,283	\$ 61,810	\$ 27,241	\$ 10,998
Net Interest Income	44,273	43,751	13,559	(1,378)	6,566	2,109
Noninterest Income ⁱ	23,003	30,182	44,724	63,188	20,675	8,889
Expenses ²	52,704	34,436	17,531	41,821	16,843	14,792
Net Credit Costs (Recoveries) ³	14,338	(26,872)	(198)	(6,931)	128	564
Segment Profit (Loss)	\$ 233	\$ 66,370	\$ 40,950	\$ 26,919	\$ 10,270	\$ (4,358)
Segment Assets ^{4,ii}	\$ 13,576,597	\$ 13,317,448	\$ 1,717,272	\$ 4,182,832	\$ 3,187,538	\$ 377,140
Segment Liabilities ⁵	\$ 9,963,797	\$ 1,046,257	\$ 73,418	\$ 22,295	\$ 1,441,339	\$ 358,157
Includes:						
i . Equity in net income (loss) of affiliates	\$ -	\$ -	\$ 31,950	\$ 3	\$ -	\$ -
ii . Investment in affiliates	-	-	575,170	9,976	-	-
Other:						
Goodwill (Negative Goodwill):	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Amortization	-	-	(2)	9,451	-	-
Unamortized balance	-	-	(22)	122,859	-	-
Intangible assets acquired in business combinations:						
Amortization	-	-	-	1,044	-	-
Unamortized balance	-	-	-	7,123	-	-
Impairment losses on long-lived assets	\$ 6	\$ -	\$ 0	\$ -	\$ -	\$ -

Six months ended September 30, 2018	Thousands of U.S. dollars						
	Retail Banking	Individual Business			Corporate/Other		
		Shinsei Financial	APLUS FINANCIAL	Other	Treasury	Other ⁷	Total
Revenue ¹ :	\$ 113,820	\$ 308,259	\$ 251,176	\$ 10,825	\$ 23,709	\$ 2,967	\$ 1,010,296
Net Interest Income	104,594	308,148	49,030	3,322	10,253	(1)	584,227
Noninterest Income ⁱ	9,226	111	202,147	7,502	13,456	2,968	426,069
Expenses ²	122,689	144,862	165,272	7,634	7,549	(965)	625,168
Net Credit Costs (Recoveries) ³	1	73,156	71,475	1,380	-	52	127,094
Segment Profit (Loss)	\$ (8,870)	\$ 90,240	\$ 14,429	\$ 1,811	\$ 16,160	\$ 3,880	\$ 258,035
Segment Assets ^{4,ii}	\$ 10,920,228	\$ 4,576,281	\$ 9,424,493	\$ 447,216	\$ 6,404,443	\$ 0	\$ 68,131,488
Segment Liabilities ⁵	\$ 41,946,044	\$ 454,182	\$ 3,067,111	\$ 10,617	\$ -	\$ -	\$ 58,383,216
Includes:							
i . Equity in net income (loss) of affiliates	\$ -	\$ -	\$ -	\$ 3,514	\$ -	\$ -	\$ 35,466
ii . Investment in affiliates	-	-	-	67,690	-	-	652,836
Other:							
Goodwill (Negative Goodwill):	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Amortization	-	1,316	257	-	-	-	11,021
Unamortized balance	-	(28,722)	-	-	-	-	94,115
Intangible assets acquired in business combinations:							
Amortization	-	3,200	-	-	-	-	4,244
Unamortized balance	-	-	-	-	-	-	7,123
Impairment losses on long-lived assets	\$ 1,266	\$ 1,092	\$ -	\$ 0	\$ -	\$ 415	\$ 2,779

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, 2018 and 2017 was as follows:

Six months ended September 30,	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Total segment profit	¥ 29,302	¥ 24,398	\$ 258,035
Amortization of goodwill acquired in business combinations	(1,251)	(1,553)	(11,021)
Amortization of intangible assets acquired in business combinations	(481)	(718)	(4,244)
Lump-sum payments	(386)	(303)	(3,405)
Other gains (losses), net	2,341	5,193	20,615
Income (loss) before income taxes	¥ 29,523	¥ 27,017	\$ 259,979

(ii) A reconciliation between total segment assets and total assets on the consolidated balance sheets as of September 30, 2018 and 2017 was as follows:

As of September 30,	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Total segment assets	¥ 7,737,011	¥ 7,661,360	\$ 68,131,488
Cash and due from banks	1,396,718	1,476,306	12,299,389
Receivables under securities borrowing transactions	572	1,514	5,043
Foreign exchanges	33,403	31,773	294,150
Other assets excluding installment receivables	351,252	279,584	3,093,099
Premises and equipment excluding tangible leased assets	21,534	24,679	189,628
Intangible assets excluding intangible leased assets	67,054	55,590	590,479
Assets for retirement benefits	14,377	8,540	126,611
Deferred issuance expenses for debentures	—	0	—
Deferred tax assets	14,328	14,871	126,175
Reserve for credit losses	(100,731)	(98,868)	(887,037)
Total assets	¥ 9,535,522	¥ 9,455,353	\$ 83,969,025

(iii) A reconciliation between total segment liabilities and total liabilities on the consolidated balance sheets as of September 30, 2018 and 2017 was as follows:

As of September 30,	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Total segment liabilities	¥ 6,629,998	¥ 6,568,013	\$ 58,383,216
Call money	5,325	80,900	46,895
Payables under repurchase agreements	64,347	35,394	566,643
Payables under securities lending transactions	542,019	389,400	4,772,979
Borrowed money	700,279	788,048	6,166,606
Foreign exchanges	54	67	479
Short-term corporate bonds	193,900	187,900	1,707,467
Corporate bonds	87,335	94,600	769,065
Other liabilities	355,868	367,883	3,133,753
Accrued employees' bonuses	4,922	4,929	43,343
Accrued directors' bonuses	32	32	284
Liabilities for retirement benefits	8,379	8,402	73,789
Reserve for reimbursement of debentures	4,020	3,625	35,406
Reserve for losses on interest repayments	65,755	85,048	579,036
Total liabilities	¥ 8,662,238	¥ 8,614,245	\$ 76,278,962

31. SEGMENT INFORMATION (CONTINUED)

CONSOLIDATED

(B) RELATED INFORMATION**(a) INFORMATION BY SERVICES**

Income regarding major services for the six months ended September 30, 2018 and 2017 was as follows:

Six months ended September 30,	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Loan Businesses	¥ 72,785	¥ 69,690	\$ 640,940
Lease Businesses	2,780	3,292	24,488
Securities Investment Businesses	4,714	11,949	41,512
Installment Sales and Guarantee Businesses	24,095	23,763	212,186

(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, 2018 and 2017, 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, 2018 and 2017, 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, 2018 and 2017, therefore major customer information is not presented.

32. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

CONSOLIDATED

Fair values of financial instruments as of September 30, 2018 and March 31, 2018 were as follows:

	Millions of yen					
	Sept. 30, 2018			Mar. 31, 2018		
	Carrying amount	Fair value	Unrealized gain (loss)	Carrying amount	Fair value	Unrealized gain (loss)
Assets:						
(1) Cash and due from banks	¥ 1,396,718	¥ 1,396,718	¥ –	¥ 1,465,663	¥ 1,465,663	¥ –
(2) Receivables under securities borrowing transactions	572	572	–	2,629	2,629	–
(3) Other monetary claims purchased						
Trading purposes	1,793	1,793	–	1,705	1,705	–
Other ¹	27,435	27,722	287	34,322	35,078	755
(4) Trading assets						
Securities held for trading purposes	3,079	3,079	–	4,589	4,589	–
(5) Monetary assets held in trust ¹	265,999	270,419	4,419	234,249	238,341	4,092
(6) Securities						
Trading securities	0	0	–	0	0	–
Securities being held to maturity	455,239	457,681	2,441	481,303	484,676	3,372
Securities available for sale	652,260	652,260	–	534,752	534,752	–
Equity securities of affiliates	60,596	45,857	(14,739)	51,960	39,079	(12,880)
(7) Loans and bills discounted ²	4,877,000			4,895,963		
Reserve for credit losses	(64,094)			(67,160)		
Net	4,812,906	4,978,676	165,769	4,828,803	4,998,499	169,696
(8) Lease receivables and leased investment assets	159,291			171,429		
Estimated Residual Value ³	(4,719)			(4,971)		
Reserve for credit losses	(1,503)			(2,019)		
Net	153,069	157,120	4,051	164,439	168,801	4,362
(9) Other assets						
Installment receivables	549,302			558,843		
Deferred gains on installment receivables	(11,490)			(11,883)		
Reserve for credit losses	(9,939)			(9,802)		
Net	527,871	576,496	48,625	537,158	581,827	44,669
Total	¥ 8,357,544	¥ 8,568,399	¥ 210,855	¥ 8,341,578	¥ 8,555,646	¥ 214,068
Liabilities:						
(1) Deposits, including negotiable certificates of deposit	¥ 6,041,382	¥ 6,037,749	¥ 3,633	¥ 6,067,096	¥ 6,064,777	¥ 2,319
(2) Debentures	–	–	–	423	423	(0)
(3) Call money	5,325	5,325	–	–	–	–
(4) Payables under repurchase agreements	64,347	64,347	–	55,919	55,919	–
(5) Payables under securities lending transactions	542,019	542,019	–	433,462	433,462	–
(6) Trading liabilities						
Trading securities sold for short sales	572	572	–	2,625	2,625	–
(7) Borrowed money	700,279	702,405	(2,125)	739,578	741,332	(1,753)
(8) Short-term corporate bonds	193,900	193,900	–	175,700	175,700	–
(9) Corporate bonds	87,335	87,456	(121)	85,000	85,228	(228)
Total	¥ 7,635,162	¥ 7,633,776	¥ 1,386	¥ 7,559,805	¥ 7,559,468	¥ 337
Derivative instruments ⁴ :						
Hedge accounting is not applied	¥ 15,535	¥ 15,535	¥ –	¥ 19,528	¥ 19,528	¥ –
Hedge accounting is applied	(10,980)	(10,980)	–	(1,712)	(1,712)	–
Total	¥ 4,555	¥ 4,555	¥ –	¥ 17,815	¥ 17,815	¥ –
	Contract amount	Fair value		Contract amount	Fair value	
Other:						
Guarantee contracts ⁵	¥ 422,187	¥ 3,439		¥ 395,301	¥ 2,318	

32. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED)

CONSOLIDATED

	Thousands of U.S. dollars		
	Sept. 30, 2018		
	Carrying amount	Fair value	Unrealized gain (loss)
Assets:			
(1) Cash and due from banks	\$ 12,299,389	\$ 12,299,389	\$ –
(2) Receivables under securities borrowing transactions	5,043	5,043	–
(3) Other monetary claims purchased			
Trading purposes	15,797	15,797	–
Other ¹	241,596	244,125	2,529
(4) Trading assets			
Securities held for trading purposes	27,119	27,119	–
(5) Monetary assets held in trust ¹	2,342,367	2,381,288	38,921
(6) Securities			
Trading securities	0	0	–
Securities being held to maturity	4,008,805	4,030,301	21,497
Securities available for sale	5,743,755	5,743,755	–
Equity securities of affiliates	533,612	403,817	(129,795)
(7) Loans and bills discounted ²	42,946,467		
Reserve for credit losses	(564,408)		
Net	42,382,059	43,841,816	1,459,757
(8) Lease receivables and leased investment assets	1,402,710		
Estimated Residual Value ³	(41,557)		
Reserve for credit losses	(13,238)		
Net	1,347,914	1,383,590	35,676
(9) Other assets			
Installment receivables	4,837,109		
Deferred gains on installment receivables	(101,188)		
Reserve for credit losses	(87,529)		
Net	4,648,393	5,076,582	428,190
Total	\$ 73,595,850	\$ 75,452,623	\$ 1,856,773
Liabilities:			
(1) Deposits, including negotiable certificates of deposit	\$ 53,199,919	\$ 53,167,922	\$ 31,997
(2) Debentures	–	–	–
(3) Call money	46,895	46,895	–
(4) Payables under repurchase agreements	566,643	566,643	–
(5) Payables under securities lending transactions	4,772,979	4,772,979	–
(6) Trading liabilities			
Trading securities sold for short sales	5,041	5,041	–
(7) Borrowed money	6,166,606	6,185,322	(18,716)
(8) Short-term corporate bonds	1,707,467	1,707,467	–
(9) Corporate bonds	769,065	770,136	(1,071)
Total	\$ 67,234,615	\$ 67,222,406	\$ 12,209
Derivative instruments⁴:			
Hedge accounting is not applied	\$ 136,809	\$ 136,809	\$ –
Hedge accounting is applied	(96,696)	(96,696)	–
Total	\$ 40,112	\$ 40,112	\$ –
	Contract amount	Fair value	
Other:			
Guarantee contracts ⁵	\$ 3,717,752	\$ 30,286	

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 ¥65,755 million (U.S.\$579,036 thousand) and ¥74,687 million was recognized for estimated losses on reimbursements of excess interest payments as of September 30, 2018 and March 31, 2018, 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 ¥22,419 million (U.S.\$197,427 thousand) and ¥22,620 million were recognized as "Other liabilities" as of September 30, 2018 and March 31, 2018, 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 the carrying amounts.

(2) 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 the carrying amounts.

(3) Other monetary claims purchased

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

(4) Trading assets

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

(5) 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.

(6) 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.

(7) Loans and bills discounted

The fair values of loans and bills discounted with a fixed interest rate are determined by discounting contractual cash flows, and the fair values of loans and bills discounted with a 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 criteria, summing up the cash flows from the interest rate swaps), using the risk-free rate adjusted to account for credit risk (after consideration of collateral) with CDS spread 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 spread 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 the 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.

(8) 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.

(9) 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 at the rate 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) 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

32. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED)

CONSOLIDATED

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

(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, 2018	Mar. 31, 2018	Sept. 30, 2018
Equity securities without readily available market price ^{1,2}	¥ 13,353	¥ 13,579	\$ 117,594
Investment in partnerships and others ^{1,2}	36,064	41,925	317,585
Total	¥ 49,418	¥ 55,505	\$ 435,179

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, 2018 and for the fiscal years ended March 31, 2018, impairment losses on equity securities without readily available market price of ¥1,159 million (U.S. \$10,206 thousand) and ¥661 million, and on investment in partnerships and others of ¥745 million (U.S.\$6,564 thousand) and ¥170 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, 2018 and March 31, 2018 are adjusted for credit risk by a reduction of ¥1,405 million (U.S.\$12,377 thousand) and ¥1,399 million, respectively, and also adjusted for liquidity risk by a reduction of ¥1,870 million (U.S.\$16,472 thousand) and ¥1,676 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, 2018 and March 31, 2018 were as follows:

	Millions of yen								
	Sept. 30, 2018				Mar. 31, 2018				
	Contract/Notional principal		Fair value	Unrealized gain (loss)	Contract/Notional principal		Fair value	Unrealized gain (loss)	
Total	Maturity over 1 year	Total			Maturity over 1 year				
Futures contracts (listed):									
Sold	¥	-	¥	-	¥	-	¥	1	
Bought		16,935		4,001		(7)		(7)	
Interest rate options (listed):									
Sold		-		-		-		-	
Bought		-		-		-		-	
Interest rate swaps (over-the-counter):									
Receive fixed and pay floating		4,440,139		3,771,803		126,192		126,192	
Receive floating and pay fixed		3,965,096		3,378,453		(113,541)		(113,541)	
Receive floating and pay floating		1,577,063		1,331,896		1,854		1,854	
Interest rate swaptions (over-the-counter):									
Sold		853,235		603,735		(324)		982	
Bought		801,562		730,856		1,925		311	
Interest rate options (over-the-counter):									
Sold		12,389		12,389		(109)		114	
Bought		9,389		9,389		56		(15)	
Total				¥	16,045	¥	15,891	¥	15,941

Thousands of U.S. dollars

	Sept. 30, 2018			
	Contract/Notional principal		Fair value	Unrealized gain (loss)
	Total	Maturity over 1 year		
Futures contracts (listed):				
Sold	\$	-	\$	-
Bought		149,134		35,237
Interest rate options (listed):				
Sold		-		-
Bought		-		-
Interest rate swaps (over-the-counter):				
Receive fixed and pay floating		39,099,505		33,214,191
Receive floating and pay fixed		34,916,310		29,750,385
Receive floating and pay floating		13,887,493		11,728,573
Interest rate swaptions (over-the-counter):				
Sold		7,513,521		5,316,444
Bought		7,058,493		6,435,864
Interest rate options (over-the-counter):				
Sold		109,099		109,099
Bought		82,681		82,681
Total				\$

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, 2018 and March 31, 2018 were as follows:

	Millions of yen							
	Sept. 30, 2018				Mar. 31, 2018			
	Contract/Notional principal		Fair value	Unrealized gain (loss)	Contract/Notional principal		Fair value	Unrealized gain (loss)
Total	Maturity over 1 year	Total			Maturity over 1 year			
Currency swaps (over-the-counter)	¥ 396,938	¥ 347,784	¥ 280	¥ 280	¥ 423,375	¥ 298,609	¥ 438	¥ 438
Forward foreign exchange contracts (over-the-counter):								
Sold	1,007,265	48,353	(13,639)	(13,639)	894,307	21,452	12,162	12,162
Bought	768,650	60,437	14,882	14,882	744,366	47,985	(10,234)	(10,234)
Currency options (over-the-counter):								
Sold	903,941	401,370	(20,104)	5,460	927,123	380,604	(21,366)	9,789
Bought	927,992	342,293	15,829	(3,979)	909,315	340,542	21,199	2,052
Total			¥ (2,751)	¥ 3,004			¥ 2,199	¥ 14,209

Thousands of U.S. dollars

	Sept. 30, 2018			
	Contract/Notional principal		Fair value	Unrealized gain (loss)
	Total	Maturity over 1 year		
Currency swaps (over-the-counter)	\$ 3,495,411	\$ 3,062,561	\$ 2,467	\$ 2,467
Forward foreign exchange contracts (over-the-counter):				
Sold	8,869,893	425,799	(120,111)	(120,111)
Bought	6,768,670	532,211	131,055	131,055
Currency options (over-the-counter):				
Sold	7,960,033	3,534,438	(177,036)	48,083
Bought	8,171,824	3,014,208	139,395	(35,040)
Total			\$ (24,230)	\$ 26,455

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, 2018 and March 31, 2018 were as follows:

	Millions of yen							
	Sept. 30, 2018				Mar. 31, 2018			
	Contract/Notional principal		Fair value	Unrealized gain (loss)	Contract/Notional principal		Fair value	Unrealized gain (loss)
Total	Maturity over 1 year	Total			Maturity over 1 year			
Equity index futures (listed):								
Sold	¥ 18,840	¥ 6,642	¥ (1,209)	¥ (1,209)	¥ 16,957	¥ 7,537	¥ (1,153)	¥ (1,153)
Bought	3,939	1,137	259	259	2,360	—	42	42
Equity index options (listed):								
Sold	237,395	65,875	(7,485)	(788)	64,166	26,712	(4,769)	(68)
Bought	244,817	64,400	9,252	2,286	82,268	28,500	6,074	1,054
Equity options (over-the-counter):								
Sold	10,836	6,424	(5,918)	(4,561)	10,836	6,424	(4,611)	(3,255)
Bought	14,027	10,945	10,516	7,952	14,377	10,945	8,584	5,957
Other (over-the-counter):								
Sold	—	—	—	—	—	—	—	—
Bought	735	735	(10)	(10)	100	100	(1)	(1)
Total			¥ 5,404	¥ 3,927			¥ 4,164	¥ 2,576

Thousands of U.S. dollars

	Sept. 30, 2018			
	Contract/Notional principal		Fair value	Unrealized gain (loss)
	Total	Maturity over 1 year		
Equity index futures (listed):				
Sold	\$ 165,907	\$ 58,493	\$ (10,647)	\$ (10,647)
Bought	34,688	10,017	2,285	2,285
Equity index options (listed):				
Sold	2,090,481	580,090	(65,913)	(6,946)
Bought	2,155,843	567,101	81,478	20,130
Equity options (over-the-counter):				
Sold	95,428	56,572	(52,116)	(40,172)
Bought	123,529	96,386	92,605	70,028
Other (over-the-counter):				
Sold	—	—	—	—
Bought	6,472	6,472	(96)	(96)
Total			\$ 47,596	\$ 34,581

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, 2018 and March 31, 2018 were as follows:

	Millions of yen							
	Sept. 30, 2018				Mar. 31, 2018			
	Contract/Notional principal		Fair value	Unrealized gain (loss)	Contract/Notional principal		Fair value	Unrealized gain (loss)
Total	Maturity over 1 year	Total			Maturity over 1 year			
Bond futures (listed):								
Sold	¥ 12,525	¥ –	¥ 14	¥ 14	¥ 26,031	¥ –	¥ (95)	¥ (95)
Bought	33,845	–	(192)	(192)	19,728	–	73	73
Bond options (listed):								
Sold	–	–	–	–	–	–	–	–
Bought	4,071	–	5	(6)	13,545	–	9	(9)
Total			¥ (173)	¥ (185)			¥ (12)	¥ (31)

	Thousands of U.S. dollars			
	Sept. 30, 2018			
	Contract/Notional principal		Fair value	Unrealized gain (loss)
Total	Maturity over 1 year			
Bond futures (listed):				
Sold	\$ 110,299	\$ –	\$ 125	\$ 125
Bought	298,040	–	(1,698)	(1,698)
Bond options (listed):				
Sold	–	–	–	–
Bought	35,850	–	47	(59)
Total			\$ (1,526)	\$ (1,632)

Notes:

- Derivatives included in the table above were measured at fair value and the unrealized gains and losses were recognized in income.
- 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, 2018 and March 31, 2018 were as follows:

	Millions of yen							
	Sept. 30, 2018				Mar. 31, 2018			
	Contract/Notional principal		Fair value	Unrealized gain (loss)	Contract/Notional principal		Fair value	Unrealized gain (loss)
Total	Maturity over 1 year	Total			Maturity over 1 year			
Credit default option (over-the-counter):								
Sold	¥ 64,250	¥ 33,500	¥ 763	¥ 763	¥ 82,550	¥ 44,000	¥ 965	¥ 965
Bought	62,750	33,250	(477)	(477)	82,000	43,000	(654)	(654)
Total			¥ 286	¥ 286			¥ 310	¥ 310

	Thousands of U.S. dollars			
	Sept. 30, 2018			
	Contract/Notional principal		Fair value	Unrealized gain (loss)
Total	Maturity over 1 year			
Credit default option (over-the-counter):				
Sold	\$ 565,780	\$ 294,998	\$ 6,725	\$ 6,725
Bought	552,571	292,797	(4,205)	(4,205)
Total			\$ 2,519	\$ 2,519

Notes:

- Derivatives included in the table above were measured at fair value and the unrealized gains and losses were recognized in income.
- The fair values are calculated primarily by using the DCF method.
- "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, 2018 and March 31, 2018 were as follows:

	Millions of yen					
	Sept. 30, 2018			Mar. 31, 2018		
	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	¥ 343,000	¥ 84,000	¥ 1,007	¥ 406,000	¥ 88,000	¥ 2,238
Receive floating and pay fixed	235,984	161,984	(11,173)	243,319	181,743	(14,050)
Total			¥ (10,166)			¥ (11,812)

	Thousands of U.S. dollars		
	Sept. 30, 2018		
	Contract/Notional principal		
	Total	Maturity over 1 year	Fair value
Interest rate swaps:			
Receive fixed and pay floating	\$3,020,430	\$ 739,697	\$ 8,869
Receive floating and pay fixed	2,078,062	1,426,424	(98,391)
Total			\$ (89,522)

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 the 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.

Interest rate swaps which meet specific matching criteria as of September 30, 2018 and March 31, 2018 were as follows:

	Millions of yen					
	Sept. 30, 2018			Mar. 31, 2018		
	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	¥ 29,157	¥ 25,809	¥ —	¥ 31,029	¥ 27,684	¥ —

	Thousands of U.S. dollars		
	Sept. 30, 2018		
	Contract/Notional principal		
	Total	Maturity over 1 year	Fair value
Interest rate swaps:			
Receive floating and pay fixed	\$ 256,756	\$ 227,274	\$ —

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."

33. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

CONSOLIDATED

(b) CURRENCY-RELATED TRANSACTIONS

Currency-related transactions which are accounted for using the deferral method as of September 30, 2018 and March 31, 2018 were as follows:

	Millions of yen					
	Sept. 30, 2018			Mar. 31, 2018		
	Contract/Notional principal			Contract/Notional principal		
	Total	Maturity over 1 year	Fair value	Total	Maturity over 1 year	Fair value
Currency swaps	¥ 252,637	¥ 227,654	¥ (814)	¥ 235,580	¥ 193,121	¥ 10,100

	Thousands of U.S. dollars		
	Sept. 30, 2018		
	Contract/Notional principal		
	Total	Maturity over 1 year	Fair value
Currency swaps	\$ 2,224,703	\$ 2,004,703	\$ (7,175)

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 the 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. ADDITIONAL INFORMATION

CONSOLIDATED

(A) ACQUISITION OF TREASURY SHARES

On May 11, 2018, the Bank decided the acquisition of treasury shares at the meeting of its Board of Directors in accordance with the provision of its Articles of Incorporation, pursuant to Article 459, paragraph 1 of the Companies Act of Japan.

(a) Reason for acquisition of treasury shares

The Bank established the identification of the path to the repayment of public funds as one of its goals in its 3rd Medium-Term Management Plan. As a part of the Bank's efforts to achieve this, a resolution for the acquisition of treasury shares was approved in light of factors such as the Bank's current capital position, earning capability and per share values.

(b) Details of acquisition

(i) Type of shares to be repurchased

Common stock

(ii) Number of shares to be repurchased

(Up to) 13 million shares (5.14% of total outstanding common shares excluding treasury shares)

(iii) Total repurchase amount

(Up to) ¥13 billion (U.S.\$114,476 thousand)

(iv) Acquisition period

From May 14, 2018 to November 14, 2018

(v) Acquisition method

Open market purchase

In accordance with the aforementioned resolution by the Board of Directors, the Bank has undertaken and completed the acquisition of treasury shares as follows:

(i) Type of shares repurchased

Common stock

(ii) Total number of shares repurchased

7,652,700 shares

(iii) Total amount of repurchase

¥12,999,801,326 (U.S.\$114,475 thousand)

(iv) Acquisition period

From May 14, 2018 to October 16, 2018

(v) Acquisition method

Open market purchase on the Tokyo Stock Exchange

(B) APPLICATION OF IFRS 9 "Financial Instruments" IN CERTAIN FOREIGN AFFILIATES ACCOUNTED FOR BY THE EQUITY METHOD

From the six-month period ended September 30, 2018, certain foreign affiliates accounted for by the equity method of the Bank, have adopted IFRS 9 "Financial Instruments."

IFRS 9 sets out new requirements with regards to classification and measurement of financial instruments, impairment and hedge accounting. In accordance with the accepted transitional provisions under this standard, the Group recognized the amount of the cumulative effect of the accounting change on "Retained earnings," and "Unrealized gain (loss) on available-for-sale securities" at the beginning of the six-month period ended September 30, 2018.

As a result, "Retained Earnings" as of April 1, 2018, decreased by ¥48 million (U.S.\$424 thousand), and "Unrealized gain (loss) on available-for-sale securities" as of April 1, 2018, increased by ¥4,307 million (U.S.\$37,934 thousand), respectively.

INTERIM NONCONSOLIDATED BALANCE SHEET (UNAUDITED)

Shinsei Bank, Limited
As of September 30, 2018

	Millions of yen		Thousands of U.S. dollars (Note)
	Sept. 30, 2018	Mar. 31, 2018	Sept. 30, 2018
ASSETS			
Cash and due from banks	¥ 1,332,307	¥ 1,391,303	\$ 11,732,192
Other monetary claims purchased	11,126	115,458	97,983
Trading assets	184,586	199,866	1,625,456
Monetary assets held in trust	154,675	117,756	1,362,059
Securities	1,525,920	1,452,342	13,437,129
Loans and bills discounted	4,798,700	4,637,953	42,256,965
Foreign exchanges	33,403	32,511	294,150
Other assets	204,907	223,082	1,804,402
Premises and equipment	13,500	14,031	118,887
Intangible assets	25,973	23,139	228,723
Prepaid pension cost	7,175	6,362	63,185
Deferred tax assets	1,717	573	15,124
Customers' liabilities for acceptances and guarantees	21,439	19,810	188,792
Reserve for credit losses	(26,988)	(26,721)	(237,655)
Total assets	¥ 8,288,448	¥ 8,207,471	\$ 72,987,392
LIABILITIES AND EQUITY			
Liabilities:			
Deposits, including negotiable certificates of deposit	¥ 6,265,558	¥ 6,228,183	\$ 55,173,992
Debentures	–	423	–
Call money	5,325	–	46,895
Payables under repurchase agreements	64,347	55,919	566,643
Payables under securities lending transactions	542,019	433,462	4,772,979
Trading liabilities	165,156	181,337	1,454,357
Borrowed money	210,299	263,114	1,851,882
Foreign exchanges	85	102	751
Corporate bonds	47,335	45,000	416,828
Other liabilities	133,088	140,685	1,171,969
Accrued employees' bonuses	2,420	4,740	21,319
Reserve for reimbursement of debentures	4,020	4,130	35,406
Acceptances and guarantees	21,439	19,810	188,792
Total liabilities	7,461,097	7,376,910	65,701,813
Equity:			
Common stock	512,204	512,204	4,510,431
Capital surplus	79,465	79,465	699,770
Stock acquisition rights	52	270	460
Retained earnings:			
Legal reserve	15,243	14,738	134,236
Unappropriated retained earnings	272,042	324,912	2,395,587
Unrealized gain (loss) on available-for-sale securities	1,081	4,268	9,526
Deferred gain (loss) on derivatives under hedge accounting	(15,363)	(15,759)	(135,293)
Treasury stock, at cost	(37,377)	(89,540)	(329,139)
Total equity	827,350	830,560	7,285,579
Total liabilities and equity	¥ 8,288,448	¥ 8,207,471	\$ 72,987,392

Note: U.S. dollar amounts, presented solely for the readers' convenience, are translated at ¥113.56=U.S.\$1.00, the rate of exchange prevailing on the Tokyo foreign exchange market on September 30, 2018.

INTERIM NONCONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

Shinsei Bank, Limited
For the six months ended September 30, 2018

	Millions of yen		Thousands of U.S. dollars (Note)
	Sept. 30, 2018 (6 months)	Sept. 30, 2017 (6 months)	Sept. 30, 2018 (6 months)
Interest income:			
Interest on loans and bills discounted	¥ 50,357	¥ 46,088	\$ 443,443
Interest and dividends on securities	8,998	12,361	79,239
Interest on deposits with banks	537	521	4,732
Other interest income	365	509	3,222
Total interest income	60,259	59,481	530,636
Interest expenses:			
Interest on deposits, including negotiable certificates of deposit	4,084	4,326	35,969
Interest and discounts on debentures	0	2	1
Interest on other borrowings	334	258	2,945
Interest on corporate bonds	216	437	1,909
Other interest expenses	4,054	3,017	35,703
Total interest expenses	8,690	8,041	76,527
Net interest income	51,568	51,439	454,109
Fees and commissions income	9,153	7,961	80,607
Fees and commissions expenses	14,997	14,486	132,070
Net fees and commissions	(5,844)	(6,524)	(51,463)
Net trading income	259	1,650	2,286
Other business income (loss), net:			
Net gain (loss) on monetary assets held in trust	581	1,157	5,124
Net gain (loss) on foreign exchanges	4,460	4,472	39,274
Net gain (loss) on securities	(360)	5,162	(3,175)
Net gain (loss) on other monetary claims purchased	344	88	3,035
Other, net	225	326	1,987
Net other business income (loss)	5,251	11,206	46,246
Total revenue	51,235	57,772	451,178
General and administrative expenses:			
Personnel expenses	13,835	14,236	121,834
Premises expenses	6,146	6,474	54,125
Technology and data processing expenses	5,589	5,542	49,222
Advertising expenses	426	3,821	3,752
Consumption and property taxes	2,554	2,658	22,498
Deposit insurance premium	822	887	7,246
Other general and administrative expenses	6,250	6,613	55,040
Total general and administrative expenses	35,625	40,233	313,718
Net business profit	15,609	17,538	137,460
Net credit costs (recoveries)	320	824	2,821
Other gains (losses), net	(1,187)	7,577	(10,458)
Income (loss) before income taxes	14,101	24,291	124,180
Income taxes (benefit):			
Current	(585)	(639)	(5,159)
Deferred	(154)	1,980	(1,361)
Net income (loss)	¥ 14,842	¥ 22,949	\$ 130,700

Note: U.S. dollar amounts, presented solely for the readers' convenience, are translated at ¥113.56=U.S.\$1.00, the rate of exchange prevailing on the Tokyo foreign exchange market on September 30, 2018.

INTERIM NONCONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

Shinsei Bank, Limited
For the six months ended September 30, 2018

	Millions of yen										
	Capital surplus				Retained earnings						Total equity
	Common stock	Additional paid-in capital	Other 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		
BALANCE, April 1, 2018	¥ 512,204	¥ 79,465	¥ -	¥ 270	¥ 14,738	¥ 324,912	¥ 4,268	¥ (15,759)	¥ (89,540)	¥ 830,560	
Dividends					505	(3,034)				(2,528)	
Net income (loss)						14,842				14,842	
Purchase of treasury stock									(12,558)	(12,558)	
Disposal of treasury stock				(45)					89	44	
Cancellation of treasury stock				(64,632)					64,632	-	
Transfer to capital surplus from retained earnings				64,677		(64,677)				-	
Net change during the period				(217)			(3,187)	395		(3,009)	
BALANCE, September 30, 2018	¥ 512,204	¥ 79,465	¥ -	¥ 52	¥ 15,243	¥ 272,042	¥ 1,081	¥ (15,363)	¥ (37,377)	¥ 827,350	

	Millions of yen										
	Capital surplus				Retained earnings						Total equity
	Common stock	Additional paid-in capital	Other 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		
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)	
Disposal of treasury stock				-					-	-	
Cancellation of treasury stock				-					-	-	
Transfer to capital surplus from retained earnings				-		-				-	
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	

	Thousands of U.S. dollars (Note)										
	Capital surplus				Retained earnings						Total equity
	Common stock	Additional paid-in capital	Other 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		
BALANCE, April 1, 2018	\$ 4,510,431	\$ 699,770	\$ -	\$ 2,379	\$ 129,783	\$ 2,861,155	\$ 37,592	\$ (138,773)	\$ (788,490)	\$ 7,313,848	
Dividends					4,453	(26,721)				(22,267)	
Net income (loss)						130,700				130,700	
Purchase of treasury stock									(110,592)	(110,592)	
Disposal of treasury stock				(398)					792	395	
Cancellation of treasury stock				(569,151)					569,151	-	
Transfer to capital surplus from retained earnings				569,548		(569,548)				-	
Net change during the period				(1,918)			(28,067)	3,481		(26,504)	
BALANCE, September 30, 2018	\$ 4,510,431	\$ 699,770	\$ -	\$ 460	\$ 134,236	\$ 2,395,587	\$ 9,526	\$ (135,293)	\$ (329,139)	\$ 7,285,579	

Note: U.S. dollar amounts, presented solely for the readers' convenience, are translated at ¥113.56=U.S.\$1.00, the rate of exchange prevailing on the Tokyo foreign exchange market on September 30, 2018.

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, 2018, we received an independent audit by Deloitte Touche Tohmatsu LLC in accordance with "Treatment of Inspection of the Capital Adequacy 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 adequacy ratio itself or opinion on the internal controls related to the capital adequacy ratio.

COMPOSITION OF CAPITAL DISCLOSURE (CONSOLIDATED)

Shinsei Bank and subsidiaries

Millions of yen (except percentages)

Items	September 30, 2018 Basel III (Domestic Standard)	Amounts excluded under transitional arrangements	September 30, 2017 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	¥ 875,520		¥ 846,224	
of which: capital and capital surplus	590,710		590,710	
of which: retained earnings	322,186		335,053	
of which: treasury stock (-)	37,377		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)	721	¥ 460	(65)	¥ (384)
of which: foreign currency translation adjustment	(1,121)		510	
of which: amount related defined benefit	1,842	460	(576)	(384)
Stock acquisition right to common shares and preferred shares with a compulsory conversion clause	102		330	
Adjusted noncontrolling interests (amount allowed to be included in Core capital)	8		7	
Total of reserves included in Core capital: instruments and reserves	423		410	
of which: general reserve for loan losses included in Core capital	423		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)	15,000		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)	1,753		1,193	
Core capital: instruments and reserves (A)	¥ 893,530		¥ 891,501	
Core capital: regulatory adjustments (2)				
Total amount of intangible assets (excluding those relating to mortgage servicing rights)	¥ 42,086	¥ 7,709	¥ 31,238	¥ 11,248
of which: goodwill (including those equivalent)	10,687	-	13,130	-
of which: other intangibles other than goodwill and mortgage servicing rights	31,398	7,709	18,108	11,248
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	6,037	1,509	5,228	3,485
Shortfall of eligible provisions to expected losses	30,635	-	23,005	-
Gain on sale of securitization	5,370	-	5,370	-
Gains and losses due to changes in own credit risk on fair valued liabilities	-	-	-	-
Net defined benefit asset	7,980	1,995	3,543	2,362
Investments in own shares (excluding those reported in the net assets section)	0	0	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)	¥ 92,109		¥ 68,386	
Capital (consolidated)				
Capital (consolidated) ((A)-(B)) (C)	¥ 801,420		¥ 823,114	
Risk-weighted assets, etc.				
Total amount of credit risk-weighted assets	¥5,890,945		¥5,791,606	
of which: total amount included in risk-weighted assets by transitional arrangements	9,549		14,068	
of which: intangible assets (excluding those relating to goodwill and mortgage servicing rights)	7,709		11,248	
of which: deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	1,509		3,485	
of which: net defined benefit asset	1,995		2,362	
of which: significant investments in the common stock of Other Financial Institutions (net of eligible short positions)	(1,663)		(3,029)	
of which: other than above	0		1	
Market risk (derived by multiplying the capital requirement by 12.5)	175,059		137,066	
Operational risk (derived by multiplying the capital requirement by 12.5)	376,198		374,355	
Credit risk-weighted assets adjustments	-		-	
Operational risk adjustments	-		-	
Total amount of Risk-weighted assets (D)	¥6,442,204		¥6,303,029	
Capital ratio (consolidated)				
Capital ratio (consolidated) ((C)/(D))	12.44%		13.05%	

COMPOSITION OF CAPITAL DISCLOSURE (CONSOLIDATED) (continued)

Shinsei Bank and subsidiaries Items	Millions of yen (except percentages)	
	March 31, 2018 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	¥ 860,010	
of which: capital and capital surplus	590,710	
of which: retained earnings	361,368	
of which: treasury stock (-)	89,540	
of which: earning to be distributed (-)	2,528	
of which: other than above	-	
Accumulated other comprehensive income (amount allowed to be included in Core capital)	98	¥ 417
of which: foreign currency translation adjustment	(1,573)	
of which: amount related defined benefit	1,671	417
Stock acquisition right to common shares and preferred shares with a compulsory conversion clause	318	
Adjusted noncontrolling interests (amount allowed to be included in Core capital)	10	
Total of reserves included in Core capital: instruments and reserves	431	
of which: general reserve for loan losses included in Core capital	431	
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)	37,400	
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)	1,647	
Core capital: instruments and reserves (A)	¥ 899,917	
Core capital: regulatory adjustments (2)		
Total amount of intangible assets (excluding those relating to mortgage servicing rights)	¥ 38,495	¥ 6,422
of which: goodwill (including those equivalent)	11,910	-
of which: other intangibles other than goodwill and mortgage servicing rights	26,585	6,422
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	5,599	1,399
Shortfall of eligible provisions to expected losses	28,976	-
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	7,360	1,840
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)	¥ 85,801	
Capital (consolidated)		
Capital (consolidated) ((A)-(B)) (C)	¥ 814,115	
Risk-weighted assets, etc.		
Total amount of credit risk-weighted assets	¥5,809,201	
of which: total amount included in risk-weighted assets by transitional arrangements	6,964	
of which: intangible assets (excluding those relating to goodwill and mortgage servicing rights)	6,422	
of which: deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	1,399	
of which: net defined benefit asset	1,840	
of which: significant investments in the common stock of Other Financial Institutions (net of eligible short positions)	(2,697)	
of which: other than above	-	
Market risk (derived by multiplying the capital requirement by 12.5)	161,545	
Operational risk (derived by multiplying the capital requirement by 12.5)	371,960	
Credit risk-weighted assets adjustments	-	
Operational risk adjustments	-	
Total amount of Risk-weighted assets (D)	¥6,342,708	
Capital ratio (consolidated)		
Capital ratio (consolidated) ((C)/(D))	12.83%	

COMPOSITION OF CAPITAL DISCLOSURE (NONCONSOLIDATED)

Shinsei Bank

Millions of yen (except percentages)

Items	September 30, 2018 Basel III (Domestic Standard)	Amounts excluded under transitional arrangements	September 30, 2017 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	¥ 841,580		¥ 834,221	
of which: capital and capital surplus	591,670		591,670	
of which: retained earnings	287,286		322,090	
of which: treasury stock (-)	37,377		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	52		270	
Total of reserves included in Core capital: instruments and reserves	11		18	
of which: general reserve for loan losses included in Core capital	11		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)	15,000		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)	-		-	
Core capital: instruments and reserves (A)	¥ 856,643		¥ 877,909	
Core capital: regulatory adjustments (2)				
Total amount of intangible assets (excluding those relating to mortgage servicing rights)	¥ 14,766	¥ 3,494	¥ 9,101	¥ 5,302
of which: goodwill (including those equivalent)	786	-	952	-
of which: other intangibles other than goodwill and mortgage servicing rights	13,979	3,494	8,149	5,302
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	1,875	468	1,797	1,198
Shortfall of eligible provisions to expected losses	19,311	-	15,410	-
Gain on sale of securitization	5,370	-	5,370	-
Gains and losses due to changes in own credit risk on fair valued liabilities	-	-	-	-
Prepaid pension cost	3,982	995	2,093	1,395
Investments in own shares (excluding those reported in the net assets section)	0	0	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)	¥ 45,306		¥ 33,774	
Capital (nonconsolidated)				
Capital (nonconsolidated) ((A)-(B) (C))	¥ 811,337		¥ 844,135	
Risk-weighted assets, etc.				
Total amount of credit risk-weighted assets	¥5,339,376		¥5,277,264	
of which: total amount included in risk-weighted assets by transitional arrangements	3,295		4,868	
of which: intangible assets (excluding those relating to goodwill and mortgage servicing rights)	3,494		5,302	
of which: deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	468		1,198	
of which: prepaid pension cost	995		1,395	
of which: significant investments in the common stock of Other Financial Institutions (net of eligible short positions)	(1,663)		(3,029)	
of which: other than above	0		1	
Market risk (derived by multiplying the capital requirement by 12.5)	165,440		132,120	
Operational risk (derived by multiplying the capital requirement by 12.5)	186,610		190,788	
Credit risk-weighted assets adjustments	-		-	
Operational risk adjustments	-		-	
Total amount of Risk-weighted assets (D)	¥5,691,428		¥5,600,173	
Capital ratio (nonconsolidated)				
Capital ratio (nonconsolidated) ((C)/(D))	14.25%		15.07%	

COMPOSITION OF CAPITAL DISCLOSURE (NONCONSOLIDATED) (continued)

Shinsei Bank Items	Millions of yen (except percentages)	
	March 31, 2018 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	¥ 839,251	
of which: capital and capital surplus	591,670	
of which: retained earnings	339,650	
of which: treasury stock (-)	89,540	
of which: earning to be distributed (-)	2,528	
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	16	
of which: general reserve for loan losses included in Core capital	16	
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)	37,400	
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)	-	
Core capital: instruments and reserves (A)	¥ 876,938	
Core capital: regulatory adjustments (2)		
Total amount of intangible assets (excluding those relating to mortgage servicing rights)	¥ 13,249	¥ 3,070
of which: goodwill (including those equivalent)	869	-
of which: other intangibles other than goodwill and mortgage servicing rights	12,380	3,070
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	1,630	407
Shortfall of eligible provisions to expected losses	21,321	-
Gain on sale of securitization	5,370	-
Gains and losses due to changes in own credit risk on fair valued liabilities	-	-
Prepaid pension cost	3,531	882
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)	¥ 45,103	
Capital (nonconsolidated)		
Capital (nonconsolidated) ((A) - (B)) (C)	¥ 831,835	
Risk-weighted assets, etc.		
Total amount of credit risk-weighted assets	¥5,260,100	
of which: total amount included in risk-weighted assets by transitional arrangements	1,663	
of which: intangible assets (excluding those relating to goodwill and mortgage servicing rights)	3,070	
of which: deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	407	
of which: prepaid pension cost	882	
of which: significant investments in the common stock of Other Financial Institutions (net of eligible short positions)	(2,697)	
of which: other than above	-	
Market risk (derived by multiplying the capital requirement by 12.5)	151,634	
Operational risk (derived by multiplying the capital requirement by 12.5)	188,537	
Credit risk-weighted assets adjustments	-	
Operational risk adjustments	-	
Total amount of Risk-weighted assets (D)	¥5,600,271	
Capital ratio (nonconsolidated)		
Capital ratio (nonconsolidated) ((C)/(D))	14.85%	

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, 2018	As of September 30, 2017
	Required capital amount	Required capital amount
Shinsei Bank	¥ 433	¥ 460
Subsidiaries	4,612	3,655

Portfolios under the Internal Ratings-Based Approach (IRB)

	Millions of yen	
	As of September 30, 2018	As of September 30, 2017
	Required capital amount	Required capital amount
Corporate (Excluding Specialized Lending) ¹	¥ 147,868	¥ 156,674
Specialized Lending ²	88,679	80,949
Sovereign	5,789	5,209
Bank	10,616	10,128
Residential mortgages	10,555	12,529
Qualified revolving retails	131,950	125,280
Other retails	158,322	164,646
Equity	21,355	21,998
Regarded (Fund)	15,391	17,227
Securitization	27,617	27,357
Purchase receivables	10,451	15,700
Other assets	4,486	5,324
CVA risk	8,794	8,157
CCP risk	125	107
Total	¥ 642,003	¥ 651,292

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, 2018	As of September 30, 2017
	Required capital amount	Required capital amount
Market-Based Approach Simplified Method	¥ 4,386	¥ 6,505
PD/LGD Method	2,414	4,283
RW100% Applied	4	4
RW250% Applied	14,549	11,205
Total	¥21,355	¥21,998

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

	Millions of yen	
	As of September 30, 2018	As of September 30, 2017
	Required capital amount	Required capital amount
Look Through	¥ 1,694	¥ 1,919
Revised Naivete Majority	13,216	14,600
Simplified [400%]	479	706
Simplified [1,250%]	0	0
Total	¥15,391	¥17,227

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

	Millions of yen	
	As of September 30, 2018	As of September 30, 2017
	Required capital amount	Required capital amount
The Standardized Approach	¥ 225	¥ 306
Interest rate risk	38	94
Equity position risk	2	4
FX risk	146	176
Securitization risk	38	31
The Internal Models Approach (IMA) (General Market Risk)	¥13,778	¥10,658

(5) AMOUNT OF REQUIRED CAPITAL FOR OPERATIONAL RISK

	Millions of yen	
	As of September 30, 2018	As of September 30, 2017
	Required capital amount	Required capital amount
The Standardized Approach	¥30,095	¥29,948

(6) TOTAL REQUIRED CAPITAL (DOMESTIC STANDARD)

	Millions of yen	
	As of September 30, 2018	As of September 30, 2017
	Required capital amount	Required capital amount
Total Required Capital (Risk-weighted Assets x 4%)	¥ 257,688	¥ 252,121

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, 2018				As of September 30, 2017			
	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	¥ 319,053	¥ 303,667	¥ 1,050	¥ 14,336	¥ 330,564	¥ 317,802	¥ 60	¥ 12,701
Agriculture	235	235	—	—	283	283	—	—
Mining	844	842	—	1	1,657	1,654	—	2
Construction	43,723	43,723	—	—	46,276	44,976	1,300	—
Electric power, gas, water supply	372,115	358,081	—	14,033	302,330	289,975	—	12,354
Information and communication	69,038	69,036	—	2	55,419	55,412	—	6
Transportation	223,888	221,491	1,999	397	226,678	223,973	1,999	705
Wholesale and retail	195,022	182,241	100	12,681	210,173	192,888	6,013	11,271
Finance and insurance	2,054,536	1,939,787	92,838	21,910	2,090,522	2,005,983	55,760	28,778
Real estate	724,369	590,857	131,399	2,112	744,778	620,764	120,689	3,324
Services	497,385	496,430	854	100	522,636	516,603	5,836	196
Government	624,108	65,585	558,523	—	599,620	68,138	531,482	—
Individuals	3,202,726	3,202,477	—	248	3,159,891	3,159,798	—	93
Others	1,323	1,323	—	—	6,690	6,690	—	—
Domestic Total	8,328,371	7,475,781	786,765	65,824	8,297,524	7,504,947	723,143	69,433
Foreign	949,988	641,339	236,308	72,340	965,322	646,951	239,661	78,709
Total	¥ 9,278,359	¥ 8,117,121	¥ 1,023,073	¥ 138,165	¥ 9,262,846	¥ 8,151,898	¥ 962,804	¥ 148,143
To 1 year	1,586,217	1,415,545	150,183	20,487	1,579,133	1,446,926	106,362	25,844
1 to 3 years	1,743,073	1,408,074	312,081	22,918	1,729,909	1,386,350	312,480	31,078
3 to 5 years	1,153,557	923,675	211,600	18,281	1,280,949	969,305	293,770	17,873
Over 5 years	3,047,285	2,622,601	348,206	76,477	2,852,778	2,530,394	249,036	73,346
Undated	1,748,225	1,747,223	1,001	—	1,820,076	1,818,920	1,155	—
Total	¥ 9,278,359	¥ 8,117,121	¥ 1,023,073	¥ 138,165	¥ 9,262,846	¥ 8,151,898	¥ 962,804	¥ 148,143

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, 2018	As of September 30, 2017
	Default Exposure	Default Exposure
Manufacturing	¥ 3,994	¥ 4,105
Agriculture	26	6
Mining	–	2
Construction	1,060	1,107
Electric power, gas, water supply	–	–
Information and communication	210	90
Transportation	2,401	52
Wholesale and retail	4,267	2,095
Finance and insurance	100	333
Real estate	703	2,617
Services	3,419	2,749
Government	–	–
Individuals	119,757	128,190
Others	665	5,388
Domestic Total	136,606	146,738
Foreign	4,082	21,143
Total	¥ 140,688	¥ 167,881

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

	Millions of yen					
	As of September 30, 2018			As of September 30, 2017		
	Start Amount	Change Amount	End Amount	Start Amount	Change Amount	End Amount
General	¥ 77,520	¥ (3,139)	¥ 74,381	¥ 70,977	¥ 6,122	¥ 77,100
Specific	86,823	(8,596)	78,226	135,712	(37,909)	97,803
Country	–	–	–	0	(0)	–
Total	¥ 164,343	¥ (11,735)	¥ 152,607	¥ 206,690	¥ (31,787)	¥ 174,903

Geographic

	Millions of yen							
	As of September 30, 2018				As of September 30, 2017			
	Reserve Amount				Reserve Amount			
	Total	General	Specific	Country	Total	General	Specific	Country
Domestic	¥ 146,488	¥ 69,342	¥ 77,145	¥ –	¥ 149,886	¥ 66,377	¥ 83,508	¥ –
Foreign	6,119	5,039	1,080	–	25,016	10,722	14,294	–
Total	¥ 152,607	¥ 74,381	¥ 78,226	¥ –	¥ 174,903	¥ 77,100	¥ 97,803	¥ –

Industries

	Millions of yen	
	As of September 30, 2018	As of September 30, 2017
	Reserve Amount	Reserve Amount
Manufacturing	¥ 4,397	¥ 4,010
Agriculture	9	8
Mining	34	46
Construction	771	882
Electric power, gas, water supply	2,660	721
Information and communication	493	443
Transportation	1,343	2,594
Wholesale and retail	4,895	2,637
Finance and insurance	3,427	1,668
Real estate	5,086	4,615
Services	5,814	5,027
Government	25	38
Individuals	115,213	124,629
Others	580	634
Foreign	6,119	25,016
Non-classified	1,733	1,927
Total	¥ 152,607	¥ 174,903

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.

QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)**(4) AMOUNT OF WRITE-OFFS**

Industries

	Millions of yen	
	Six months ended September 30, 2018	Six months ended September 30, 2017
	Amount of write-off	Amount of write-off
Manufacturing	¥ 1	¥ 56
Agriculture	—	—
Mining	0	—
Construction	29	8
Electric power, gas, water supply	—	—
Information and communication	0	0
Transportation	14	6
Wholesale and retail	77	523
Finance and insurance	—	4
Real estate	0	—
Services	11	91
Government	—	—
Individuals	29,801	39,074
Others	—	—
Foreign	—	2
Non-classified	—	—
Total	¥29,936	¥39,769

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

	Millions of yen			
	As of September 30, 2018		As of September 30, 2017	
	Rated	Unrated	Rated	Unrated
0%	¥ 100	¥ 8,405	¥ 71	¥ 8,590
10%	—	—	—	—
20%	19,967	29	23,173	29
35%	—	1,710	—	2,596
50%	35	236	50	249
75%	—	29,533	—	26,147
100%	400	34,059	358	24,191
150%	—	1,150	—	1,058
350%	—	—	—	—
1,250%	—	—	—	—
Total	¥ 20,502	¥ 75,126	¥ 23,653	¥ 62,863

(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, 2018	As of September 30, 2017
	Amount of Exposure	Amount of Exposure
Risk weight ratio		
50%	¥ 183,677	¥ 119,032
70%	460,868	420,885
90%	92,796	127,846
115%	48,523	56,347
250%	56,528	39,415
0% (Default)	—	—
Total	¥ 842,394	¥ 763,528

Specialized lending for high-volatility commercial real estate

	Millions of yen	
	As of September 30, 2018	As of September 30, 2017
	Amount of Exposure	Amount of Exposure
Risk weight ratio		
70%	¥ 11,202	¥ 16,717
95%	44,647	47,202
120%	10,389	29,477
140%	27,362	43,247
250%	39,966	18,354
0% (Default)	—	—
Total	¥ 133,568	¥ 154,998

QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)

Equity exposure under Market-Based Simplified Method

	Millions of yen	
	As of September 30, 2018	As of September 30, 2017
Risk weight ratio	Amount of Exposure	Amount of Exposure
300%	¥ 6,706	¥15,038
400%	7,901	7,899
Total	¥14,608	¥22,937

(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, 2018					As of September 30, 2017				
	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)
0-4	0.14%	44.84%	38.01%	¥ 1,556,372	¥ 153,274	0.15%	45.03%	39.41%	¥ 1,591,011	¥ 166,693
5-6	1.50%	44.03%	94.94%	672,683	88,151	1.66%	44.09%	97.82%	665,274	70,071
9A	9.39%	44.88%	184.50%	76,312	2,698	9.72%	44.80%	184.46%	86,724	1,991
Default	100.00%	49.45%	—	19,566	—	100.00%	48.31%	—	25,833	159

Note: LGD is shown after credit risk mitigation

Sovereign

Credit Rating	As of September 30, 2018					As of September 30, 2017				
	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%	2.97%	¥ 2,268,517	¥ 2,258	0.00%	45.00%	2.64%	¥ 2,222,668	¥ 2,639
5-6	0.81%	45.00%	66.61%	0	—	0.56%	45.00%	55.42%	3,059	—
9A	—	—	—	—	—	—	—	—	—	—
Default	100.00%	45.00%	—	10	—	100.00%	45.00%	—	10	—

Note: LGD is shown after credit risk mitigation

Bank

Credit Rating	As of September 30, 2018					As of September 30, 2017				
	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%	35.91%	¥ 169,760	¥ 90,878	0.07%	44.97%	32.79%	¥ 178,485	¥ 103,112
5-6	0.78%	45.00%	112.09%	16,717	6,391	0.78%	45.00%	86.68%	21,005	5,334
9A	9.39%	45.00%	184.71%	1,332	—	9.72%	45.00%	180.47%	876	—
Default	100.00%	45.00%	—	100	—	—	—	—	—	—

Note: LGD is shown after credit risk mitigation

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

Credit Rating	As of September 30, 2018				As of September 30, 2017			
	PD	LGD	Risk Weight	Amount	PD	LGD	Risk Weight	Amount
0-4	0.12%	90.00%	206.83%	¥ 9,084	0.13%	90.00%	242.03%	¥ 14,594
5-6	1.31%	90.00%	328.14%	2,785	1.16%	90.00%	299.74%	2,633
9A	9.39%	90.00%	615.07%	88	9.72%	90.00%	661.18%	1,102
Default	100.00%	90.00%	1,125.00%	0	100.00%	90.00%	1,125.00%	0

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, 2018								As of September 30, 2017					
	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	0.23%	16.23%	7.66%	¥ 1,222,969	¥ 3,279	¥ -	-	0.25%	16.50%	8.44%	¥ 1,305,507	¥ 3,946	¥ -	-
Need caution	64.62%	19.51%	73.86%	2,746	70	-	-	65.86%	20.01%	73.01%	1,746	53	-	-
Default	100.00%	42.66%	45.97%	3,176	36	-	-	100.00%	45.01%	42.52%	4,331	51	-	-

Note: LGD is shown after credit risk mitigation

Qualified revolving retail exposure

Millions of yen (except percentages)

Pool	As of September 30, 2018								As of September 30, 2017					
	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	5.73%	76.30%	88.78%	¥ 536,839	¥ 145,895	¥ 3,683,309	3.96%	6.22%	77.20%	93.72%	¥ 541,030	¥ 129,830	¥ 2,777,230	4.67%
Need caution	79.00%	80.21%	124.95%	3,032	47	3,561	1.33%	81.03%	81.10%	117.93%	2,832	45	3,214	1.41%
Default	100.00%	71.84%	-	64,292	-	-	-	100.00%	75.53%	-	46,919	-	-	-

Note: LGD is shown after credit risk mitigation

Other retail exposure

Millions of yen (except percentages)

Pool	As of September 30, 2018								As of September 30, 2017					
	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	3.45%	64.31%	86.18%	¥ 592,824	¥ 659,394	¥ 136,560	3.26%	3.42%	63.39%	84.79%	¥ 526,391	¥ 625,545	¥ 75,992	4.88%
Need caution	66.97%	52.84%	105.70%	5,632	2,503	13	0.00%	67.93%	53.49%	106.45%	5,943	2,120	2	0.00%
Default	100.00%	59.64%	4.85%	55,781	352	-	-	100.00%	62.92%	0.93%	81,274	502	-	-

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, 2018	12 months ended September 30, 2017	12 months ended September 30, 2016
Results of actual losses (a)	¥ 5,272	¥ 2,293	¥ 1,623
Expected losses (b)	8,900	10,428	9,340
Differences ((b) - (a))	3,628	8,135	7,717

Retail

Millions of yen

	12 months ended September 30, 2018	12 months ended September 30, 2017	12 months ended September 30, 2016
Results of actual losses (a)	¥32,720	¥30,679	¥15,718
Expected losses (b)	63,031	55,638	32,802
Differences ((b) - (a))	30,310	24,959	17,084

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, 2016, 2017 and 2018 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, 2018		As of September 30, 2017	
	Eligible financial collateral	Other eligible FIRB collateral	Eligible financial collateral	Other eligible FIRB collateral
Corporate	¥ 4,573	¥ 209,851	¥ 3,640	¥ 185,147
Sovereign	—	—	—	—
Bank	—	1,192	—	1,499
Total	¥ 4,573	¥ 211,044	¥ 3,640	¥ 186,647

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

IRB

Millions of yen

	As of September 30, 2018	As of September 30, 2017
	Corporate	¥ 292
Sovereign	12,504	21,887
Bank	—	—
Residential mortgages	—	—
Qualified revolving retail	—	—
Other retail	—	—
Total	¥12,796	¥22,381

5. COUNTERPARTY CREDIT RISK OF DERIVATIVES

Millions of yen

	As of September 30, 2018	As of September 30, 2017
	Total amount of gross positive fair value	¥ 259,034
Amount of gross add-on	95,502	104,869
EAD before CRM	354,536	416,225
FX-related	147,807	170,436
Interest-related	185,757	227,175
Equity-related	12,521	6,944
Commodity-related	—	—
Credit derivatives	8,405	11,594
Others	44	73
Amount of net	216,371	268,082
EAD after net	138,165	148,143
Amount covered collateral	—	—
EAD after CRM	138,165	148,143

Note: Current Exposure Method

• Notional amount of credit derivatives which have counterparty risk

Millions of yen

	As of September 30, 2018		As of September 30, 2017	
	Protection-buy	Protection-sell	Protection-buy	Protection-sell
Notional amount				
Single name	¥ 41,750	¥ 31,250	¥ 67,250	¥ 58,800
Multi name	26,000	27,000	28,500	30,500

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

	Millions of yen	
	As of September 30, 2018	As of September 30, 2017
Type of original assets	Amount of original assets	Amount of original assets
Residential mortgages	¥ 4,618	¥ 5,994
Consumer loans	—	—
Commercial real estate loans	—	—
Corporate loans	—	—
Others	—	—
Total	¥ 4,618	¥ 5,994

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

	Millions of yen	
	As of September 30, 2018	As of September 30, 2017
Type of original assets	Amount of Default	Amount of Default
Residential mortgages	¥169	¥172
Consumer loans	—	—
Commercial real estate loans	—	—
Corporate loans	—	—
Others	—	—
Total	¥169	¥172

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

	Millions of yen	
	As of September 30, 2018	As of September 30, 2017
Type of original assets	Amount of Exposure	Amount of Exposure
Residential mortgages	¥ —	¥ —
Consumer loans	—	—
Commercial real estate loans	—	—
Corporate loans	—	—
Others	—	—
Total	¥ —	¥ —

QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)

Resecuritization

	Millions of yen	
	As of September 30, 2018	As of September 30, 2017
Type of original assets	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

	Millions of yen			
	As of September 30, 2018		As of September 30, 2017	
Band of risk weight ratio	Amount	Required capital amount	Amount	Required capital amount
To 12%	¥ -	¥ -	¥ -	¥ -
Over 12% to 20%	-	-	-	-
Over 20% to 50%	-	-	-	-
Over 50% to 75%	-	-	-	-
Over 75% to 100%	-	-	-	-
Over 100% to 250%	-	-	-	-
Over 250% to 425%	-	-	-	-
Over 425% under 1,250%	-	-	-	-
Total	¥ -	¥ -	¥ -	¥ -

Resecuritization exposure

	Millions of yen			
	As of September 30, 2018		As of September 30, 2017	
Band of risk weight ratio	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)

	Millions of yen	
	As of September 30, 2018	As of September 30, 2017
Type of original assets	Amount	Amount
Residential mortgages	¥ 5,370	¥ 5,370
Consumer loans	-	-
Commercial real estate loans	-	-
Corporate loans	-	-
Others	-	-
Total	¥ 5,370	¥ 5,370

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, 2018	As of September 30, 2017
	Amount	Amount
Residential mortgages	¥ 42	¥ 41
Consumer loans	—	—
Commercial real estate loans	—	—
Corporate loans	—	—
Others	—	—
Total	¥ 42	¥ 41

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 the period
- 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, 2018	As of September 30, 2017
	Amount of Exposure	Amount of Exposure
Residential mortgages	¥ 30,769	¥ 22,364
Consumer loans	—	—
Commercial real estate loans	92,656	71,048
Corporate loans	50,890	37,621
Others	18,398	14,577
Total	¥ 192,714	¥ 145,612

Resecuritization exposure

Type of original assets	Millions of yen	
	As of September 30, 2018	As of September 30, 2017
	Amount of Exposure	Amount of Exposure
Residential mortgages	¥ —	¥ —
Consumer loans	—	—
Commercial real estate loans	—	—
Corporate loans	—	1,401
Others	—	—
Total	¥ —	¥ 1,401

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, 2018		As of September 30, 2017	
	Amount	Required capital amount	Amount	Required capital amount
To 12%	¥ 90,444	¥ 690	¥ 70,774	¥ 490
Over 12% to 20%	11,946	181	2,543	39
Over 20% to 50%	562	17	—	—
Over 50% to 75%	7,466	365	—	—
Over 75% to 100%	980	71	8,307	644
Over 100% to 250%	60,852	9,320	14,682	2,007
Over 250% to 425%	7,817	2,389	20,345	5,614
Over 425% under 1,250%	12,643	6,201	28,957	12,794
Total	¥ 192,714	¥ 19,238	¥ 145,612	¥ 21,591

Resecuritization exposure

Band of risk weight ratio	Millions of yen			
	As of September 30, 2018		As of September 30, 2017	
	Amount	Required capital amount	Amount	Required capital amount
To 30%	¥ —	¥ —	¥ 1,401	¥ 23
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

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

Type of original assets	Millions of yen	
	As of September 30, 2018	As of September 30, 2017
	Amount	Amount
Residential mortgages	¥ 2,795	¥ 309
Consumer loans	—	—
Commercial real estate loans	—	—
Corporate loans	—	0
Others	—	—
Total	¥ 2,795	¥ 309

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, 2018	As of September 30, 2017
	Amount of Exposure	Amount of Exposure
Residential mortgages	¥ 2,379	¥ 1,947
Consumer loans	—	—
Commercial real estate loans	—	—
Corporate loans	—	—
Others	—	—
Total	¥ 2,379	¥ 1,947

Resecuritization exposure

Type of original assets	Millions of yen	
	As of September 30, 2018	As of September 30, 2017
	Amount of Exposure	Amount of Exposure
Residential mortgages	¥ —	¥ —
Consumer loans	—	—
Commercial real estate loans	—	—
Corporate loans	—	—
Others	—	—
Total	¥ —	¥ —

(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, 2018		As of September 30, 2017	
	Amount	Required capital amount	Amount	Required capital amount
1.6%	¥ 2,379	¥ 38	¥ 1,947	¥ 31
4%	—	—	—	—
8%	—	—	—	—
28%	—	—	—	—
Total	¥ 2,379	¥ 38	¥ 1,947	¥ 31

Resecuritization exposure

Band of risk weight ratio	Millions of yen			
	As of September 30, 2018		As of September 30, 2017	
	Amount	Required capital amount	Amount	Required capital amount
3.2%	¥ —	¥ —	¥ —	¥ —
8%	—	—	—	—
18%	—	—	—	—
52%	—	—	—	—
Total	¥ —	¥ —	¥ —	¥ —

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 2018 AND SEPTEMBER 2017 AND THE HIGH, MEAN AND LOW VAR**

	Millions of yen	
	As of September 30, 2018	As of September 30, 2017
VaR at term end	¥ 796	¥ 761
VaR through this term		
High	1,577	2,118
Mean	901	1,264
Low	631	572

(2) STRESSED VAR AT THE END OF SEPTEMBER 2018 AND SEPTEMBER 2017 AND THE HIGH, MEAN AND LOW VAR

	Millions of yen	
	As of September 30, 2018	As of September 30, 2017
VaR at term end	¥ 4,625	¥ 3,052
VaR through this term		
High	4,625	4,161
Mean	3,249	2,665
Low	2,414	1,832

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, 2018	As of September 30, 2017
Market-based approach		
Listed equity exposure	¥ 6,706	¥ 15,038
Unlisted equity exposure	7,901	7,899
PD/LGD method		
Listed equity exposure	9,895	9,810
Unlisted equity exposure	2,062	8,520

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

	Millions of yen	
	Six months ended September 30, 2018	Six months ended September 30, 2017
Gain (loss) on sale	¥ 98	¥ 4,511
Loss of depreciation	1,303	19

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, 2018	As of September 30, 2017
Unrealized gain (loss)	¥ 12,446	¥ 14,361

(4) AMOUNT FOR EACH PORTFOLIO CLASSIFICATION OF EQUITY EXPOSURE

	Millions of yen	
	As of September 30, 2018	As of September 30, 2017
Market-based approach	¥ 14,608	¥ 22,937
PD/LGD Method	11,958	18,330
RW100% Applied	51	51
RW250% Applied	68,631	52,856

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, 2018	As of September 30, 2017
Regarded exposure (fund)	¥ 48,819	¥ 50,948

10. INTEREST RATE RISK (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:

	Billions of yen	
	As of September 30, 2018	As of September 30, 2017
JPY	¥ (102.5)	¥ (104.5)
USD	(3.9)	(5.1)
Others	(13.9)	(8.4)
Total	¥ (120.4)	¥ (118.1)

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, 2018	As of September 30, 2017
	Required capital amount	Required capital amount
Shinsei Bank	¥ 433	¥ 460

Portfolios under the Internal Ratings-Based Approach (IRB)

	Millions of yen	
	As of September 30, 2018	As of September 30, 2017
	Required capital amount	Required capital amount
Corporate (Excluding Specialized Lending) ¹	¥ 131,232	¥ 128,771
Specialized Lending ²	82,370	74,922
Sovereign	5,759	5,170
Bank	9,767	9,255
Residential mortgages	10,009	11,852
Qualified revolving retails	50,434	59,031
Other retails	2	3
Equity	117,946	124,440
Regarded (Fund)	10,693	11,466
Securitization	28,731	27,987
Purchase receivables	16,859	15,680
Other assets	1,720	2,130
CVA risk	8,704	8,035
CCP risk	125	107
Total	¥ 474,359	¥ 478,856

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, 2018	As of September 30, 2017
	Required capital amount	Required capital amount
Market-Based Approach Simplified Method	¥ 4,640	¥ 7,539
PD/LGD Method	112,193	116,890
RW100% Applied	4	4
RW250% Applied	1,108	5
Total	¥ 117,946	¥ 124,440

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

	Millions of yen	
	As of September 30, 2018	As of September 30, 2017
	Required capital amount	Required capital amount
Look Through	¥ 1,842	¥ 2,087
Revised Naivete Majority	8,174	8,340
Simplified [400%]	676	1,038
Simplified [1,250%]	—	0
Total	¥ 10,693	¥ 11,466

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

	Millions of yen	
	As of September 30, 2018	As of September 30, 2017
	Required capital amount	Required capital amount
The Standardized Approach	¥ 160	¥ 236
Interest rate risk	26	71
Equity position risk	2	4
FX risk	130	161
Securitization risk	—	—
The Internal Models Approach (IMA) (General Market Risk)	¥ 13,074	¥ 10,332

(5) AMOUNT OF REQUIRED CAPITAL FOR OPERATIONAL RISK

	Millions of yen	
	As of September 30, 2018	As of September 30, 2017
	Required capital amount	Required capital amount
The Standardized Approach	¥ 14,928	¥ 15,263

(6) TOTAL REQUIRED CAPITAL (DOMESTIC STANDARD)

	Millions of yen	
	As of September 30, 2018	As of September 30, 2017
Total Required Capital (Risk-weighted Assets x 4%)	¥ 227,657	¥ 224,006

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, 2018				As of September 30, 2017			
	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	¥ 262,940	¥ 247,554	¥ 1,050	¥ 14,336	¥ 270,070	¥ 257,309	¥ 60	¥ 12,701
Agriculture	—	—	—	—	—	—	—	—
Mining	505	504	—	1	840	837	—	2
Construction	23,685	23,685	—	—	8,144	6,844	1,300	—
Electric power, gas, water supply	361,841	347,808	—	14,033	293,885	281,531	—	12,354
Information and communication	52,231	52,228	—	2	37,274	37,268	—	6
Transportation	180,979	178,609	1,999	370	181,827	179,152	1,999	674
Wholesale and retail	126,615	113,834	100	12,681	134,540	117,255	6,013	11,271
Finance and insurance	2,181,968	2,066,637	93,017	22,313	2,129,457	2,045,657	55,977	27,822
Real estate	705,292	571,781	131,399	2,112	733,281	609,268	120,689	3,324
Services	373,524	372,569	854	100	405,139	399,105	5,836	196
Government	613,861	57,375	556,486	—	590,305	58,823	531,482	—
Individuals	1,541,125	1,540,877	—	248	1,598,731	1,598,637	—	93
Others	594	594	—	—	673	673	—	—
Domestic Total	6,425,167	5,574,059	784,907	66,200	6,384,173	5,592,365	723,360	68,447
Foreign	930,166	606,951	254,653	68,561	938,595	604,743	258,129	75,723
Total	¥ 7,355,333	¥ 6,181,011	¥ 1,039,561	¥ 134,761	¥ 7,322,768	¥ 6,197,108	¥ 981,489	¥ 144,170
To 1 year	1,497,212	1,309,734	168,529	18,949	1,384,277	1,251,854	106,362	26,061
1 to 3 years	1,293,629	959,704	311,076	22,848	1,270,187	910,500	330,947	28,739
3 to 5 years	903,593	675,401	210,567	17,624	1,016,466	705,393	293,770	17,302
Over 5 years	2,283,710	1,859,985	348,385	75,339	2,190,548	1,869,227	249,254	72,067
Undated	1,377,187	1,376,185	1,001	—	1,461,288	1,460,132	1,155	—
Total	¥ 7,355,333	¥ 6,181,011	¥ 1,039,561	¥ 134,761	¥ 7,322,768	¥ 6,197,108	¥ 981,489	¥ 144,170

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, 2018	As of September 30, 2017
	Default Exposure	Default Exposure
Manufacturing	¥ 3,148	¥ 3,430
Agriculture	—	—
Mining	—	—
Construction	19	19
Electric power, gas, water supply	—	—
Information and communication	194	80
Transportation	49	—
Wholesale and retail	970	613
Finance and insurance	100	333
Real estate	440	2,398
Services	1,396	1,255
Government	—	—
Individuals	3,258	4,823
Others	—	—
Domestic Total	9,577	12,956
Foreign	2,607	17,040
Total	¥ 12,184	¥ 29,996

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

	Millions of yen					
	As of September 30, 2018			As of September 30, 2017		
	Start Amount	Change Amount	End Amount	Start Amount	Change Amount	End Amount
General	¥ 24,391	¥ (1,357)	¥ 23,033	¥ 22,896	¥ 1,171	¥ 24,067
Specific	6,531	1,673	8,204	34,709	(15,384)	19,324
Country	—	—	—	0	(0)	—
Total	¥ 30,922	¥ 315	¥ 31,237	¥ 57,605	¥ (14,213)	¥ 43,392

Geographic

	Millions of yen							
	As of September 30, 2018				As of September 30, 2017			
	Total	General	Specific	Country	Total	General	Specific	Country
Domestic	¥ 25,889	¥ 18,459	¥ 7,429	¥ —	¥ 19,428	¥ 13,933	¥ 5,494	¥ —
Foreign	5,348	4,574	774	¥ —	23,964	10,133	13,830	—
Total	¥ 31,237	¥ 23,033	¥ 8,204	¥ —	¥ 43,392	¥ 24,067	¥ 19,324	¥ —

Industries

	Millions of yen	
	As of September 30, 2018	As of September 30, 2017
	Reserve Amount	Reserve Amount
Manufacturing	¥ 3,295	¥ 2,690
Agriculture	—	—
Mining	5	6
Construction	74	56
Electric power, gas, water supply	2,631	691
Information and communication	421	324
Transportation	677	1,795
Wholesale and retail	1,765	1,269
Finance and insurance	5,737	2,255
Real estate	4,985	4,521
Services	3,325	2,296
Government	—	—
Individuals	2,968	3,518
Others	0	0
Foreign	5,348	23,964
Non-classified	—	—
Total	¥ 31,237	¥ 43,392

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.

QUANTITATIVE DISCLOSURE (NONCONSOLIDATED) (continued)**(4) AMOUNT OF WRITE-OFFS**

Industries

	Millions of yen	
	Six months ended September 30, 2018	Six months ended September 30, 2017
	Amount of write-off	Amount of write-off
Manufacturing	¥ —	¥ —
Agriculture	—	—
Mining	—	—
Construction	—	5
Electric power, gas, water supply	—	—
Information and communication	—	—
Transportation	14	—
Wholesale and retail	45	496
Finance and insurance	—	—
Real estate	—	—
Services	—	27
Government	—	—
Individuals	11	5
Others	—	—
Foreign	—	2
Non-classified	—	—
Total	¥ 71	¥ 537

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

	Millions of yen			
	As of September 30, 2018		As of September 30, 2017	
	Rated	Unrated	Rated	Unrated
0%	¥ —	¥ —	¥ —	¥ —
10%	—	—	—	—
20%	—	—	—	—
35%	—	1,710	—	2,596
50%	—	—	—	—
75%	—	6,367	—	6,316
100%	—	41	—	105
150%	—	—	—	—
350%	—	—	—	—
1,250%	—	—	—	—
Total	¥ —	¥ 8,118	¥ —	¥ 9,018

(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, 2018	As of September 30, 2017
	Amount of Exposure	Amount of Exposure
Risk weight ratio		
50%	¥ 181,038	¥ 116,375
70%	460,868	420,885
90%	92,796	127,846
115%	48,523	56,347
250%	35,308	19,161
0% (Default)	—	—
Total	¥ 818,535	¥ 740,616

Specialized lending for high-volatility commercial real estate

	Millions of yen	
	As of September 30, 2018	As of September 30, 2017
	Amount of Exposure	Amount of Exposure
Risk weight ratio		
70%	¥ 11,202	¥ 16,717
95%	44,647	47,202
120%	10,389	29,477
140%	27,362	43,247
250%	39,966	18,354
0% (Default)	—	—
Total	¥ 133,568	¥ 154,998

QUANTITATIVE DISCLOSURE (NONCONSOLIDATED) (continued)

Equity exposure under Market-Based Simplified Method

	Millions of yen	
	As of September 30, 2018	As of September 30, 2017
Risk weight ratio	Amount of Exposure	Amount of Exposure
300%	¥ 6,505	¥ 14,258
400%	8,801	11,534
Total	¥ 15,306	¥ 25,793

(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

Credit Rating	As of September 30, 2018					As of September 30, 2017				
	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)
0-4	0.14%	44.84%	37.81%	¥ 1,635,373	¥ 170,881	0.15%	45.03%	39.68%	¥ 1,579,211	¥ 167,900
5-6	1.47%	43.85%	94.72%	552,806	87,931	1.61%	43.90%	97.42%	540,214	69,823
9A	9.39%	44.84%	192.15%	55,744	2,691	9.72%	44.54%	179.79%	36,657	1,900
Default	100.00%	55.66%	-	8,171	-	100.00%	51.87%	-	12,382	150

Note: LGD is shown after credit risk mitigation

Sovereign

Credit Rating	As of September 30, 2018					As of September 30, 2017				
	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%	3.06%	¥ 2,190,098	¥ 2,258	0.00%	45.00%	2.64%	¥ 2,205,232	¥ 2,639
5-6	0.81%	45.00%	66.61%	0	-	0.56%	45.00%	55.42%	3,059	-
9A	-	-	-	-	-	-	-	-	-	-
Default	100.00%	45.00%	-	10	-	100.00%	45.00%	-	10	-

Note: LGD is shown after credit risk mitigation

Bank

Credit Rating	As of September 30, 2018					As of September 30, 2017				
	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)
0-4	0.08%	44.97%	39.72%	¥ 116,914	¥ 95,740	0.07%	44.96%	35.43%	¥ 125,261	¥ 106,817
5-6	0.78%	45.00%	112.63%	16,451	6,391	0.77%	45.00%	86.67%	20,723	5,652
9A	9.39%	45.00%	184.65%	1,098	-	9.72%	45.00%	180.77%	849	-
Default	100.00%	45.00%	-	100	-	-	-	-	-	-

Note: LGD is shown after credit risk mitigation

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

Credit Rating	As of September 30, 2018				As of September 30, 2017			
	PD	LGD	Risk Weight	Amount	PD	LGD	Risk Weight	Amount
0-4	0.19%	90.00%	300.39%	¥ 370,680	0.22%	90.00%	301.12%	¥ 374,114
5-6	0.91%	90.00%	316.00%	11,718	0.68%	90.00%	303.97%	23,879
9A	9.39%	90.00%	870.26%	19,819	9.72%	90.00%	881.32%	20,340
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

Pool	As of September 30, 2018							As of September 30, 2017						
	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	0.22%	16.00%	7.30%	¥ 1,220,499	¥ -	-	-	0.24%	16.23%	8.02%	¥ 1,302,301	¥ -	-	-
Need caution	64.08%	18.78%	73.63%	2,744	-	-	-	65.16%	19.15%	73.20%	1,745	-	-	-
Default	100.00%	42.45%	47.81%	3,089	-	-	-	100.00%	44.91%	44.09%	4,226	-	-	-

Note: LGD is shown after credit risk mitigation

QUANTITATIVE DISCLOSURE (NONCONSOLIDATED) (continued)

Qualified revolving retail exposure

Millions of yen (except percentages)

Pool	As of September 30, 2018							As of September 30, 2017						
	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	7.89%	83.10%	117.68%	¥ 277,816	¥ 19,842	¥ 473,382	4.19%	9.36%	86.30%	134.19%	¥ 273,044	¥ 23,852	¥ 459,441	5.19%
Need caution	85.85%	83.10%	103.22%	1,324	43	1,404	3.08%	86.53%	86.30%	102.83%	1,343	44	1,417	3.12%
Default	100.00%	83.10%	-	119	-	-	-	100.00%	86.30%	-	118	-	-	-

Note: LGD is shown after credit risk mitigation

Other retail exposure

Millions of yen (except percentages)

Pool	As of September 30, 2018							As of September 30, 2017						
	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	0.38%	16.43%	9.98%	¥ 303	¥ -	¥ -	-	0.41%	16.26%	10.53%	¥ 395	¥ -	¥ -	-
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, 2018	12 months ended September 30, 2017	12 months ended September 30, 2016
Results of actual losses (a)	¥ 2,540	¥ 1,866	¥ 1,488
Expected losses (b)	6,183	8,041	6,975
Differences ((b) - (a))	3,643	6,175	5,487

Retail

Millions of yen

	12 months ended September 30, 2018	12 months ended September 30, 2017	12 months ended September 30, 2016
Results of actual losses (a)	¥ 14,986	¥ 13,289	¥ 224
Expected losses (b)	23,880	20,057	1,111
Differences ((b) - (a))	8,893	6,768	886

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, 2016, 2017 and 2018 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.

QUANTITATIVE DISCLOSURE (NONCONSOLIDATED) (continued)**3. CREDIT RISK MITIGATION (CRM)****(1) COVERED AMOUNT OF CRM BY COLLATERAL**

FIRB

Millions of yen

	As of September 30, 2018		As of September 30, 2017	
	Eligible financial collateral	Other eligible FIRB collateral	Eligible financial collateral	Other eligible FIRB collateral
Corporate	¥ 4,573	¥ 212,395	¥ 3,640	¥ 188,156
Sovereign	—	—	—	—
Bank	—	1,192	—	1,499
Total	¥ 4,573	¥ 213,587	¥ 3,640	¥ 189,655

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

IRB

Millions of yen

	As of September 30, 2018	As of September 30, 2017
	¥	¥
Corporate	292	493
Sovereign	12,504	21,887
Bank	—	—
Residential mortgages	—	—
Qualified revolving retail	—	—
Other retail	—	—
Total	¥ 12,796	¥ 22,381

4. COUNTERPARTY CREDIT RISK OF DERIVATIVES

Millions of yen

	As of September 30, 2018	As of September 30, 2017
	¥	¥
Total amount of gross positive fair value	258,279	310,473
Amount of gross add-on	94,458	103,644
EAD before CRM	352,737	414,117
FX-related	148,112	170,925
Interest-related	184,524	225,698
Equity-related	12,376	5,056
Commodity-related	—	—
Credit derivatives	7,679	12,364
Others	44	73
Amount of net	217,976	269,947
EAD after net	134,761	144,170
Amount covered collateral	—	—
EAD after CRM	134,761	144,170

Note: Current Exposure Method

• Notional amount of credit derivatives which have counterparty risk

Millions of yen

	As of September 30, 2018		As of September 30, 2017	
	Protection-buy	Protection-sell	Protection-buy	Protection-sell
Notional amount	¥ 30,750	¥ 31,250	¥ 58,250	¥ 58,800
Single name	26,000	27,000	28,500	30,500
Multi name	—	—	—	—

Not applicable for the following items;

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

QUANTITATIVE DISCLOSURE (NONCONSOLIDATED) (continued)

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, 2018	As of September 30, 2017
Type of original assets	Amount of original assets	Amount of original assets
Residential mortgages	¥ 4,618	¥ 5,994
Consumer loans	—	—
Commercial real estate loans	—	—
Corporate loans	—	—
Others	—	116,369
Total	¥ 4,618	¥ 122,364

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, 2018	As of September 30, 2017
Type of original assets	Amount of Default	Amount of Default
Residential mortgages	¥ 169	¥ 172
Consumer loans	—	—
Commercial real estate loans	—	—
Corporate loans	—	—
Others	—	—
Total	¥ 169	¥ 172

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, 2018	As of September 30, 2017
Type of original assets	Amount of Exposure	Amount of Exposure
Residential mortgages	¥ —	¥ —
Consumer loans	—	—
Commercial real estate loans	—	—
Corporate loans	—	—
Others	—	100,000
Total	¥ —	¥ 100,000

Resecuritization exposure

	Millions of yen	
	As of September 30, 2018	As of September 30, 2017
Type of original assets	Amount of Exposure	Amount of Exposure
Residential mortgages	¥ —	¥ —
Consumer loans	—	—
Commercial real estate loans	—	—
Corporate loans	—	—
Others	—	—
Total	¥ —	¥ —

QUANTITATIVE DISCLOSURE (NONCONSOLIDATED) (continued)

(4) Amount of securitization exposure and required capital the Bank has by risk weight ratio
 Securitization by transfer of assets
 Excluding resecuritization exposure

Millions of yen

Band of risk weight ratio	As of September 30, 2018		As of September 30, 2017	
	Amount	Required capital amount	Amount	Required capital amount
To 12%	¥ -	¥ -	¥ 100,000	¥ 593
Over 12% to 20%	-	-	-	-
Over 20% to 50%	-	-	-	-
Over 50% to 75%	-	-	-	-
Over 75% to 100%	-	-	-	-
Over 100% to 250%	-	-	-	-
Over 250% to 425%	-	-	-	-
Over 425% under 1,250%	-	-	-	-
Total	¥ -	¥ -	¥ 100,000	¥ 593

Resecuritization exposure

Millions of yen

Band of risk weight ratio	As of September 30, 2018		As of September 30, 2017	
	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)

Millions of yen

Type of original assets	As of September 30, 2018	As of September 30, 2017
	Amount	Amount
Residential mortgages	¥ 5,370	¥ 5,370
Consumer loans	-	-
Commercial real estate loans	-	-
Corporate loans	-	-
Others	-	-
Total	¥ 5,370	¥ 5,370

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, 2018	As of September 30, 2017
	Amount	Amount
Residential mortgages	¥ 42	¥ 41
Consumer loans	—	—
Commercial real estate loans	—	—
Corporate loans	—	—
Others	—	—
Total	¥ 42	¥ 41

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 the period
- 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, 2018	As of September 30, 2017
	Amount of Exposure	Amount of Exposure
Residential mortgages	¥ 30,769	¥ 22,364
Consumer loans	—	—
Commercial real estate loans	92,656	71,048
Corporate loans	50,890	37,621
Others	184,734	20,754
Total	¥ 359,049	¥ 151,789

Resecuritization exposure

Type of original assets	Millions of yen	
	As of September 30, 2018	As of September 30, 2017
	Amount of Exposure	Amount of Exposure
Residential mortgages	¥ —	¥ —
Consumer loans	—	—
Commercial real estate loans	—	—
Corporate loans	—	1,401
Others	—	—
Total	¥ —	¥ 1,401

(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, 2018		As of September 30, 2017	
	Amount	Required capital amount	Amount	Required capital amount
To 12%	¥ 256,780	¥ 1,805	¥ 76,951	¥ 527
Over 12% to 20%	11,946	181	2,543	39
Over 20% to 50%	562	17	—	—
Over 50% to 75%	7,466	365	—	—
Over 75% to 100%	980	71	8,307	644
Over 100% to 250%	60,852	9,320	14,682	2,007
Over 250% to 425%	7,817	2,389	20,345	5,614
Over 425% under 1,250%	12,643	6,201	28,957	12,794
Total	¥ 359,049	¥ 20,352	¥ 151,789	¥ 21,628

QUANTITATIVE DISCLOSURE (NONCONSOLIDATED) (continued)

Resecuritization exposure

Band of risk weight ratio	Millions of yen			
	As of September 30, 2018		As of September 30, 2017	
	Amount	Required capital amount	Amount	Required capital amount
To 30%	¥ -	¥ -	¥ 1,401	¥ 23
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

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

Type of original assets	Millions of yen	
	As of September 30, 2018	As of September 30, 2017
	Amount	Amount
Residential mortgages	¥ 2,795	¥ 309
Consumer loans	-	-
Commercial real estate loans	-	-
Corporate loans	-	0
Others	-	-
Total	¥ 2,795	¥ 309

Not applicable for the following items;

- Credit risk mitigation for resecuritization exposure

6. MARKET RISK (UNDER INTERNAL MODEL APPROACH)**(1) VAR AT THE END OF SEPTEMBER 2018 AND SEPTEMBER 2017 AND THE HIGH, MEAN AND LOW VAR**

VaR at term end	Millions of yen	
	As of September 30, 2018	As of September 30, 2017
	Amount	Amount
VaR at term end	¥ 755	¥ 729
VaR through this term		
High	1,527	1,927
Mean	852	1,176
Low	570	540

(2) STRESSED VAR AT THE END OF SEPTEMBER 2018 AND SEPTEMBER 2017 AND THE HIGH, MEAN AND LOW VAR

VaR at term end	Millions of yen	
	As of September 30, 2018	As of September 30, 2017
	Amount	Amount
VaR at term end	¥ 4,497	¥ 2,933
VaR through this term		
High	4,497	4,017
Mean	3,062	2,492
Low	2,234	1,755

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

QUANTITATIVE DISCLOSURE (NONCONSOLIDATED) (continued)**7. EQUITY EXPOSURE IN BANKING BOOK****(1) BOOK VALUE AND FAIR VALUE**

	Millions of yen	
	As of September 30, 2018	As of September 30, 2017
Market-based approach		
Listed equity exposure	¥ 6,505	¥ 14,258
Unlisted equity exposure	8,801	11,534
PD/LGD method		
Listed equity exposure	8,527	7,689
Unlisted equity exposure	393,691	410,646

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

	Millions of yen	
	Six months ended September 30, 2018	Six months ended September 30, 2017
Gain (loss) on sale	¥ 97	¥ 4,014
Loss of depreciation	298	0

(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, 2018	As of September 30, 2017
Unrealized gain (loss)	¥ 8,939	¥ 10,591

(4) AMOUNT FOR EACH PORTFOLIO CLASSIFICATION OF EQUITY EXPOSURE

	Millions of yen	
	As of September 30, 2018	As of September 30, 2017
Market-based approach	¥ 15,306	¥ 25,793
PD/LGD Method	402,218	418,335
RW100% Applied	51	51
RW250% Applied	5,228	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, 2018	As of September 30, 2017
Regarded exposure (fund)	¥ 34,969	¥ 33,966

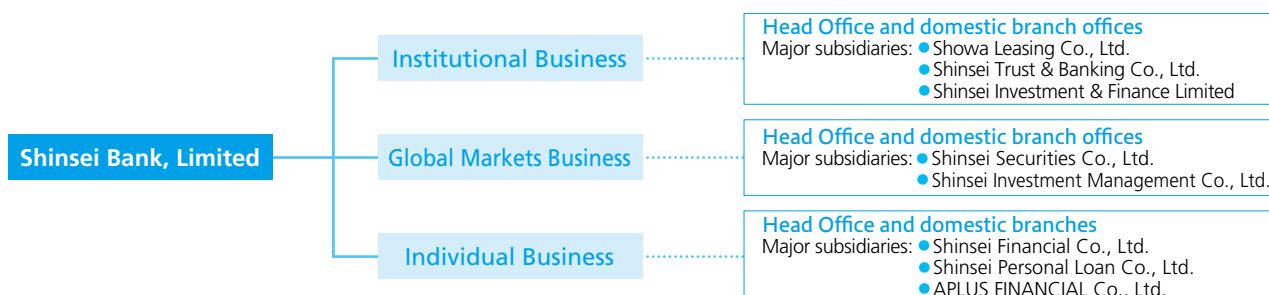
9. INTEREST RATE RISK (IRRBB) THE INCREASE/DECREASE IN ECONOMIC VALUE FOR UPWARD/DOWNWARD RATE SHOCKS ACCORDING TO MANAGEMENT'S METHOD FOR IRRBB

Change in economic values from a 2% interest-rate shock:

	Billions of yen	
	As of September 30, 2018	As of September 30, 2017
JPY	¥ (61.6)	¥ (62.0)
USD	(3.9)	(5.1)
Others	(13.9)	(8.4)
Total	¥ (79.4)	¥ (75.7)

Corporate Information

As of September 30, 2018, the Shinsei Bank Group consisted of Shinsei Bank, Limited, 176 subsidiaries (comprising 81 consolidated companies including APLUS FINANCIAL Co., Ltd., Showa Leasing Co., Ltd., Shinsei Financial Co., Ltd. and Shinsei Investment & Finance Limited and 95 unconsolidated subsidiaries) and 32 affiliated companies (32 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 Investment & Finance Limited	Tokyo, Japan	Financial instruments business ¹
Shinsei Corporate Investment Limited	Tokyo, Japan	Investment ¹
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
Alpha Servicer Co., Ltd.	Tokyo, Japan	Servicing business ³
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
MB Shinsei Finance Limited Liability Company	Hanoi, Vietnam	Finance ³

¹ Institutional Business

² Global Markets Business

³ Individual Business

⁴ Corporate/Other

Employees

		As of September 30, 2017	As of March 31, 2018	As of September 30, 2018
Consolidated	Number of Employees	5,438	5,307	5,302
Nonconsolidated	Number of Employees	2,238	2,188	2,208
	Male	1,294	1,265	1,252
	Female	944	923	956
Average age		41 years 2 months	41 years 3 months	41 years 3 months
Average years of service		9 years 11 months	12 years 5 months	12 years 5 months
Average monthly salary		¥473 thousand	¥479 thousand	¥465 thousand

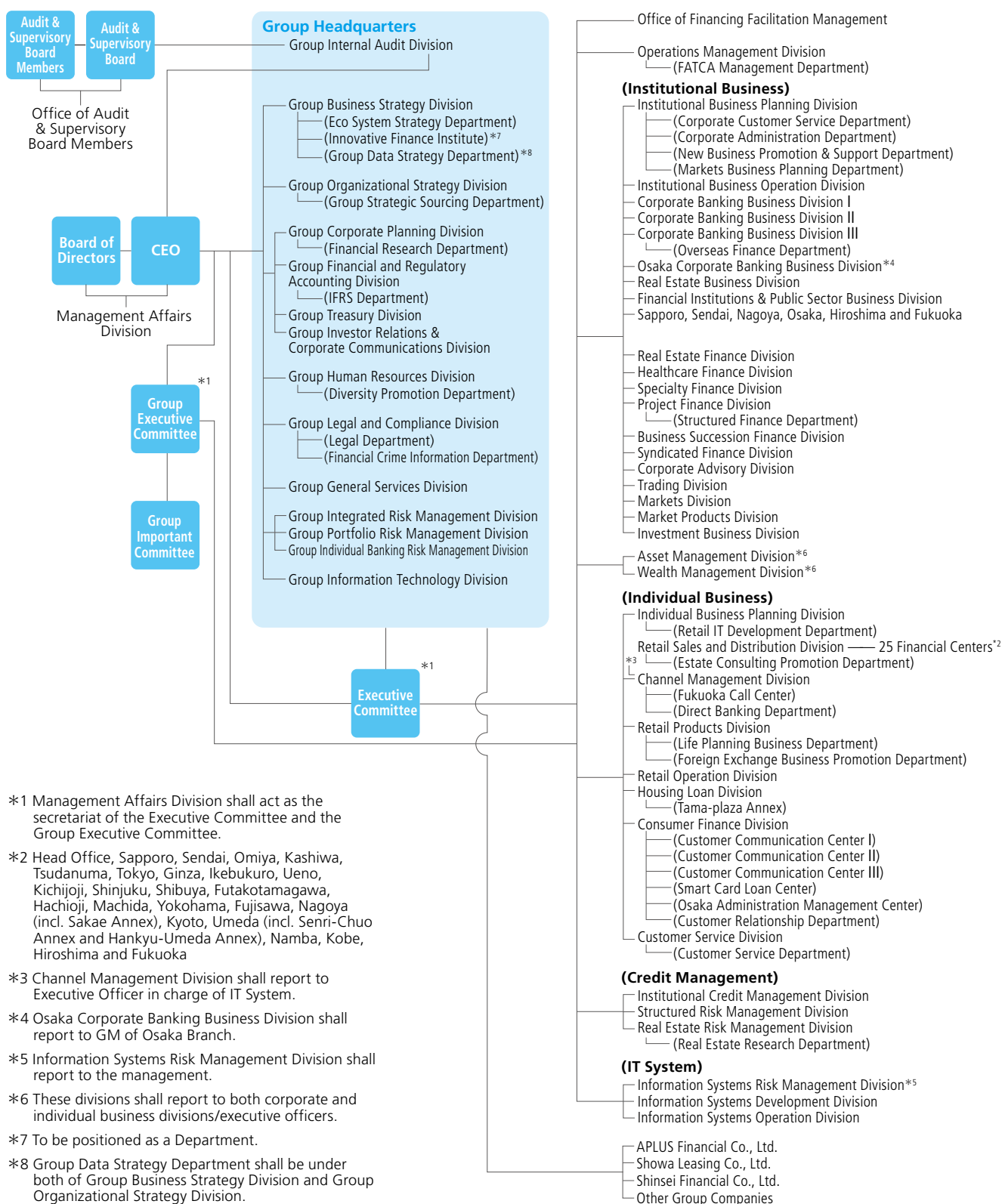
"Average monthly salary" includes overtime wages but excludes annual bonus.

(As of September 30, 2018)

	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%	—
	15,000	1956.10	2004. 9	95.0%	2.1%	92.8%
	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%	—
	500	2005.12	2017. 7	100.0%	100.0%	—
	£3	2004. 9	—	100.0%	100.0%	—
	\$46	2013. 6	—	50.0%	50.0%	—
	HK\$363	2013. 8	—	100.0%	—	100.0%
	NT\$36,190	2002. 2	2006. 7	36.2%	—	36.2%
	¥4,050	1997.12	2016.12	50.0%	50.0%	—
	VND800,000	2016. 3	2017.10	49.0%	49.0%	—

Organization of Shinsei Bank, Limited

(As of December 1, 2018)



Directors, Executive Officers, & Advisors

(As of December 1, 2018)

Board of Directors (7)

Hideyuki Kudo

Representative Director, President

Yoshiaki Kozano

Director

J. Christopher Flowers*¹

Director
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,
Former Professor,
Yokohama College of Commerce

Jun Makihara*¹

Director
Director, Monex Group, Inc.
Director, Philip Morris International Inc.

Ryuichi Tomimura*¹

Director
President, Representative Director,
SIGMAXYZ Inc.

Audit & Supervisory Board Members (3)

Shinya Nagata

Audit & Supervisory Board Member

Shiho Konno*²

Audit & Supervisory Board Member
Lawyer

Michio Shibuya*²

Audit & Supervisory Board Member
Certified Public Accountant

* 1 Outside Directors

* 2 Outside Audit & Supervisory Board Members

Group Headquarters Officers and Shinsei Bank Executive Officers (35)

Hideyuki Kudo

Representative Director
President and Chief Executive Officer

(Senior Managing Executive Officer (SMEO) and
equivalent to SMEO)

Sanjeev Gupta

Senior Managing Executive Officer
Advisor to the President and Chief
Executive Officer

Akira Hirasawa

Chief Officer, Group Organizational
Strategy, Group Human Resources
Senior Managing Executive Officer,
Executive Officer in charge of
Operations Management

Yoshiaki Kozano

Director
Chief Officer, Group Business Strategy

Michiyuki Okano

Chief Officer, Group IT
Senior Managing Executive Officer,
Head of IT System

(Managing Executive Officer (MEO) and
equivalent to MEO)

Shouichi Hirano

Chief Officer, Group Corporate Planning
and Finance, Managing Executive
Officer, Executive Officer in charge of
Financing Facilitation, General Manager,
Office of Financing Facilitation
Management

Kiyohiro Kiyotani*¹

Managing Executive Officer,
Executive Officer in charge of
Institutional Business

Takahisa Komoda

Managing Executive Officer, Head of
Institutional Business

Tsukasa Makizumi

Managing Executive Officer, Head of
Credit Risk Management

Masanori Matsubara

Managing Executive Officer,
General Manager, Information Systems
Development Division

Kyohei Matsumoto

Chief Officer, Group Legal and
Compliance

Tetsuro Shimizu

Senior Officer, Group Business Strategy
Managing Executive Officer, Head of
Individual Business
General Manager, Housing Loan Division

Akira Watanabe*²

Senior Officer, Group Business Strategy
Managing Executive Officer, Executive
Officer in charge of Individual Business

Masaharu Watanabe

Chief Officer, Group General Services

Shigeto Yanase

Managing Executive Officer, Executive
Officer in charge of Institutional
Business,
General Manager, Osaka Branch

(Executive Officer (EO) and equivalent to EO)

Takako Hayashi

Senior Officer, Group Human Resources
GM, Group Human Resources Division

Etsuko Ichiba

Executive Officer, General Manager,
Retail Operation Division

Taichi Kawai

Executive Officer, Executive Officer in charge of
Institutional Business

Hirohisa Kazami

Senior Officer, Group Legal and Compliance

Soichiro Komori

Senior Officer, Group Business Strategy,
Department Head of Group Data Strategy
Department,
Department Head of Eco System Strategy
Department

Takahiro Kubo*³

Executive Officer, Executive Officer in charge of
Institutional Business

Hirofumi Kusakabe

Executive Officer, Executive Officer in charge of
Institutional Business

Yuji Matsuura*⁴

Executive Officer, Executive Officer in charge of
Institutional Business

Nozomi Moue*⁵

Head of Group Structured Product Unit
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

Hiroshi Ooyama

Executive Officer, General Manager,
Institutional Business Planning Division

Kouichi Sawaji

Senior Officer, Group Human Resources

Shinichirou Seto*⁶

Head of Group Institutional Business
Coverage Unit,
Executive Officer, Executive Officer in
charge of Institutional Business

Toichiro Shiomi

Chief Officer, Group Risk
GM, Group Portfolio Risk Management Division

Noboru Takemura

Senior Officer, Group Corporate Planning
and Finance

Masayoshi Tomita

Executive Officer, Executive Officer in
charge of Individual Business

Hiroyuki Torigoe*⁷

Senior Officer, Group Business Strategy
Executive Officer, Executive Officer in
charge of Individual Business

Takahiro Yoshida

Senior Officer, Group Corporate Planning
and Finance
GM, Group Treasury Division

Note: Chief Officer and Senior Officer are positions of
Group Headquarters.

Note: Officers and Executive Officers are listed in
alphabetical order.

Note: Mr. Yoshiaki Kozano is equivalent to Senior
Managing Executive Officer of Shinsei Bank, and
Messrs. Toichiro Shiomi, Takako Hayashi and
Takahiro Yoshida are equivalent to Executive
Officers of Shinsei Bank.

* 1: Mr. Kiyohiro Kiyotani is also appointed as President
& CEO, Showa Leasing Co., Ltd.

* 2: Mr. Akira Watanabe is also appointed as
Representative Director and President and CEO,
APLUS FINANCIAL Co., Ltd.

* 3: Mr. Takahiro Kubo is also appointed as
Representative Director and President, Shinsei
Trust & Banking Co., Ltd.

* 4: Mr. Yuji Matsuura is also appointed as
Representative Director and President, Shinsei
Securities Co., Ltd.

* 5: Mr. Nozomi Moue is appointed as Senior Managing
Executive Officer, Showa Leasing Co., Ltd.

* 6: Mr. Shinichirou Seto is also appointed as Deputy
President, Showa Leasing Co., Ltd.

* 7: Mr. Hiroyuki Torigoe is also appointed as President
and CEO, Shinsei Financial Co., Ltd.

Senior Advisor

David Morgan

Supervisory Board Member, HSH Nordbank AG, and
Chairman, Europe and Asia-Pacific,
J.C. Flowers & Co. UK LLP

Advisor

Yuji Tsushima

Special Advisor and Executive Advisor

Yukio Nakamura

Executive Advisor

Yasufumi Shimada

Network

(As of November 30, 2018)

Domestic Outlets

30 outlets (26 branches including head office, 4 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

Tokai

Nagoya Branch

Sakae Financial Center

Kinki

Kyoto Branch

Osaka Branch

Umeda Branch

Umeda Branch—Hankyu Umeda Annex

Umeda Branch—Senri Chuo Annex

Namba Branch

Kobe Branch

Chugoku

Hiroshima Branch

Kyushu

Fukuoka Branch

Lake Unstaffed Branches

Lake unstaffed branches

720 locations

Partner Train Station, Convenience Store and Supermarket ATMs

Seven Bank, Ltd. ATMs

23,127 locations

E-net ATMs

12,572 locations

Lawson ATM Networks ATMs

13,330 locations

AEON Bank ATMs

5,357 locations

VIEW ALTTE ATMs

313 locations

Patsat ATMs

106 locations

Stock Information

(As of September 30, 2018)

Shares Outstanding and Capital

Date	Shares outstanding		Capital		Capital surplus		(1,000 shares, millions of yen) 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
October 1, 2017	(2,475,312)	275,034	—	512,204	—	79,465	10-for-1 reverse share split for common shares Post reverse split common shares outstanding 275,034 thousand shares
May 18, 2018	(16,000)	259,034	—	512,204	—	79,465	Cancellation of Treasury Shares (common) -16,000 thousand shares

¹ Figures include number of preferred shares outstanding.

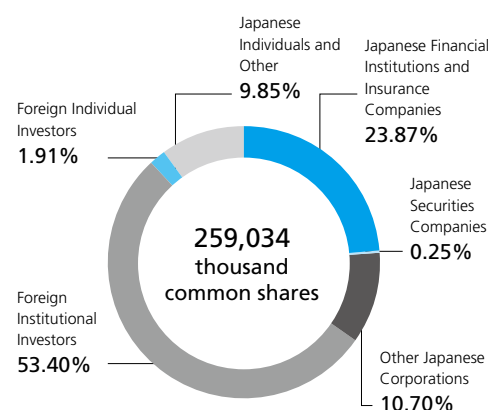
Largest Shareholders

Rank	Shareholders	Thousands of Common Shares	Shareholding Ratio
1	SATURN JAPAN IV SUB LP (JPMCB 380111)	32,368	12.49%
2	Deposit Insurance Corporation of Japan	26,912	10.38%
3	THE RESOLUTION AND COLLECTION CORPORATION	20,000	7.72%
4	SHINSEI BANK, LIMITED	13,544	5.22%
5	SATURN JAPAN III SUB C.V. (JPMCB 380113)	11,044	4.26%
6	JAPAN TRUSTEE SERVICE BANK, LTD. (TRUST ACCOUNT 9)	10,258	3.96%
7	THE MASTER TRUST BANK OF JAPAN, LTD. (TRUST ACCOUNT)	10,138	3.91%
8	SSBTC CLIENT OMNIBUS ACCOUNT	9,107	3.51%
9	J. CHRISTOPHER FLOWERS	7,675	2.96%
10	JAPAN TRUSTEE SERVICE BANK, LTD. (TRUST ACCOUNT)	6,239	2.40%
11	GOLDMAN, SACHS & CO. REG	4,677	1.80%
Total (includes treasury shares)		259,034	100.00%

Notes: 1 As of September 30, 2018, a group of investors, including affiliates of J.C. Flowers & Co. LLC., holds 55,366,348 common shares or 22.55% of Shinsei Bank's outstanding common shares, excluding treasury shares.

2 As of September 30, 2018, in total, the Deposit Insurance Corporation and the Resolution and Collection Corporation hold 46,912,888 common shares or 19.10% of Shinsei Bank's outstanding common shares, excluding treasury shares.

Beneficial Ownership/ Type of Shareholder



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, 2018)

	Long-Term (Outlook)	Short-Term
R&I	A- (Stable)	a-1
JCR	A- (Stable)	J-1
S&P	BBB+ (Positive)	A-2
Moody's	Baa2 (Stable)	Prime-2

SHINSEI BANK, LIMITED

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URL: <https://www.shinseibank.com/english/>