SHINSEI BANK

Annual Report 2015

For the fiscal year ended March 31, 2015

Unique
Growing
Speed & Action

Unique	Growing	Speed and Action
Differentiating ourselves through our values and unique approaches	Growing together with customers and markets	Building capability and moving forward

Shinsei Way

In an effort to encourage each employee of Shinsei Bank to proactively take actions that are in line with management philosophy, the Bank has newly established a series of action guidelines entitled the “Shinsei Way.”

While continuing to place an emphasis on diversity, a core strength of the Bank, we hope that these new action guidelines become the foundation of our corporate culture, and through them, by shifting the mindset of each member of our team to be able to take actions that contribute to the realization of management philosophy, achieve continued, sustainable growth.

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Forward-Looking Statements
This annual report contains statements that constitute forward-looking statements. These statements appear in a number of places in this annual report and include statements regarding our intent, belief or current expectations, and/or the current belief or current expectations of our officers with respect to the results of our operations and the financial condition of the Bank and its subsidiaries. Such statements reflect our current views with respect to future events and are subject to certain risks, uncertainties and assumptions. Our forward-looking statements are not a guarantee of future performance and involve risks and uncertainties. Actual results may differ from those in such forward-looking statements as a result of various factors.

SHINSEI BANK'S BUSINESS PROFILE

As of July 1, 2015

SHINSEI BANK GROUP

Individual Business

Individual Group

- Shinsei Bank Lake
  - Shinsei Bank Card Loan—Lake
- Unsecured Personal Loans, Credit Guarantees
  - SHINSEI FINANCIAL
- Unsecured Personal Loans
  - A Financial Venture シンキ株式会社 SHINKI Co., Ltd.
- Credit Cards, Shopping Credit, Settlement
  - APLUS FINANCIAL
- Real Estate Mortgage Loans
  - SHINSEI PROPERTY FINANCE
- Retail Deposits
- Mutual Funds
- Structured Deposits
- Insurance
- Housing Loans
- Overseas Remittance

Institutional Business

Institutional Group

- Institutional Business Public Sector Finance, Financial Institutions
- Real Estate Finance
- Specialty Finance
- VBI (Venture Banking Initiative)
- Health Care Finance
- Principal Transactions
  - SHINSEI PI GROUP
    - Private Equity
    - Credit Trading
- Trust (ABS, MBS, Real Estate Trust)
  - SHINSEI TRUST
- Leasing (Leasing, Property Management)
  - SHOWA LEASING CO.,LTD.

Global Markets Group

- Markets
- Wealth Management
- Asset Management
  - SHINSEI INVESTMENT MANAGEMENT
- Securities (Securitization, Structured Debentures)
  - SHINSEI SECURITIES

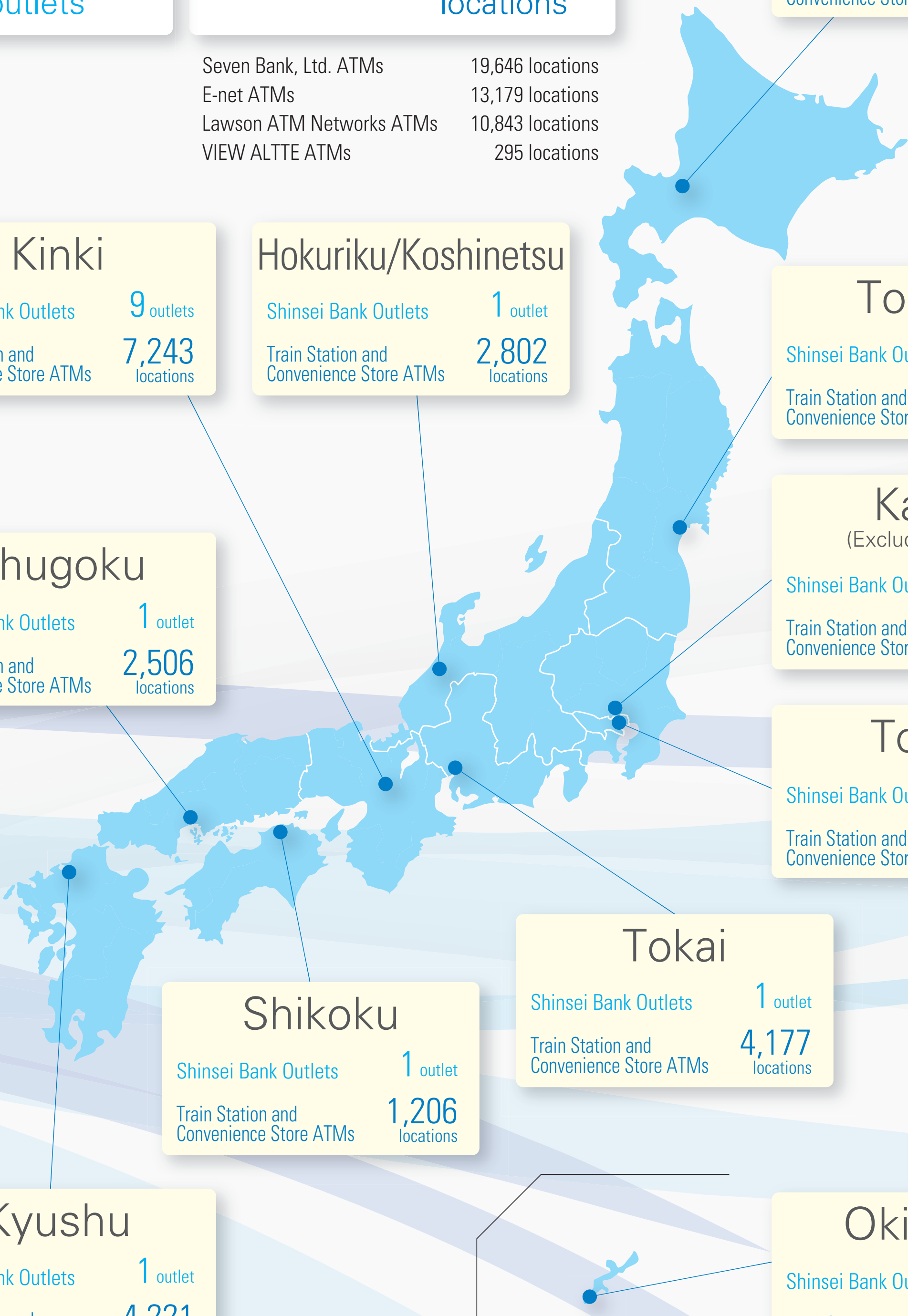
THE NETWORK OF SHINSEI BANK

As of June 30, 2015

Shinsei Bank Outlets
35 outlets

Train Station and Convenience Store ATMs
43,963 locations

Seven Bank, Ltd. ATMs	19,646 locations
E-net ATMs	13,179 locations
Lawson ATM Networks ATMs	10,843 locations
VIEW ALTTE ATMs	295 locations



Hokkaido
Shinsei Bank Outlets 1 outlet
Train Station and Convenience Store ATMs 1,754 locations

Kinki
Shinsei Bank Outlets 9 outlets
Train Station and Convenience Store ATMs 7,243 locations

Hokuriku/Koshinetsu
Shinsei Bank Outlets 1 outlet
Train Station and Convenience Store ATMs 2,802 locations

Tohoku
Shinsei Bank Outlets 1 outlet
Train Station and Convenience Store ATMs 2,915 locations

Kanto
(Excluding Tokyo)
Shinsei Bank Outlets 7 outlets
Train Station and Convenience Store ATMs 10,521 locations

Chugoku
Shinsei Bank Outlets 1 outlet
Train Station and Convenience Store ATMs 2,506 locations

Tokyo
Shinsei Bank Outlets 12 outlets
Train Station and Convenience Store ATMs 6,184 locations

Tokai
Shinsei Bank Outlets 1 outlet
Train Station and Convenience Store ATMs 4,177 locations

Shikoku
Shinsei Bank Outlets 1 outlet
Train Station and Convenience Store ATMs 1,206 locations

Kyushu
Shinsei Bank Outlets 1 outlet
Train Station and Convenience Store ATMs 4,221 locations

Okinawa
Shinsei Bank Outlets 0 outlets
Train Station and Convenience Store ATMs 434 locations

FINANCIAL HIGHLIGHTS

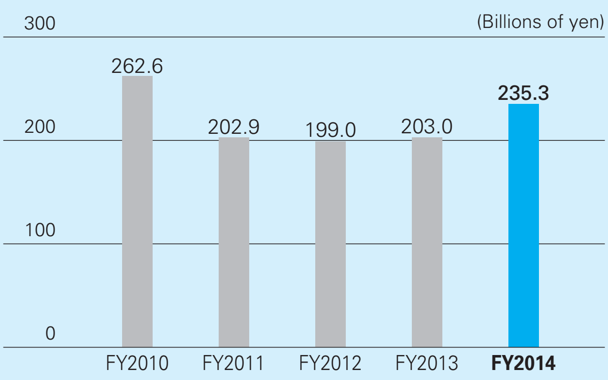
Shinsei Bank, Limited, and Consolidated Subsidiaries
For the fiscal years ended March 31, 2011, 2012, 2013, 2014 and 2015[1]

	Billions of yen				
	2011	2012	2013	2014	**2015**
For the fiscal year:					
Net interest income	¥ 156.6	¥ 116.9	¥ 111.6	¥ 110.5	**¥ 126.4**
Noninterest income	106.0	86.0	87.3	92.5	**108.8**
Net fees and commissions	26.0	25.1	19.1	22.4	**24.6**
Net trading income	11.6	13.6	20.0	13.9	**11.5**
Net other business income	68.3	47.2	48.1	56.1	**72.6**
Total revenue	262.6	202.9	199.0	203.0	**235.3**
General and administrative expenses	145.3	130.3	130.9	135.0	**144.2**
Ordinary business profit	104.2	60.6	57.2	58.2	**82.4**
Net credit costs	68.3	12.2	5.5	0.2	**11.8**
Ordinary business profit after net credit costs	35.8	48.3	51.7	57.9	**70.5**
Net income	42.6	6.4	51.0	41.3	**67.8**
Cash basis net income[2]	53.8	16.0	60.4	49.8	**75.4**

1 Since all yen figures have been truncated rather than rounded, the totals do not necessarily equal the sum of the individual amounts.
2 Cash basis net income is calculated by excluding impairment and amortization of goodwill and other intangible assets, net of tax benefit, from net income (loss) under Japanese Generally Accepted Accounting Principles (JGAAP).

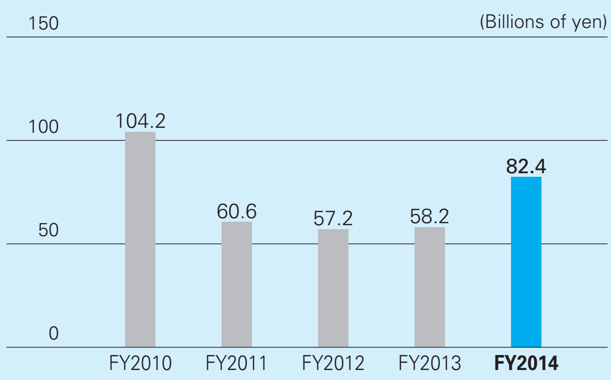
Total revenue

Total revenue—the indicator of gross profit— is composed of "Net interest income" such as interest from loans and "Noninterest income" such as fees from sales of investment products.



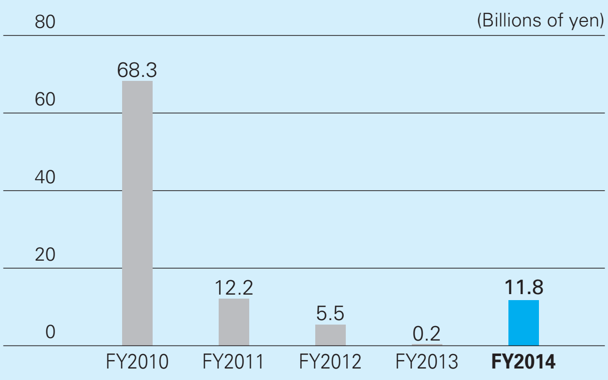
Ordinary business profit

Ordinary business profit—the indicator of profit from core business after expenses—is calculated by subtracting "expenses" from "total revenue." "Net credit costs" are excluded from this calculation.



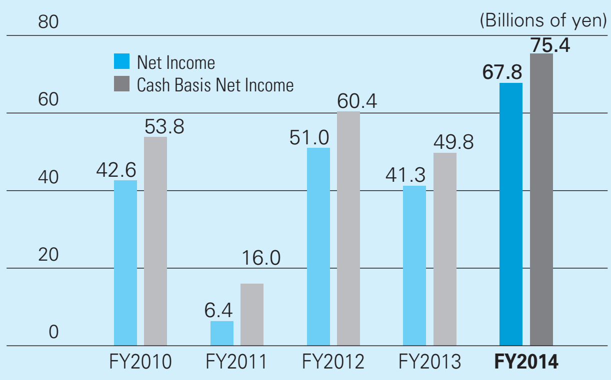
Net credit costs

Net credit costs are the sum of reserves for loan losses set aside (credit costs) according to the credit standing of borrowers, reversal (gains) of reserves for loan losses, and recoveries of written-off claims resulting from their disposal.



Consolidated net income, cash basis net income

Cash basis net income is calculated by excluding impairment and amortization of goodwill resulting from acquisitions of subsidiaries and other intangible assets, net of tax benefits, from consolidated net income—and represents the bottom-line profit for the relevant fiscal year.



	Billions of yen				
	2011	2012	2013	2014	**2015**
Balances at fiscal year-end:					
Securities	¥ 3,286.3	¥ 1,873.4	¥ 1,842.3	¥ 1,557.0	**¥ 1,477.3**
Loans and bills discounted	4,291.4	4,136.8	4,292.4	4,319.8	**4,461.2**
Total assets	10,231.5	8,609.6	9,029.3	9,321.1	**8,889.8**
Deposits and negotiable certificates of deposit	5,610.6	5,362.4	5,457.5	5,850.4	**5,452.7**
Debentures	348.2	294.1	262.3	41.7	**32.3**
Total liabilities	9,620.3	7,982.0	8,345.6	8,598.5	**8,136.0**
Total equity	611.1	627.6	683.6	722.5	**753.7**
Total liabilities and equity	10,231.5	8,609.6	9,029.3	9,321.1	**8,889.8**

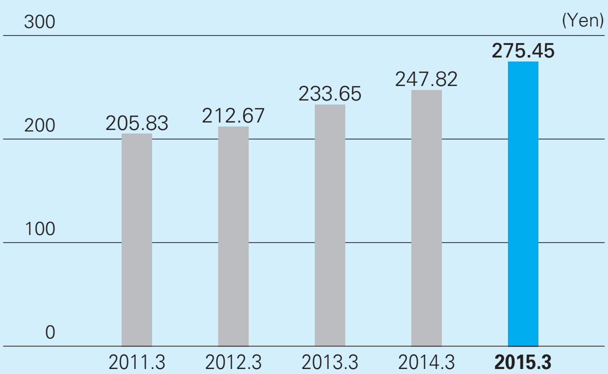
	Yen				
	2011	2012	2013	2014	**2015**
Per share data:					
Common equity	¥ 205.83	¥ 212.67	¥ 233.65	¥ 247.82	**¥ 275.45**
Fully diluted equity[3]	205.83	212.67	233.65	247.82	**275.45**
Basic net income	21.36	2.42	19.24	15.59	**25.57**
Diluted net income	21.36	2.42	19.24	15.59	**25.57**
Dividends	1.00	1.00	1.00	1.00	**1.00**
Cash basis per share data:					
Basic net income	¥ 26.96	¥ 6.05	¥ 22.77	¥ 18.78	**¥ 28.42**
Diluted net income	26.96	6.05	22.77	18.78	**28.42**

	%				
	2011	2012	2013	2014	**2015**
Ratios:					
Return on assets[4]	0.4	0.1	0.6	0.5	**0.7**
Cash basis return on assets	0.5	0.2	0.7	0.5	**0.8**
Return on equity (fully diluted)[5]	8.5	1.2	8.6	6.5	**9.8**
Cash basis return on equity (fully diluted)[6]	12.4	3.2	11.1	8.3	**11.4**
Expense-to-revenue ratio	55.3	64.2	65.8	66.5	**61.3**
Total capital adequacy ratio (Basel II, Domestic Standard)	9.76	10.27	12.24	—	**—**
Capital ratio (Basel III, Domestic Standard)	—	—	—	13.58	**14.86**
Ratio of nonperforming claims classified under the Financial Revitalization Law to total claims	6.78	6.66	5.32	3.81	**1.42**

3 Fully diluted equity per share is calculated by dividing equity at the end of the periods presented by the number of common shares that would have been outstanding had all securities convertible into or exercisable for common shares been converted or exercised with an applicable conversion or exercise price within the predetermined range at the end of the period.
4 Return on assets is calculated by dividing net income by the average of total assets at the beginning and end of the period as presented.
5 Return on equity (fully diluted) is calculated by dividing net income by the average of fully diluted equity at the beginning and end of the period as presented.
6 Cash-basis return on equity (fully diluted) is calculated by dividing cash basis consolidated net income by the average of (total equity–goodwill–intangible assets acquired in business combinations (net of associated deferred tax liability)) at the beginning of the period and the same values at the end of period as presented.

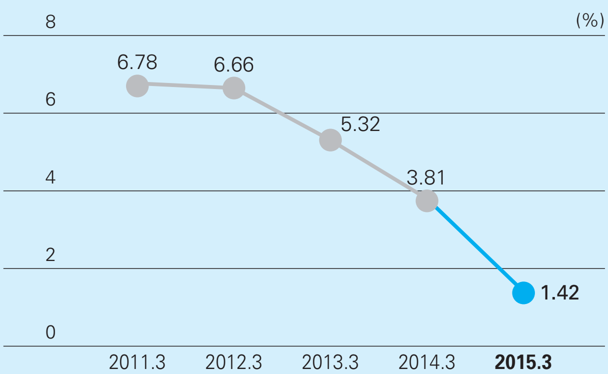
Common equity per share

Common equity per share is calculated by dividing common equity by the total number of common shares outstanding at the end of the term.



Nonperforming loan ratio under the Financial Revitalization Law

Nonperforming loan ratio is the ratio of nonperforming claims, categorized as "Claims against bankrupt and quasi-bankrupt obligors," "Doubtful claims" and "Substandard claims," to total claims under the Financial Revitalization Law.



TO OUR SHAREHOLDERS, CUSTOMERS, AND EMPLOYEES

Shigeki Toma
Special Advisor

Hideyuki Kudo
President and Chief Executive Officer

I, Hideyuki Kudo, am honored to have been appointed Shinsei Bank's new President and CEO by a vote of the Company's shareholders at the annual general meeting of shareholders held on June 17, 2015, and the subsequent meeting of the Board of Directors. As President and CEO, I look forward to working with all of Shinsei Bank's stakeholders and hope to enjoy your support. Fiscal year 2014 was a year in which we continued to aggressively undertake initiatives aimed at strengthening our individual and institutional businesses, in order to build the earnings base that will ensure the Bank's sustainable growth in the future. In fiscal year 2015, the final year of the Second Medium-Term Management Plan (Second MTMP), we will make every effort to achieve the Plan's consolidated net income target of ¥70.0 billion.

Business Developments and Results in Fiscal Year 2014

In fiscal year 2014, the second year of the Second MTMP, Shinsei Bank aggressively implemented initiatives to strengthen our individual and institutional businesses, as we worked toward the achievement of the goals of the Second MTMP, including the establishment of a unique business base, increasing revenues, and further improving our financial fundamentals. As a result of such efforts, our financial fundamentals improved further, and as a result of successful efforts in all business segments, the Bank successfully expanded its business and recorded a consolidated net income of ¥67.8 billion, increased ¥26.4 billion from the previous fiscal year.

Looking back over the five years since the start of our First MTMP in fiscal year 2010, we successfully resolved many legacy issues during the three years of the First MTMP, when we focused on "rebuilding the customer franchise" and "establishing a stabilized earnings base." Then, over the first two years of the Second MTMP, we significantly improved the quality of our asset portfolio through the continued disposal of nonperforming loans (NPLs). Additionally, new initiatives undertaken in order to achieve the goals of the Second MTMP have begun to yield positive results in many areas. In order to achieve sustainable growth, however, we must increase our efforts to establish a unique business model and increase the amount of stable earnings generated by our normal business activities.

Fiscal Year 2014 Results

Regarding our achievements in fiscal year 2014, I would first like to highlight the further asset quality improvement of our portfolio. As a result of the progression in the disposal of NPLs, our NPL ratio has fallen to 1.42%, achieving the 2% level target set forth in the Second MTMP a year ahead of plan. In addition, the accumulation of capital has increased our Common Equity Tier 1 Capital Ratio (Basel III international standard, fully-loaded basis) to 11.9%, above the final target set forth in the Second MTMP.

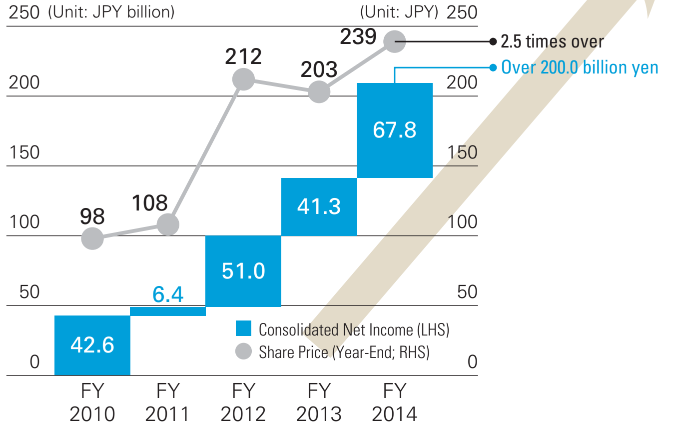
The second major achievement of the past year is the expansion of the Bank's total revenue. In the consumer finance business the balance of unsecured personal loans, primarily those associated with "Shinsei Bank Card Loan—Lake," increased, credit card and shopping credit transaction volume at APLUS FINANCIAL also increased, resulting in an increase in revenue. The cost of funds procured from retail deposits declined. The institutional business realized strong gains from its private equity business and profits from derivatives transactions with customers increased. These various factors resulted in the recording of revenue of ¥235.3 billion in fiscal year 2014, an increase of ¥32.3 billion compared to the previous fiscal year.

Strengthening of the profit-generating capabilities of our individual and institutional businesses combined with the steady improvement in our asset portfolio as we accelerate disposal of NPLs is promoting the stabilization and strengthening of our earnings base.

Five-Year-History (FY2010 – FY2014)

Consolidated Net Income and Share Price Trend

- Over 200.0 billion yen in profit generated over the past 5 years
- Share price increased 2.5 times over the past 5 years



Growing Toward the Future

- Achieve Targets of 2nd MTMP Final Year
- Further Expand Customer Base
- Strengthen Sustainable Business Model

Major Progression in NPL Disposal

	NPL Balance	NPL Ratio
FY2014:	JPY 60.9 billion	1.42%
FY2010:	JPY 279.6 billion	6.78%

Final Treatment of Grey Zone Repayment Undertaken

Grey Zone Reserve as of Mar. 2015: JPY 170.2 billion

▶Coverage Level: 4.3 Years

Increased Net Interest Margin (NIM) due to Funding Cost Improvement

	Funding Cost	NIM
FY2014:	0.30%	2.25%*
FY2010:	0.59%	2.19%

* Excluding one-time gain factors

Initiatives Undertaken in Fiscal Year 2014 and Results to Date

Individual business: Transforming to expand the customer base

In our individual business, we focused on expanding business in all areas as we work toward increasing the total number of our core customers.

In fiscal year 2014, the Bank increased efforts in previously launched initiatives aimed at delivering growth. For example, the Bank increased the lineup of support services available through its "PowerSmart Home Mortgage Anshin Pack W," a housing loan designed to support child-rearing and working couples, we increased the range of our financial products and services that offer reward points under the T-Point service operated by alliance partner Culture Convenience Club Co., Ltd. (CCC), as well as began advertising our products and services via channels made available through by T-Point Program affiliates. Additionally, we expanded our structured bond and foreign currency deposit product lineups, enhanced our offerings of investment products such as investment trusts suitable for Nippon Individual Savings Accounts (NISA), and launched a program that makes it easier for customers to open NISAs.

In the Shinsei Bank Card Loan—Lake business, the Bank focused on initiatives aimed at expanding its customer base such as the introduction of a new brand concept and changing the TV advertisement personality representing the brand to personalities that appeal more strongly to customers.

Institutional business: Strengthening of our unique business platform

The Bank has focused its efforts to expand earnings by aggressively implementing its fundamental strategies of strengthening and leveraging its specialized capabilities as well as supporting the growth of enterprises, industries and regions through business participation, with a particular focus on new industries and sectors that are expected to grow significantly in the near future such as renewable energy, medical and healthcare services.

In renewable energy related project finance, we are contributing to the diversification of energy sources and structures by proactively participating in project financing for large scale solar power (mega solar) generation plants, wind power generation plants, and wood biomass power generation plants.

In the area of healthcare finance, we are preparing for the listing of a healthcare real estate investment trust (REIT), while simultaneously strengthening collaboration with investors and facility operators.

In overseas businesses, we are expanding our support for corporate customers seeking to enter or expand their business into the Asia region by leveraging our connections with regional financial institutions and enterprises in countries such as Vietnam and Malaysia. We are also actively participating in project finance initiatives in the Asia and Oceania regions.

As described in the preceding, we have continued to aggressively pursue initiatives to strengthen our individual and institutional businesses in fiscal year 2014 as we seek to build an earning base that will ensure sustainable growth in the future. In fiscal year 2015, the Bank and its Group companies will cohesively work together to achieve the goals of the final year of the Second MTMP.

Capital Policy and Shareholder Returns

One of the goals of the Bank's Second MTMP is to achieve a Common Equity Tier I Capital Ratio (CET 1 Ratio) of approximately 7.5% on a fully-loaded basis under Basel III international standards.

As of the end of fiscal year 2014 (March 31, 2015), our CET1 Ratio was 11.9%, well above the Second MTMP target.

When considering Shinsei's capital, one must consider three key factors: first, the capital the Bank must accumulate through retained earnings as a Bank injected with public funds; second, the capital the Bank requires for future growth; and third, the capital required to deliver returns to our shareholders.

When evaluating the Bank's capital with consideration to these factors, our current capital position is not yet sufficient to repay public funds nor is it sufficient to support our plans for future growth, and the Bank does not see itself as being over capitalized.

At the same time, considering the steady improvement in the Bank's profitability, we can hardly say that shareholder returns by the Bank are satisfactory given the fact that the dividend remains at ¥1 per share.

Capital policy remains a key issue for management. Going forward, we aim to provide shareholders with stronger returns while strengthening our capital position as required by the Bank's Revitalization Plan and stabilizing our profitability.

Regarding Public Funds

As of March 31, 2015, Shinsei Bank's capital still included some ¥216.9 billion yen in public funds (on a principal basis). This amount includes funds received by the Bank's predecessor, the Long-Term Credit Bank of Japan, Ltd. (LTCB), and funds received upon the establishment of Shinsei Bank in 2000. As a result of these public funds, the Japanese Government—through the Deposit Insurance Corporation of Japan and the Resolution and Collection Corporation—is effectively Shinsei Bank's second largest shareholder, owning 17.67% of the Bank's outstanding common shares.

Repayment of these public funds remains a key priority of the Bank's management. In order to repay these funds, the Bank will proactively implement the measures as outlined in the Second MTMP, achieve the goals laid out within the MTMP, as well as further expands the customers base and establish a sustainable, differentiated business model, which will lead to the continuing accumulation of retained earnings, as well as raise the stability of profits, which will lead to an increase in both corporate value and share price. After achieving this, and taking into account the Bank's share price trend, we will engage with the government on methods to repay public funds as early as possible.

Regarding the Conclusion of the Second MTMP in Fiscal Year 2015

As noted in the beginning of this message, we achieved consolidated net income of ¥67.8 billion in fiscal year 2014, surpassing the ¥55.0 billion target of the second year of the Second MTMP.

In fiscal year 2015, while we expect to achieve the Plan's original net income target of ¥70.0 billion, the underlying composition of that figure has changed dramatically. While we have steadily increased the outstanding balances of unsecured personal loans and of highly specialized corporate loans such as cash flow financing, the asset base as a whole has not expanded as much as originally planned, and as a consequence, we expect total revenue in fiscal year 2015 to fall short of the level originally assumed in the Second MTMP. On the other hand, we expect the credit costs to be lower than the Plan due to the improvement in asset quality realized by our steady disposal of NPLs further improving profit stability, as well as an asset balance which is below our original expectations.

In fiscal year 2015, the final year of the Second MTMP, in addition to achieving the Plan's financial targets, we will strive to further expand our customer base and create a sustainable business model, and achieving these goals will be pivotal in setting the stage for further growth under the Third MTMP which will start in fiscal year 2016.

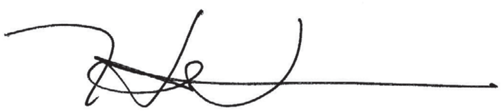
Going forward, the management and all employees of Shinsei Bank will increase our efforts to meet the expectations of its stakeholders.

A Special Greeting to Shareholders from Shinsei Bank's New President

Over the course of the past five years, the various initiatives undertaken by the Bank and its Group companies have enabled the establishment of a business structure capable of generating considerable earnings and strengthened the Bank's capital structure. However, we are still in the midst of establishing a unique business model that will ensure sustainable growth well into the future. Taking over from my predecessor Mr. Shigeki Toma, I intend to keep the Bank on the course he set while further refining our approaches to achieving our longer-term goals. As we work toward the repayment of public funds, the greatest challenge facing the Bank, we will focus our efforts to create a unique business model in order to realize the Bank's raison d'etre. The Bank will utilize all available resources in order to achieve this goal, through which we seek to meet the expectations of our stakeholders.

I hope to enjoy your continued support and guidance as we continue to move forward in this journey.

July 2015



Hideyuki Kudo
President and Chief Executive Officer

Special Features

OVERVIEW OF THE SECOND MEDIUM-TERM MANAGEMENT PLAN (MTMP)

(FY2013 - FY2015)

Management Principles

- To be a banking Group that is sought out by customers, with stable profitability, and contributing to be the development of the industrial economies in Japan and overseas
- To be a banking Group that values diverse talents and cultures and that is continually able to take on new challenges in a changing environment while taking into consideration experience and history
- To be a banking Group that has highly transparent management as well as be trusted by all stakeholders including customers, investors and employees

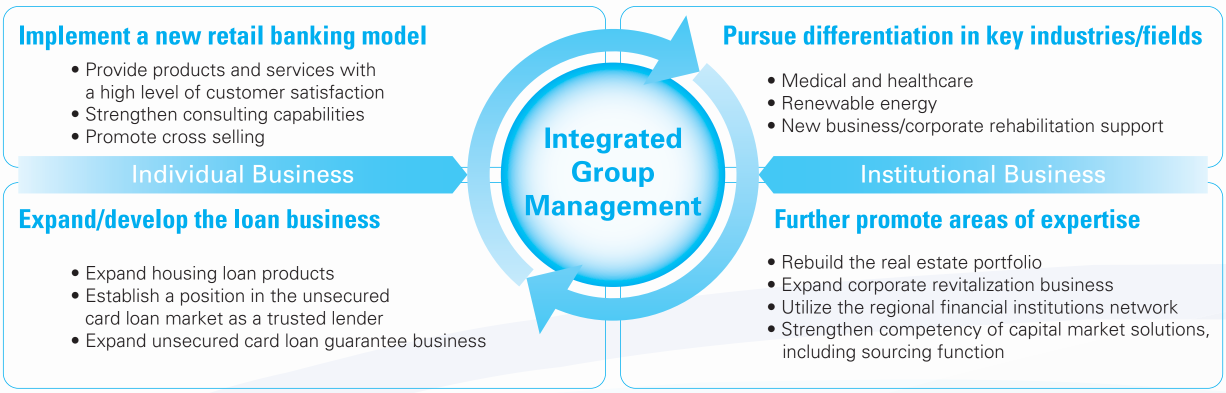
Basic Strategy

In the Second MTMP, we will aim to integrate the management of both the individual business and the institutional business by combining and utilizing the customer base, networks, and financial functions held by the entire Shinsei Bank Group.

In the individual business, we will implement a new retail banking model to create 5 million "core customers" that are able to freely use the Shinsei Bank Group's products and services that fit their needs. In the institutional business, we will be implementing our "VBI" model as part of our plan, where we will support the growth of businesses, industries and regions, as well as support our customers in strengthening and applying business expertise.

Individual Business: To implement a new retail banking model to grow our core customer base to 5 million

Institutional Business: To strengthen and utilize expertise to support the growth of companies, industries and regions by working together with customers



Targets

We have established the three targets: "establishing a unique business base," "increasing revenues and further improving financial fundamentals," and "becoming a financial group appreciated by customers and valued by society and markets." Our financial targets are aimed at pursuing not only earnings in absolute amounts, but also high profitability and improving our financial soundness at the same time.

FY2015 Financial Targets

Growth	Net Income	70.0 Billion yen
	Cash Basis[1] Net Income	76.0 Billion yen
Profitability	RORA[2]	about 1.0%
	Expense-to-Revenue Ratio	50% level
	ROE	about 10%
Financial Stability	Common Equity Tier I Ratio[3]	about 7.5%
	NPL Ratio[4]	2% level

- We are targeting consolidated reported basis net income of 70.0 billion yen and consolidated cash basis[1] net income of 76.0 billion yen in FY2015
- Our aim is not only the absolute amount of net income, but also to achieve a high level of profitability while enhancing the financial stability of our operations

1 Cash-basis figures are calculated by excluding amortization of goodwill and other intangible assets, net of tax benefit
2 Return on risk assets is calculated as net income divided by fiscal year end risk assets
3 Basel III fully loaded basis
4 Nonconsolidated basis nonperforming loan ratio

PROGRESS OF THE SECOND MTMP

Progress of the Second MTMP

(Consolidated, Billions of yen)

	FY2012 Results	FY2013 Results	FY2014		FY2015	
			Targets	Results	Targets	2nd MTMP Targets
Growth						
Net Income[1]	51.0	41.3	55.0	67.8	70.0	70.0
Cash Basis Net Income[1]	60.4	49.8	62.0	75.4	76.0	76.0
Profitability						
RORA[2]	—	0.69%	—	1.21%	—	about 1.0%
Expense-to-Revenue Ratio	64.6%	65.4%	60%	60.2%	59.5%	50% level
ROE	8.6%	6.5%	—	9.8%	—	10% level
Financial Stability						
Common Equity Tier I Ratio[3]	—	9.2%	—	11.9%	—	about 7.5%
NPL Ratio	5.32%	3.81%	—	1.42%	—	2% level

1 In accordance with the revision of the Accounting Standard for Business Combination, as of fiscal year 2015 net income and cash basis net income will now be referred to as profit attributable to owners of parent and cash basis profit attributable to owners of parent.
2 Return on risk assets is calculated as net income divided by fiscal year end risk assets
3 International standard, fully loaded basis

Growth

In fiscal year 2014, the second year of the Second MTMP, the Bank recorded net income of ¥67.8 billion and cash basis net income of ¥75.4 billion, surpassing both the original fiscal year 2014 targets of ¥55.0 billion for net income and ¥62.0 billion for cash basis net income as well as the upwardly revised targets (consolidated net income: ¥63.0 billion; cash basis net income: ¥70.0 billion). The stronger-than-expected result reflects an increase in total revenue and the additional provisioning of reserves for losses on interest repayments in the consumer finance business, which reduced net income in fiscal 2013, declining from ¥15.6 billion in fiscal year 2013 to ¥4.0 billion in fiscal year 2014.

Profitability

The Bank achieved an improvement in all three of its profitability benchmarks in fiscal year 2014. Return on risk-weighted assets (RORA) rose to 1.21%, up from the previous year, and lower funding costs and a steady increase in the consumer finance business' loan balance helped to boost ROE to 9.8% and lower the expense-to-revenue ratio to 60.2%, compared with ROE of 6.5% and an expense-to-revenue ratio of 65.4% in fiscal year 2013. In fiscal year 2015, the Bank commits to further improving its expense-to-revenue ratio in order to achieve its expense to revenue ratio target of between 50-60%.

Financial Stability

As the result of a significant reduction of nonperforming loans, the nonperforming loan ratio improved substantially, falling to 1.42% as of March 31, 2015, down from the level recorded a year earlier (3.81%) and achieving the Second MTMP's 2% level target early.

The Second MTMP's capital ratio target for March 31, 2016, is a common equity tier 1 (CET1) ratio (Basel III, International Standard, fully loaded basis) of around 7.5%. As of March 31, 2015, the CET1 ratio was 11.9%, higher than the targeted level, reflecting the accumulation of retained earnings and a reduction of outstanding nonperforming loans.

Fiscal Year 2015 Forecast

The Bank's fiscal year 2015 earnings forecasts are the goals presented when the Second MTMP was announced in March 2013: consolidated net income of ¥70.0 billion and cash basis net income of ¥76.0 billion. In fiscal year 2015, we expect revenue gains primarily in the consumer finance business and a further decline in funding costs to support an increase in total revenue.

Shigeki Toma
Special Advisor, Shinsei Bank

Hideyuki Kudo
President & CEO, Shinsei Bank

Moderator:
Ken Takamiya
Bank Sector Analyst
Nomura Securities Co., Ltd.

Ernest M. Higa
Outside Director, Shinsei Bank

INTERVIEW BETWEEN AN OUTSIDE DIRECTOR AND THE PRESIDENT REGARDING GOVERNANCE

A group interview in regard to Shinsei Bank's corporate governance was conducted among Mr. Ernest M. Higa, Outside Director, Mr. Hideyuki Kudo, President and Chief Executive Officer, and Mr. Shigeki Toma, Special Advisor to Shinsei Bank (the previous President and Chief Executive Officer), with Mr. Ken Takamiya, a bank sector analyst at Nomura Securities Co., Ltd., serving as the moderator.
(Interview was conducted in April 2015)

Takamiya We have observed a rapid rise in the awareness of and the sensitivity of company management to governance in the past six months, partly due to the introduction of the Corporate Governance Code. As a result, Japanese companies are seriously beginning to consider how to instill real substance into their governance frameworks. Mr. Higa, what functions and roles do you think the shareholders and investors of Shinsei Bank expect its Outside Directors to take on?

Higa Firstly, we are expected to monitor that Management is strictly in compliance. Secondly, as representatives elected by the shareholders, we must engage in discussions which enhance corporate value for the shareholders. With four of the six Directors being Outside Directors, Shinsei Bank has an environment which makes it easy for Outside Directors to speak up. (Note: As of June 17, 2015, 5 of the 7 Members of the Board of Directors are Outside Directors).

Takamiya From Management's perspective, have you had any experiences of receiving poignant or extremely helpful comments from the Outside Directors in past Board of Directors discussions?

Toma There have been many times

when the Outside Directors made me aware of different views in regard to particular situations, and there have been instances in which they have functioned as a type of "insurance" of sorts for the views and opinions of Management. The Outside Directors have drawn attention to things which are unlikely to be focused upon by internal Directors, and they prevent us from becoming entrapped by our own ways of thinking. Additionally, providing explanations to Outside Directors forces us to review things in an unbiased manner as we must engage in discussions with them from a point where we lack a common understanding in regard to the topic at hand. An example of assistance we received was the introduction of a company named Forval Corporation ("Forval") by Mr. Higa. Forval supports small- and medium-sized enterprises (SMEs) in expanding their business overseas. His advice led to the creation of a business model where Shinsei Bank provides financing to the SMEs supported by Forval, and Forval provides business support to companies entering markets in Southeast Asia[1]. This is an exciting initiative with strong potential for further development in the future, and is an example of being able to leverage Mr. Higa's network as an entrepreneur to accelerate the growth of the Bank.

1 Forval and Shinsei Bank entered a business partnership to support the expansion of SMEs' businesses into the ASEAN markets. Support for expansion into ASEAN commenced in April 2014.

Higa In the future I hope to be able to contribute even more through such business matching activities and support initiatives that will lead to the improvement of corporate value by offering a different perspective due to the fact I am not directly involved in the Japanese banking business itself.

Takamiya Shinsei Bank's Board meetings have a high average participation rate of 98%. Please tell us about the atmosphere of the discussions from the perspectives of the Outside Directors and of the Management.

Higa The meetings provide more than sufficient time for us to engage at length in various discussions and in an atmosphere which encourages all Outside Board Members to speak frankly and freely. As the career backgrounds of the Outside Board Members are quite diverse; we are able to ask questions from our own perspective regardless of our specific knowledge of the banking business without hesitation. I believe that in many ways, we have already been implementing the spirit of the Corporate Governance Code even prior to its drafting.

Toma The Board meetings are attended by four Outside Directors, two internal Directors who also serve as Executive Officers, one Audit & Supervisory Board Member (Full-time), and two External Auditors. (Note: As of June 17, 2015, there are a total of 5 Outside Directors) In addition, the Board meetings are attended by the Group Head of each business line. Since the observations of the Outside Directors extend across a broad range of matters, during lengthy meetings, it's challenging for the Management in that regard. At the time I assumed the presidency there were major concerns regarding risk, and the focus of discussions was investigating the cause of individual cases of deals going bad, whereas now the focus has shifted to the risk policies of the Bank. By exhaustively responding to all the issues identified by the Outside Directors, the Management is able to organize their thoughts and at times see things in a different light, which is all very useful.

Takamiya Speaking of risk, which is an extremely important topic for financial institutions, Mr. Kudo, have you had any experiences of receiving valuable advice from the Outside Directors whilst in your role as Chief Risk Officer of the Bank?

Kudo In the first two years of Mr. Toma's presidency, the disposal of so-called legacy assets was a major issue, and in the process of explaining the progress in doing so to the Board of Directors, we also discussed how this issue would be perceived from external stakeholders including investors. Now that the disposal of nonperforming loans is largely complete, I feel we are having more opportunities to explain our policies of assuming new risk in new business areas. The Outside Directors contribute views that are different and unlikely to be raised from within the Bank.

Takamiya The idea of a risk appetite framework has been brought up recently in discussions regarding regulations including Basel, and a cornerstone of governance is its requirement that the Board of Directors assume the functions of avoiding inadvisable risk-taking while on the other hand proactively encouraging the Bank to undertake advisable risk

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and businesses the Bank is engaged in. Mr. Toma and Mr. Kudo, have you had the experience of being encouraged by the Outside Directors?

Toma Rather than discussing the risks one can or cannot take in specific deals, it is important to consider the criteria for determining whether certain risks can or cannot be taken from the aspect of the nature of the risks and what kind of Bank we aim to be. Additionally, there are risks that should be taken even if it was deemed unacceptable in the past, as well as risks that should not be taken even if we have taken them in the past. Japanese commercial banks need to foster a sound risk-taking culture by carefully considering such issues. Furthermore, it is important they instill a sound risk-taking culture amongst their employees. An example of sound risk-taking evaluation criteria is our traffic light project. In this project, for cyclical market businesses including real estate, we first determine whether the market situation is a "green," "red," or "yellow" state, and based upon the assessment we decide whether to accelerate or decelerate the initiatives of the business before connecting the assessment to individual initiatives, enabling sound risk taking.

Kudo Taking risk and promoting business are two sides of the same coin. The Board naturally engaged in discussions about proactively taking risk in particular areas, and such discussions are absolutely necessary.

Takamiya As an Outside Director, what do you think is best to represent Shinsei Bank's strategic strengths to shareholders and investors? Conversely, what are the issues for Shinsei Bank?

Higa A differentiated strategy is crucial in the intensely competitive banking industry. An example of Shinsei Bank's strength is that it started internet banking earlier than any other banks and is perceived as a pioneer, and I believe that it should be working to strengthen this perception. I believe that "big data" and "analytics" can be used in the front office to contribute to the differentiation of and growth of the Bank's business. On the other hand, I also believe that our overseas banking and product development still have many issues.

Toma Strengths and weaknesses are tied together. For example, we are a small-sized bank, which is a very big advantage in a rapidly changing world in that we can engage in new areas, products, and services very quickly. On the other hand, we also have issues, one being public funds and the other being risk taking. The risk taking issue is related to how to discern whether the business to which we are considering extending credit to will grow to be an industry, product or service pioneer. In order to do this, we need to be capable in evaluating the trends, regulations and technologies of the industry itself. In such cases the game is not the lending of a million yen because the collateral is worth a million yen. Industry, product, and service pioneers, although small, will grow and enlarge the market itself as they globalize, magnifying the returns of their successes. We are instilling such a vision in the Bank in order develop an edge over our competitors through our day to day businesses and through training.

Kudo Our intention is not to equally provide universal services to everyone in the world, but to narrow down the

issues and needs of the world in our own way, construct the pillars of several businesses, and astutely leverage our strengths in doing so. Take as an example the structured finance business, which I use to be in charge of, where we have provided financing by utilizing cash flow financing and asset financing, evaluating the value of specific deals from a different perspective from plain vanilla corporate financing. This method can be used in many business areas, and even project financing, which had difficulty gaining traction in Japan, is now rapidly spreading in the area of renewable energy, and I believe that we were in a way the trailblazers for this in Japan. Another example may be the Bank's retail and consumer finance businesses, which, while started from different paths, I believe we can develop into something more interesting if we better harness their potential synergies. We do not need a revolutionary idea to do this, as there are almost certainly parts of our retail and consumer related businesses, which many people consider important, where we should be able further refine our undertakings and utilize of our strengths. While the incorporation of specific strategies into the Third Medium-Term Management Plan ("MTMP") will come at a later stage, through repeated discussions, I would like us to be able to create several main pillars that can transform our weaknesses into strengths.

Takamiya Mr. Higa, is there any advice you can give regarding what needs to be done by both Shinsei Bank as a corporate organization as well as its individual employees, so that Shinsei Bank can continue to be a trailblazer?

Higa I believe that Shinsei Bank needs a structure that enables global banking operations. The Board always discusses what it is that Shinsei Bank can do which mega banks cannot. The greatest chance would be to ride the wave of globalization. Additionally, the foundation to do so is already in place at Shinsei Bank, as simultaneous interpretation of Japanese and English is provided for all Board of Directors meetings, and all documents are also available in both languages, which enables non-Japanese Outside Directors to participate in the discussions without difficulty allowing for diversity as the Board level.

Takamiya An extremely important issue in corporate governance is changing Management. Please tell us about the role the Board played in the transition in presidency from Mr. Toma to Mr. Kudo.

Toma The Board examined a number of internal and external candidates in the given timeframe, taking into account the current situation of the Bank, and unanimously selected the best person for the job out of the potential candidates. I personally feel that the Board had smooth discussions and that my position is being taken over by a strong successor.

Higa The Board engaged in extensive discussions, and while there were differing opinions in the beginning, a consensus started to develop as discussions amongst the Directors progressed, ultimately leading to the selection of Mr. Kudo as Mr. Toma's successor. It was the first time I participated in a debate for this kind of succession, but I can say that our discussions in examining the internal and external candidates were exhaustive. A consensus was reached not because we were drawn to a particular person's opinion, but by sharing the views held by each member of the Board, and I believe that we have ensured the accountability and transparency that was required.

Takamiya Mr. Kudo, now that you will be assuming the responsibility of Management, what is the function you would wish for such a reliable but strict Board to perform?

Kudo I believe that the Bank's Board has very advanced governance in place in that its discussions revolve around the Outside Directors. Additionally, as none of the Outside Directors have a background in Japanese commercial banks, they possess diverse views and perspectives, many of which I find to be deeply insightful. Mr. Higa, for instance, is highly sensitive to reputational risks (risks in general related to the reputation of the company) due to his experience in business which maintains direct contact with individual customers. Although one of the Board's functions is to monitor the execution of business, the functions of Shinsei Bank's Board goes beyond that and engages in diverse discussions including providing constructive advice for the improvement of corporate value. There is great value in introducing new viewpoints in Management, and I look forward to the Board continuing that function.

Higa Shinsei Bank is headed in a good direction in many aspects. What is important from here is to develop further growth strategies.

Toma Some of the many initiatives we engaged in are beginning to take shape, while some are not. I hope that the Bank will consider these successes and failures once more and move forward as we look at those initiatives as it decides upon its future strategy. FY2015 is the final year of the Second MTMP, and as the Third MTMP will start in FY2016, these plans will become the pillars of the Bank. I hope that the plans developed will be able to fully reflect the values of the Bank. Mr. Kudo is 15 years younger than I am, so I expect he will be able to assume his role with great enthusiasm and vigor. As for the Board, I expect the Outside Directors to continue to unhesitatingly point out any issues to him.

Takamiya The message I pick up from my discussions with investors about Shinsei Bank is that your balance sheet is much improved, revenues are considerably more stable, and the issue now is building sustainable revenue drivers in the extremely competitive Japanese financial industry. In what direction does the new Management wish to drive Shinsei Bank?

Kudo What we plan to do, based upon a thorough understanding of our management resources, strengths and weaknesses, and the Bank's current situation, is to identify where the world's needs exist and where the potential for our growth is, as well as the key areas in which we can fully establish our presence. As Mr. Toma has just said, we have engaged in many areas through trial and error, and since we now know that some will materialize and while others may not, we will narrow them down to reallocate our management resources. By doing so, the market will better understand the distinct role of our Bank. With respect to the Board, I believe the Management will be confronted with extremely tough discussions, although I consider these will contribute to the Bank positively. I would even say that it is due to such discussions that we are able to develop interesting ideas, and I therefore would like the Outside Directors to fully express anything they believe to be of importance, not only in regular Board meetings, but at any opportunity, so that we can incorporate new insights in our management.

INTRODUCTION OF OUR DIRECTORS AND EXECUTIVES

REPRESENTATIVE DIRECTORS

Hideyuki Kudo
Representative Director, President

Newly-appointed

- Jun. 2015 Representative Director, President, Shinsei Bank, Limited (Current)
- Apr. 2015 Managing Executive Officer, Shinsei Bank, Limited
- Apr. 2013 Managing Executive Officer, Chief Risk Officer, Head of Risk Management Group, Shinsei Bank, Limited
- Apr. 2011 Managing Executive Officer, Head of Structured Finance Sub-Group, Shinsei Bank, Limited
- Sep. 2010 Managing Executive Officer, Deputy Head of Institutional Group, Shinsei Bank, Limited
- Jun. 2007 Managing Director, Investments Division, Aetos Japan, LLC
- Jan. 2007 Vice Chairman, MID Urban Development Co., Ltd.
- Jun. 2006 Representative Director, President, MID Urban Development Co., Ltd.
- May 2005 Managing Director, Aetos Japan, LLC
- Aug. 2003 Director, Acquisition Group, Aetos Japan, LLC
- May 2001 General Manager, Advisory Department No.II, Investment Banking Division, Mizuho Securities Co., Ltd.
- Apr. 1987 Joined The Dai-Ichi Kangyo Bank, Ltd. (Predecessor of Mizuho Bank, Ltd.)

Yukio Nakamura
Representative Director, Deputy President

Attendance rate: 100%

- Apr. 2015 Representative Director, Deputy President, Shinsei Bank, Limited (Current)
- Apr. 2013 Representative Director, Deputy President, Chief of Staff, Head of Corporate Staff Group, Shinsei Bank, Limited
- Jun. 2010 Representative Director, Senior Managing Executive Officer, Chief Risk Officer, Head of Risk Management Group, Shinsei Bank, Limited
- Oct. 2009 Managing Executive Officer, Executive Head of Institutional Business Sub-Group, Shinsei Bank, Limited
- Jun. 2008 Statutory Executive Officer, Executive Head of Institutional Business Sub-Group, Shinsei Bank, Limited
- Apr. 2007 General Manager, Risk Management Planning and Policy Division, Portfolio and Risk Management Division, Operational Risk Management Division, Shinsei Bank, Limited
- Oct. 2000 General Manager, Risk Management Planning and Policy Division, Portfolio and Risk Management Division, Shinsei Bank, Limited
- Apr. 1978 Joined The Long-Term Credit Bank of Japan, Ltd. (Predecessor of Shinsei Bank, Limited)

(Note) The attendance rate shows the attendance rate of the Board of Directors meetings held after the Annual General Meeting in the fiscal year 2014 (nine meetings in total).

OUTSIDE DIRECTORS

J. Christopher Flowers
Director,
Managing Director and Chief Executive Officer,
J. C. Flowers & Co. LLC

I am Shinsei Bank's longest-serving board member, having joined the Board when Shinsei was formed in 2000. Over this time period, there have been many changes to Shinsei's Board and corporate governance. I believe that currently Shinsei's Board of Directors and Audit & Supervisory Board members are functioning the best that they ever have, working cohesively and effectively on many topics and issues over the last year. This includes especially the selection of Kudo-san as Toma-san's successor as President.

I believe that our Board and Audit & Supervisory Board Members are dedicated to the highest standards of proper corporate governance, including transparency and effectiveness.

As we look to 2015 and beyond, we are determined to serve all stakeholders of Shinsei well, including customers, employees and shareholders. Shinsei made a partial repayment of public funds in 2006. We are focused on repayment of remaining public funds as a top priority.

Reasons for Nomination

Reflect in the Bank's management his experience and expertise in the financial service industry as a whole

Attendance rate: 100%

May 2012 Member of the Supervisory Board, NIBC Holding N.V. (Current)
Sep. 2008 Chairman and Director, Flowers National Bank (Current)
Aug. 2007 Member of the Advisory Board, The Kessler Group (Current)
Nov. 2002 Managing Director and Chief Executive Officer, J.C. Flowers & Co. LLC (Current)
Mar. 2000 Director, Shinsei Bank, Limited (Current)
Dec. 1988 Partner, Goldman, Sachs & Co.
Mar. 1979 Joined Goldman, Sachs & Co.

Ernest M. Higa
Director,
Chairman President & Chief Executive Officer,
Higa Industries Co., Ltd.

I believe that my role as an Outside Board Member is to firstly, make sure that Shinsei Bank's management is in compliance with the various governance issues and regulations, as banking is a regulated industry. The Bank also has a social responsibility to its customers to make sure that they are properly protected, which we need to monitor, as well. We must also represent the interests of the shareholders by ensuring that Shinsei Bank's management is achieving its stated budgets and enhances shareholders' value to the best that it can, despite today's difficult economic and competitive environment. Finally, to the degree possible, I endeavor to bring a different perspective to the management, leveraging my non-banking experience in the consumer retail industry, which might also have applications in banking. I look forward to working with management as an Outside Board Member to further enhance the future direction and growth of Shinsei Bank.

Reasons for Nomination

Reflect in the Bank's management his experience and deep insight of business for consumers

Attendance rate: 100%

Apr. 2015 Chairman, President & Chief Executive Officer, Higa Industries Co., Ltd. (Current)
Jun. 2013 Director, Shinsei Bank, Limited (Current)
Mar. 2011 Chief Executive Officer, Wendy's Japan (Current)
Jun. 2010 Director, JC Comsa Corporation (Current)
Feb. 2010 Chairman and Chief Executive Officer, Higa Industries Co., Ltd.
May 2009 Board of Overseers, Columbia Business School (Current)
Apr. 2008 Board Member, The Tokyo New Business Conference (Current)
Apr. 1983 President and Chief Executive Officer, Higa Industries Co., Ltd.
Apr. 1976 Joined Higa Industries Co., Ltd.

Our role as Outside Directors is to support the Bank's executives from various areas throughout the Bank to achieve its sustainable and stable growth. More specifically, our foremost duty is to monitor that the Bank's businesses are executed in line with its basic strategy from legality and propriety perspectives. While the Bank's executive officers work on generating profits in their day to day business, we need to carefully monitor whether the Bank is generating profits in a sustainable manner and whether the risks it assumes are appropriate, in order for the Bank to attain steady results. The role of Outside Directors, however, is not limited to monitoring from such a defensive perspective. It is also important for Outside Directors to provide executive officers with their opinions, advice and, if necessary, a supportive push, concerning the development of the Bank's management strategy and the decision-making and implementation of important matters, in order to enhance the Bank's earning power. I will perform my duties as an Outside Director to contribute to the Bank's sustainable, stable growth based on a good offensive-defensive balance.

All Shinsei Bank officers and employees are performing their duties with a strong sense of urgency. We would very much appreciate the continued support of our stakeholders.

Reasons for Nomination

Reflect in the Bank's management his expertise in the risk management area and his extensive knowledge concerning banking operations

Attendance rate: 100%

Apr. 2014 Specially Appointed Professor, Yokohama College of Commerce (Current)
Apr. 2006 Professor, Yokohama College of Commerce
Jun. 2004 Director, Shinsei Bank, Limited (Current)
Apr. 2002 Advisor, NEC Corporation
May 1999 Executive Managing Director, Tokyo Stock Exchange, Inc.
May 1996 Director, Administration Department, The Bank of Japan
May 1992 Executive Auditor and Senior Advisor to the Chairman, The Tokyo International Financial Futures Exchange (Predecessor of Tokyo Financial Exchange Inc.)
Apr. 1966 Joined The Bank of Japan

I am honored to serve as one of your representatives on the board of Shinsei Bank. As you know, the bank has a unique history among Japanese banks, having gone through a bankruptcy and revival with support from public funds and foreign capital. We have also been subject to the adversities faced by all financial institutions brought about by the worldwide financial crisis.

Over the past 5 years, under the leadership of President Toma, the bank has repaired its balance sheet and achieved significant profitability. The stock price has more than quadrupled from its low. Going forward, President Kudo's task will be to build on this base, focusing on areas of competitive advantage, so we can achieve our goal to repay the remaining public funds and, at the same time, start to generate meaningful cash returns for our other shareholders.

The board's role is to support and offer advice in this endeavor. We will work hard to earn the trust you have placed in us.

Reasons for Nomination

Reflect in the Bank's management his extensive knowledge of finance and his domestic and international experience

Attendance rate: 100%

Sep. 2014 Director, Philip Morris International Inc. (Current)
Jun. 2011 Director, Shinsei Bank, Limited (Current)
Jun. 2006 Director, Monex Group, Inc. (Current)
Jul. 2000 Chairman of the Board, Neoteny Co., Ltd.
Nov. 1996 Co-Branch Manager, Goldman Sachs Japan, Ltd.
Nov. 1992 Partner, Goldman, Sachs & Co.
Sep. 1981 Joined Goldman, Sachs & Co.

Ryuichi Tomimura
Director,
Executive Vice President, Director, SIGMAXYZ Inc.

I participated in the management of Shinsei Bank as an Audit & Supervisory Board Member in the last fiscal year, and will do so as a Director starting this fiscal year. During this time, the revision to the Companies Act and the establishment of Japan's Corporate Governance Code were announced. This has further enlarged the roles that outside Directors play in society and has led our stakeholders to place more focus upon, as well as have greater expectations of, outside Directors, and has also had a sobering effect on me.

I share the Bank's idea of achieving growth through its unique functions. Making use of my many years of experience in the business consulting industry, I hope to support Shinsei Bank in taking on the challenge of "enhancing its consulting capabilities."

I will endeavor to fulfill my duties in order to improve the Bank's corporate value and maintain highly sound business management as desired by all our stakeholders.

Reasons for Nomination

Reflect in the Bank's management his extensive experience and wide range of knowledge including information systems as a management executive and a consultant.

Newly-appointed

Jun. 2015 Director, Shinsei Bank, Limited (Current)
Jun. 2014 Audit & Supervisory Board Member, Shinsei Bank, Limited
Aug. 2012 Director, Plan·Do·See Inc. (Current)
Apr. 2010 Executive Vice President, Director, SIGMAXYZ Inc. (Current)
Dec. 2007 Representative Director, Managing Director, RHJ International Japan, Inc.
Feb. 2004 Representative Director, Senior Executive Vice President, JAPAN TELECOM CO., LTD (Predecessor of Softbank Mobile Corp.)
Oct. 2002 Managing Director, IBM Business Consulting Service KK
Vice President, IBM Corporation, Business Consulting Service, Asia Pacific
Jan. 1994 Managing Partner, Pricewaterhouse Consultant
Oct. 1991 General Manager, Network Integration Division, Recruit Co. Ltd. (Predecessor of Recruit Holdings Co., Ltd.)
Oct. 1983 Joined IBM Japan, Ltd.

AUDIT & SUPERVISORY BOARD MEMBERS

Shinya Nagata
Audit & Supervisory Board Member

I believe that the ultimate goal of corporate governance is to help companies to deliver added value to their customers and to society in order to achieve healthy and sustained growth, thereby increasing the value of their existence for all the stakeholders including their shareholders.

As a full-time Audit & Supervisory Board Member, I will endeavor to constantly maintain an awareness of the situation of the entire Shinsei Bank Group and contribute to the further improvement of its high-quality governance structure by continually auditing and supervising business execution.

The role of Audit & Supervisory Board Members is sometimes likened to that of the brakes on a car. I hope to fulfil my responsibilities by becoming an excellent brake so that the Bank's management can press down the accelerator without worry.

The recent trend in society as evidenced by the Revised Companies Act and the adoption of Japan's Corporate Governance Code demands that Audit & Supervisory Board Members provide an added value on top of our original functions. I will endeavor to further improve my abilities to satisfy this demand.

Reasons for Nomination

Reflect in the Bank's audit operations his long years of business experience in the areas of finance and accounting at Shinsei Bank

Attendance rate: 100%

Jun. 2012 Audit & Supervisory Board Member, Shinsei Bank, Limited (Current)
Oct. 2010 Executive Officer, General Manager, Financial and Regulatory Accounting Division, Shinsei Bank, Limited
Sep. 2010 Executive Officer, General Manager, Group Regulatory Accounting and Tax Division, General Manager, Group Financial Accounting Division, Shinsei Bank, Limited
Jun. 2010 General Manager, Group Regulatory Accounting and Tax Division, General Manager, Group Financial Accounting Division, Shinsei Bank, Limited
Sep. 2009 General Manager, Group Regulatory Accounting and Tax Division, Shinsei Bank, Limited
Apr. 2009 General Manager, Group Regulatory Accounting and Tax Division, General Manager, Group Financial Accounting Division, Shinsei Bank, Limited
Oct. 2006 General Manager, Group Regulatory Accounting and Tax Division, General Manager, Group Financial Projects Division, Shinsei Bank, Limited
Dec. 2001 General Manager, Financial and Regulatory Accounting Division, Shinsei Bank, Limited
Apr. 1981 Joined The Long-Term Credit Bank of Japan, Ltd. (Predecessor of Shinsei Bank, Limited)

Michio Shibuya
Audit & Supervisory Board Member
Certified Public Accountant

I was appointed as an Audit & Supervisory Board Member in fiscal year 2015, and I am very excited now. When I was first approached about becoming an Audit & Supervisory Board Member of Shinsei Bank, I thought Shinsei Bank was a foreign bank. This was because there were many non-Japanese nationals among its Board members and employees. The Bank also has a female Audit & Supervisory Board Member. This is what we recently call "diversity." Shinsei Bank arguably pioneers in diversity.

The Bank's fiscal year 2014 Annual Report states that one of its strategies to differentiate itself from other banks is to increase its number of individual core customers from the current 2.5 million to 5 million. I hope that the Bank will achieve this goal to ensure its continued growth. Furthermore, from the perspective of governance, Shinsei Bank has as many as five Outside Directors who monitor its business management. Shinsei Bank is a "company with an Audit & Supervisory Board," and is ahead of its peers in terms of governance. As an Outside Audit & Supervisory Board Member who is part of the Bank's governance structure, I will closely monitor business execution by Directors and the operation of the Board of Directors and provide my opinions on behalf of the Bank's stakeholders.

Reasons for Nomination

Reflect in the Bank's audit operations his expertise and extensive experience as a certified public accountant, and knowledge regarding corporate governance based on experience as an Audit & Supervisory Board Member at a listed company.

Newly-appointed

Jun. 2015 Audit & Supervisory Board Member, Shinsei Bank, Limited (Current)
Jun. 2014 Audit & Supervisory Board Member, Business Brain Showa-Ota Inc. (Current)
May 2011 Audit & Supervisory Board Member, Ryohin Keikaku Co., Ltd.
Jun. 2010 Audit & Supervisory Board Member (full time), Business Brain Showa-Ota Inc.
Aug. 2008 Board of Councilors and Global Advisory Council, Ernst & Young ShinNihon LLC
May 2000 Executive Director, Ernst & Young ShinNihon (Predecessor of Ernst & Young ShinNihon LLC)
May 1991 Senior Partner, Showa Ota & Co. (Predecessor of Ernst & Young ShinNihon LLC)
Jul. 1977 Peat Marwick Mitchell (Predecessor of KPMG) LA office
Apr. 1974 Joined Showa Audit Corporation (Predecessor of Ernst & Young ShinNihon LLC)
Apr. 1971 Joined Arthur Andersen LLP

Kozue Shiga
Audit & Supervisory Board Member
Lawyer

Up until recently, "Can someone who has suddenly become an executive from outside a company really understand what is going on within it?" was a commonly asked question.

When I was appointed as an Outside Audit & Supervisory Board Member of Shinsei Bank, I had to hastily learn the Bank's history, as well as the jargons and abbreviations used in the financial industry. I was exactly like a new recruit. However, outside executives differ from new recruits in that they have knowledge and experience in their area of expertise developed over a long period of time.

Relying on this background, I seize various opportunities to ask direct questions and make recommendations that can only come from an outsider who has a different perspective as I am not very familiar with the industry. Each time I do so, I endeavor to remind myself that I am representing all of our stakeholders.

I will continue closely monitoring the Bank in the coming year so that our stakeholders will be able to support the Bank with peace of mind.

Reasons for Nomination

Reflect in the Bank's audit operations her expertise and extensive experience as a lawyer.

Attendance rate: 100%

Jun. 2015 Director, Tokushu Tokai Paper Co., Ltd. (Current)
Jun. 2015 Director, Ricoh Leasing Company, Ltd. (Current)
Jun. 2010 Audit & Supervisory Board Member, Shinsei Bank, Limited (Current)
Sep. 2009 Director, Toyoko Inn Co., Ltd. (Current)
Oct. 2005 Partner, Shiraishi & Partners (Current)
Jun. 2002 Partner, Son Sogo Law Office
Aug. 1999 Established Shiga Law Office
Apr. 1998 Registered Daiichi Tokyo Bar Association
Apr. 1993 Prosecutor, Yokohama District Public Prosecutors' Office
Nov. 1967 Joined Japan Airlines Corporation

Aspirations of Shinsei Bank

Unique

Delivering new value and perspectives to the world

A Four-Way Approach to Providing Peace of Mind and Supporting the Families of our Customers

PowerSmart Home Mortgage

Since January 2014 Shinsei Bank has been offering the *Shinsei Bank PowerSmart Home Mortgage Anshin Pack W* (hereinafter, "*Anshin Pack W*"), a housing loan product that includes a package of services to meet social welfare needs created by Japan's shift to nuclear family households and the diversification of customers' lifestyles. These services are provided to customers through coupons entitling them to receive sick child care and housekeeping services from service providers designated by the Bank.

An unprecedented type of housing loan, the Bank has engaged in innovative efforts at both the planning and marketing stages of *Anshin Pack W*. Product planning was based on a clear new product concept that seeks to support "the entry of women into the workforce and working married couples" as well as "child-rearing households in which both parents continue to work but have difficulty receiving support from government programs," and under such concepts, the Bank in the planning stage resolved a number of challenges, including the creation of a new product scheme, coordination with service providers, and the development of a new administrative system. Marketing this new type of loan product required making proposals based on the customer's family situation. For example, customers facing the temporal, physical and emotional challenges of child-rearing, we appealed to the ability to take a relaxing holiday now and then by taking advantage of coupons for housekeeping service as many as four times a year, or once each season of the year, for 10 years (in the case of a loan amount that provides the customer with 40 coupons). In the case of working couples whose job demands may make it difficult to respond to a child's sudden illness, we appealed to the comfort and peace of mind provided by the sick child support service, which can be used as many as 15 times (based on a loan amount that

provides 30 coupons, with two coupons required for one day's service) when they cannot take time off of work to take care of their sick child. Additionally, since the launch of this unique housing loan, we have continued our efforts to make it even more attractive by diversifying the types of services for which the coupons can be exchanged and by expanding the geographical areas in which services are available.

Due to such efforts, *Anshin Pack W* has become popular with customers primarily in urban areas, and from April 2015, the services available through this unique housing loan product were enhanced by the addition of the "TOKYU Group Plan," made available through a business alliance with the Tokyu Corporation and its group companies. In addition, the unique qualities of *Anshin Pack W* were recognized when the product received the 2014 Nikkei Superior Products and Services Awards' Nikkei Veritas Award for Excellence.

The housing loan business environment has remained highly competitive, but Shinsei Bank continues to develop new high value-added products that stand out from the services offered by its competitors. Shinsei Bank will continue to deliver unique services and products to customers by responding to changes in the environment surrounding its customers and their lifestyles.

A new Lake for the new you

Shinsei Bank Card Loan—Lake

From October 2011, Shinsei Bank has been offering unsecured personal loans under the Shinsei Bank Card Loan—Lake brand. The Bank took over a part of its consolidated subsidiary Shinsei Financial's unsecured personal loan business, acquiring the Lake brand and its unmanned outlets, automated contract machines, and Card Loan Lake—dedicated ATMs in the process, through which the Bank became directly involved in the unsecured personal loan business.

Since 2011, the Bank has consistently communicated with customers regarding the Lake brand, emphasizing the "ease of use and convenience" of the brand, which proved to be effective to some extent. However, Lake faces an increasingly competitive environment following the expansion of card loan functions by competing card loan companies, the full-scale entry into the card loan business by Japan's megabanks, and the entry into the business space by companies from non-financial sectors, such as retail companies.

In response, Shinsei Bank launched a new brand concept in February 2015 after re-examining Lake's market position and customers' perspectives of the brand. The new brand concept—"A new Lake for the new you"—expresses the idea that Lake is adapting to the needs of its users, whose lifestyles and reasons for using the services of Lake are becoming more diverse. The new brand concept reflects the intention of the Lake business to listen to the voice of its customers to better grasp their needs so that it can come up with new measures and ideas that enable it to continue to deliver value to its customers. At the same time, we will further enhance Lake's functional value, including the provision of fee-free usage of partner companies' ATMs, a service unique to Lake. By combining the Lake brand's emotional and practical values, we hope to foster the creation of a new brand image that will attract new customers to the brand, while also making existing customers aware of the many uses of Lake.

Through these efforts, Shinsei Bank aims to respond more smoothly and flexibly to individual customers' needs for retail lending services that conventional banks have not been able to fully meet and contribute to the establishment of a healthy consumer finance market as a retail bank.

Aspirations of Shinsei Bank

Growing

The "Venture Banking Initiative" —The New Banking "Ideal" Pursued by Shinsei Bank

The Venture Banking Initiative (VBI) is a key initiative initially implemented in the First Medium-Term Management Plan (MTMP) and continued in the Second MTMP. The VBI itself is indicative of the core values Shinsei Bank aspires to uphold as it strives to fulfill what it believes to be its fundamental role as a bank today and in the future. Below, we present two interviews with customers as examples of our VBI.

"We found a bank capable of flexibly supporting a venture firm"

Toru Tokushige
CEO, Terra Motors Corporation

Tokushige Terra Motors is engaged in the manufacture and sale of two- and three-wheeled electric vehicles (EVs) in overseas markets. Our target market of Southeast Asia has undergone rapid economic growth accompanied by the proliferation of gasoline-powered vehicles, which has led to increasingly serious air pollution, and the region therefore has a great need for EVs. Terra Motors wants to be a part of the solution for this social problem in Southeast Asian countries by supplying EVs utilizing Japan's superior technologies and stimulating innovation in the Asian EV market. In our startup stage, Shinsei Bank provided essential support, not in the form of bank loans but through direct investment in our company. Shinsei evaluated us not just on our corporate philosophy and business, but also took the trouble to visit our factories in Vietnam and the Philippines. Unlike more conventional banks, the Bank has responded flexibly to our needs and situation.

Ishikawa Here at Shinsei, we were impressed by Terra Motor's corporate philosophy and business model and thought that the company aligned perfectly with our VBI vision. The opportunity to help improve the environment in Southeast Asian countries and to support the global expansion of a venture company possessing superior Japanese technologies was a major factor in our decision to invest in Terra Motors.

Tokushige Shinsei Bank's investment in our company helped to increase our credibility, enabling us to attract venture capital from overseas investors as well as Japanese investors. The raising of capital enabled us to conduct market research and product development as well as secure staff and sales channels, all essential for building our business. It also enabled us to deepen our understanding of the regulatory environment in the countries we operate in, thereby increasing the probability of success of our business.

Ishikawa Shinsei Bank is keen to support companies like Terra Motors, which may be small but have big ambitions, such as building large markets for their products by taking them global.

Tokushige Our business model is one that will require greater amounts of capital as we grow. I think that helped make us an attractive investment for Shinsei. As our relationship grows over time, we should be able to gauge our business risks with greater precision, and I hope we will be able to enjoy additional financing when the timing is right.

Ishikawa Indeed, our decision to invest in Terra Motors took into consideration the company's business plans and the various opportunities to supply funds in the future, including for the construction of overseas plants. We look forward to supporting Terra Motor's future growth. We also look forward to provide the Shinsei Bank Group's wide range of financial tools, such as those offered by APLUS and Showa Leasing, to support the company's overseas activities.

Tokushige Banks play an extremely important role in an industry's development, and I expect that Shinsei Bank will nurture the growth of many Japanese venture companies in the years ahead.

Takao Ishikawa
Business Incubation Department,
Shinsei Bank

“We hope to see Shinsei become the Bank that many SMEs look to first”

Yoshihiro Yamamoto
President & CEO, Koyo Electric Co., Ltd.

Yamamoto Our company started in 1993 as an electrical works subcontractor in the construction industry. Today, we are a business that is part of the “Smart Energy Community” engaged primarily in the solar power generation business, where we managed and provide electricity we generate supplemented with some power acquired from external solar power generation enterprises (Independent Power Producers, or IPPs) to our customers. Our relationship with Shinsei Bank dates back to 2012, when the Bank proposed a financing solution for the startup of a geothermal power generation project. At that time, the Bank inquired our intent to enter the solar power generation business, and following serious deliberations, we decided to focus our energies on solar power generation, which has a rather short development period.

Morita (Shinsei Bank) Back in 2012, Shinsei Bank had just started to get involved in project financing for solar power generation, and we had just approved our first loan for a solar power project. Our project financing proposal to Koyo Electric centered on a trust scheme in which Shinsei Trust & Banking serves as the project’s main operating entity. As this was the first time for a trust bank to play such a role in a financing scheme in Japan, we understood that the deal would be extremely challenging for the Shinsei Bank Group.

Yanase (Shinsei Trust & Banking) The Koyo Electric project financing is the first power generation project deal which Shinsei Trust & Banking became involved in. We are constantly considering how we can use our position as a trust bank to contribute to society, and we therefore were ready to get involved as a trustee for a power generation project in renewable energy initiatives. The timing was perfect when Shinsei Bank came to us with this project, and we jumped at the opportunity to participate.

Yamamoto The scheduled liberalization of Japan’s retail electric power market in 2016 presents venture firms with a major opportunity to produce electricity locally for local consumption and create smart energy communities. However, to seize this opportunity, venture companies we need to procure financing from outside sources. Financial institutions therefore have a major role to play in assisting such businesses.

Hosoda (Shinsei Bank) Here at Shinsei Bank, we already had a keen interest in geothermal power projects and have been undertaking related studies, and similar to this solar power initiative, we look forward to working with Koyo to develop new projects.

Morita Our work with Koyo Electric is representative of the philosophy underlying our Venture Banking Initiative, under which we are striving to be a bank that will take on the challenge of putting together new financing schemes with the pioneering spirit of a venture firm. We look forward to contributing to the development of renewable energy projects in Japan as well as to the promotion of the nation’s overall energy policy.

Yamamoto All of us at Koyo Electric expect to see the Shinsei Bank Group develop into the financial institution that many SMEs look to first to meet their financing needs.

Tomonori Morita
Project Finance Department, Shinsei Bank

Tetsuya Hosoda
Osaka Corporate Banking Business Division, Shinsei Bank

Shinya Yanase
Marketing and Execution, Shinsei Trust & Banking Co., Ltd.

Financial Highlights
Message from the Management
Special Features
Aspirations of Shinsei Bank
Review of Operations
Management Structure
Data Section

Aspirations of Shinsei Bank

Speed and Action

The Market Leader in Foreign Currency Products and Services
—A Value Creation Chain that Leverages the Strengths of the Entire Shinsei Bank Group—

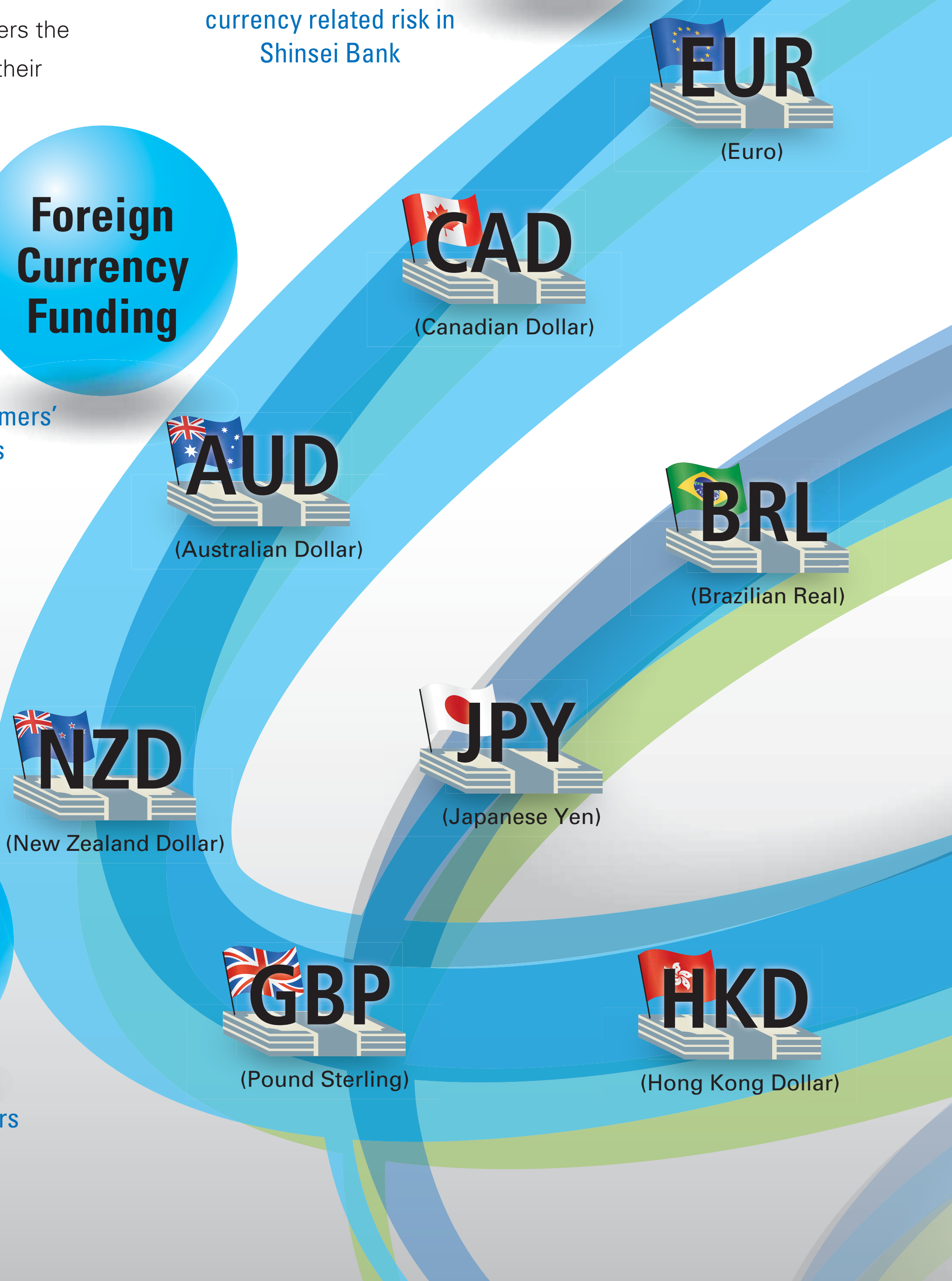
Foreign currencies received from the customers of Shinsei Bank changes forms multiple times into different products and services as it passes through its "lifecycle." The following value creation chain illustrates the manner in which the funds received from customers transforms into the various unique foreign currency products and services offered by Shinsei Bank which ultimately delivers to its customers the additional value they seek from their foreign currencies.

Benefiting from the Management of Risk

The management of foreign currency related risk in Shinsei Bank

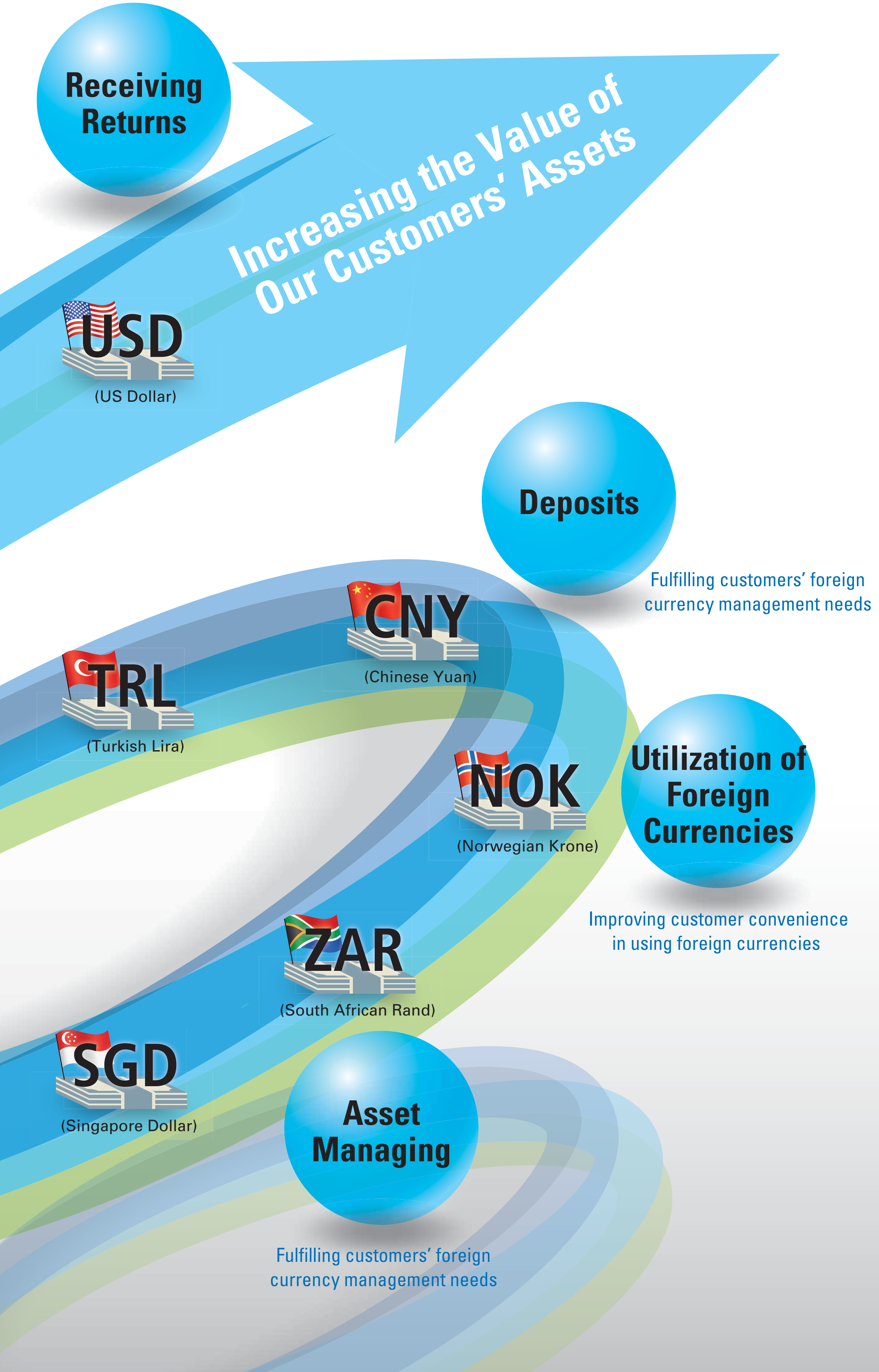
Foreign Currency Funding

Supporting corporate customers' foreign currency needs



Hedging of Exchange Rate Risk

Supporting our customers in hedging risk


Receiving Returns
Increasing the Value of Our Customers' Assets
USD
(US Dollar)
Deposits
Fulfilling customers' foreign currency management needs
CNY
(Chinese Yuan)
TRL
(Turkish Lira)
NOK
(Norwegian Krone)
Utilization of Foreign Currencies
Improving customer convenience in using foreign currencies
ZAR
(South African Rand)
SGD
(Singapore Dollar)
Asset Managing
Fulfilling customers' foreign currency management needs

Deposits

Asset Managing

Depositing foreign currencies

—Fulfilling customers' foreign currency management needs

Shinsei Bank provides a variety of foreign currency deposit products to meet the needs of its customers, primarily individual customers.

- **Shinsei Bank's extensive offering of foreign currency products:**
  Upon entering the retail banking business in 2001, Shinsei Bank has offered foreign currency deposits through its comprehensive retail account, PowerFlex. The Bank currently offers foreign currency deposits in 13 currencies (USD, EUR, CAD, AUD, NZD, GBP, HKD, SGD, ZAR, NOK, CNY, TRY, BRL), and transactions in all 13 currencies are available immediately after a customer opens a PowerFlex account. Additionally, as part of its foreign currency time deposit offerings, the Bank offers two-week maturity foreign currency time deposits, a "sample foreign currency plan" (a one month foreign currency time deposit), and cumulative foreign currency savings deposits.

- **Convenient foreign exchange services with reasonable fees:**
  The Bank's customers are able to conduct currency transactions, including yen to foreign currencies and vice versa, 24 hours a day, 365 days a year by telephone or online, enabling them to secure rates close to actual market rates. Additionally, in order to enable our customers to flexibly conduct foreign currency transactions in reaction to changes in market conditions, in October of 2014 the Bank reduced its fees on foreign currency transactions for five major currencies, including the US dollar, by as much as 77.5%. For example, Shinsei Platinum customers now pay only ¥0.07 for a one way U.S. dollar transaction as opposed to ¥0.25 before October of 2014. Through such changes, Shinsei Bank is making it easier for its customers to engage in foreign currency deposit transactions.

Through such measures, the Bank is enhancing the quality of product offerings and increasing the services available to enable its customers to smoothly conduct transactions in a diverse offering of foreign currency investment products.

Furthermore, leveraging the financial product brokerage services of the Shinsei Bank Group Company Shinsei Securities, the Bank is working to support the efforts of regional financial institutions to meet the foreign currency investment needs of their clients by helping the regional financial institutions expand their offerings of foreign currency products through initiatives such as making available green bonds (bonds issued by the World Bank's International Finance Corporation (IFC) in support of projects dealing with climate change) to our regional bank affiliates and their customers.

Utilization of Foreign Currencies

Using foreign currencies

—Improving customer convenience in using foreign currencies

Shinsei Bank customers' use of foreign currencies overseas is both expanding and diversifying, including overseas travel for pleasure, business, and studying abroad. To meet these growing needs, the Bank seeks to provide its customers highly convenient foreign currency functions.

- Shinsei Bank's PowerFlex cash cards come with an "International Cashing Service" function that enables cardholders to withdraw local currencies from more than 2.3 million ATMs operated by Visa Worldwide in countries around the world. In addition, the cards come with several security measures, such as enabling users to change withdrawal limits before going abroad.

- The Shinsei Bank Group has made the decision to enter the prepaid credit card business in the first half of fiscal year 2015, and through APLUS Co., Ltd., a subsidiary of Group Company APLUS FINANCIAL Co., Ltd., will begin issuing "Overseas Prepaid Card GAICA," a new prepaid card for use overseas, and plans to combine the use of the "Flex Functions" of Shinsei PowerFlex accounts together with GAICA. Users can pre-charge their GAICA cards in Japanese yen and then use the credit cards to pay for purchases in more than 200 countries and territories overseas. By adding the Flex Function to their cards, users will also be able to charge their credit cards directly from their PowerFlex foreign currency deposits. The combination of APLUS's expertise in the credit card and settlement businesses with the Bank's foreign currency products and services provides customers with a new method for using foreign currencies and further enhances the convenience of our foreign currency services.

Going forward, Shinsei Bank will continue to leverage Group synergies to enhance its foreign currency product offerings and services, already one of the Bank's core strengths.

Foreign Currency Funding

Provision of foreign currency funding

—supporting corporate customers' foreign currency needs

The Bank is engaged in a wide variety of measures to enable it to rapidly supply insitutional customers with foreign currency funds necessary for existing operations or new expansions overseas.

- The Bank is an active participant in many overseas project financing initiatives, primarily in the Asia-Pacific region and in Europe. Leveraging its network of Japanese sponsor companies and local arrangers as well as its highly specialized cash flow financing techniques, the Bank has provided financing for a wide range of projects overseas, including power generation projects, resource energy development projects, and infrastructure development projects. A prime example is a major North Sea floating wind power generation project. The Bank has also contributed to a fund that invests in mid-sized companies in the ASEAN region, in line with the Bank's plans to support cooperation between leading local companies in the ASEAN region and Japanese corporations active in the region.

Through efforts such as those described above and by providing various forms of advice that increase customers access to financing, the Bank helps its customers carry out smooth and timely financings.

Hedging of Exchange Rate Risk

Hedging foreign exchange risk

—supporting our customers in hedging risk

In addition to meeting customers' needs for foreign currency financial products, the Bank is also actively engaged in providing solutions to foreign exchange risk. Our activities range from developing hedging instruments that incorporate derivative financial products to supporting customers' asset management of foreign currencies by providing information via seminars on foreign currency topics and the transmission of market information to our customers.

Benefiting from the Management of Risk

Managing risk

—the management of foreign currency related risk in Shinsei Bank

The Bank performs various functions to control foreign currency related risks. These include (1) asset liability management (ALM) through the monitoring of the balance of individual customers' foreign currency deposits and foreign currencies lent to corporate customers in order to control foreign currency interest and liquidity risks, (2) screening and monitoring of individual investments and (3) managing foreign currency liquidity risk. These various functions and capabilities of the Bank create the foundation of a value creation chain that links together our customers' foreign currency positions with the Bank.

This value creation chain centered on foreign currency starts with the provision of the value-added solutions available from the Shinsei Bank Group to meet customer needs for funding and investing in foreign currencies, thereby assisting in the enhancement of value for customers, which in turn increases Shinsei's own corporate value and the value of the Group's presence in the market.

SUMMARY OF MAJOR EVENTS

2000	March	Launched as an innovative Japanese bank under new management and new ownership
	June	Changed name from The Long-Term Credit Bank of Japan, Limited (LTCB), to Shinsei Bank, Limited
2001	May	Commenced operations of Shinsei Securities Co., Ltd.
2003	April	Commenced operations of Shinsei Investment Management Co., Ltd.
2004	February	Listed the Bank's common shares on the First Section of the Tokyo Stock Exchange
	April	Converted the Bank's long-term credit bank charter to an ordinary bank charter
	May	Achieved one million retail accounts
	September	Acquired a controlling interest in APLUS Co., Ltd.
2005	March	Acquired a controlling interest in Showa Leasing Co., Ltd.
	May	Commenced operations of Shinsei International Limited
2006	July	Commenced resolution of public funds
2007	April	Achieved two million retail accounts
	December	Acquired a controlling interest in SHINKI Co., Ltd.
2008	January	Reached a mutual agreement with Seven Bank, Ltd. to share sales channels and develop products and services together
	February	Completed a tender offer bid for the Bank's common shares and a third-party allotment of new common shares of the Bank to the investor group led by J.C. Flowers & Co. LLC and affiliates
	September	Acquired GE Consumer Finance Co., Ltd. (Changed company name to Shinsei Financial Co., Ltd. on April 1, 2009)
2009	January	Launched *Shinsei Step Up Program*
	March	Concluded tender offer for the shares of common stock of SHINKI Co., Ltd.
	June	Opened first Shinsei Consulting Spots
		Launched *Two Weeks Maturity Deposit*
2010	June	Moved to a "Company with Board of Statutory Auditors" board model
	November	Announced business alliance with YES BANK LIMITED in Japan-India cross-border M&A business
2011	January	Commenced operations at new head office (Nihonbashi Muromachi)
	March	Issued new shares through international common share offering
	September	Assisted The Daito Bank, Ltd. in arranging its first syndicated loan
	October	Commenced unsecured personal card loan service under the Lake brand
2012	March	Established VBI Promotion Division in the Institutional Group
	April	Added "Shinsei APLUS Gold Card" and "Shinsei APLUS Card" to credit card line-up
	July	Established venture fund targeting mobile entertainment companies with gumi Inc.
	September	Balance of *PowerSmart* Home Mortgages exceeded one trillion yen
	October	Invested in "Fukushima Growth Industry Development Fund"
		Issued Fourth Series of Unsecured Callable Subordinated Bonds
	November	Provided nonrecourse loan for construction of lodgings for post-earthquake reconstruction workers in Miyagi Prefecture
2013	January	Participated in establishment of "Tokutei Mokuteki Gaisha Health-care Infra Fund Kobe," which is privately placed real estate fund for individual investors where healthcare facilities constitute the underlying investment assets
	March	Started *Go Remit Overseas Remittance Service*
	April	Stopped issuing long-term credit debentures (public sales issues) and long-term credit debentures for workers' property accumulation (*Zaikei issue*)
		Established "Femto Growth Capital Investment Business Limited Liability Partnership" to invest in and provide support to early-stage companies in Japan's Internet sector
		Provided nonrecourse loan for special purpose company set up by Singapore-based Healthway Medical Development to purchase healthcare facilities in Japan
	May	Issued unsecured callable subordinated bonds to retail investors in Japan
	June	Changed Shinsei Step Up Program to further improve convenience for the Shinsei Bank Group's unsecured card loan and credit card customers
		Formed a business alliance with Culture Convenience Club Co., Ltd. to award T Points to users of Shinsei Bank's financial services
2013	July	Formed Shinsei Principal Investments Group
	August	Relocated the Osaka Branch in order to enhance business functions
	October	Invested in Private Finance Initiative Promotion of Japan (public-private infrastructure fund)
		Entered ATM partnerships with "VIEW ALTTE" ATM, operated by East Japan Railway Company, and major convenience store chains such as LAWSON and FamilyMart
	December	Issued Sixth Series of Unsecured Callable Subordinated Bonds to Retail Investors
2014	January	Launched "*PowerSmart* Home Mortgage Anshin Pack W"
	February	Arranged project finance for mega solar business in Kokonoemachi, Kusu-gun, Oita Prefecture
		Commenced smartphone banking services through Shinsei *PowerDirect*
		Reached agreement to conclude the indemnity for losses on interest repayment with GE Japan Corporation
	March	Concluded a business alliance agreement concerning business development support for small- and medium-sized enterprises entering into countries belonging to the Association of Southeast Asian Nations (ASEAN) with Forval Corporation
		Entered into business alliance with Military Commercial Joint-Stock Bank, a major private commercial bank in Vietnam
	April	Extended new line of credit to wind power plant operation project in Sakata, Yamagata Prefecture
		Arranged project finance for mega solar projects in seven locations in Japan utilizing trust schemes
		Established Japan Senior Living Partners Co., Ltd., a REIT asset management company aimed at founding a healthcare REIT
	May	Launched NISA Plus, an investment trust application program
	July	Issued terms for First Series of Unsecured Corporate Bonds (with Inter-Bond Pari Passu Clause)
		Arranged project finance for mega solar projects in Nasushiobara-shi, Tochigi Prefecture
		Arranged project finance for mega solar projects in Atsuma-cho, Hokkaido
	September	Arranged project finance for mega solar projects in Hikari-shi, Yamaguchi Prefecture
	October	Arranged project finance for a mega solar plant in Kawasaki-machi, Tagawa-gun, Fukuoka Prefecture
	December	Issued Second Series of Unsecured Corporate Bonds (with Inter-Bond Pari-Passu Clause)
2015	January	"*PowerSmart Home Mortgage Loan Anshin Pack W*" awarded the Nikkei Veritas Award in "2014 Nikkei Superior Products and Services Awards"
		Arranged project finance for a mega solar project in Mukawa-cho, Hokkaido
		Entered a business alliance with RHB Bank Berhad, a commercial bank in Malaysia
	February	Made an equity investment in the "Kansai Science City ATR-Venture NVCC Investment Partnership"
		Shinsei Bank's Annual Report 2014 awarded an award for Excellence in the "17th Nikkei Annual Report Awards"
	March	Participated as a strategic investor in "AIGF," an ASEAN region focused private equity fund
		Arranged a syndicated loan for a wood biomass power generation business in Akita-shi, Akita Prefecture
		Arranged project finance for a mega solar project in Himeji-shi, Hyogo Prefecture
	April	Added the "TOKYU Group Plan" as part of "*PowerSmart Home Mortgage Anshin Pack W*" services, increasing the services available to customers
		Expanded T Point Program for comprehensive *PowerFlex* account customers
		Nippon Wealth Limited, a Restricted Licence Bank acquired a banking business license from the Hong Kong Monetary Authority
	May	Shinsei Property Finance entered business alliances with Tokyu Livable and Tokyu Housing Lease Corporation to offer housing loans to overseas investors
		Japan Senior Living Partners Co., Ltd. established a REIT investment company specializing in healthcare facilities

Review of Operations

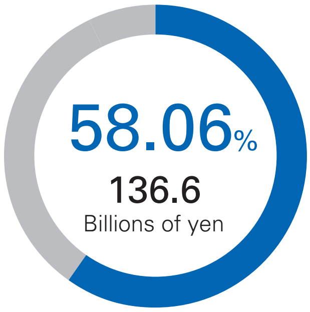
AT A GLANCE
Segment Data

INDIVIDUAL GROUP

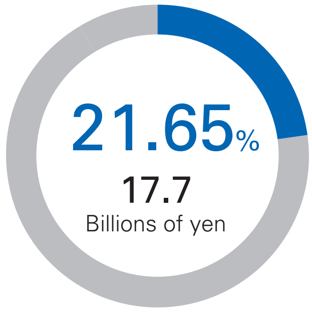
The Individual Group recorded total revenue of 136.6 billion yen. This performance was the result of an increase in the combined unsecured personal loan balance of Shinsei Financial and "Shinsei Bank Card Loan—Lake" and the larger transaction volume in the shopping credit and settlement businesses of APLUS Financial in the Bank's consumer finance business. Net credit costs were 15.7 billion yen due to the larger balance of "Shinsei Bank Card Loan—Lake." As a result of these factors, the Individual Group posted an ordinary business profit after net credit costs of 17.7 billion yen.

Contribution[1]

Total Revenue



Ordinary Business Profit after Net Credit Costs

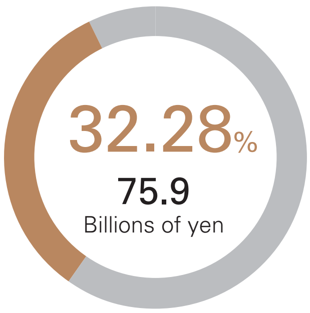


INSTITUTIONAL GROUP

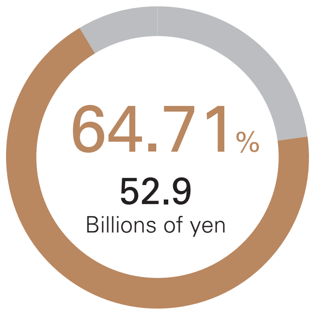
The Institutional Group recorded total revenue of 75.9 billion yen. This was due primarily to revenues from major IPO transactions in the private equity business, firm results in the domestic credit trading business, and fee income associated with new loan origination in domestic and overseas project financing transactions. In regard to net credit costs, the Group recorded a reversal (gain) of 3.9 billion yen partly due to the reduction in potential risks brought about by progression in the disposal of nonperforming loans. As a result of these factors, the Institutional Group recorded an ordinary business profit after net credit costs of 52.9 billion yen.

Contribution[1]

Total Revenue



Ordinary Business Profit after Net Credit Costs

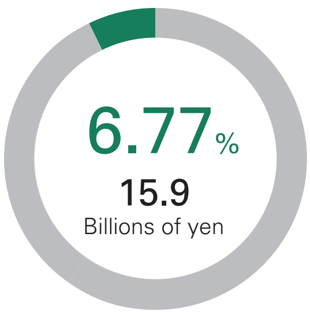


GLOBAL MARKETS GROUP

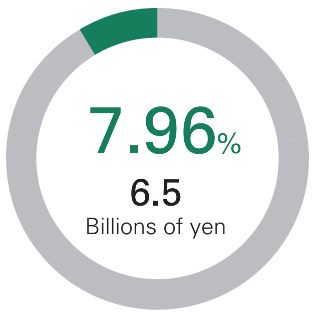
The Global Markets Group, due to efforts to grow the customer base as well as an increase in derivative, bond and equity related revenue as a result of measures undertaken to develop and offer products that meet customer needs, recorded total revenue of 15.9 billion yen. The Group's net credit costs were 0.0 billion yen (52 million yen). As a result of these factors, the Global Markets Group recorded an ordinary business profit after net credit costs of 6.5 billion yen.

Contribution[1]

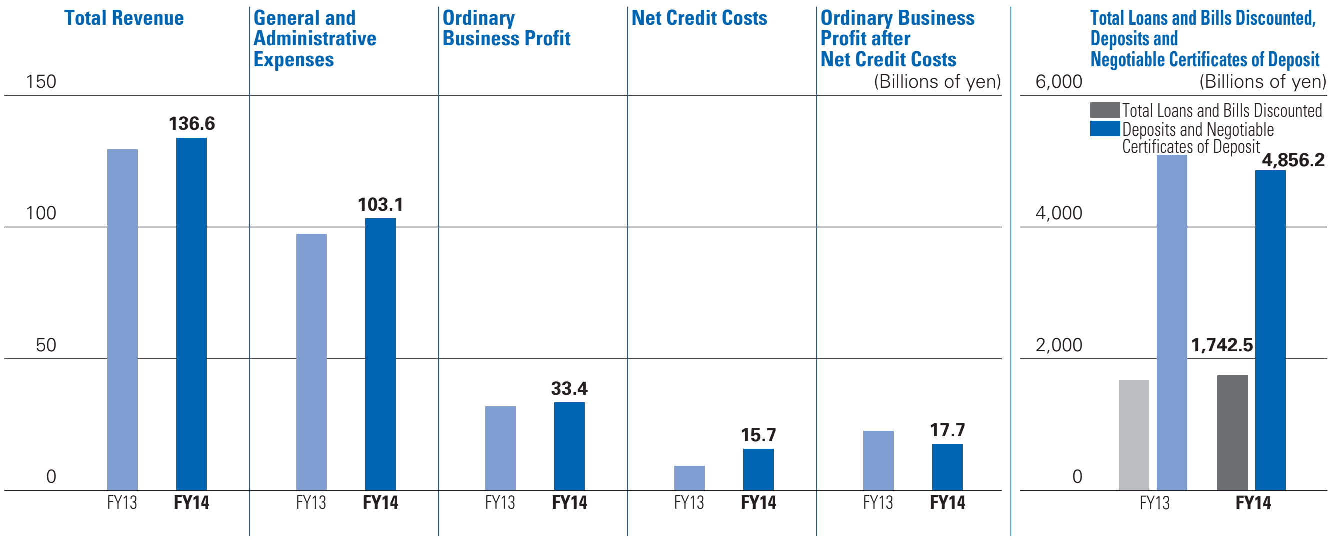
Total Revenue

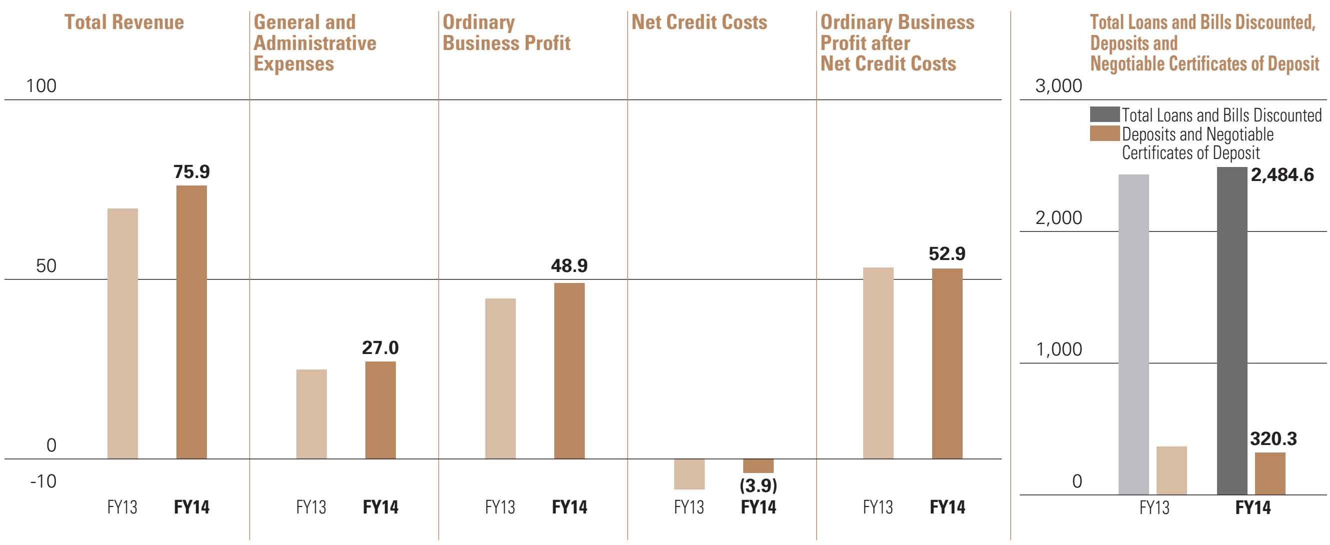


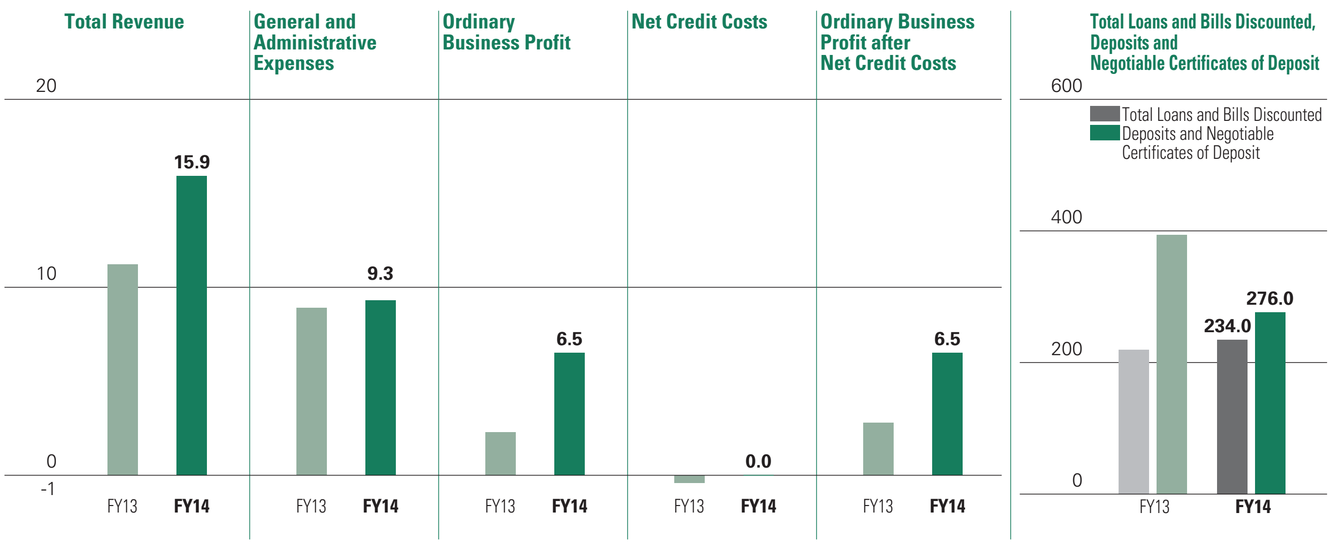
Ordinary Business Profit after Net Credit Costs



1 The percentage figures do not add up to 100% because Corporate/Other was negative.


Total Revenue
General and Administrative Expenses
Ordinary Business Profit
Net Credit Costs
Ordinary Business Profit after Net Credit Costs
(Billions of yen)
Total Loans and Bills Discounted, Deposits and Negotiable Certificates of Deposit
(Billions of yen)
150
100
50
0
136.6
103.1
33.4
15.7
17.7
6,000
4,000
2,000
0
Total Loans and Bills Discounted
Deposits and Negotiable Certificates of Deposit
4,856.2
1,742.5
FY13
FY14


Total Revenue
General and Administrative Expenses
Ordinary Business Profit
Net Credit Costs
Ordinary Business Profit after Net Credit Costs
Total Loans and Bills Discounted, Deposits and Negotiable Certificates of Deposit
100
50
0
-10
75.9
27.0
48.9
(3.9)
52.9
3,000
2,000
1,000
0
Total Loans and Bills Discounted
Deposits and Negotiable Certificates of Deposit
2,484.6
320.3
FY13
FY14


Total Revenue
General and Administrative Expenses
Ordinary Business Profit
Net Credit Costs
Ordinary Business Profit after Net Credit Costs
Total Loans and Bills Discounted, Deposits and Negotiable Certificates of Deposit
20
10
0
-1
15.9
9.3
6.5
0.0
6.5
600
400
200
0
Total Loans and Bills Discounted
Deposits and Negotiable Certificates of Deposit
276.0
234.0
FY13
FY14

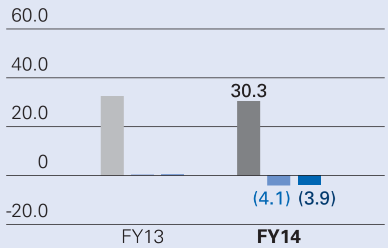
Explanations of Major Businesses

INDIVIDUAL GROUP

(Billions of yen)
- Revenue
- Ordinary Business Profit
- OBP after Net Credit Costs

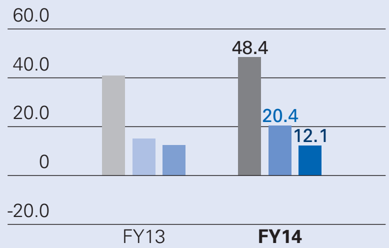
Retail Banking

Financial products and services for individual customers, such as yen/foreign currency deposits, structured deposits, investment trusts, brokerage service through an alliance partner, life/casualty insurance through alliance partners, and housing loans



Shinsei Financial and *Shinsei Bank Card Loan—Lake*

Unsecured personal loan business and credit guarantee services (Shinsei Financial and *Shinsei Bank Card Loan—Lake*)

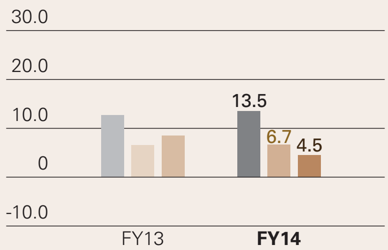


INSTITUTIONAL GROUP

(Billions of yen)
- Revenue
- Ordinary Business Profit
- OBP after Net Credit Costs

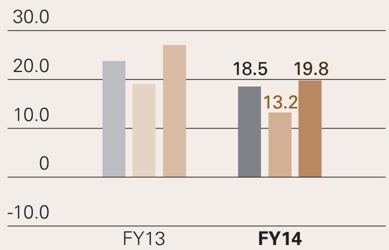
Institutional Business

Financial products and services for corporate and public sector customers (including healthcare finance and advisory services)



Structured Finance

Specialty finance business including real estate finance, M&A related finance and project finance, as well as corporate restructuring and trust business

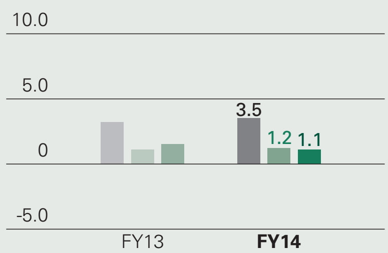


GLOBAL MARKETS GROUP

(Billions of yen)
- Revenue
- Ordinary Business Profit
- OBP after Net Credit Costs

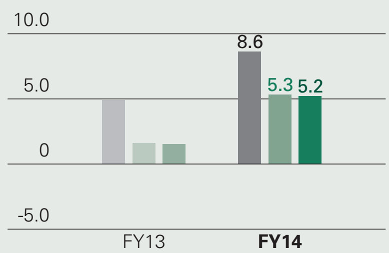
Financial Institutions Business

Provides financial solutions, such as investment management and managerial reinforcement, to financial institutional customers including regional financial institutions



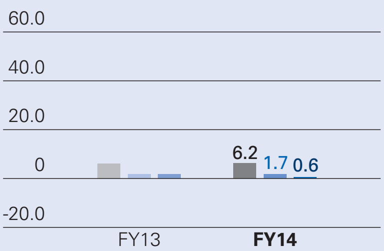
Markets

Foreign currency exchange, derivatives, equity, and other capital markets business



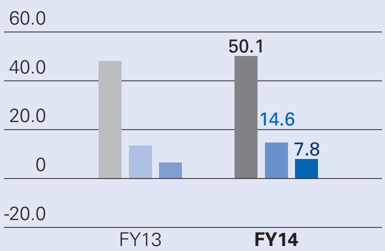
SHINKI

Unsecured personal loan business—brand name "NO LOAN"



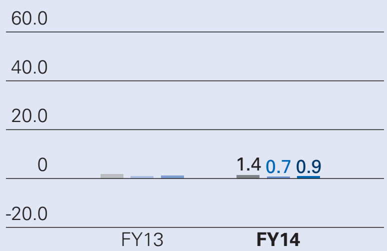
APLUS FINANCIAL

Installment sales credit, credit cards, credit guarantee services, loans, and settlement services



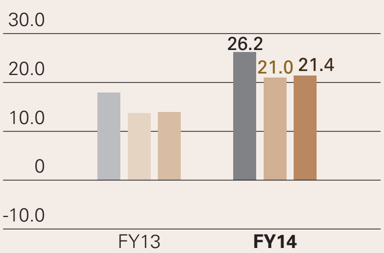
Other Businesses

Consumer Finance Sub-Group and Shinsei Property Finance which is engaged in real estate collateralized finance



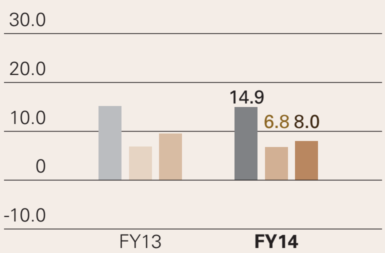
Principal Transactions

Credit trading—the business of trading various monetary claims—and private equity



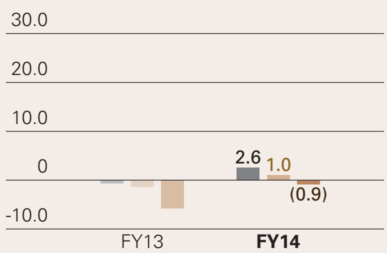
Showa Leasing

Leasing services for information equipment, industrial machinery, and machine tools as well as finance services such as installment sales credit



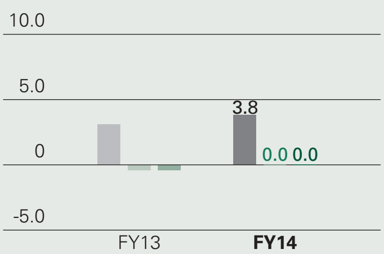
Other Businesses

Asset-backed investment and other products and services for corporate customers



Other Businesses

Shinsei Securities, asset management, and wealth management business



INDIVIDUAL GROUP

Masashi Yamashita
Managing Executive Officer,
Head of Individual Group

Tetsuro Shimizu
Executive Officer,
Head of Individual Business Sub-Group

Masayoshi Tomita
Executive Officer,
Head of Individual Planning Sub-Group

The Individual Group is composed of: (1) Shinsei Bank's retail banking business, which handles deposits, investment trusts, insurance, housing loans, unsecured personal loans issued under the *Shinsei Bank Card Loan—Lake* brand, (2) Shinsei Financial Co., Ltd., which engages in the unsecured personal loan and credit guarantee businesses, (3) SHINKI Co., Ltd., (4) APLUS FINANCIAL Co., Ltd., which is engaged mainly in the credit card business and the installment sales credit business, and (5) Shinsei Property Finance Co., Ltd., which engages in real estate collateralized finance.

Operating Environment and Results of Measures Undertaken in Fiscal Year 2014

Under the Second Medium-Term Management Plan ("Second MTMP"), the Individual Group's fundamental strategy is to realize a new retail banking model that will expand the number of the Bank's "core customers"—customers who can freely use the products and services offered by the Shinsei Bank Group companies according to their individual needs. In fiscal year 2014, the second year of the Second MTMP, in addition to continuing the "integration of the Group's businesses in order to rebuild and upgrade business and operational frameworks and foundations, the Bank implemented a number of measures aimed at achieving the steady growth of the Bank's customer base, focusing on the enhancement of the Bank's marketing, improving customer service, and strengthening business alliances.

Strengthening Marketing

During fiscal year 2014, the *Shinsei Bank Card Loan—Lake* business undertook a number of measures to strengthen its customer base, including the introduction of a new smartphone app to enhance customer convenience and measures to enhance and differentiate its brand image, including the launch of a new brand concept and introduction of new image characters that better fit customer perspectives. *Shinsei Bank Card Loan—Lake* now has about 400,000 users and total outstanding loans increased steadily in fiscal year 2014, rising from ¥118.8 billion as of the end of March 2014 to ¥166.7 billion as of the of end March 2015. Additionally, anticipating the continued growth of our consumer finance business, we plan to move the head office functions of all six consumer finance Group companies into the same office building (Sumitomo Realty & Development Akihabara Building in Chiyoda Ward, Tokyo) during the first half of fiscal year 2015, in order to facilitate the sharing of best practices between the subsidiaries.

Enhancing Customer Service

In the housing loan business, the Bank's housing loans product "*Shinsei Bank PowerSmart Home Mortgage Anshin Pack W*" ("Anshin Pack W") has been highly popular with homebuyers, especially in urban areas, since its introduction in 2014. As a result of factors such as this, our housing loan balance increased to ¥1,228.0 billion at the end of fiscal year 2014. *Anshin Pack W* is a product which provides borrowers with coupons that can be exchanged for sick child care and housekeeping services, and is a new type of housing loan product which supports families with children and dual income families. The appeal of this new product was further enhanced in April 2015 by the addition of the TOKYU Group Plan, a package of after-school, cultural school and home security services made available through a business alliance with the Tokyu Corporation and its group companies.

In the investment trust business, we enhanced customer service with the introduction of the NISA Plus program in May 2014, a program which waives application fees for customers opening a Nippon Individual Savings Accounts (NISA) if they apply to purchase specific investment trusts. Additionally, we also endeavored to increase sales of investment trusts by expanding the lineup of trust products suitable for use with NISA. We also promoted our yen and foreign currency deposit services and continued to strengthen our offerings of structured bonds, offered to customers in cooperation with consolidated subsidiary Shinsei Securities Co., Ltd.

We enhanced the appeal and convenience of our foreign currency products and services in October 2014 by lowering the fees charged on transactions in five currencies, including the U.S. dollar, in order to enable our customers to flexibly engage in foreign currency transactions. In the first half of fiscal 2015, APLUS Co., Ltd., a subsidiary of Group company APLUS FINANCIAL, will launch GAICA, a prepaid card for use overseas that can be used with Shinsei Bank PowerFlex accounts. Users will be able to charge their GAICA cards using Japanese yen as well as with foreign currency deposits held in their Shinsei Bank PowerFlex accounts and then use them to pay for purchases in more than 200 countries and territories overseas. By combining APLUS's expertise in credit card and settlement services together with the Bank's foreign currency products and services, the Bank is able to provide customers with a new method for using foreign currencies and further enhance the convenience of its foreign currency services. Shinsei Bank will continue to leverage such Group synergies to enhance its foreign currency product offerings and services, already one of the Bank's core strengths.

The Bank also has been considering expanding its financial services for individuals to overseas markets, especially in Asia. As a result, the Bank established Nippon Wealth Limited, a Restricted Licence Bank ("NWB"), specializing in providing asset management services for individual customers in Hong Kong. NWB was granted a banking license as a restricted licence bank by the Hong Kong Monetary Authority in April 2015 and is now preparing to commence full scale operations within the first half of fiscal year 2015.

Strengthening Business Alliances

Shinsei Bank has entered into an alliance with Culture Convenience Club Co., Ltd. (CCC), the operator of the shared point reward program T-Point, and is expanding its offering of financial products and services which offer T-Points. This business alliance also opens up the possibility of new marketing strategies utilizing T-Point member data provided to the Bank by CCC, as well as the possibility of utilizing advertising through other T-Point Program affiliates in order to expand the Bank's business.

Fiscal Year 2014 Results

In fiscal year 2014, the Individual Group increased total revenue from ¥129.3 billion in the previous year to ¥136.6 billion. Although the retail banking business' net interest income earned on deposits decreased amid falling market interest rates, the consumer finance business recorded solid growth in net interest income on the growth of the combined unsecured personal loan balance of Shinsei Financial and *Shinsei Bank Card Loan—Lake*, and noninterest income rose as a result of an increase in shopping credit and settlement transaction volumes of APLUS FINANCIAL, which resulted in the growth of revenue. Business expenses rose from ¥97.3 billion in fiscal year 2013 to ¥103.1 billion in fiscal year 2014 as a result of the proactive implementation of initiatives aimed at smoothly carrying out the Second MTMP, despite continued efforts to rationalize and boost efficiencies in all aspects of our operations. Net credit costs increased in fiscal year 2014, rising from ¥9.3 billion a year earlier to ¥15.7 billion, with the increase mostly due to expansion of the loan balance at *Shinsei Bank Card Loan—Lake*. As a result of the preceding factors, ordinary business profit after net credit costs at the Individual Group in fiscal year 2014 totaled ¥17.7 billion, down from ¥22.6 billion in fiscal year 2013.

Strategies and Measures for the Final Year of the Second MTMP

The Individual Group's emphasis in fiscal year 2015, the final year of the Second MTMP, will be on "Expanding the customer base and enhancing profit-generating capabilities." Specific strategies and measures to achieve these goals include making efficient use of yen-denominated time deposits that fulfill a wide variety of customer needs and leveraging the T-Point Program in strengthening the Shinsei Bank brand and further raising consumer awareness of the Bank, and expanding opportunities for cross-selling. Additionally, measures to expand the offering of products and services will remain focused on increasing collaboration with housing developers and real estate brokers as we seek to expand channels for reaching customers in an increasingly competitive housing loan market, which is made even more competitive due to declining demand for refinancing of existing home loans. We will also continue our efforts to increase the convenience of our product offerings and to develop unique products that meet diversifying customer needs. In foreign currency related business, we will expand our product offerings and services while building the most optimal platform for foreign currency transactions, through which we aim to establish Shinsei Bank as our customers' preferred bank for foreign currency translations by providing customers with comprehensive services that enable them to "increase, use, and send" currencies.

By promoting increased collaboration and Group synergies, the Bank and its Group companies will strive to expand transaction volume and value, in addition to further strengthening our credit card business and increasing the outstanding card loan balance. Lastly, the Bank will continue to consider ways to capture the increasing financial needs of individuals in Asian markets in its overseas business.

INSTITUTIONAL GROUP

Shinichirou Seto
Senior Managing Executive Officer,
Head of Institutional Group

The Institutional Group is composed of: (1) the Institutional Business that provides private and public sector corporate customers financial institution customers with loans, other corporate financial services, and financial products and solutions and structured finance for real estate and other projects, (2) the Principal Investments that operates the credit trading and private equity businesses, (3) Showa Leasing, which is engaged in the leasing business and (4) Shinsei Trust & Banking, which is engaged in the trust business.

Operating Environment and Results of Measures Undertaken in Fiscal Year 2014

Under the Second Medium-Term Management Plan (Second MTMP), the Institutional Group's fundamental strategy is to support the growth of enterprises, industries and regions through business participation and to further strengthen and utilize our expertise. While endeavoring to differentiate its services by focusing on areas such as renewable energy, medical and healthcare services, and support for corporate start-ups and turnarounds, the Institutional Group also plans to further strengthen its efforts with areas in which it already has specialized expertise.

In fiscal year 2014, the second year of the Second MTMP, the Institutional Group has made progress in expanding business in the strategic focus areas designated in the Second MTMP of renewable energy, medical and healthcare services, and support for corporate start-ups and turnarounds. As a result, the Group has made steady progress in its endeavors to expand the customer base, strengthening profitability, and enhancing differentiation from its competitors. Additionally, as a result of the favorable market environment created by Abenomics and the Bank of Japan's unprecedented quantitative and qualitative monetary easing, the Group has further improved the asset quality of the portfolio through the continued disposal of legacy nonperforming loans.

Developments in Strategic Focus Areas

In the area of healthcare finance, the Group has worked to expand business by strengthening business alliances with investors and with operators of nursing care and other medical facilities. In April 2014, the Group joined five companies including Kenedix Inc. to establish an asset management company to manage a healthcare real estate investment trust (REIT). Additionally, the healthcare REIT was established in May 2015 and preparations are being made for its listing on the Tokyo Stock Exchange.

During fiscal year 2014, we continued our efforts to establish and develop a domestic project finance market for renewable energy projects by supporting project operators in their growth stages, primarily by arranging project financing for medium-sized projects. Our diverse efforts in fiscal year 2014 included (1) the provision of a highly stable financing scheme for a project utilizing the Shinsei Bank Group company Shinsei Trust & Banking as the trustee and official main project operating company, (2) the composing of a project that saw participation by foreign entities with international experience and expertise in renewable energy projects, (3) the composing of a syndicated loan for a wood biomass power generation business, and (4) the arranging of project financing for a wind power generation business. As a result of such efforts in fiscal 2014 as well initiatives undertaken in past years, we have now participated in approximately 20 renewable energy projects with a commitment total of approximately ¥120 billion.

Institutional Business

By leveraging a finely tuned customer segmentation system, a well-organized sales promotion system with a well-defined concept of desirable transactions, and a sophisticated risk management system that enables rapid credit risk assessment, the Group has continued its efforts aimed at expanding and strengthening its corporate customer in order to further accumulate high-quality assets.

Real Estate Finance

In the real estate finance business, the Group continued to identify and participate in highly attractive new projects while also taking aggressive action to optimize its asset portfolio. As a result, significant progress was made in reducing nonperforming loans. Additionally, in the acquisition of new loan assets, the Group continued practicing prudent loan origination based on thorough risk-return analysis of individual transactions as well as careful consideration of the real estate market as a whole.

Principal Transactions

Leveraging the platform provided by Group subsidiary Shinsei Principal Investments Group (Shinsei PI Group), efforts to help customers cope with the expiration of the SME Financial Facilitation Act, the aging of the population, and other changes in their business environment were continued through the enhancement of our consulting functions, the provision of solutions for long-term nonperforming claims of corporate customers, and increasing the investment value of companies invested in before their IPOs by supporting their business growth in an effort to increase the value of the companies. In fiscal year 2014, we recorded considerable income flows from our private equity business owing to a major large IPO and exiting credit trading asset positions.

Overseas Business

To support corporate customers' expansion into overseas markets, we have enhanced our overseas business expansion support structure in Asia by establishing business alliances with (1) Forval Corporation (in March 2014), (2) the Military Commercial Joint-Stock Bank, a large private commercial bank in Vietnam (in March 2014), and (3) RHB Bank Berhad, one of Malaysia's leading commercial banks (in January 2015). Additionally, the Bank has proactively engaged in project financing initiatives in the Asia/Oceania region and in private finance initiatives (PFIs) and public-private partnerships (PPPs) in Europe.

Showa Leasing Co., Ltd.

Showa Leasing Co., Ltd., in addition to providing leases for industrial machinery, machine tools and other essential equipment to middle-market companies and SMEs, has engaged in the provision of solution such as the buying and selling of used equipment, providing loan guarantees backed by movable property collateral, the arranging of financing to promote the acquisition of environmentally sound products and renewable energy–related equipment by leveraging its strengths and expertise, whilst enhancing collaboration with the Bank. In October 2014, Showa Leasing reorganized its sales organization, restructuring business departments formerly responsible for specific target industries into the new Next Generation Business Promotion Department. The new organization will encourage the development of highly competitive businesses and products, while sales personnel assigned to individual customers will be transferred to area sales teams, creates an organization that will facilitate cross-selling.

Fiscal Year 2014 Results

The Institutional Group posted total revenue of ¥75.9 billion in fiscal year 2014, increased from ¥69.5 billion in the previous year. The increase primarily reflects gains achieved by the private equity business on a major IPO and the strong performance of the domestic credit trading business. Additionally, fee income obtained from loan originations for domestic and overseas project financings also increased. General and administrative expenses totaled ¥27.0 billion, up from ¥24.8 billion in the previous fiscal year, as we increased staff in strategic focus areas and expanded our business base. Regarding net credit costs, as a result of progression in the disposal of nonperforming loans, potential credit risks have been reduced, and as now no new major provisions to reserves against potential loan losses. However, reversals of reserves for loan losses owing to the improving creditworthiness of borrowers were also less than in the previous year, and as a result of the preceding factors, the Institutional Group recorded an ordinary business profit after net credit costs of ¥52.9 billion in fiscal year 2014, compared with ¥53.2 billion in the previous fiscal year.

Strategies and Measures for the Final Year of the Second MTMP

In fiscal year 2015, the final year of the Second MTMP, the Institutional Group will continue its efforts to build a business foundation that will support sustainable growth in the future. These efforts will include leveraging the functions of various Shinsei Bank Group companies, the Group's customer base, and its relations with regional financial institutions to further strengthen its capabilities in new focus areas as well as areas in which it has demonstrated expertise.

As part of the strategy and initiatives to facilitate this, the Financial Institutions Sub-Group and the Institutional Business Sub-Group were integrated in April 2015. By integrating our corporate sales and financial institution sales operations, we believe we can strengthen the Bank's proposal capabilities and operate more efficiently, through which we will be able to aggressively promote business expansion through collaboration with financial institution customers, most of which are regional financial institutions.

Additionally, in May 2015, the Institutional Business Sub-Group and the Principal Transactions Sub-Group were both dissolved, and the Institutional Business Division and the VBI Promotion Division were integrated into the newly formed Institutional Business Planning Division, creating a single, integrated unit for the planning and promotion of new business in all units of the Institutional Group. We expect the resulting increased cooperation among all the units of the Group and the enhanced capability to propose solutions to customers will facilitate cross-selling and enable us to further expand our customer base and our expertise even further.

GLOBAL MARKETS GROUP

Hironobu Satou
Managing Executive Officer,
Head of Global Markets Group

The Global Markets Group is composed of: 1) the Markets Sub-Group that engages in foreign exchange, derivatives, and other capital markets operations, 2) the Asset Management Sub-Group that engages in the asset management business, including provision of investment trusts, and a wealth management business that provides financial products and services to high net-worth individuals and 3) and Shinsei Securities, a securities company engaged in securitizations and securities brokerage business.

Operating Environment and Results of Measures Undertaken in Fiscal Year 2014

Under the Second Medium-Term Management Plan (Second MTMP), the Global Markets Group aims to achieve the establishment of a sustainable growth base by strengthening its ties with regional financial institutions, enhancing its sourcing and other market solution capabilities as well as its offerings of financial products and services.

Markets Sub-Group

While having endeavored to strengthen its solutions-oriented marketing structure in order to attract new customers and expand transactions with existing customers, the Markets Sub-Group recorded a steady level of derivatives transactions which met the needs of corporate customers in hedging against volatility in foreign exchange markets and interest rates.

These efforts to provide solutions that meet the various needs of customers led to a steady increase in market-related revenue. While trading and proprietary investments continued to face challenging market conditions, including lower market interest rates and tighter credit spreads, efforts to provide finely-tuned solutions that meet the diverse needs of our customers in a timely manner, including revising and supplementing our systems for marketing to corporate and individual customers and for supplying products and services, were continued in order to establish a stable earnings platform.

Asset Management Sub-Group

In regard to the sale of investment trusts, the Asset Management Sub-Group continued to develop its business in a customer centric manner, and in fiscal year 2014, enjoyed strongly favorable response from customers to the newly launched Shinsei World Smart Bond Fund (“Shinsei Kenjin no Saihai”), a bond fund created for individual customers that invests in a wide variety of global bonds and targets long-term asset growth, expanded the Bank’s assortment of product offerings that are suitable for Nippon Individual Savings Accounts (NISA) and introducing programs responding to NISA. Additionally, the Sub-Group also engaged in efforts in the development and sales of privately placed investment trusts in tune with market trends and the unique, specialized investment needs of financial institutions and high-net-worth individuals, which have resulted in a firm increase in the balance of assets under management in investment trusts during fiscal 2014.

Shinsei Securities

Shinsei Securities, a subsidiary of the Shinsei Bank Group, continued efforts to provide optimal solutions to customers through the leveraging of its accumulated expertise in the securitization business as well applying the same expertise in order to engage its varied structured finance business. Additionally, in the securities brokerage business through which the Bank sells bonds to individual investors at the Bank's branches stepped up its efforts to increase it's offering of products in line with market trends and as a result enjoyed a continued increase in the number of accounts and value of investment products sold. Furthermore, Shinsei Securities also continued to build its brokerage business with regional financial institutions of green bonds, bonds issued by the World Bank's International Finance Corporation (IFC) as a means to raise funds to support projects dealing with climate change.

Financial Institutions Sub-Group

In the Financial Institutions Sub-Group's loan business, which includes initiatives in new areas of finance and overseas transactions, the loan syndication function was reorganized and strengthened and the Sub-Group engaged in efforts to rapidly develop and provide products that meet the needs of financial institution clients as part of efforts to strengthen ties with regional financial institutions as well as its ability to promote structuring individual deals. We also continued efforts toward the timely development and delivery of products that meet customer needs for more advanced asset management methods. These efforts, in combination with ongoing efforts in the buying, selling, and brokering of loans made to corporations and regional governments and provision of markets related loans, have resulted in the successful realization of multiple cash flow financing initiatives, primarily in the field of renewable energy, in cooperation with regional financial institutions. Additionally, in regard to the Bank's initiatives in cooperating with regional financial institutions to support the revitalization of regional economies, including the provision of capital to local enterprises in cooperation with regional financial institutions, the Bank has engaged in the provision of the diverse capabilities of the Shinsei Bank Group, collaborating through the Bank's subsidiaries Shinsei Financial and APLUS FINANCIAL in personal loans and through the subsidiary Showa Leasing in corporate financings, in addition to providing the products and services of Shinsei Bank.

Additionally, as part of efforts to ensure efficient operations and to strengthen our business development and solution proposal capabilities in collaboration regional financial institutions, the Financial Institutions Sub-Group was integrated into the Institutional Group in April 2015.

Fiscal Year 2014 Results

In fiscal year 2014, total revenue of the Global Markets Group increased from ¥11.2 billion in fiscal year 2013 to ¥15.9 billion. This increase is due to the Group's successful efforts to expand its customer base and to develop and deliver products that meet customer needs, resulting in increases in derivatives-related income and in equity and fixed income related income. Expenses increased from ¥8.9 billion yen in fiscal year 2013 to ¥9.3 billion in fiscal year 2014. The increase reflects the strategic investment of resources in priority areas in order to expand the customer base and to strengthen our marketing capabilities and product provision frameworks. Net credit costs came to ¥52 million in fiscal year 2014, whereas in fiscal year 2013 net credit recoveries of ¥0.4 billion were recorded due to changes in the reserve ratio and other factors.

As a result, the Global Markets Group recorded an ordinary business profit after net credit costs of ¥6.5 billion in fiscal year 2014, increased from the ¥2.8 billion result in fiscal year 2013.

Strategies and Measures for the Final Year of the Second MTMP

In fiscal year 2015, the final year of the Second MTMP, the Global Markets Group will continue to enhance and strengthen its market solutions capabilities as well as its product offerings and services. By leveraging the uniqueness of the Shinsei Bank Group to provide products and services that generate added value to its customers, the Global Markets Group aims to build a stable yet differentiated business base that will facilitate sustainable growth.

Specific strategies and measures include maintaining the focus of the Markets Sub-Group on business on promoting solutions-oriented marketing to customers based upon current market conditions and customers' business environments. In its Asset Management business, the Bank looks to stabilize its profitability by broadening its lineup of new, market-leading products and increase assets under management. Additionally, we also are striving to differentiate the Bank through measures such as flexibly delivering unique products through Shinsei Investment Management Co., Ltd., a Shinsei Bank Group company. Shinsei Securities aims to develop its securitization business into one that generates added value and improves customers' risk-return balance through efforts such as diversifying product offerings, and in the securities brokerage business, the subsidiary aims to broaden its brokerage channels and provide flexible products with special features that are in tune with market trends.

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 is engaging in initiatives such as those described below, providing our expertise and, depending upon the initiative, cooperating with local financial institutions and the SME Business Rehabilitation Support Cooperative. In addition to supporting SMEs and local businesses that have promising technologies or business models, the Bank is promoting the development of new business areas and businesses that contribute to the revitalization of regional economies, including the ongoing reconstruction from the 2011 Great East Japan Earthquake and tsunami disaster. The Bank's efforts focus on providing multifaceted management solutions that satisfy not only funding need, with an emphasis on cash flow financing, but also needs for human resources and such services as business strategy planning and implementation support. Through such efforts, the Bank aims to expand the scope of its business with growing SMEs and contribute to the development of new innovative businesses.

Examples of Shinsei Bank Initiatives

- Examples of supporting regional revitalization through cooperation with regional financial institutions

SME engaged in industrial waste disposal: Shinsei Bank cooperated with a partner regional financial institution to support an enterprise seeking to develop a wood biomass power generation business utilizing unused timber in a part of Japan rich in man-made forest resources. Together with the region's leading regional financial institution, we served as the lead arranger of a syndicated loan for the project, and by sharing risks with the project company and providing financing schemes centered on the project's cash flow generation, Shinsei Bank enabled the project company to raise the funds needed to turn its plans into a viable business. The initiative is significant not just as a project that contributes to revitalization of the region's forestry industry and other related industries but also because the financing has found support from a number of local regional financial institutions as well as getting a boost from the local prefecture's "Furusato (hometown) loan" program.

Local sake brewing company: Despite an award-winning new product and strong ties with a major department store, this company had seen its sales decline sharply amid the contraction of Japan's sake industry as a whole. In addition, the company's elderly president desired to retire but could not find an appropriate successor for the business. Shinsei Bank was informed of this need to find a successor by a local regional financial institution and, taking into consideration financial conditions, business motivation and potential synergies, determined that the sake brewer was a good match for a health foods/cosmetics company that had been looking for an M&A opportunity, facilitating a smooth transfer of the sake brewer's business to the larger health foods/cosmetics maker. As a result, the sake brewer not only resolved its succession issues but is now able to take advantage of the successor entity's sales channels and product development capabilities, and the deal has proven to be a significant development for both companies.

- An example of supporting regional revitalization through business rehabilitation

Leisure facilities operator: This company operates a local ski resort, a golf course and a hotel. It has been a major contributor to its local economy by promoting the area's tourism industry and by providing employment to local farming households during the winter season. However, owing to the dwindling ski and golf populations in Japan as well as the wider negative economic impact of Lehman Shock, the company had recorded losses in recent years. Eventually it had to abandon its efforts to restructure on its own and seek rehabilitation under a sponsor via civil rehabilitation proceedings. Responding to a request to help find a sponsor company, Shinsei Bank and the company's attorney cooperated with a number of sponsor candidates to facilitate an efficient due diligence process that resulted in the early selection of a nationwide hotel chain as the rehabilitation sponsor. The concerned company was thus able to continue business operations and maintain employment of its workers while successfully completing the rehabilitation process.

- An example of supporting business rehabilitation

SME maker of machine parts: This company is a supplier of machine parts with superior technologies and a strong customer base that includes several major finished product makers. However, deterioration in the company's earnings led it to seek a private rehabilitation under the sponsorship of a turnaround fund, with debt forgiveness by financial institutions arranged by a public institution. The company's rehabilitation included such measures as the elimination of unprofitable transactions, more thorough cost controls and the reduction of expenses, which enabled the company to regain profitability and further enhance its corporate value. Shinsei Bank provided the company with a new credit facility that enabled it to smoothly carry out its business rehabilitation.

- Examples of supporting companies in their growth stages

SME engaged in the development, production and sale of treatment agents for sewage, sludge, radioactive substances and other waste materials: This company, together with a number of other companies, was commissioned by the Japanese government to conduct trials on the use of wood biomass energy. The Bank is supporting this endeavor by providing the necessary project funding until the company begins to receive commission income from the government. Shinsei Bank undertook the financing of this project for two reasons: (1) because the project is important to the customer's development of its decontamination business focusing on radioactive cesium as well as the full-scale expansion of its biomass power generation business, and (2) because this project will contribute to the restoration of the forestry industry in areas still suffering from the 2011 Great East Japan Earthquake and tsunami disaster while further promoting Japan's use of renewable energy.

Exporter of used automobiles: Following the Great East Japan Earthquake, many countries shunned the importing of used vehicles from Japan, and as a result, this exporter of used automobiles saw a decline in revenues. In recent years, however, its sales have been on an uptrend, with demand for used Japanese vehicles rebounding amidst a favorable global economic environment and the continued depreciation of the yen. The upswing in sales has increased the company's demand for capital, and it has sought to raise funds from a wider group of financial institutions. Shinsei Bank supported the company in this regard through the arrangement of financing and facilitation of fund procurement that included first-time transactions with multiple financial institutions. The Bank's support has not only provided the company with the capital necessary to take advantage of the improving business environment but also helped meet its needs as a company in its growth stage.

GLOSSARY

ABI (Asset-backed Investment)
At Shinsei Bank, ABI refers to a former product program which included loans backed mainly with infrastructure, real estate, businesses, and business assets as collateral.

Advisory
Shinsei Bank's advisory business proposes solutions to meet customers' diverse needs in areas such as M&A, corporate restructuring, and fundraising in Japan and overseas.

ALM (Asset Liability Management)
ALM refers to the comprehensive management of the market risks and liquidity risks that exist in the Bank's balance sheet (i.e. assets and liabilities) as a result of its business operations. ALM aims to optimize interest rate income from the Bank's balance sheet and economic value by monitoring interest rate conditions and asset/liability duration, including off-balance items such as derivatives on the Bank's account, and adjusting for risks in assets/liabilities and derivatives transactions in consideration of the change in values of assets, liabilities, and periodical profits or losses due to market fluctuations.

Asset Management
In a broad sense, Asset Management refers to Shinsei Bank's overall asset management business, but in a narrower sense it refers to the investment trust business and investment advisory business. Shinsei Bank offers a variety of unique financial products and services for both institutional and individual (including high-net worth) customers, primarily through the Global Markets Group and the Individual Group (retail banking Business).

Business Incubation
Business Incubation offers not only loans and capital, but also management solutions such as human resources, supplementary functions, and business planning and strategy support to customers aiming to start, or customers who have recently started, a business.

Capital Markets Business
Capital Markets business refers to capital markets-related transactions, including derivatives and trading, in order to meet customer needs for investment, risk hedging, fundraising, etc.

Consolidated Net Income, Cash Basis Net Income
Cash basis net income is calculated by excluding impairment and amortization of goodwill resulting from acquisitions of subsidiaries and other intangible assets, net of tax benefits, from consolidated net income— and represents the bottom-line profit for the relevant fiscal year.

Credit Guarantee Business
Credit Guarantees represent a guarantee to repay a loan made by a partner financial institution on behalf of the borrower, in the case that the borrower becomes unable to make repayments, in return for a fee. In the Shinsei Bank Group, Shinsei Financial is focused on this business, offering comprehensive support to partner financial institutions including advice on advertising strategies and product design as part of its service.

Credit-linked Loan
Credit-linked Loans are structured loans which incorporate derivatives linked to the credit risk of a company other than Shinsei Bank (the borrower). They are offered as an investment product to customers.

Credit Trading
Credit Trading offers balance sheet optimization solutions, including the purchase of loan receivables from current creditors or an investment in (purchase of) monetary claims held by the customer. Shinsei Bank also invests in monetary claims such as loans and leases sold in the secondary market for non-performing loans, aiming to make profits by securing a greater return than the initial investment through servicing or resale of the receivables.

Derivative
Derivative is a collective term referring to transactions that are derived from or linked to other underlying transactions such as interest rate, bond, foreign exchange, and equity transactions. They are also called "financial derivatives" since most of the transactions originate from financial products.

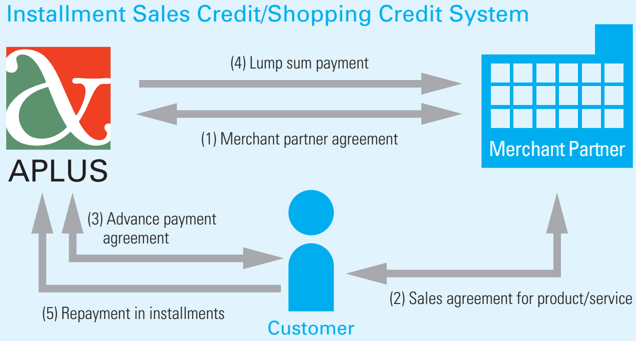
Exposure
Exposure refers to an amount of assets or an amount of money that is exposed to foreign exchange, price fluctuations or other risks as a result of loans and investments.

(Grey Zone) Interest Repayment
Prior to the interest rate reduction implemented as part of the revisions to the Money Lending Business Law, the interest rates on some consumer finance products offered by the Shinsei Bank Group's subsidiaries exceeded the upper limit stipulated by the Investment Law. Following a ruling by the Supreme Court in January 2006, customers who paid more than the upper limit stipulated by the Investment Law have been allowed to request a refund of the extra interest paid. Accordingly, consumer finance companies have recorded reserves in order to cover losses on (grey zone) interest repayments.

Healthcare Finance
Healthcare Finance refers to financing— primarily nonrecourse loans— as well as financial advisory on management strategies and M&A for senior care facilities and nursing homes.

Installment Sales Credit (Shopping Credit)
Installment Sales Credit (Shopping Credit) is a service that allows customers to pay for goods or services in installments without using a credit card. Shinsei Bank group offers this service primarily through APLUS FINANCIAL.

Installment Sales Credit/Shopping Credit System



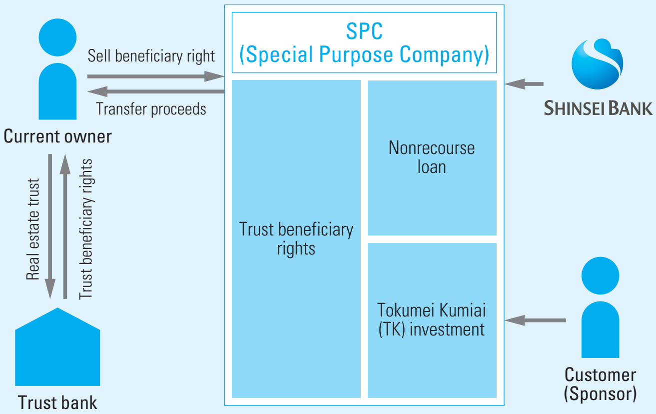
(1) APLUS concludes a merchant partner agreement with the merchant partner
(2) Customer purchases a product or a service from the merchant partner
(3) Customer applies to APLUS for installment sales credit
(4) APLUS pays the purchase price for the product/service as a lump sum to the merchant partner
(5) Customer repays the purchase price to APLUS in installments

LBO Finance (Leveraged Buyout Finance)
LBO finance is a type of M&A finance based on the assets or future cash flows of a company to be acquired. It is used when a company or an investment fund acquires another company. At Shinsei Bank, LBO Finance is included in Specialty Finance.

MBO Finance
MBO stands for Management Buyout. It is a type of LBO finance offered when a company's management buys its own company co-working with an investment fund and others. At Shinsei Bank, MBO Finance is included in Specialty Finance.

Net Credit Costs
Net credit costs are the sum of reserves for loan losses set aside (credit costs) according to the credit standing of borrowers, reversal (gains) of reserves for loan losses, and recoveries of written-off claims resulting from their disposal.

Nonrecourse Loan
Nonrecourse loans are loans for which repayment is made solely from the cash flows generated from specific businesses or assets (typically, but not always real estate), with no recourse to the sponsor.



Ordinary Business Profit (Loss)
Ordinary business profit (loss)— the indicator of profit (loss) from core business after expenses— is calculated by subtracting "expenses" from "total revenue." "Net credit costs" are excluded from this calculation.

Portfolio
A portfolio refers to a group of various components. An asset portfolio, for example, refers to a collection of various assets such as real estate, cash deposits, and equities.

Principal Transactions
Principal Transactions generally refer to a bank's proprietary investments. Shinsei Bank proactively makes proprietary investments in the Credit Trading and Private Equity businesses in order to meet customers' needs for corporate restructuring, business succession, and growth funds.

Private Equity
In general, Private Equity refers to privately-placed shares and shares that are not traded in stock exchanges or over-the-counter markets. Private equity investments can be classified into venture capital, which are investments in growing companies, and investments to acquire control of mature companies in order to implement restructuring. Shinsei Bank is proactively engaged in venture capital investments, investing in up to 5% of total shares with representative rights of customers planning a public share offering, as well as making buyout investments related to business divestments from mature companies.

Private Finance Initiative (PFI)
A financing technique based upon the idea of utilizing private capital and expertise in the design, construction, maintenance and operation of projects, such as public construction works, and performing the provision of the public services through the private sector in order to ensure their efficiency and effectiveness.

Project Finance
Project Finance refers to loans to finance specific projects for which the principal source of repayment is the cash flow generated from the project itself. Project Finance is often used for medium-to-long term projects in energy, natural resources, and infrastructure. At Shinsei Bank, Project Finance is included in Specialty Finance.

Public Private Partnership (PPP)
A scheme in which public services are provided through a collaboration between the public and private sectors. PFI is a representative form of PPP.

Revised Money Lending Business Law
The key points of the Revised Money Lending Business Law which was enacted and issued in December 2006 are: (1) optimizing control of the money lending business (tightening entry requirements etc.), (2) reducing excessive lending (implementation of the designated credit bureau system and income-linked lending limitation), and (3) controlling the interest rate system (reducing the upper limit of the interest rate under the Investment Law to 20% p.a.). The Law was enforced in a phased manner and was fully enforced in June 2010.

Risk Weighed Assets
Risk weighed assets are an amount equivalent to the volume of "credit risk" and "market risk" of the Bank's assets/transactions and "operational risk" involving operational errors.

RORA
Return on Risk-Weighted Assets—the indicator which shows a profitability based on Risk-Weighted Assets. RORA is calculated as the ratio of its net profit to the total Risk-Weighted Assets at the end of the term.

Ship Finance
Finance for the shipping industry. Shinsei Bank primarily provides shipping companies with funds for ship acquisition.

Specialty Finance
Specialty Finance at Shinsei Bank refers to M&A finance, LBO finance, project finance and other types of finance that focus on the cash flows and value generated by businesses and assets. It is a type of structured finance.

Structured Finance
Structured Finance refers to finance requiring special structures. In general, it takes the form of project finance or nonrecourse finance which focuses on the cash flows or value generated by a specific project or asset. Shinsei Bank is primarily active in real estate finance, project finance, M&A finance, and corporate restructuring finance.

Syndicated Loan
Syndicated loans are loans provided jointly by a syndication of multiple financial institutions (lender group) based on a single loan agreement.

Treasury
Treasury is normally the function in a company which is responsible for ALM (asset and liability management). At Shinsei Bank, Treasury basically refers to the function (Sub-Group) responsible for cash flow management including collateral management, transactions through transfer pricing (FTP, the interoffice fund transfer price), issuance or buyback of (subordinated) corporate bonds, liquidity planning, management of overseas subsidiaries that issue capital securities, as well as ALM for the entire Group.

Wealth Management
Wealth Management refers to the financial services that Shinsei Bank offers to high-net worth customers. The Bank offers a variety of differentiated wealth management services tailored to customers' needs.

Management Structure

CORPORATE GOVERNANCE

Shinsei Bank has established a corporate governance framework that befits its status as a "Company with an Audit & Supervisory Board" (*kansayakukai-setchi-gaisha*). The Bank's corporate governance framework aims to ensure appropriate managerial decision-making and business implementation while also providing a rigorous system of organizational checks and balances. Accordingly, the ultimate authority and responsibility for the execution of the Bank's business resides with the Board of Directors; while members of the Audit & Supervisory Board, which is independent from the Board of Directors, are tasked with an oversight role that includes auditing the conduct of the Bank's business as well as the actions of the Board of Directors.

In addition, the Bank is in full agreement with the spirit of the Corporate Governance Code introduced in June 2015, which applies to all companies listed on Japan's stock exchanges. As such, the Bank will strive to implement the measures necessary to be in compliance with the new code and realize effective corporate governance. The Bank continues to strengthen its corporate governance to achieve sustainable growth and enhance its corporate value over the mid to long term.

Corporate Governance of Shinsei Bank

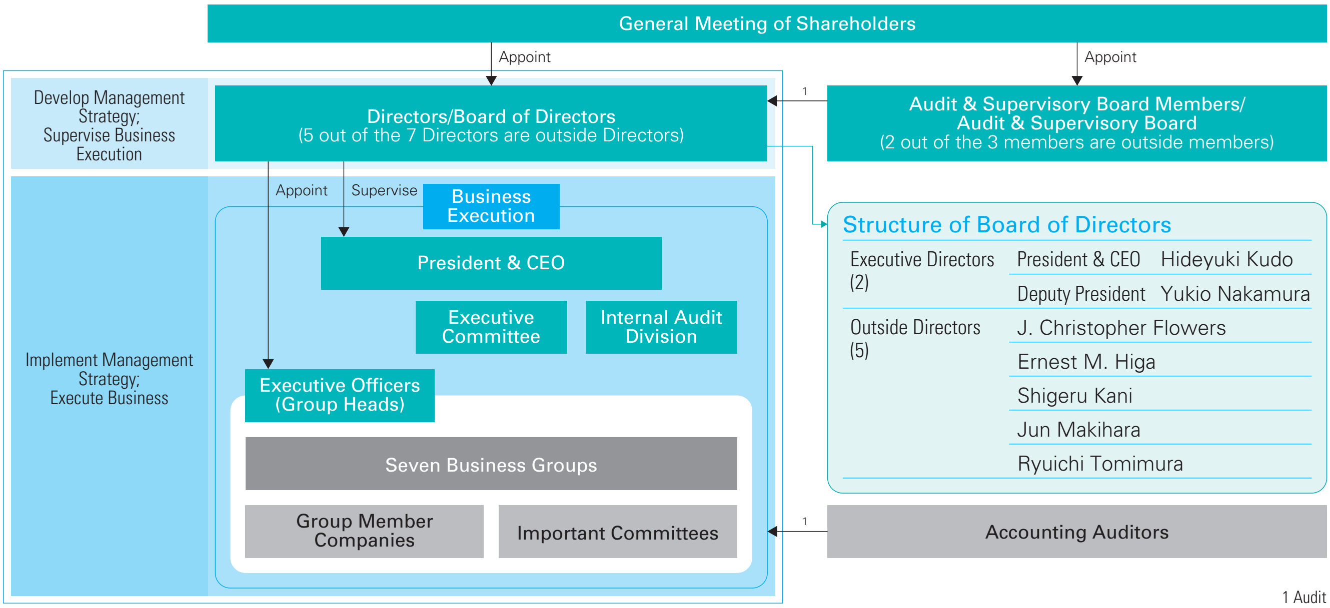
Shinsei Bank's Board of Directors—the Bank's decision-making body for its business management— consists of seven Directors—two full time directors who are directly responsible for the execution of the Bank's business and five outside Directors who primarily supervise the Bank's business execution. This combination of internal and external Directors ensures the transparency and objectivity of the Bank's management and fosters appropriate decision-making regarding the Bank's operations. In addition, the Bank has adopted the Executive Officer system to facilitate flexible direction of the Bank's daily business operations. This system consists of two Executive Directors and Executive Officers with extensive experience in each of their respective business areas who are appointed as Group Heads responsible for the conduct of daily business in their respective groups. In addition, the Audit & Supervisory Board, whose members are independent from the Board of Directors, audit the Board of Directors and the Bank's business execution. This corporate governance structure provides the Bank with a rigorous system of checks and balances that foster the adoption of an optimally balanced management policy that will enhance the Bank's corporate value.

Characteristics of Shinsei Bank's Corporate Governance/ Ensuring Transparency and Objectivity in Business Management through the Appointment of Outside Directors

Since its launch as Shinsei Bank in 2000, the management of the Bank has consistently emphasized the supervisory functions of outside Directors as the key to securing the transparent and objective management necessary to achieve sustainable growth and enhance the Bank's corporate value over the mid to long term. In line with its corporate governance framework as a "Company with an Audit & Supervisory Board" (*kansayakukai-setchigaisha*), the Bank has a Board of Directors structure in which outside Directors outnumber internal Directors, with two internal Directors responsible for daily business execution and five outside Directors. The current outside Directors are a well-balanced group of executives that bring to the Bank their extensive experience and expertise in a range of fields strongly related to the Bank's business, including domestic and overseas financial business, consumer-related business, risk management and information systems. Leveraging their past experiences and accumulated expertise, the Bank's outside Directors provide opinions on the Bank's management and operations from an independent and objective point of view and play an important role as supervisors and advisors to the Executive Directors.

The Board of Directors holds regular meetings six times a year, with additional special meetings convened as necessary. At these meetings, all Board members express their opinions freely and engage in robust discussions. The outside Directors articulate their views on the management of the Bank and offer a broader range of perspectives on topics being discussed as whether optimum strategies are being adopted, whether an appropriate risk-return balance is being maintained, and whether a particular transaction or course of action contributes to the growth of the Bank's businesses. The Bank's policies which are determined through such discussions contribute to the maintenance of an appropriate system of business promotion that will lead to sustainable growth and mid to long-term enhancement of the Bank's corporate value while protecting the interests of shareholders, customers and other stakeholders.

Summary of Corporate Governance (as of June 18, 2015)



At Shinsei Bank, Outside Directors and Auditors are not involved in the daily execution of the Bank's business, and in order to ensure the sharing of their independent viewpoints as well as to share detailed information regarding the execution of the Bank's business with each of the outside officers, the Bank holds regular meetings attended only by the outside officers. Each outside Director and Auditor, by utilizing these opportunities, are better able to serve as supervisors, advisors and auditors to the Executive Directors responsible for the Shinsei Bank Group's daily operations.

In regard to transactions with Directors, major shareholders, and other stakeholders, the Bank conducts checks to avoid conflicts of interest and maintain the fairness of transactions. The Bank has established frameworks for deliberating on relevant transactions at the Board of Directors meetings and conducting necessary follow-ups.

Executive Officer System, Executive Committees and Other Important Committees

Shinsei Bank has adopted the Executive Officer system to ensure the flexible execution of day-to-day business operations.

As of June 18, 2015, the Bank's business activities are being run by 27 Executive Officers, including the two Executive Directors, all appointed by the Board of Directors. Applying the Executive Officer system to the Bank's Group-based structure enables the Executive Officers and Group Heads appointed by the Board of Directors to efficiently operate their respective businesses under the leadership of the Executive Directors, including the President.

Reasons for Nomination of Outside Directors

Name	Reason for Nomination
Outside Director J. Christopher Flowers	Reflect in the Bank's management his experience and expertise in the financial service industry as a whole
Outside Director Ernest M. Higa[1]	Reflect in the Bank's management his experience and deep insight of business for consumers
Outside Director Shigeru Kani[1]	Reflect in the Bank's management his expertise in the risk management area and his extensive knowledge concerning banking operations
Outside Director Jun Makihara[1]	Reflect in the Bank's management his extensive knowledge of finance and his domestic and international experience
Outside Director Ryuichi Tomimura[1]	Reflect in the Bank's management his extensive experience and wide range of knowledge including information systems as a management executive and a consultant.

1 Shinsei Bank has submitted to the Tokyo Stock Exchange an independent director registration form identifying Ernest M. Higa, Shigeru Kani, Jun Makihara and Ryuichi Tomimura as independent directors.

Status of Board of Directors Meetings

Ratio of outside Directors 71%

- Five out of the seven Directors of Shinsei Bank are outside Directors and make up the majority of the Board of Directors.
- The structure where outside Directors make up the majority of the Board members has continued since the start of Shinsei Bank.
- Six officers including outside Audit & Supervisory Board Members are reported as independent officers to the Tokyo Stock Exchange (as of June 2015).

Attendance rate 100%

- The Directors, including outside Directors, attended almost all the Board meetings and had robust discussions concerning the management and business execution of Shinsei Bank.
- The figure in the box to the left shows the attendance rate of the Board of Directors meetings held after the Annual General Meeting in the fiscal year 2014 (nine meetings in total).

Summary of Executive Committee and Other Important Committees

Name	Main Purpose
Executive Committee	The President's decision-making body for day-to-day business execution
ALM Committee	Negotiate, coordinate and make decisions concerning medium- and long-term Asset and Liability Management
Compliance Committee	Communicate, coordinate and make decisions in regard to compliance
Risk Policy Committee	Discuss the bank-wide risk operation policy and management framework for the Bank's portfolios, and the Bank's approach to major portfolios, sectors, products and so forth
Doubtful Debt Committee	Promptly inform top management about significant bad debt exposure, and make decisions on write-offs and other matters concerning sale of debts, debt forgiveness, and so forth
SME Loan Committee	Through discussions on the business policy and challenges for the entire institutional banking business, take initiative in bank-wide efforts to achieve SME loan goals set in the Revitalization Plan
IT Committee	Discuss, coordinate and make decisions on matters concerning the Shinsei Bank Group's information technology systems
Business Continuity Management Committee	Discuss, coordinate and make decisions concerning the organization of the business continuity structure throughout the Bank
Basel Committee	Discuss, coordinate and make resolutions on matters concerning regulatory capital, with a focus on Basel regulations
Management Development Committee	Discuss, coordinate and make decisions about the HR system, HR measures and so forth

Additionally, the Bank has established the Executive Committee which is comprised of Executive Directors and Executive Officers who are Group Heads. The Executive Committee is a body that enables the President to make decisions on business execution and it allows the Bank to operate its business efficiently as well as in a timely manner. The Committee holds meetings on a weekly basis to deliberate on matters concerning the Bank's business operations. Through these discussions, the Groups confirm, share, and implement the Bank's management strategy and the direction it pursues.

Furthermore, the Bank has established numerous committees that bring together members from different Groups to facilitate appropriate and flexible cross-functional responses to issues arising from the increasing specialization and sophistication of the Bank's business.

Audit & Supervisory Board Members/ Audit & Supervisory Board

The Audit & Supervisory Board of Shinsei Bank is composed of one full-time member who has extensive business experience at the Bank and is knowledgeable in finance and accounting, and two outside members one of whom is an attorney and the other who is a certified public accountant. By applying the expertise from their fields of specialization and their knowledge of corporate governance and operating within the framework of the Audit & Supervisory Board, which is fully independent from the Board of Directors, these Auditors conduct appropriate audits of the Board of Directors' management of the Bank's business. In addition, the outside Auditors both have experience as directors of other companies which they are able to apply to their duties. Their ability to provide independent and objective opinions thus raises the effectiveness of the Audit & Supervisory Board's auditing activities.

The Audit & Supervisory Board Members attend important Bank meetings in addition to Board of Directors meetings, such as Executive Committee meetings, review important documents, and undertake audits of their own by, for instance, interviewing the Directors, Executive Officers and accounting auditors. In addition, the Audit & Supervisory Board Members work with the Internal Audit Division and other internal control sections and utilize staff of the Office of Audit & Supervisory Board to systematically and efficiently audit the state of business execution in the entire Shinsei Bank Group including subsidiaries.

Reasons for Nomination of Audit & Supervisory Board Members

Name	Reason for Nomination
Full-time Audit & Supervisory Board Member **Shinya Nagata**	Reflect in the Bank's audit operations his long years of business experience in the areas of finance and accounting at Shinsei Bank
Outside Audit & Supervisory Board Member **Michio Shibuya**[1]	Reflect in the Bank's audit operations his expertise and extensive experience as a certified public accountant, and knowledge regarding corporate governance based on experience as an Audit & Supervisory Board Member at a listed company.
Outside Audit & Supervisory Board Member **Kozue Shiga**[1]	Reflect in the Bank's audit operations her expertise and extensive experience as a lawyer.

1 Shinsei Bank has submitted to the Tokyo Stock Exchange an independent director registration form identifying Michio Shibuya and Kozue Shiga as independent directors.

Audit & Supervisory Board Members' Activities in FY2014

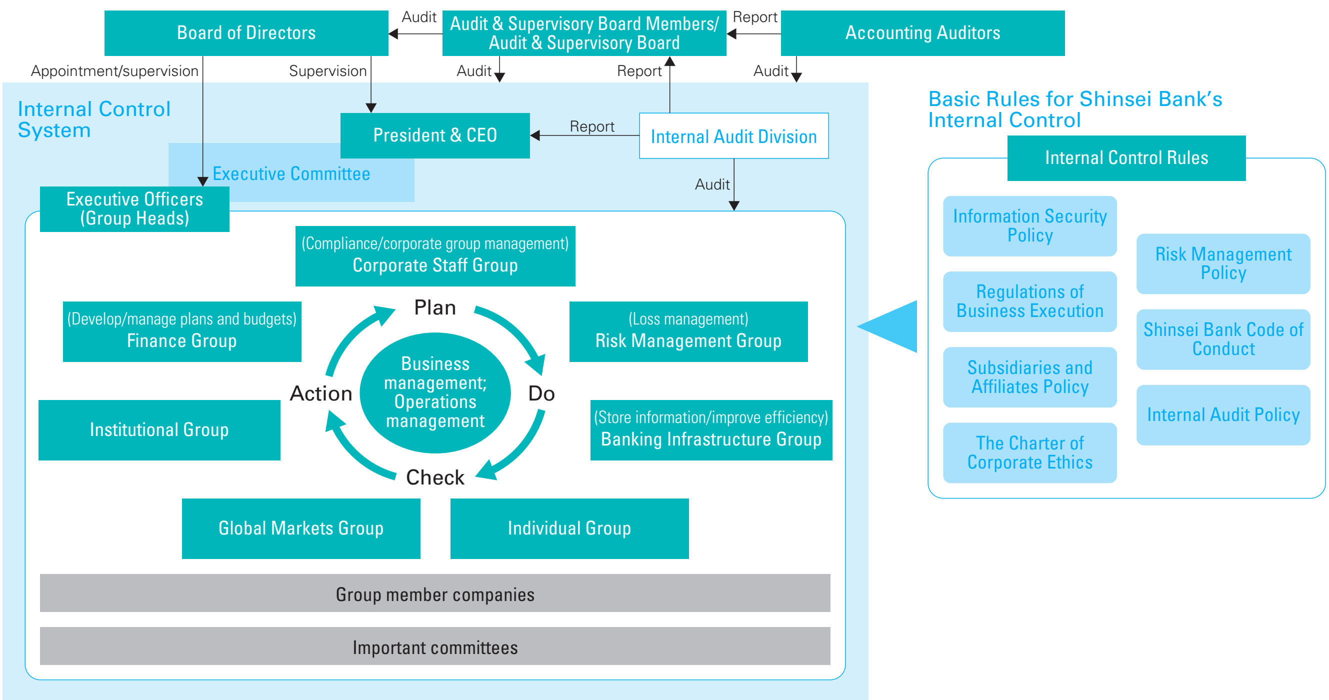
	Board of Directors meetings	Audit & Supervisory Board meetings
Number of meetings held[2]	9 times	12 times
Attendance rate	96%	100%

2 The total number of meetings held after the Annual General Meeting in fiscal year 2014

Internal Control

In addition to the above framework for monitoring business execution and decision-making by the Board of Directors, a properly functioning corporate governance system must include a framework that facilitates the effective operation of internal audit and compliance functions. Additionally, an internal control system, which is required by the Corporation Act, and internal controls for ensuring the accuracy of financial reports required by the Financial Instruments and Exchange Act, are crucial elements of a corporate governance structure. Although internal control are the responsibility of management, the overall internal control system functions more effectively if each of the Groups that carry out actual operations takes specific measures to enforce internal controls. The Bank's basic policy on the internal control system for appropriate and efficient performance of day-to-day operations is outlined in the "Internal Control Rules" approved by the Board of Directors which also reviews the status of the internal control system each year. The Internal Control Rules aim to create a framework for safeguarding the effectiveness of audits by the Audit & Supervisory Board Members, and designate the Subsidiaries and Affiliate Policy, Information Security Policy, Risk Management Policy, Regulations of Business Execution, Shinsei Bank Code of Conduct and Internal Audit Policy as the basic guidelines for preserving appropriate, transparent and efficient operations of the entire Shinsei Bank Group including subsidiaries. In addition, the Charter of Corporate Ethics prohibits relationships with antisocial forces, and through the cutting off of such relationships, ensures appropriate business operations by the Bank. It should be noted that in accordance with the May 2015 amendment of the Corporation Act, the Bank is establishing frameworks to facilitate the appropriate functioning of the Group's internal control system and audit function.

Internal Control Framework



Legal and Compliance Activities

The Legal and Compliance Division plays a pivotal role in supporting the Bank's legal and compliance function, a key function of the Bank's corporate governance.

Compliance Framework

Shinsei Bank strongly believes that thorough compliance must be one of management's most important missions, and Shinsei Bank has established a robust compliance framework to ensure sound and proper management that earns the trust of society.

The Bank's Compliance Committee, the Legal and Compliance Division, and Compliance Supervisors (General Managers) and Compliance Managers who are assigned in divisions, branches, and departments constitute the main elements of our compliance organization.

The Compliance Committee, with our GH of Corporate Staff Group as its chair, examines and discusses important compliance matters.

On the other hand, the Legal and Compliance Division plans various measures concerning compliance risk and implements these measures through central management.

Additionally, Compliance Supervisors take leadership in promoting compliance measures in their divisions, branches or departments and are responsible for making compliance-related decisions at their job sites. Compliance Managers act as the point of contact for compliance related matters and periodically report compliance related issues to the Legal and Compliance Division, as well as focus on strengthening compliance at job sites. The Legal and Compliance Division provides support to each division, branch, and department in their compliance decisions. Through the periodical reports by Compliance Managers, the Division conducts Bank-wide monitoring of how various measures are being implemented and also provides centralized compliance guidance. In order to be able to better respond to issues such as financial crimes (e.g. bank transfer scams), anti-money laundering regulations, antisocial forces, and for controlling legal matters, the Financial Crime Information Department and the Legal Department have been established as part of the Legal and Compliance Division.

Compliance Activities

Every year, we create a compliance program which promotes the development of regulations and training programs. We place particular emphasis on the use of training sessions as a tool to ensure the proliferation of compliance awareness and conduct trainings such as the "Shinsei Bank Code of Conduct"—a basic policy for the Bank employees, self training based on compliance risk of each division, branch, and department, and training for respective important compliance matters such as revisions of laws and regulations, on an ongoing basis.

In addition to group training, we are also working to create an environment that maximizes the effectiveness of training by introducing active e-learning courses and regularly transmitting a "Short Lesson for Compliance" by email, which summarizes compliance issues.

Legal Supervision

Banks are required to comply with a wide variety of laws and regulations in their day-to-day business operations. Violations of any of these laws can have severe repercussions not only to our credibility and reputation as a financial institution, but to that of the overall banking system itself. In the case of individual transactions, there exists a risk that we may face unexpected claims for damages if our contracts are unreasonable or we act in poor faith during the process of negotiation leading up to contract execution. Prevention and proper management of these legal risks are a crucial function within the day to day operations of today's banks.

In order to mitigate these risks, Shinsei Bank has established the Legal Department within its Legal and Compliance Division which presides over such legal affairs, including compliance with corporate and transactional laws, legal documentation and litigation supervision and through this specialized support, we aim to prevent and manage any legal risk.

Internal Audit

With the increased diversification and complexity of risks related to banking, the management of risk is becoming increasingly important. It is the role of the internal audit to independently assess the effectiveness of risk management measures and internal controls. This, in turn, helps maintain and enhance our corporate governance.

The Internal Audit Division (IAD) of the Bank reports directly to the CEO as well as to the Audit & Supervisory Board. The IAD supports the CEO in his responsibilities for controlling business execution, and in particular for establishing an effective system of internal controls. The IAD provides independent and objective assessments of the effectiveness of risk management, control and governance processes, the reliability of information and information technology systems, and compliance with statutory, legal and regulatory requirements as well as internal policy and procedure requirements of the Bank, and provides solutions to management. The IAD also maintains a close relationship with the Audit & Supervisory Board and provides them with internal audit-related information.

The IAD is independent from all the organizations subject to internal audits, as well as day-to-day operational activities and control processes including regular preventive and detective controls. The IAD utilizes a risk-based audit approach and conducts a comprehensive risk assessment by combining a macro-risk assessment, which assesses risk from the perspective of the Banking Group as a whole, together with a micro-risk assessment, which assesses risk from an individual business level. Businesses or processes that are perceived to have relatively higher risk are prioritized in the allocation of audit resources.

In order to improve the effectiveness and efficiency of internal audit activities, it is important to gather relevant information about the business departments. To do so, the IAD has been enhancing off-site monitoring activities by attending key management meetings, reviewing internal control documents and holding regular meetings with senior management.

Comprised of the Business Audit Team, the IT Audit Team and the Quality Control and Planning Team, the IAD takes the initiative in developing our internal auditors' expertise, and in particular, strongly encourages them to obtain professional certifications such as the Certified Internal Auditor and Certified Information Systems Auditor qualifications.

While the IAD pursues the development and introduction of new audit techniques, it also recognizes the importance of maintaining its fundamental skills necessary to its duties in governance. By receiving regular quality assessments by a third party organization on the IAD's internal audit activities, we are able to objectively identify opportunities for improvement.

The IAD also involves Group subsidiaries' internal audit divisions in these efforts in order to continuously improve its performance.

DIRECTORS AND EXECUTIVES

As of July 1, 2015

BOARD OF DIRECTORS (7)

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

*Outside Directors

AUDIT & SUPERVISORY BOARD MEMBERS (3)

Shinya Nagata	Audit & Supervisory Board Member
Michio Shibuya*	Certified Public Accountant
Kozue Shiga*	Lawyer

*Outside Audit & Supervisory Board Members

EXECUTIVE OFFICERS (27)

Hideyuki Kudo	Representative Director, President and Chief Executive Officer
Yukio Nakamura	Representative Director, Deputy President, In charge of Corporate Staff Group, Finance Group and Banking Infrastructure Group
Sanjeev Gupta	Senior Managing Executive Officer, Advisor to President and Chief Executive Officer
Michiyuki Okano	Senior Managing Executive Officer, Group Chief Information Officer, Head of Banking Infrastructure Group
Shinichirou Seto	Senior Managing Executive Officer, Head of Institutional Group
Akira Hirasawa	Managing Executive Officer, Head of Corporate Staff Group, General Manager, Corporate Planning Division, General Manager, Office of Financing Facilitation Management
Yasunobu Kawazoe	Managing Executive Officer, Chief Risk Officer, Head of Risk Management Group
Yoshiaki Kozano	Managing Executive Officer, Deputy Head of Institutional Group
Masayuki Nankouin	Managing Executive Officer, Chief Financial Officer, Head of Finance Group, Head of Financial Control and Accounting Sub-Group
Hironobu Satou	Managing Executive Officer, Head of Global Markets Group
Masashi Yamashita	Managing Executive Officer, Head of Individual Group
Shigeto Yanase	Managing Executive Officer, Executive Officer in charge of Institutional Business
Naoto Hanada	Executive Officer, General Manager, Information Systems Development Division II
Shouichi Hirano	Executive Officer, General Manager, Institutional Business Planning Division
Takahisa Komoda	Executive Officer, General Manager, Human Resources Division
Tsukasa Makizumi	Executive Officer, Executive Officer in charge of Institutional Business
Takako Masai	Executive Officer, General Manager, Markets Research Division
Masanori Matsubara	Executive Officer, General Manager, Information Systems Development Division I
Yuji Matsuura	Executive Officer, Head of Markets Sub-Group
Nozomi Moue	Executive Officer, General Manager, Structured Risk Management Division
Nobuyasu Nara	Executive Officer, Executive Officer in charge of Institutional Business, General Manager, Osaka Branch
Eiji Shibazaki	Executive Officer, Executive Officer in charge of Institutional Business, General Manager, Financial Institutions Business Division
Yasufumi Shimada	Executive Officer, General Manager, Market Risk Management Division
Tetsuro Shimizu	Executive Officer, Head of Individual Business Sub-Group
Satoshi Suzuki	Executive Officer, General Manager, Banking Infrastructure Planning Division
Masayoshi Tomita	Executive Officer, Head of Individual Planning Sub-Group
Takashi Yoshikawa	Executive Officer, Head of Overseas Banking Planning Department, Corporate Planning Division

SENIOR ADVISOR (1)

David Morgan	Supervisory Board Member, HSH Nordbank AG, and Managing Director, Europe and Asia-Pacific, J.C. Flowers & Co. UK Ltd

SPECIAL ADVISOR (1)

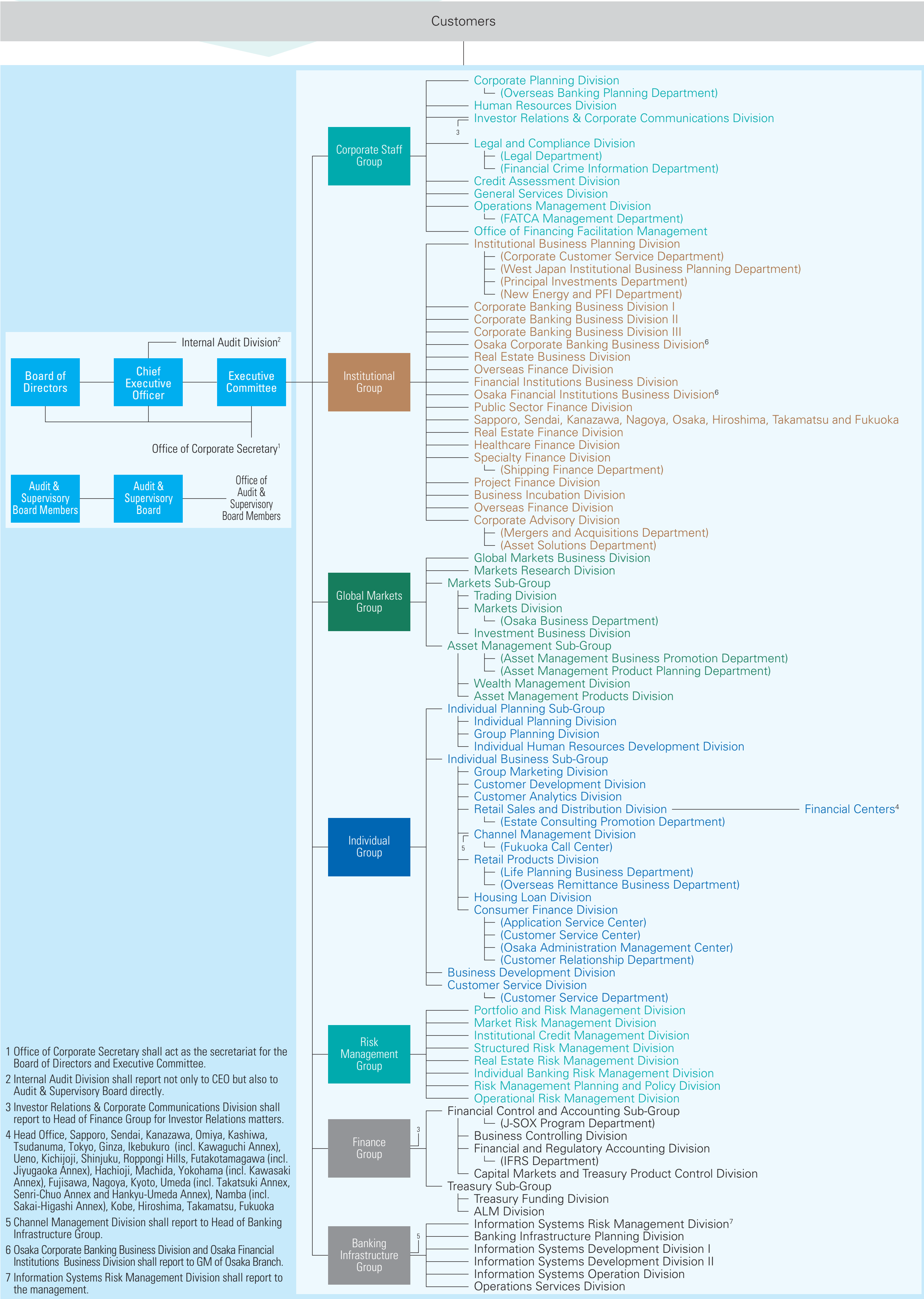
Shigeki Toma

ADVISOR (1)

Yuji Tsushima

ORGANIZATION

As of July 1, 2015



1 Office of Corporate Secretary shall act as the secretariat for the Board of Directors and Executive Committee.
2 Internal Audit Division shall report not only to CEO but also to Audit & Supervisory Board directly.
3 Investor Relations & Corporate Communications Division shall report to Head of Finance Group for Investor Relations matters.
4 Head Office, Sapporo, Sendai, Kanazawa, Omiya, Kashiwa, Tsudanuma, Tokyo, Ginza, Ikebukuro (incl. Kawaguchi Annex), Ueno, Kichijoji, Shinjuku, Roppongi Hills, Futakotamagawa (incl. Jiyugaoka Annex), Hachioji, Machida, Yokohama (incl. Kawasaki Annex), Fujisawa, Nagoya, Kyoto, Umeda (incl. Takatsuki Annex, Senri-Chuo Annex and Hankyu-Umeda Annex), Namba (incl. Sakai-Higashi Annex), Kobe, Hiroshima, Takamatsu, Fukuoka
5 Channel Management Division shall report to Head of Banking Infrastructure Group.
6 Osaka Corporate Banking Business Division and Osaka Financial Institutions Business Division shall report to GM of Osaka Branch.
7 Information Systems Risk Management Division shall report to the management.

RISK MANAGEMENT

Shinsei Bank has identified risk management as one of its most important management issues and the Bank has already undertaken various measures to strengthen risk management frameworks. These include improvements of our various committees and further empowerment of their functions, and the establishment of a system of checks and balances by the Risk Management Group which is fully independent of other Groups in the Bank. The Risk Management Group sufficiently discusses portfolio-specific risk management policies and policies on transactions with individual companies in order to make decisions in an appropriate and speedy manner. In addition, we are continuing to further strengthen our risk management frameworks in order to improve our risk taking capabilities in line with our business expansion, enhance our risk management methods and frameworks, and further develop our risk culture.

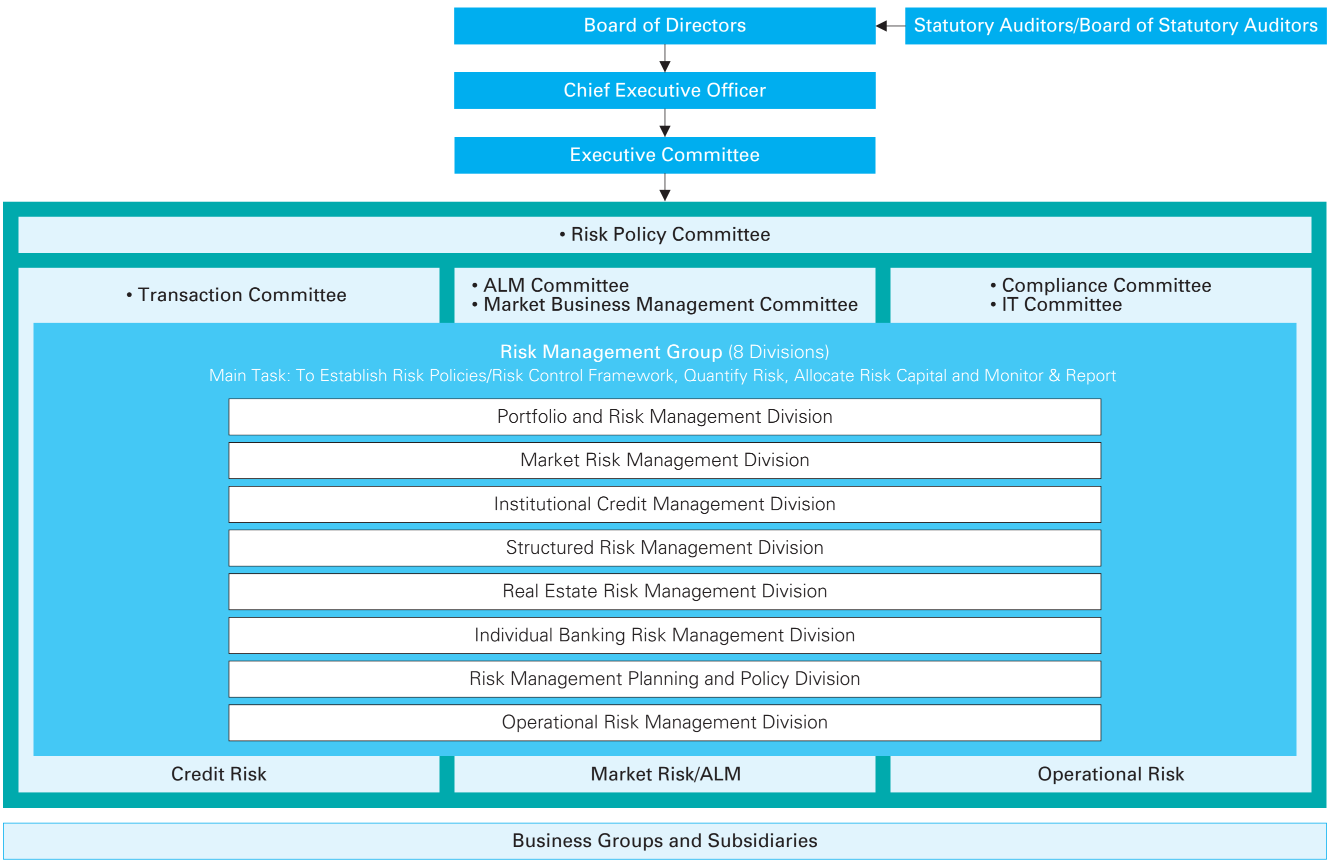
Fiscal Year 2014 Overview

Domestic and Overseas Economic Trends

In fiscal year 2014, the United State Federal Reserve Bank completed its tapering of QE3, and while it has begun considering the timing for a rate hike and an exit from a prolonged period of monetary easing to a more normalized monetary policy, the U.S. stock market has reached record highs reflecting the favorable economic environment. In Europe, the European Central Bank (ECB) launched its version of quantitative easing (QE) and the yields on European Union (EU) nations' government bonds, which already had been in a downward trend, fell to all-time lows, with a few exceptions. However, economic indicators in EU nations, including unemployment rates and GDP growth rates, have remained in the recovering trends.

Amid this global environment, the Japanese economy saw GDP growth deteriorate sharply in the April–June 2014 period as demand declined following a surge in demand prior to the consumption tax hike in April, and GDP growth unexpectedly remained negative in the July–September period before moving into a weak recovery trend thereafter. Corporate earnings, however, fared better, with export industries enjoying the benefits of the weak yen, and as a result, the Nikkei Average exceeded the 20,000 yen level for the first time in 15 years. Meanwhile, the number of corporate bankruptcies remained on a downward trend and the office leasing market enjoyed falling vacancy rates and rising average rents, adding momentum to the upward trend in prices.

Risk Management System Chart (as of June 17, 2015)



Shinsei Bank's Portfolio

Given the conditions noted above, the Bank's asset portfolio again saw little negative impact from deterioration in the creditworthiness of corporate customers, including large borrowers. We also continued to improve the quality of our real estate loan portfolio, centered on nonrecourse loans, by reducing our exposure to high-risk assets through asset replacement. This effort is the main reason for the continuing decline in the Bank's nonperforming loan (NPL) ratio. The consumer finance business had seen its loan balance contract in recent years owing to factors such as changes in the regulatory environment and external challenges such as a fiercer competitive environment. In fiscal year 2014, however, the loan balance has returned to growth due to the success of the Bank's revised credit strategy and efforts to increase lending to growth areas. Additionally, losses on interest repayment have peaked out and declined to a level easily covered by net income for the period.

Regarding the overall portfolio, capital buffers are expanding and management stability is increasing thanks to risk reductions through the aforementioned credit cost reductions and asset quality improvements, as well as the steady accumulation of capital through an increase in revenues.

Risk Factors and Future Policy

Fiscal year 2015 is the final year of the Second Medium-Term Management Plan, under which the Bank has endeavored to establish a unique business base, increase revenues, and further improve its financial condition since fiscal year 2013. Although the external environment has been improving, we must continue to monitor the potential downside risk to the global economy from factors such as the strategy of the U.S. in their coming exit from monetary easing, the slowdown in the Chinese economy, the lingering European nation government debt crisis including the situation of Greece, and geopolitical risks. The Risk Management Group will continue its efforts to accurately understand both domestic and overseas environments, comprehend the risk profile of the Bank's portfolio from various perspectives using stress tests and other means, and share its view with management. Additionally, we will exercise an appropriate system of checks and balances for the business promotion sections' initiatives in growth areas and the implementation of their business strategies. We will organize and strengthen the risk management framework, adequately monitoring new assets and flexibly reviewing risk strategies as required.

Comprehensive Risk Management

Basic Concept of Risk Management Systems

Financial institutions are exposed to various risks, including credit risk, market risk, interest rate risk, liquidity risk, and operational risk.

To maintain highly profitable and stable operations, a financial institution must make the control of these risks a management priority.

For that purpose, the Bank must be able to ascertain that risks are taken in line with Bank-wide policies as well as individual operational policies, remain within appropriate limits, and are adequately controlled by the units that take on the risks.

Achieving Comprehensive Risk Management

Shinsei Bank has established its "Risk Management Policy" as the fundamental policy to be used to recognize risks and implement controls based upon an understanding of the risks faced by the Bank. Due to a fiercely competitive business environment and evolving regulatory and market environments, Shinsei Bank faces an increasingly complex assortment of risks. The Risk Management Policy therefore sets forth fundamental risk management principles that draw upon the Bank's experiences during the financial crisis and establishes a risk culture within the Bank that facilitates proper judgment on the tolerable amount and nature of risks the Bank can undertake.

Comprehensive risk management requires not only detailed monitoring of each risk involved in individual operations, but also an understanding of bank-wide risks and quantification of these risks to the greatest extent possible based on analysis and insights into the bank's markets and customers. The Bank defines "Risk Capital," which is an integrated control approach, and quantifies each risk category, namely (1) credit risk, (2) market risk, (3) interest rate risk, and (4) operational risk. In this way, our financial strength and risk acquisition activities are controlled in an integrated manner by monitoring the Bank-wide risk volume and the status of the capital attributable to each business line. The Bank's current financial strength enables it to undertake a considerable amount of risk. Nonetheless, we remain conscious of the need to constantly and effectively conduct comprehensive risk management and consistently strive to improve our control methods.

It should be noted that at Shinsei Bank's senior management has delegated certain risk management authority to specific committees including the "Risk Policy Committee," "Transaction Committee," "Asset and Liability Management (ALM) Committee" and "Market Business Management Committee." By constantly improving their systems and functions in response to changes in the operating environment, these committees are able to function effectively as committees responsible for making important risk judgments. The Risk Policy Committee, whose members include the top management of the Bank such as the CEO, CFO, and CRO, by concurrently reviewing the Bank's risk management policy and business strategy, fulfills the Crucial role of setting and adjusting the appropriate and optimal level of risk taking.

Categories of Risk Capital

Risk Capital	Capital amount required as a cushion against unexpected economic losses. Unexpected Loss calculated by subtracting expected loss from estimated maximum loss of which time horizon is one year.
Credit Risk	Unexpected Loss calculated by subtracting expected loss from Credit VaR (Credit Value at Risk). Credit VaR is estimated maximum loss calculated by a simulation based on data including probability of default, exposure at default, and loss given default.
Market Risk	Estimated maximum loss from interest rate, foreign exchange and price change risk based on Market VaR (Market Value at Risk). Market VaR is calculated by a simulation based on data including position, volatility of risk factors, etc.
Interest Rate Risk	Estimated maximum loss from interest rate risk in banking account based on Interest Rate VaR (Interest Rate Value at Risk). Interest Rate VaR is calculated by a variance-covariance method based on data including sensitivity of fair market value when interest rates move 100 basis points.
Operational Risk	Estimated maximum loss based on Operational Risk VaR (Operational Risk Value at Risk). Operational Risk VaR is calculated by a simulation based on frequency and severity distributions which will be derived from internal loss records and scenario loss data.
Total Risk Capital	Amount calculated by subtracting effect of correlation across risk categories from simple sum of Risk Capital for each risk category.

Institutional Business Credit Risk Management

Credit risk is defined as the risk of losses due to deterioration in the financial condition of a creditor resulting in a reduction in or total loss of value of assets (including off-balance assets).

Our model for credit risk management focuses on securing adequate return on risk, avoiding excessive concentration in particular sectors or obligors, and managing risk while maintaining an awareness of maximum losses possible from the credit portfolio.

Shinsei Bank has established a comprehensive "Credit Risk Policy" which defines specific policies regarding customer attributes, products, markets, industries and credit situations in order to determine whether risks should be taken or limited, and clarifies policies for credit provision operations and specific guidelines for credit risk management together with the "Credit Procedure," and each protocol system.

Credit risk management processes are largely divided into credit risk management for individual transactions and portfolio-based credit risk management, as described below.

Credit Risk Management for Individual Transactions

(1) ORGANIZATION & STRUCTURE

In principle, credit assessments are based upon joint consultation by the Sales Promotion Division and the Risk Management Division (RMD) which is independent from the Sales Promotion Division. In order to ensure a transparent and rigorous evaluation process, the RMD has veto rights, which results in the establishment of an effective system of checks and balances on the Sales Promotion Division. The approval of each transaction is strictly managed, with each transaction also discussed by the Transaction Committee, etc. Through these deliberations, the level of approval authority required over the obligor whose group companies should be taken into consideration is identified based mainly on the total exposure to the obligor group and their credit rating and, as a result, strict credit management is enforced.

Additionally, regarding needs caution receivables, those that fall under a certain category determined by factors such as ratings, the Bank's exposure, and reserves, Shinsei Bank defensively manages the account, monitoring the obligor's business performance through the Doubtful Debt Committee, and by determining measures for the treatment of such obligors in the future, Shinsei Bank is making efforts to minimize credit costs and to ensure the quality of assets.

(2) CREDIT RATING SYSTEMS

The following is an outline of the internal obligor rating system that the Bank uses for corporate exposures:

CHARACTERISTICS OF
SHINSEI BANK'S OBLIGOR RATING SYSTEMS

- Increasing model accuracy and reflecting appropriate qualitative factors
- Benchmarked against external ratings
- Ensuring consistency of rating systems among industry classifications

Specifically, obligor ratings are determined by applying adjustments for qualitative factors to the model ratings calculated by our estimation models, which are based on the ratings of external rating institutions. Obligor ratings are determined at the "Credit Rating Review Committee" to ensure objectivity and transparency. Moreover, we ensure consistency of obligor ratings with obligor categories based on the regulatory self-assessment requirements.

Obligor ratings are used in the standards of credit approval authority procedures and portfolio controls, and are the foundation for credit risk management.

In addition to obligor ratings, the Bank also applies a facility rating system based on expected losses that incorporates elements such as collateral and/or guarantees, in order to assess obligor ratings and the credit status of individual transactions.

It should be noted that an obligor rating system and facility rating system similar to those adopted by the Bank also are applied in the analysis of large leasing receivables at Showa Leasing.

Portfolio-Based Credit Risk Management

(1) MONITORING ANALYSIS SYSTEM

It is essential that credit risks are diversified in terms of industries as well as ratings. This is done on a portfolio basis, which is an aggregation of transactions, and operations of individual transactions must be conducted based on appropriate risk analyses. At Shinsei Bank, the Portfolio and Risk Management Division takes the central role in monitoring the segment-specific risk diversification status including industry classifications, ratings, products, and regions, and undertakes analyses from the product-specific perspectives based on each risk profile. The Portfolio and Risk Management Division uses this information to improve portfolio management operations and provide reports to senior management and the CRO on a monthly as well as on an ad hoc basis.

(2) QUANTIFYING CREDIT RISK

Quantifying credit risk means measuring and assessing the likelihood of losses that may be incurred from changes in an obligor's creditworthiness. Expected loss amounts derived from the probability of default and collection ratios, an assumption based upon past experiences and future outlook, are generally called "expected losses." Also, losses that may be incurred in worst case scenarios and cannot be estimated based on past experiences are generally called "unexpected losses," and it is generally considered that risk capital can be quantified by measuring "unexpected losses."

Shinsei Bank utilizes a system for accurate measurement of risk capital which performs automatic measurement for credit risk based on data such as creditworthiness and transaction types. Through this, we are working to ensure sound portfolio management and resource allocation through the analysis of risk capital changes and profitability against risks. Also, by reflecting measured expected losses and unexpected losses in loan spreads we are able to ensure appropriate risk-return for each transaction.

(3) CREDIT CONCENTRATION GUIDELINE

The credit concentration guideline is an upper limit guideline that was established as part of the framework to prevent the concentration of credit in specific segments, customers or groups. Our credit concentration management framework consists of industry concentration guidelines and obligor group concentration guidelines, and in the event that credit concentration exceeds the guideline, reviews and countermeasures will be performed. These procedures are designed to prevent Shinsei Bank from being exposed to a crisis in the event our credit portfolio is affected by systemic shock or other extraordinary events. In fiscal year 2014, we strengthened the framework for our obligor group concentration guidelines by adopting more appropriate procedures. As the importance of risk diversification grows in tandem with the globalization of financial markets, we are continuing to work to ensure the establishment of even more effective credit concentration management frameworks.

Market-Related Transaction Credit Risks

Credit risks from market transactions, such as derivative transactions, are managed based on their fair value and estimations of future value fluctuations. Because the amount of risk associated with market transactions varies depending upon fluctuations in market rates, Shinsei Bank undertakes strict management of these transactions based upon future value fluctuation forecasts.

Self-Assessment

As a result of the introduction the "Prompt Corrective Action" system, financial institutions conduct self-assessments of their assets, such as loans, in order to appropriately write offs or sets aside sufficient reserves.

Shinsei Bank has put in place a self-assessment system which establishes the Credit Assessment Division, which is independent from the business promotion and credit analysis sections, as the unit responsible for the final self-assessment of the Bank's assets.

Specifically, the criteria and procedures for self-assessment adhere to the Financial Services Agency's "Inspection Manual for Deposit-Taking Institutions" and, in accordance with the outlined procedures, the business promotion section and the credit analysis section carry out primary assessments and secondary assessments respectively, and final assessments are conducted by the Credit Assessment Division.

In the future, we will continue to strengthen and update systems in order to ensure obligor categories and categorizations are reviewed in a timely manner in response to changes in obligor financial fundamentals. Through this, we seek to mitigate the emergence of problem loans and ensure the timely and accurate management of troubled loans.

Measures to Meet Basel Accord Requirements

In order to comply with the credit risk regulations under the Basel Accord, Shinsei Bank has adopted the F-IRB (Foundation Internal Ratings-Based) Approach. This approach ensures strict internal controls for our internal rating systems, the foundation of credit risk management, through the execution of the design and operations of internal rating systems and parameter estimations such as probability of default. The results of the internal rating systems are reflected not only in credit risk management, but also in calculations of capital levels required under the regulations. It should be noted that as of the end of March 2014, Shinsei Bank calculates required capital and capital ratios in accordance with Basel III (enhancement/revision of capital controls, etc.).

Individual Business Product Risk Management

Risk management for the consumer finance business includes all operations from loan application approvals (entry-point credit) to management of risks during the contract period (developing credit) and, if needed, debt collection operations. The Individual Banking Risk Management Division, which is responsible for risk management in the Individual Business, holds a monthly risk performance review with the Bank's other risk-related divisions as well as risk officers from Shinsei Bank's subsidiaries in order to share information and promote a shared awareness of risks. The division also advises other risk management units of the Bank and its subsidiaries on risk management policies and strategies. Risk-related divisions at Group subsidiaries carry out appropriate risk control through a process that incorporates the use of credit-related databases of customer attributes stemming from the nature of their businesses, credit information, and transaction history with a scoring model that generates initial credit scores, developing credit scores, and collection strategy scores, etc., based upon statistical methodologies. Additionally, in order to maintain the accuracy of this scoring model in line with the level achieved when it was first developed, model performance is constantly monitored and the model is subject to fine tuning on a regular basis. Credit costs are crucial to the management of profitability in the consumer finance business. We therefore monitor for predictive signals through various leading indicators at the portfolio level to enable us to quickly grasp any deterioration in the portfolio's overall asset quality and take timely action to improve its profitability.

Market Risk Management

Market risk is the risk of incurring losses due to changes in the value of the balance sheet through fluctuations of interest rates, FX rates, and stock prices, etc.

Market Risk Management Policy

Risks of the trading business are managed through, in accordance with the "Trading Business Risk Management Policy and Procedure," the determination of overall market risk and loss limits by the Executive Committee, and monitoring of the status of compliance with the limits on a daily basis by the Market Risk Management Division. In addition, the Market Business Management Committee reviews the trends of individual businesses, profits and losses, and the risks of overall business including the risks of products handled on a monthly basis.

Market risk, centered on interest rate risk related to assets and liabilities in the banking book, are managed in accordance with the “Asset Liability Management Policy for Banking Book,” and the ALM Committee determines total market risk and loss limits. The Market Risk Management Division then monitors compliance with these limits on a daily basis and reviews the status of profits and losses and the risk management measures on a monthly basis.

Trading Book

The market risk in the trading book is measured through techniques such as VaR. VaR is the maximum loss amount possible due to future price fluctuations, which is estimated statistically at a specific confidence level, assuming a specific position is held for a specific time horizon. In addition, we implement multi-faceted risk management using interest rate sensitivities.

The Bank’s VaR model uses a 99% confidence level, a 10 day holding period and an observation period of 250 days (See the following table).

The validity of the VaR model is verified through back testing, which examines how frequently actual daily loss exceeds daily VaR for a one-day holding period. The back testing results for fiscal year 2014 reveals that there were no days in which actual losses exceeded VaR on a consolidated basis. Additionally, we conduct stress tests on a weekly basis and report the findings to senior management at the Market Business Management Committee meetings, etc.

Interest Rate Risk in Banking Book

The market risk in the banking book is managed through interest rate sensitivities, etc. To measure interest rate risk, grid point sensitivity (GPS) for each period reflecting a 1% interest rate shock is calculated and used for internal management purposes (GPS is the fluctuation in the current value of assets, liabilities, and off-balance-sheet transactions caused by interest rate fluctuations during

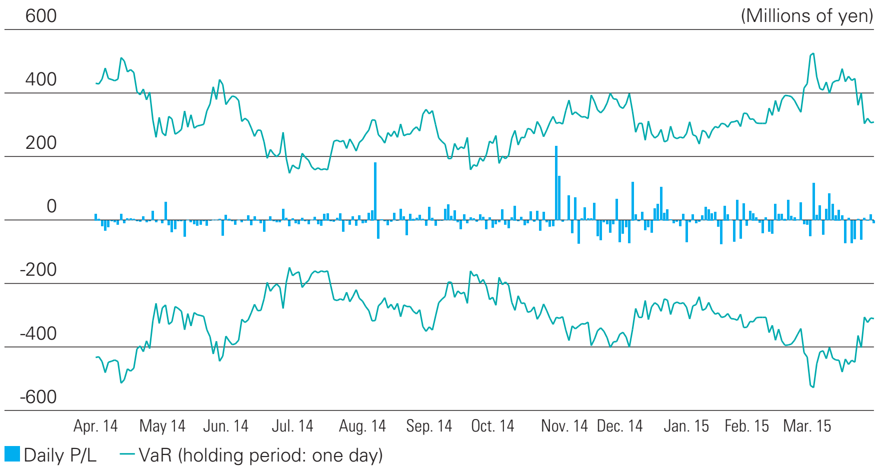
VaR Data for Fiscal Year End, Maximum, Minimum and Average During the Fiscal Year 2013 and 2014

		Millions of yen			
		FY2013		**FY2014**	
		Consolidated	Non-consolidated	**Consolidated**	**Non-consolidated**
FY End VaR		1,209	1,189	**976**	**594**
FY VaR	Maximum	3,265	3,243	**1,662**	**1,534**
	Average	1,735	1,701	**977**	**789**
	Minimum	752	713	**468**	**397**

Stressed VaR Data for Fiscal Year End, Maximum, Minimum and Average During the Fiscal Year 2014

		Millions of yen	
		FY2014	
		Consolidated	**Non-consolidated**
FY End VaR		**2,595**	**1,627**
FY VaR	Maximum	**4,939**	**4,170**
	Average	**3,065**	**2,537**
	Minimum	**1,673**	**1,492**

VaR and Daily Profit and Loss (Back-Testing) (FY2014, Consolidated basis)



Back-Testing on the VaR Model Applied to the Trading ACCOUNT

Back-testing involves comparing the fixed position virtual losses to estimated VaR to confirm the reliability of the VaR method.

ASSUMPTIONS OF SHINSEI’s VaR MODEL

Method: Historical simulation method

Confidence level:	99%
Holding period:	10 days
Observation days:	250 days
Coverage:	Trading account

each period (grid)). As the amount of interest rate risk is significantly impacted by the recognition of maturities and prepayments, we are endeavoring to appropriately capture interest rate risk by adopting the following models.

a. Housing loans

We calculate the interest rate risk of fixed-rate retail housing loans by statistically analyzing historical prepayment data and estimating future cash flow based on a proportional hazard model using periods lapsed from the loan origination.

b. Core deposits

Core deposits are defined as retail ordinary yen deposits and 2-week yen denominated time deposits which are left with financial institutions for a long term without withdrawal. We model depositors' behaviors by statistically analyzing deposit balance data and estimating maturities by customer segments.

It should be noted that model parameters are regularly reviewed.

Regarding the outlier criteria calculation, a 2% interest rate shock range is utilized and the criteria is calculated through a method which is consistent with internal controls. Additionally, as of March 31, 2015, the actual outlier rate (whether or not the decrease in economic value of the banking book, in the event of an interest rate shock with a range of 2%, would be greater than 20% of core capital) is below the outlier criterion, indicating that interest rate risk is at a controllable level.

Change in Economic Value for Applied Interest Rate Shock of 2% in the Banking Book at the End of March 2015

	Billions of yen	
	Consolidated	Nonconsolidated
JPY	¥ (106)	¥ (65)
USD	(1)	(1)
Other	(1)	(1)
Total	¥ (109)	¥ (68)
Outlier Ratio	12.9%	7.8%

Liquidity Risk Management

"Cash liquidity risk" (cash flow risk) is the risk of facing difficulty in securing necessary funds or a risk of incurring losses due to a need to raise funds at an interest rate that is significantly higher than the norm due to a mismatch between the durations of investment and funding or an unexpected outflow of funds.

Pursuant to the "Cash Liquidity Risk Management Policy," cash liquidity risk is managed and administered by the Cash Flow Management Unit (Treasury Funding Division) and the Cash Liquidity Risk Management Unit (Market Risk Management Division).

Also, the "risk management indexes" for securing sufficient cash liquidity, the "funding gap limit" and the "minimum liquidity reserves" are determined by the ALM Committee, and compliance with these is monitored on a daily basis and reported to management by the Market Risk Management Division.

In order to ensure the ability to implement appropriate measures such as additional fundraising or asset disposals in the event the funding environment sharply deteriorates, we conduct liquidity stress tests require the maintenance of a minimum liquidity duration of one month in stressed scenarios. If this requirement is not satisfied, we analyze all factors and, whenever necessary, examine measures necessary to secure the required liquidity, such as changing the funding gap limit or the minimum liquidity reserves, and in such cases the ALM Committee prepares a liquidity improvement policy. Liquidity stress tests are conducted on a monthly basis and reported to the ALM Committee by the Market Risk Management Division. Additionally, the suitability of stress scenarios is regularly reviewed at the ALM Committee.

The levels of cash liquidity risk consist of "Normal," "Need for Concern," "Crisis," and "Risk Administration Mode." The ALM Committee determines the current mode by comprehensively evaluating information and reports from the Cash Flow Management Unit and the Risk Management Unit as well as the status of the risk management indexes. Each mode-specific framework is set forth in the "Cash Liquidity Contingency Plan," and regular training is conducted in preparation of unexpected situations.

Operational Risk Management

1. Operational Risk Management Frameworks

Operational risk refers to the risk of loss resulting from "inadequate or failed internal processes, personnel, systems, or external events." Operational risk requires organization-wide management, because it is inherent in all business activity and is thus extensive.

To ensure the comprehensive management of operational risks, the Bank has established an operational risk management policy that clarifies the definitions of risk and sets forth our basic policy and system for risk management and frameworks for identifying, evaluating, monitoring, reporting and controlling/mitigating risk.

The Operational Risk Management Division, which is responsible for Group-wide operational risk management, evaluates, analyzes and reports on overall operational risks. Additionally, specialized management divisions that are independent from business divisions have been designated to monitor respective areas of risk, such as operational and administrative risk and systems risk. The Operational Risk Management Division and these specialized management divisions hold periodic meetings to share information on risk management issues and measures as well as to discuss how to manage the common elements across the risk areas including those of subsidiaries, thereby ensuring the effective management of operational risk.

Regarding quantification of operational risk, it should be noted that we have adopted the standardized approach for regulatory capital under the Basel Accord. Meanwhile on the internal management level, we gauge potential internal risk scenarios by considering factors such as previous losses due to internal factors and the perception of risks by each business line. The findings that come out of these practices have been used as part of the overall risk capital system.

2. Management of Administrative Risk and Systems Risk

Administrative and systems risk refers to the risk of "incurring losses owing to the failure of executives' or employees' to accurately perform clerical work, their committing errors or misconduct." Shinsei Bank has expanded its retail banking and consumer finance businesses and developed our institutional banking business. We therefore understand that appropriate administrative and systems risk management is crucial to our ability to offer reliable services to our customers.

Shinsei Bank, in accordance with the various frameworks of its "Operations Guidelines," in fiscal year 2014 implemented measures to strengthen its organizational structure with the goal of enhancing its administrative management system in order to support the sustained and stable supply of services to customers, and these efforts have included the holding of training seminars, the optimization of administrative flows and the provision of operational guidance. Specifically, efforts have included the establishment of a system of autonomous checks at the business line level and the creation of a database documenting past errors, the analysis of which the Bank expects to reveal the reasons for the occurrence of errors which will contribute to the avoidance of recurrences in the future. Additionally, the Bank has been successful in minimizing the recurrence of errors by simplifying and automating many administrative tasks and procedures.

The Bank has identified the following three factors as central pillars of its information systems strategy: security/reliability, flexibility and scalability. In particular, in fiscal year 2014, we started a regular scheduled review of system risks to maintain and increase the stability and reliability of our information systems. By implementing a continuous PDCA process, we are endeavoring to raise the quality of our systems development while preventing systems failures and ensuring rapid recoveries when problems do occur. In addition, we have enhanced the capabilities of our emergency backup center and made steady progress in constructing our next-generation core banking system.

Going forward, in order to ensure our ability to safely carry out transactions on behalf of our customers, we will continue our efforts to develop and maintain a robust system infrastructure that is safe, reliable, and secure, whilst ensuring the system has the flexibility required to provide customers with the new products and services that meet their constantly changing needs in a timely and efficient manner.

Furthermore, in regard to information security measures, a topic which is recently receiving a particularly high level of attention, Shinsei Bank will continue to implement cutting edge security measures in order to prevent security breaches of our information systems.

HUMAN RESOURCES AND CORPORATE SOCIAL RESPONSIBILITY (CSR)

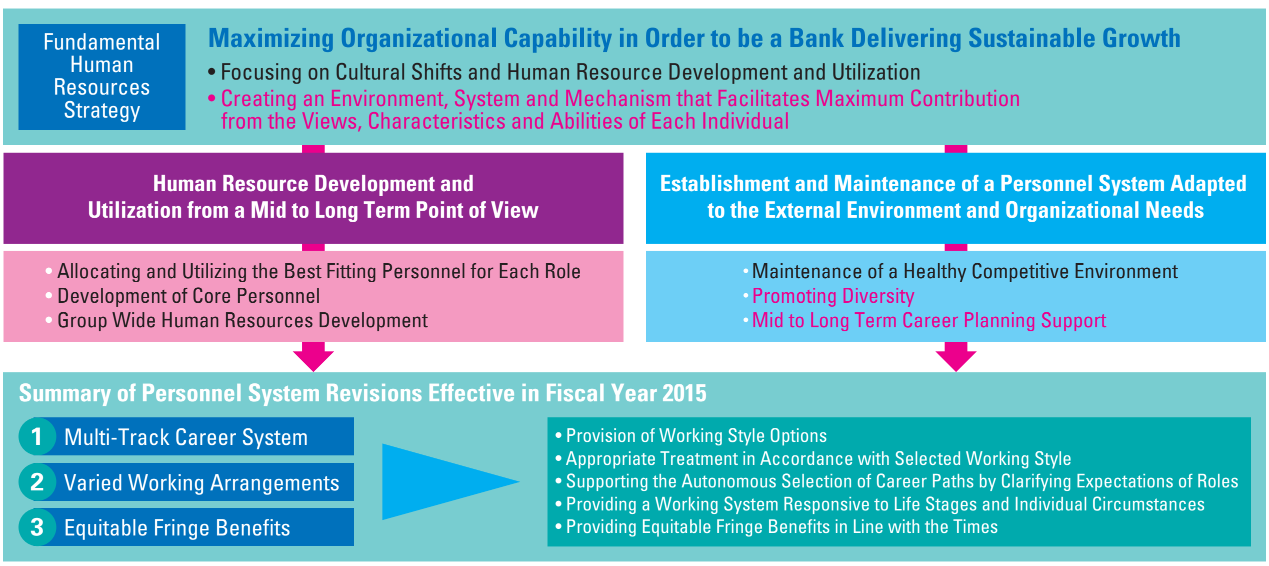
"People" as an Engine for Growth

The basic strategy of our Second Medium-Term Management Plan starting in fiscal year 2013 is to achieve a new retail finance model for individual customers and support the growth of companies, industries, and regions for our corporate customers through business participation. In today's world where economies and societies are rapidly changing, it is essential that we continue to differentiate ourselves even further from our competition in order to remain as an institution which is appreciated by our customers, society, and the market. To accomplish this, it is imperative that we be able to attract and develop talented individuals who are able to put themselves in the position of our customers and consistently deliver services of unsurpassed quality and high value-added solutions. The Bank believes that "people" within the organization will be the driving force for delivering new financial services, pursuing a new Bank image, and responding to the widely varied requirements of our customers in a timely manner. Accomplishing these goals will help the Bank win customers' trust as a cohesive unit that is able to respond to their multifaceted needs, which in turn will lead to the growth of the Bank.

A Personnel System in Line with our Management Principles

The management philosophy of Shinsei Bank is "to become a banking group that is sought out by our 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 the challenges presented by change," and "to become a trusted banking group that has highly transparent management, and values all stakeholders." In order to achieve our management principles and strategy, Shinsei Bank has made various revisions to its personnel system, including the establishment of a highly transparent and objective system for evaluations, promotions, and remuneration and based on a "Pay for Performance" philosophy and the creation of a work environment, systems, and processes that enable each employee to fully demonstrate his or her unique qualities, skills, and personal ambitions and therefore maximize their contribution to the organization. In April 2015, we made some further improvements to our personnel system. The primary purpose of the latest changes is the strengthening of support for medium- and long-term career planning that takes into account the diversity of employees' lifestyles and ambitions. Specifically,

Positioning of Shinsei Bank's Human Resources Strategy and Personnel System Revision



through the introduction of a multi-track career system consisting of three courses, the Bank has succeeded in clearly defining roles which will enable employees to set their own career paths and highly transparent evaluation/compensation structure that corresponds to role expectations and career formation. The latest revision also includes a new working arrangement system that enables the Bank to respond flexibly to employees' life stages and their need for diverse work arrangements. In addition, we have introduced a more equitable package of fringe benefits that better meets the needs of today's workers. By establishing a highly transparent personnel system incorporating these revisions, we aim to heighten employee motivation and loyalty. We are confident that the revisions to our personnel system will encourage employees to demonstrate the best of their abilities, thus maximizing the organization's performance and increasing overall corporate value.

Further Strengthening our Organization and Human Resources

By employing a business group-based organization that reflects the differences in customer profiles and characteristics of individual businesses, Shinsei Bank aims to develop professionals who have a deep understanding of their respective business fields. We also believe that it is important to develop and leverage human resources company-wide, as well as facilitate a positive corporate culture, in order to encourage cross-divisional collaboration between our highly specialized staff who can deliver differentiated financial solutions and the highest value to our customers. Shinsei Bank provides various types of training programs tailored to the development of skills or the career paths of our employees, including courses designed to provide a wide range of general financial knowledge or to hone specialized knowledge and skills necessary in each field, as well as schemes that allow employees to study at graduate schools both in Japan and overseas. We also send our employees overseas for short-term training programs and encourage them to obtain qualifications. Also, in order to strengthen management capability to maximize the strength of our organization, we have implemented 360 degree feedback for employees above the rank of general manager in order to promote awareness and behavioral changes as well as expanding various skill development trainings for management level employees. Additionally, as part of our multi-faceted human resources development measures, we provide our employees with opportunities to engage in cross-organizational business on a project basis, and transfer our human resources strategically across business groups and Group companies. At the same time, we encourage our people to utilize an internal job posting program to take charge of their own career development by taking on new challenges in different fields and utilizing the "self-declaration" system that allows employees to express their satisfaction level of and suitability to their respective current positions.

Leveraging Diversity

One of Shinsei Bank's greatest strengths is the diversity of our people in terms of age, gender, nationality and background. It is the creativity generated by this diverse set of people that has enabled us to launch groundbreaking services and business models, and we believe that this diversity is the source of our competitiveness.

Based on this idea, we routinely hire a number of new graduates to expand the ranks of employees from whom we expect our future leaders to emerge, while also making mid-career hires in line with business needs, and as a result we are able to continue to preserve the strengths of our diverse corporate culture. Also, since its inception, Shinsei Bank has actively promoted the advancement of talented female employees by introducing a variety of support initiatives including child-care leave, a reduction of working hours, and the "Shinsei Women's Network," an initiative that encourages interaction between female colleagues in the workplace. As of April 1, 2015, the proportion of female managers at Shinsei Bank remains among the highest in our industry, with women representing approximately 29% of all titled managers. We aim to raise this ratio to 35% by 2020.

In our aging society with smaller numbers of children and increasingly diversified lifestyles, we believe that respecting the differences and uniqueness of our employees and developing human resource development measures tailored to each individual's growth stage will help our employees make the best use of their abilities. We therefore are assertively promoting diversity throughout the Shinsei Bank Group by holding various seminars and training programs, such as a leader development seminar for female employees, a career planning seminar for older employees, and a training program to stimulate the creation of new businesses and exchange of personnel with the Shinsei Bank Group.

Shinsei Bank is committed to respecting the diversity of our people and will strive to reach new levels of organizational dynamism as we seek to provide completely new solutions to meet our customers' complex and ever-changing needs.

Contributing to Society

Our Approach

As part of our commitment to acting as a responsible corporate citizen and contributing to societal development, the Shinsei Bank Group actively promotes Corporate Philanthropic Initiatives. The Shinsei Bank Group promotes employee-driven activities aspiring to create a sustainable society together with our employees.

Our Focus

The Shinsei Bank Group aims to create a sustainable society by prioritizing our activities centered on the three themes of "nurturing the next generation," "the environment," and "disaster relief activities" after the Great East Japan Earthquake in 2011. The Shinsei Bank Group also continues to participate in charity runs and supports other activities that are strongly supported by our employees.

Nurturing the Next Generation
Support children, youth and physically and intellectually challenged people who create our future

Environment
Protect our earth and the environment we live in

Disaster Relief
Support the areas affected by the Great East Japan Earthquake

Contributing to Society: Nurturing the Next Generation

Financial Literacy Program "MoneyConnection®"

MoneyConnection® is Japan's first financial literacy program aimed at preventing youth from becoming people who are unemployed, and not in education or vocational training by providing them with an opportunity to think about money, work and their own future. This is a workshop-based program that is targeted primarily at high school students. Shinsei Financial Co., Ltd. ("Shinsei Financial"), a consolidated subsidiary of Shinsei Bank, developed the program in 2006 in cooperation with Sodateage.net, a certified non-profit organization with a strong track record in employment support for young people. From fiscal year 2012, Shinsei Bank has been running this program together with Sodateage.net as part of its corporate philanthropic initiatives focusing on the theme of "nurturing the next generation." As of March 31, 2015, the program has been taught to 82,465 students from 602 schools throughout Japan.

Learning materials for MoneyConnection®

As a corporate sponsor, Shinsei Bank is supporting the program financially as well as promoting employee involvement by providing volunteer opportunities for Group employees to participate as facilitators where possible. MoneyConnection® received an Excellence Award in the "First Career Education Awards" program organized by the Japanese Ministry of Economy, Trade and Industry in 2010. MoneyConnection® also won a Special Award in 2015 in the "Eleventh Japan Partnership Awards" program organized by the Japan Partnership Award Secretariat in recognition of its outstanding partnership between an NPO and a private sector company.

Shinsei Bank is collaborating with regional financial institutions to expand the geographic reach of MoneyConnection®. In October 2012, Shinsei Bank and Sodateage.net have signed a memorandum of agreement with The Fukui Bank, Ltd. in October 2012, The Kiyo Bank, Ltd. in May 2013, and The Bank of Iwate, Ltd. in December 2013. Shinsei Bank will continue to promote and strengthen the MoneyConnection® program in regional areas by looking for opportunities for collaboration with regional financial institutions.

Contributing to Society: Disaster Relief

Home Mortgage Campaign to Support Reconstruction Efforts Following the Great East Japan Earthquake

Shinsei Bank launched a home mortgage campaign aimed at supporting reconstruction after the Great East Japan Earthquake from October 1, 2014 to March 31, 2015 and donated a total of 5.46 million JPY to the Great East Japan Earthquake Recovery Initiatives Foundation in May, 2015. This campaign offered a 30,000 yen discount on the processing fee of Shinsei Bank's "PowerSmart Home Mortgage Anshin Pack W" ("Anshin Pack W") and made a donation of the same amount to the Great East Japan Earthquake Recovery Initiatives Foundation. The full amount of the funds raised were donated to "Manaberu Kikin," a scholarship program established and operated by the Foundation for High School Students of the Tohoku Region. This campaign was designed to support the rebuilding of the region by reminding Anshin Pack W customers of the support required for the affected areas, and providing donations to "Manaberu Kikin," which aims to enable the next generation of adults—a goal that strongly resonates with the product attributes of Anshin Pack W which is designed to provide support for families with children.

Volunteer Activities in Disaster Affected Areas

Employee volunteers from Shinsei Bank and Group subsidiaries took part in volunteer activities in the Tohoku Region of Japan to help support the areas affected by the Great East Japan Earthquake. From July 2011, Shinsei Bank has conducted a total of eleven volunteer activities in the disaster affected areas, and a total of 315 Shinsei Bank Group employees participated in these activities. Of these, seven activities were conducted in the Minamisanrikucho region of Miyagi Prefecture and were activities that supported the immediate needs of the disaster affected areas, such as drain clearing and debris removal, aquaculture support work,

Christmas concert hosted by Shinsei Bank held in Higashimatsushima in December 2014

holding of mini concerts at temporary housing facilities, and summer festival support activities. In fiscal year 2014, Shinsei Bank held two disaster relief volunteer activities in Minamisanrikucho and Higashimatsushima of Miyagi Prefecture and organized events aiming to relieve emotional stress for the people living in the area. Shinsei Bank will continue to support disaster relief efforts following the Great East Japan Earthquake as one of its key corporate philanthropic initiatives and will continue to proactively engage in activities that respond to the needs of the affected areas.

Great East Japan Earthquake related Lecture

Since fiscal year 2012, Shinsei Bank had been organizing disaster relief activities in collaboration with Asahi Mutual Life Insurance Company ("Asahi Life Insurance") including volunteer activities in Minamisanrikucho, Miyagi Prefecture. From fiscal year 2013, Shinsei Bank and Asahi Life Insurance co-hosted disaster-related lectures in Tokyo once a year as a reminder of the Great East Japan Earthquake. In fiscal year 2014, the Secretary-General of Minamisanrikucho Council of Social Welfare and a local storyteller gave a lecture entitled "Minamisanrikucho Today—Four Years since the Disaster" at an event held in Shinsei Bank's Head Office building. The lecturers spoke about the post-disaster situation of the town and their current condition and problems as well as personal

Music and comedy live showcase hosted by Shinsei Bank and Asahi Mutual Life Insurance Company held in Minamisanrikucho in October 2014

"Minamisanrikucho Today—Four Years since the Disaster" Lecture held at the Shinsei Bank Head Office building experiences from the disaster. 117 people including employees and families from both Shinsei Bank and Asahi Life Insurance and CSR representatives from other companies participated in the event.

Fair to Support Disaster Affected Areas and Mentally and Physically Challenged People in Tohoku

Since March 2013, Shinsei Bank held seven "Tohoku Support Fair" in its Head Office building and the Meguro Production Center to support the income and employment of mentally and physically challenged individuals working at vocational facilities that were affected by the Great East Japan Earthquake. At the Fair, products made in the vocational facilities were sold to employees working at Shinsei Bank and Group subsidiaries. A total of 4,500 items including food and other goods (with sales totaling 1.23 million JPY) were sold at the Fair. From March 2015, Shinsei Bank is working together with Miyagi Selp Conference, a non-profit organization that manages products made in vocational facilities for mentally and physically challenged people living in Miyagi Prefecture, and held the "Miyagi Selp Tohoku Support Fair" lining up with various new products.

Contributing to Society: Environment

Arakawa Clean-Aid and Fujisawa Beach Cleaning Project

With support from the NPO Arakawa Clean Aid Forum, Shinsei Bank organizes an Arakawa riverbank clean-up activity once a year in the spring and also participates in SEGO Initiative's "Fujisawa Beach Cleaning Project" twice a year in the spring and the fall. These events are a great opportunity to learn about the environment. Shinsei Bank employees and their families participate in these activities as volunteers and new recruits also proactively participate in the spring clean-up.

Group photo with "Arakawa Clean-Aid" participants

Our Commitment to Environmental Sustainability

Measures to Conserve Electricity and Reduce Our Impact on the Environment

Shinsei Bank continues to make every effort to conserve electricity in our head office through initiatives such as turning off lights in communal spaces and using motion sensors to control lighting in conference and reception rooms throughout the year. In the summer season when demand for electricity increases, Shinsei Bank implements additional measures to minimize the use of electricity, such as reducing ceiling lighting in communal spaces in its head office by approximately 75%, implementing a "cool biz" uniform policy, optimization of air conditioning temperatures and operating hours, automatic illumination control which reacts to the levels of natural light and automatic control of the quantity of fresh air introduction depending upon indoor CO_2 concentration. Additionally, Shinsei Bank is actively pursuing the further reduction of the environmental impact of its offices by relocating the Shinsei Bank headquarters in January 2011[1], the Meguro Production Center in February 2012 and the Osaka Branch in October 2013 to advanced energy-efficient buildings, and transitioning from PCs to VDI (virtual desktop interface)[2] from 2014 in all branches.

1 The Nihonbashi Muromachi Nomura Building where the head office is located is certified as a "top-level installation" by the "TOKYO Green Building Program" of the Tokyo Metropolitan Environmental Security Ordinance.

2 The migration of desktop computers to VDI, describes the shift to the storing of the standard desktop interface commonly used by businesses and storing them virtually on a server. The power consumption by this infrastructure is low, and this migration is thought to result in a reduction in power usage in comparison to a traditional desktop computer system.

Environmental Impact Data

	Unit	FY2011	FY2012	FY2013	FY2014
CO_2 Emissions	t	6,687	3,106	3,748	3,395
Electricity Usage	kWh	17,475,604	6,159,462	6,658,612	6,029,536
Gas Usage	m^3	60,476	112,000	114,000	90,000
Clean Water Usage	t	32,764	1,290	1,481	1,638

Notes: (1) CO_2 emissions data have been calculated according to "Guidelines for Calculating Specified Greenhouse Gas Emission Volume under the Total Emission Reduction Obligations and the Emission Trading Framework"
(2) Data are for all Shinsei Bank headquarter (do not include affiliated companies) and Meguro Production Center.
(3) After the relocation of the Shinsei Bank headquarters and the Meguro Production Center, Shinsei Bank became a building tenant, therefore, clean water usage data does not include clean water usage for shared space.

Amount of Waste Generated / Recycling Rate

	Unit	FY2011	FY2012	FY2013	FY2014
Waste Generated	t	273	184	238	220
Amount Recycled	t	181	111	148	131
Amount of Waste Disposal	t	92	73	90	88
Recycling Rate	%	66.4%	60.4%	62.1%	59.9%

Notes: (1) Waste generation data have been calculated according to data provided by building maintenance companies.
(2) Data are for all Shinsei Bank headquarter (do not include affiliated companies) and Meguro Production Center.

Data Section

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 financial statements prepared in accordance with accounting principles generally accepted in Japan ("Japanese GAAP") for banks, including the notes to those financial statements, included elsewhere in this annual report. Except as otherwise indicated, the financial information in the following discussion is based on our consolidated financial statements.

The discussion below contains forward-looking statements regarding the intent, belief or current expectations of management with respect to our financial condition and future results of operations. In many cases, but not all, we use such words as "anticipate," "believe," "estimate," "expect," "intend," "plan," "probability," "risk" and similar expressions in relation to us or our management to identify forward-looking statements. These statements reflect our current views with respect to future events and are subject to risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those we currently anticipate or target. We do not intend to update these forward-looking statements.

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

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

OVERVIEW

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

- To provide financial products and services that meet institutional customer needs by a strategic and systematic business promotion structure, the Institutional Group focuses primarily on corporate and public sector finance and advisory business, while the Global Markets Group concentrates on financial markets business and serving financial institution clients. The Institutional Group consists of business promoted by the Bank and Showa Leasing Co., Ltd. (Showa Leasing).
- The Individual Group consists of the retail banking business and the consumer finance business. In the retail banking business, we are continuing to work to fulfill customer needs as well as improve the convenience of our service. In the consumer finance business, Shinsei launched an unsecured personal loan service from October 1, 2011, in addition to existing installment sales credit, credit card and settlement businesses through APLUS FINANCIAL Co., Ltd. (APLUS FINANCIAL), and an unsecured personal loan service through Shinsei Financial Co., Ltd. (Shinsei Financial) and SHINKI Co., Ltd. (SHINKI).

FINANCIAL SUMMARY FOR THE FISCAL YEAR ENDED MARCH 31, 2015

We recognized a consolidated net income of ¥67.8 billion for the fiscal year ended March 31, 2015, a significant increase of ¥26.4 billion compared to ¥41.3 billion recorded in the fiscal year ended March 31, 2014. The sharp increase in consolidated net income compared to the fiscal year ended March 31, 2014 was due to the absence of the additional provisioning of reserves for losses on interest repayments recorded in the fiscal year ended March 31, 2014 as well as an increase in total revenue due to the recording of significant dividend income on securities investments in the Institutional Group, and at the same time was a significant outperformance of the ¥55.0 billion consolidated net income that was established for the second year of the Second Medium-Term Management Plan.

Total revenue was ¥235.3 billion for the fiscal year ended March 31, 2015. Of this, net interest income was ¥126.4 billion for the fiscal year ended March 31, 2015, increased ¥15.9 billion compared to ¥110.5 billion recorded for the fiscal year ended March 31, 2014. This performance was the result of factors such as an improvement in net interest margin due to a reduction in funding costs as well as the recording of significant dividend income from securities investments in the Institutional Group. On the other hand, noninterest income in the fiscal year ended March 31, 2015 was ¥108.8 billion, an increase of ¥16.3 billion compared to ¥92.5 billion recorded in the fiscal year ended March 31, 2014. This performance was due to factors such as an improvement in markets related transaction revenues including ALM operations and an increase in revenue from the installment sales finance business of the consumer finance business.

OVERVIEW (continued)

Regarding general and administrative expenses excluding amortization of goodwill and intangible assets, efforts to promote operational efficiency were continued, as a result of the proactive allocation of management resources in order to expand the business base of Shinsei Bank through measures such as increasing personnel and advertising campaigns, expenses in the fiscal year ended March 31, 2015 were ¥144.2 billion, an increase compared to ¥135.0 billion in the fiscal year ended March 31, 2014.

Regarding net credit costs, due to factors such as the additional provisioning of reserves for loan losses due to an increase of the loan balance in the consumer finance business, total net credit costs in the fiscal year ended March 31, 2015 were ¥11.8 billion, increased from ¥0.2 billion recorded in the fiscal year ended March 31, 2014.

Regarding reserves for losses on interest repayments, total additional reserves provisioned in the fiscal year ended March 31, 2015 were limited to ¥4.0 billion, sharply reduced from ¥15.6 billion provisioned in the fiscal year ended March 31, 2014.

The balance of loans and bills discounted as of March 31, 2015 was ¥4,461.2 billion, increased by ¥141.4 billion from ¥4,319.8 billion as of March 31, 2014. The overall loan balance grew due to growth in loans to institutional customers, and in particular an increase in the balance of the Structured Finance business despite a fiercely competitive market environment, and growth in loans to individual customers, where the disbursements of housing loans continued to be strong, and the consumer finance loan balance continuing to grow since having shifted to a growth trend in the fiscal year ended March 31, 2014.

Net interest margin of 2.38% was recorded for the fiscal year ended March 31, 2015, increased compared to 2.07% recorded for the fiscal year ended March 31, 2014. This was mainly due to a significant decline in the rate on deposits, including negotiable certificates of deposit ("NCDs"), as a result of the maturation of the majority of high interest rate time deposits made in the past, as well the yield on interest-earning assets, and in particular, securities, increased due to the recording of significant dividend income on securities investments compared to the fiscal year ended March 31, 2014. It should be noted that the yield on loans and bills discounted as a part of interest earning assets has declined slightly compared to the fiscal year ended March 31, 2014.

Regarding capital ratios under Basel III domestic standard (grandfathered basis), total core capital increased due to the positive impacts of the accumulation of profits and a reduction in expected losses exceeding eligible provisions reserved exceeding the reduction in core capital resulting from the redemption of perpetual preferred securities. However, on the other hand, due to factors such as a reduction in the Bank's F-IRB housing loan risk weightings and collections on large claims, risk assets were reduced significantly, and the consolidated core capital adequacy ratio rose from 13.58% as of March 31, 2014 to 14.86% as of March 31, 2015. Additionally, our Basel III international standard Common Equity Tier 1 Capital Ratio (fully loaded basis) increased from 9.2% as of March 31, 2014 to 11.9% as of March 31, 2015.

The balance of nonperforming loans ("NPLs") under the Financial Revitalization Law (nonconsolidated basis) as of March 31, 2015 was ¥60.9 billion, decreased by ¥103.8 billion during the fiscal year ended March 31, 2015 due to factors such as the disposal of and collections on NPLs. In addition, the proportion of nonperforming claims to the overall loan balance improved significantly from 3.81% as of March 31, 2014 to 1.42% as of March 31, 2015.

SIGNIFICANT EVENTS

Shinsei issued ¥6.0 billion and ¥5.0 billion of unsecured corporate bonds with inter-bond pari passu clauses on July 18, 2014 and December 4, 2014, respectively.

SELECTED FINANCIAL DATA (CONSOLIDATED)

Shinsei Bank, Limited and its Consolidated Subsidiaries
As of or for the fiscal years ended March 31, 2015, 2014, 2013, 2012 and 2011

	Billions of yen (except per share data and percentages)				
	2015	2014	2013	2012	2011
Statements of income data:					
Net interest income	**¥ 126.4**	¥ 110.5	¥ 111.6	¥ 116.9	¥ 156.6
Net fees and commissions	**24.6**	22.4	19.1	25.1	26.0
Net trading income	**11.5**	13.9	20.0	13.6	11.6
Net other business income	**72.6**	56.1	48.1	47.2	68.3
Total revenue	**235.3**	203.0	199.0	202.9	262.6
General and administrative expenses	**144.2**	135.0	130.9	130.3	145.3
Amortization of goodwill and intangible assets acquired in business combinations	**8.6**	9.7	10.8	11.9	13.0
Total general and administrative expenses	**152.8**	144.8	141.7	142.3	158.4
Net credit costs	**11.8**	0.2	5.5	12.2	68.3
Net business profit after net credit costs	**70.5**	57.9	51.6	48.3	35.8
Other gains (losses), net	**2.1**	(11.9)	2.1	(32.9)	21.9
Income before income taxes and minority interests	**72.7**	46.0	53.8	15.3	57.7
Current income taxes	**2.4**	2.4	0.5	2.9	1.9
Deferred income taxes (benefit)	**0.9**	(0.7)	(1.3)	2.4	5.2
Minority interests in net income of subsidiaries	**1.5**	2.9	3.5	3.5	7.9
Net income	**¥ 67.8**	¥ 41.3	¥ 51.0	¥ 6.4	¥ 42.6
Balance sheet data:					
Trading assets	**¥ 317.3**	¥ 249.1	¥ 287.9	¥ 202.6	¥ 195.3
Securities	**1,477.3**	1,557.0	1,842.3	1,873.4	3,286.3
Loans and bills discounted	**4,461.2**	4,319.8	4,292.4	4,136.8	4,291.4
Customers' liabilities for acceptances and guarantees	**291.7**	358.4	511.0	562.6	575.7
Reserve for credit losses	**(108.2)**	(137.3)	(161.8)	(180.6)	(199.2)
Total assets	**8,889.8**	9,321.1	9,029.3	8,609.6	10,231.5
Deposits, including negotiable certificates of deposit	**5,452.7**	5,850.4	5,457.5	5,362.4	5,610.6
Debentures	**32.3**	41.7	262.3	294.1	348.2
Trading liabilities	**267.9**	218.5	240.0	176.0	147.7
Borrowed money	**805.2**	643.4	719.2	476.7	1,672.7
Acceptances and guarantees	**291.7**	358.4	511.0	562.6	575.7
Total liabilities	**8,136.0**	8,598.5	8,345.6	7,982.0	9,620.3
Common stock	**512.2**	512.2	512.2	512.2	512.2
Total equity	**753.7**	722.5	683.6	627.6	611.1
Total liabilities and equity	**¥ 8,889.8**	¥ 9,321.1	¥ 9,029.3	¥ 8,609.6	¥ 10,231.5
Per share data:					
Common equity[1]	**¥ 275.45**	¥ 247.82	¥ 233.65	¥ 212.67	¥ 205.83
Basic net income	**25.57**	15.59	19.24	2.42	21.36
Diluted net income	**—**	15.59	—	—	—
Capital adequacy data:					
Capital ratio (Basel III, Domestic Standard)	**14.9%**	13.6%	—	—	—
Total capital adequacy ratio (Basel II)	**—**	13.8%	12.2%	10.3%	9.8%
Tier I capital ratio (Basel II)	**—**	12.2%	10.4%	8.8%	7.8%
Average balance data:					
Securities	**¥ 1,604.9**	¥ 1,892.7	¥ 2,014.3	¥ 2,394.6	¥ 3,056.4
Loans and bills discounted	**4,326.8**	4,241.5	4,246.2	4,159.8	4,680.7
Total assets	**9,105.5**	9,175.2	8,819.5	9,420.6	10,804.1
Interest-bearing liabilities	**7,346.4**	7,465.5	7,054.0	7,237.5	8,507.2
Total liabilities	**8,367.3**	8,472.1	8,163.8	8,801.2	10,181.1
Total equity	**738.2**	703.1	655.6	619.4	623.0
Other data:					
Return on assets	**0.7%**	0.5%	0.6%	0.1%	0.4%
Return on equity[1]	**9.8%**	6.5%	8.6%	1.2%	8.5%
Ratio of deposits, including negotiable certificates of deposit, to total liabilities	**67.0%**	68.0%	65.4%	67.2%	58.3%
Expense-to-revenue ratio[2]	**61.3%**	66.5%	65.8%	64.2%	55.3%
Nonperforming claims, nonconsolidated	**¥ 60.9**	¥ 164.7	¥ 242.6	¥ 295.9	¥ 279.6
Ratio of nonperforming claims to total claims, nonconsolidated	**1.4%**	3.8%	5.3%	6.7%	6.8%

1 Stock acquisition rights and minority 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)

SUPPLEMENTAL FINANCIAL DATA AND RECONCILIATIONS TO JAPANESE GAAP MEASURES

Shinsei Bank, Limited and its Consolidated Subsidiaries

For the fiscal year ended March 31, 2015	Billions of yen (except per share data and percentages)
Amortization of goodwill and intangible assets acquired in business combinations	
Amortization of intangible assets acquired in business combinations	¥ 2.8
Associated deferred tax income	(1.0)
Amortization of goodwill	5.7
Total amortization of goodwill and intangible assets acquired in business combinations, net of tax benefit	¥ 7.5
Reconciliation of net income to cash basis net income	
Net income	¥ 67.8
Amortization of goodwill and intangible assets acquired in business combinations, net of tax benefit	7.5
Cash basis net income	¥ 75.4
Reconciliation of basic net income per share to cash basis basic net income per share	
Basic net income per share	¥ 25.57
Effect of amortization of goodwill and intangible assets acquired in business combinations, net of tax benefit	2.84
Cash basis basic net income per share	¥ 28.42
Reconciliation of return on assets to cash basis return on assets	
Return on assets	0.7%
Effect of amortization of goodwill and intangible assets acquired in business combinations, net of tax benefit	0.1%
Cash basis return on assets	0.8%
Reconciliation of return on equity to cash basis return on equity	
Return on equity	9.8%
Effect of amortization of goodwill and intangible assets acquired in business combinations, net of tax benefit	1.1%
Cash basis return on equity	10.9%
Reconciliation of return on equity to return on tangible equity	
Return on equity	9.8%
Effect of goodwill and intangible assets acquired in business combinations	1.6%
Return on tangible equity[1]	11.4%

1 Net income excludes Amortization of goodwill and intangible assets acquired in business combinations, net of tax benefit. Average equity excludes goodwill and intangible assets acquired in business combinations, net of associated deferred tax liability.

NET INTEREST INCOME

Net interest income of ¥126.4 billion was recorded in the fiscal year ended March 31, 2015, an increase of ¥15.9 billion from ¥110.5 billion recorded in the previous fiscal year. An improvement in net interest margin resulting from a reduction in funding costs as well as significant dividend income from securities investments in the Institutional Group were the contributing factors to this performance.

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RESULTS OF OPERATIONS (CONSOLIDATED) (continued)

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/Rate)

	2015			2014		
Fiscal years ended March 31	**Average Balance**	**Interest**	**Yield/Rate**	Average Balance	Interest	Yield/Rate
Interest-earning assets:						
Loans and bills discounted	**¥ 4,326.8**	**¥ 125.0**	**2.89%**	¥ 4,241.5	¥ 124.4	2.93%
Lease receivables and leased investment assets/ installment receivables	**678.3**	**38.0**	**5.62**	610.3	36.5	5.99
Securities	**1,604.9**	**20.7**	**1.29**	1,892.7	15.6	0.83
Other interest-earning assets[1]	**357.8**	**2.8**	**n.m.[3]**	423.5	3.1	n.m.[3]
Total revenue on interest-earning assets (A)	**¥ 6,968.0**	**¥ 186.7**	**2.68%**	¥ 7,168.1	¥ 179.8	2.51%
Interest-bearing liabilities:						
Deposits, including negotiable certificates of deposit	**¥ 5,654.5**	**¥ 10.8**	**0.19%**	¥ 5,821.9	¥ 20.6	0.35%
Debentures	**37.6**	**0.0**	**0.13**	64.6	0.1	0.24
Borrowed money	**722.1**	**4.7**	**0.66**	642.9	4.9	0.77
Subordinated debt	**61.7**	**1.7**	**2.78**	88.2	1.9	2.26
Other borrowed money	**660.3**	**3.0**	**0.46**	554.6	2.9	0.54
Corporate bonds	**181.7**	**5.1**	**2.85**	192.4	5.9	3.09
Subordinated bonds	**149.9**	**4.9**	**3.29**	172.5	5.7	3.31
Other corporate bonds	**31.7**	**0.2**	**0.76**	19.8	0.2	1.12
Other interest-bearing liabilities[1]	**750.2**	**1.3**	**n.m.[3]**	743.5	1.0	n.m.[3]
Total expense on interest-bearing liabilities (B)	**¥ 7,346.4**	**¥ 22.1**	**0.30%**	¥ 7,465.5	¥ 32.7	0.44%
Net interest margin (A) - (B)	**—**	**164.5**	**2.38%**	—	147.0	2.07%
Non interest-bearing sources of funds:						
Non interest-bearing (assets) liabilities, net	**¥ (1,052.7)**	**—**	**—**	¥ (937.5)	—	—
Total equity excluding minority interest[2]	**674.2**	**—**	**—**	640.1	—	—
Total non interest-bearing sources of funds (C)	**¥ (378.4)**	**—**	**—**	¥ (297.3)	—	—
Total interest-bearing liabilities and non interest-bearing sources of funds (D) = (B)+(C)	**¥ 6,968.0**	**¥ 22.1**	**0.32%**	¥ 7,168.1	¥ 32.7	0.46%
Net revenue on interest-earning assets/ yield on interest-earning assets (A) - (D)	**—**	**¥ 164.5**	**2.36%**	—	¥ 147.0	2.05%
Reconciliation of total revenue on interest-earning assets to total interest income						
Total revenue on interest-earning assets	**¥ 6,968.0**	**¥ 186.7**	**2.68%**	¥ 7,168.1	¥ 179.8	2.51%
Less: Income on lease transactions and installment receivables	**678.3**	**38.0**	**5.62**	610.3	36.5	5.99
Total interest income	**¥ 6,289.6**	**¥ 148.6**	**2.36%**	¥ 6,557.8	¥ 143.2	2.18%
Total interest expenses	**—**	**22.1**	**—**	—	32.7	—
Net interest income	**—**	**¥ 126.4**	**—**	—	¥ 110.5	—

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 fiscal years presented.
3 n.m. is not meaningful.

Net revenue on interest-earning assets includes net interest income as well as revenue earned on lease receivables and leased investment assets and installment receivables. We consider income on lease transactions and installment receivables to be a component of interest income, while Japanese GAAP does not include income on lease transactions and installment receivables in net interest income. In our consolidated statements of income, income on lease transactions and installment receivables is reported in net other business income under Japanese GAAP.

Net interest margin of 2.38% was recorded for the fiscal year ended March 31, 2015, an increase as compared to 2.07% for the fiscal year ended March 31, 2014. This increase was mainly due to a significant reduction in the rate on deposits, including negotiable certificates of deposits, from 0.35% to 0.19% as a result of the maturation of a portion of high interest rate time deposits, in addition to an increase in the yield on interest earning assets from 2.51% to 2.68% as a result of an increase in securities related dividend income.

RESULTS OF OPERATIONS (CONSOLIDATED) (continued)

Net revenue on interest-earning assets for the fiscal year ended March 31, 2015 was ¥164.5 billion, increasing from ¥147.0 billion for the previous fiscal year. This was the result of the total expense on interest-bearing liabilities decreasing from ¥32.7 billion for the previous fiscal year to ¥22.1 billion for the fiscal year ended March 31, 2015, in addition to total interest income associated with interest earning assets increasing from ¥179.8 billion for the previous fiscal year to ¥186.7 billion for the fiscal year ended March 31, 2015.

NET FEES AND COMMISSIONS

Net fees and commissions consists mainly of fees from nonrecourse finance on domestic real estate, servicing fees from specialty finance and principal transactions, fees from guarantee and other businesses in consumer finance operations, and fees from sales of mutual funds and insurance products. Net fees and commissions of ¥24.6 billion were recorded for the fiscal year ended March 31, 2015, increasing from ¥22.4 billion for the fiscal year ended March 31, 2014, mainly due to factors such as an increase in revenue associated with the installment business at consumer finance subsidiaries and the steady growth of fees from structured bonds in Retail Banking.

NET TRADING INCOME

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

TABLE 2. NET TRADING INCOME (CONSOLIDATED)

	Billions of yen		
Fiscal years ended March 31	**2015**	2014	Change (Amount)
Income from trading securities	**¥ 6.1**	¥ 6.3	¥ (0.2)
Income (loss) from securities held to hedge trading transactions	**(0.1)**	(2.3)	2.2
Income from trading-related financial derivatives	**5.6**	10.1	(4.5)
Other, net	**(0.0)**	(0.1)	0.1
Net trading income	**¥ 11.5**	¥ 13.9	¥ (2.4)

Net trading income includes revenue from derivatives associated with transactions with customers as well as revenue from proprietary trading at the Bank. Net trading income of ¥11.5 billion was recorded for the fiscal year ended March 31, 2015, a decline from ¥13.9 billion for the fiscal year ended March 31, 2014.

NET OTHER BUSINESS INCOME

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

TABLE 3. NET OTHER BUSINESS INCOME (CONSOLIDATED)

	Billions of yen		
Fiscal years ended March 31	**2015**	2014	Change (Amount)
Net gain on monetary assets held in trust	**¥ 7.4**	¥ 6.7	¥ 0.6
Net gain on foreign exchanges	**6.3**	5.0	1.3
Net gain on securities	**8.4**	0.9	7.5
Net gain on other monetary claims purchased	**7.3**	0.8	6.5
Other, net:	**4.9**	5.9	(1.0)
Income (loss) from derivatives entered into for banking purposes, net	**(0.2)**	0.6	(0.8)
Equity in net income (loss) of affiliates	**4.0**	2.6	1.4
Gain on lease cancellation and other lease income (loss), net	**0.6**	1.7	(1.1)
Other, net	**0.4**	0.8	(0.4)
Net other business income before income on lease transactions and installment receivables, net	**34.5**	19.5	14.9
Income on lease transactions and installment receivables, net	**38.0**	36.5	1.5
Net other business income	**¥ 72.6**	¥ 56.1	¥ 16.5

RESULTS OF OPERATIONS (CONSOLIDATED) (continued)

Net other business income of ¥72.6 billion was recorded in the fiscal year ended March 31, 2015 as compared to ¥56.1 billion in the fiscal year ended March 31, 2014. This increase was due to factors such as the recording of larger gains on the sale of equity holdings than in the fiscal year ended March 31, 2014 and a major improvement in profits from overseas investments in the Institutional Group, as well as an improvement in revenue from market-related transactions in the Global Markets Group and gains on the sale of bonds including Japanese national government bonds in ALM operations.

TOTAL REVENUE

Due to the factors described above, total revenue in the fiscal year ended March 31, 2015 was ¥235.3 billion, as compared with ¥203.0 billion for the previous fiscal year.

GENERAL AND ADMINISTRATIVE EXPENSES

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

TABLE 4. GENERAL AND ADMINISTRATIVE EXPENSES (CONSOLIDATED)

	Billions of yen		
Fiscal years ended March 31	**2015**	2014	Change (Amount)
Personnel expenses	**¥ 59.6**	¥ 55.2	¥ 4.4
Premises expenses	**19.4**	20.0	(0.5)
Technology and data processing expenses	**18.8**	18.1	0.6
Advertising expenses	**11.4**	10.0	1.3
Consumption and property taxes	**7.8**	6.1	1.7
Deposit insurance premium	**3.5**	3.4	0.0
Other general and administrative expenses	**23.4**	21.9	1.5
General and administrative expenses	**144.2**	135.0	9.2
Amortization of goodwill and intangible assets acquired in business combinations	**8.6**	9.7	(1.1)
Total general and administrative expenses	**¥ 152.8**	¥ 144.8	¥ 8.0

General and administrative expenses of ¥144.2 billion, excluding amortization of goodwill and intangible assets acquired in business combinations, for the fiscal year ended March 31, 2015 represented an increase from ¥135.0 billion for the fiscal year ended March 31, 2014. This was a result of the prioritized allocation of management resources in relevant business areas in order to be able to smoothly expand our customer base further and to enhance our profitability, both of which are major strategic targets established in the Second MTMP.

Personnel expenses of ¥59.6 billion for the fiscal year ended March 31, 2015 increased from ¥55.2 billion for the fiscal year ended March 31, 2014. We are looking to allocate additional personnel to strategically important business areas in order to expand our customer base and enhance our profitability.

Nonpersonnel expenses of ¥84.6 billion were recorded in the fiscal year ended March 31, 2015, an increase from ¥79.8 billion recorded in the fiscal year ended March 31, 2014, as we have worked to rationalize expenses across all of our business lines through strict expense controls, while also investing in enhancing in our business infrastructure. Premises expenses of ¥19.4 billion were recorded in fiscal year ended March 31, 2015, decreased compared to ¥20.0 billion recorded in fiscal year ended March 31, 2014, whilst continuing efforts to streamline expenses. Additionally, technology and data processing expenses of ¥18.8 billion were recorded in the fiscal year ended March 31, 2015, an increase from ¥18.1 billion in the fiscal year ended March 31, 2014, due primarily to maintenance costs related to investments aimed at stabilizing our information technology infrastructure becoming fully realized. Advertising expenses of ¥11.4 billion were recorded in the fiscal year ended March 31, 2015, an increase from ¥10.0 billion in the fiscal year ended March 31, 2014, as we has actively increased advertising activities in order

RESULTS OF OPERATIONS (CONSOLIDATED) (continued)

to expand our customer base. Consumption and property taxes for the fiscal year ended March 31, 2015 were ¥7.8 billion, an increase from ¥6.1 billion in the fiscal year ended March 31, 2014, due primarily to the effects of the consumption tax hike. Deposit insurance premium expenses of ¥3.5 billion were recorded in the fiscal year ended March 31, 2015, more or less flat from ¥3.4 billion in the fiscal year ended March 31, 2014. This was due to the average balance of deposits, etc., which forms the basis for calculating the Bank's deposit insurance premium, not fluctuating drastically and the insurance premium rate not changing significantly. Other general and administrative expenses of ¥23.4 billion were recorded for the fiscal year ended March 31, 2015, an increase from ¥21.9 billion for the fiscal year ended March 31, 2014, due in part to an increase in compensation paid to professionals as the Bank works to expand its businesses and outsourcing expenses in order to ensure the stable operation of our information technology systems.

AMORTIZATION OF GOODWILL AND INTANGIBLE ASSETS ACQUIRED IN BUSINESS COMBINATIONS

Amortization of goodwill and intangible assets acquired in business combinations associated with the acquisition of consumer and commercial finance companies totaled ¥8.6 billion for the fiscal year ended March 31, 2015 compared to ¥9.7 billion for the previous fiscal year. The lower amount is attributable to factors including the sum-of-the-years' digits method for amortization of goodwill and intangible assets acquired in business combinations related to Shinsei Financial. Amortization of goodwill and intangible assets acquired in business combinations of APLUS FINANCIAL was ¥0.8 billion for the fiscal year ended March 31, 2015 related to the amortization of goodwill for Zen-Nichi Shinpan, a subsidiary of APLUS FINANCIAL. Full impairment of goodwill and intangible assets for APLUS FINANCIAL was taken as of March 31, 2010.

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

	Billions of yen		
Fiscal years ended March 31	**2015**	2014	Change (Amount)
Shinsei Financial	**¥ 5.2**	¥ 6.3	¥ (1.1)
SHINKI	**(0.3)**	(0.3)	—
APLUS FINANCIAL	**0.8**	0.8	0.0
Showa Leasing	**2.7**	2.7	(0.0)
Others	**0.1**	0.1	—
Amortization of goodwill and intangible assets acquired in business combinations	**¥ 8.6**	¥ 9.7	¥ (1.1)

NET CREDIT COSTS

The following table sets forth the principal components of net credit costs.

TABLE 6. NET CREDIT COSTS (CONSOLIDATED)

	Billions of yen		
Fiscal years ended March 31	**2015**	2014	Change (Amount)
Losses on write-off or sales of loans	**¥ 4.9**	¥ 3.1	¥ 1.7
Net provision of reserve for loan losses:			
Net provision of general reserve for loan losses	**14.3**	2.8	11.5
Net provision of specific reserve for loan losses	**0.6**	3.4	(2.7)
Subtotal	**15.0**	6.2	8.7
Other credit costs (recoveries) relating to leasing business	**(0.1)**	(0.2)	0.1
Recoveries of written-off claims	**(8.0)**	(8.9)	0.8
Net credit costs	**¥ 11.8**	¥ 0.2	¥ 11.5

RESULTS OF OPERATIONS (CONSOLIDATED) (continued)

The principal components of net credit costs are provisions or reversals of reserve for loan losses. In accordance with Japanese regulatory requirements, Shinsei maintains general and specific reserves for loan losses, a reserve for loans to restructuring countries, as well as a specific reserve for other credit losses. Certain subsidiaries, particularly Shinsei Financial, APLUS FINANCIAL, SHINKI and Showa Leasing, also maintain general and specific reserves for loan losses.

Net credit costs of ¥11.8 billion were recorded for the fiscal year ended March 31, 2015, showing a significant increase as compared to ¥0.2 billion for the previous fiscal year. While a significant improvement in the provisioning of reserves for loan losses due to the disposal of nonperforming loans and improvements in credit quality of loans was observed in the previous fiscal year, provisions of general reserves for loan losses increased in this fiscal year, primarily due to an increase in loans at the Bank's consumer finance business.

For the fiscal year ended March 31, 2015, recoveries of written-off claims were ¥8.0 billion, compared to ¥8.9 billion of recoveries of written-off claims for the previous fiscal year, and even when excluding recoveries of written-off claims from net credit costs, a performance of ¥19.9 billion was recorded for the fiscal year ended March 31, 2015, an increase as compared to ¥9.2 billion recorded for the previous fiscal year.

Additionally, the recoveries of written-off claims for the fiscal year ended March 31, 2015 of ¥8.0 billion included ¥2.1 billion at Shinsei Bank (nonconsolidated basis), ¥4.7 billion at Shinsei Financial and ¥0.9 billion at SHINKI.

OTHER GAINS (LOSSES), NET

The table below sets forth the principal components of other gains (losses).

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

	Billions of yen		
Fiscal years ended March 31	**2015**	2014	Change (Amount)
Net gain on disposal of premises and equipment	**¥ 0.9**	¥ 1.4	¥ (0.4)
Gains on write-off of unclaimed debentures	**0.5**	1.2	(0.6)
Gains on write-off of unclaimed deposits	**0.3**	0.1	0.2
Gains on sale of nonperforming loans	**5.1**	—	5.1
Gain on liquidation of subsidiaries	**0.0**	2.2	(2.1)
Provision of reserve for losses on interest repayments	**(4.0)**	(15.6)	11.5
Impairment losses on long-lived assets	**(1.4)**	(1.5)	0.1
Other, net	**0.4**	0.2	0.2
Total	**¥ 2.1**	¥ (11.9)	¥ 14.0

Other gains of ¥2.1 billion were recorded for the fiscal year ended March 31, 2015, including additional provisions of reserve for losses on interest repayments of ¥4.0 billion for APLUS FINANCIAL.

INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS

As a result of the preceding, income before income taxes and minority interests totaled ¥72.7 billion for the fiscal year ended March 31, 2015, as compared to ¥46.0 billion for the previous fiscal year.

INCOME TAXES (BENEFIT)

Current and deferred income taxes reflected a net expense of ¥3.3 billion for the fiscal year ended March 31, 2015 compared to a net expense of ¥1.6 billion for the previous fiscal year. For the fiscal year ended March 31, 2015, we recorded ¥2.4 billion of current income tax expense and ¥0.9 billion of deferred income tax expense. For the previous fiscal year, ¥2.4 billion of current income tax expense and ¥0.7 billion of deferred income tax income were recorded.

MINORITY INTERESTS IN NET INCOME OF SUBSIDIARIES

Minority interests in net income of subsidiaries largely reflect dividends accrued on perpetual preferred securities issued by the Bank's subsidiaries, and minority interests in the net income of other consolidated subsidiaries for the fiscal year ended March 31, 2015. Minority interests in net income of subsidiaries for the fiscal year ended March 31, 2015 was ¥1.5 billion, a decrease from ¥2.9 billion for the previous fiscal year.

RESULTS OF OPERATIONS (CONSOLIDATED) (continued)

TABLE 8. MINORITY INTERESTS IN NET INCOME OF SUBSIDIARIES (CONSOLIDATED)

Fiscal years ended March 31	Billions of yen 2015	2014	Change (Amount)
Dividends on preferred securities (hybrid Tier I capital) issued by foreign SPCs	**¥ 1.6**	¥ 3.1	¥ (1.4)
Others	**(0.1)**	(0.1)	0.0
Minority interests in net income of subsidiaries	**¥ 1.5**	¥ 2.9	¥ (1.4)

NET INCOME

We recognized a consolidated net income of ¥67.8 billion for the fiscal year ended March 31, 2015, compared to ¥41.3 billion for the previous fiscal year.

Consolidated cash basis net income for the fiscal year ended March 31, 2015 was ¥75.4 billion, compared to ¥49.8 billion for the previous fiscal year. The cash basis net income is calculated by excluding amortization and impairment of goodwill and intangible assets acquired in business combinations, net of tax benefit, from net income under Japanese GAAP.

RECONCILIATION FROM REPORTED-BASIS RESULTS TO OPERATING-BASIS RESULTS

In addition to analyzing our results of operations in the format used for our financial statements, which we refer to as the "reported-basis," our management also reviews our results on an "operating-basis" to assess each of our business lines and to measure our results against targeted goals. Operating-basis results are calculated by adjusting the reported-basis results principally for the amortization of goodwill and intangible assets acquired in business combinations, certain revenue items, amortization of net actuarial losses and lump-sum payments. In essence, the operating-basis results represent what we consider to be "core" business results and are in accordance with Japanese GAAP at the net income (loss) level. The following summary table provides a reconciliation between our results on a reported-basis and operating-basis.

TABLE 9. RECONCILIATION FROM REPORTED-BASIS RESULTS TO OPERATING-BASIS RESULTS (CONSOLIDATED)

	Billions of yen					
	2015			2014		
Fiscal years ended March 31	**Reported-basis**	**Reclassifications**	**Operating-basis**	Reported-basis	Reclassifications	Operating-basis
Revenue:						
Net interest income	**¥ 126.4**	**¥ —**	**¥ 126.4**	¥ 110.5	¥ —	¥ 110.5
Noninterest income	**108.8**	**—**	**108.8**	92.5	—	92.5
Total revenue	**235.3**	**—**	**235.3**	203.0	—	203.0
General and administrative expenses[1,3]	**144.2**	**(2.5)**	**141.6**	135.0	(2.1)	132.8
Amortization of goodwill and intangible assets acquired in business combinations[2,3]	**8.6**	**(8.6)**	**—**	9.7	(9.7)	—
Total general and administrative expenses	**152.8**	**(11.2)**	**141.6**	144.8	(11.9)	132.8
Net business profit/Ordinary business profit[2]	**82.4**	**11.2**	**93.6**	58.2	11.9	70.1
Net credit costs	**11.8**	**—**	**11.8**	0.2	—	0.2
Amortization of goodwill and intangible assets acquired in business combinations[2]	**—**	**8.4**	**8.4**	—	9.6	9.6
Other gains (losses), net[1]	**2.1**	**(2.7)**	**(0.5)**	(11.9)	(2.3)	(14.2)
Income before income taxes and minority interests	**72.7**	**—**	**72.7**	46.0	—	46.0
Income taxes and minority interests	**4.8**	**—**	**4.8**	4.6	—	4.6
Net income	**¥ 67.8**	**¥ —**	**¥ 67.8**	¥ 41.3	¥ —	¥ 41.3

1 Reclassifications consist principally of adjustments relating to lump-sum compensation and amortization of net actuarial gains or losses from general and administrative expenses to other gains (losses), net.
2 Amortization of goodwill and intangible assets acquired in business combinations associated with acquisitions of companies is reclassified under ordinary business profit after net credit costs.
3 Amortization of goodwill and intangible assets acquired in business combinations associated with partial acquisitions of businesses is classified to general and administrative expenses.

BUSINESS LINES RESULTS

Management monitors the performance of these business lines on an operating-basis. The business line discussion below covers the operating-basis ordinary business profit (loss) after net credit costs (recoveries).

TABLE 10. OPERATING-BASIS ORDINARY BUSINESS PROFIT (LOSS) AFTER NET CREDIT COSTS (RECOVERIES) BY BUSINESS LINE (CONSOLIDATED)

	Billions of yen		
Fiscal years ended March 31	**2015**	2014	Change (Amount)
Institutional Group:			
Net interest income	**¥ 33.6**	¥ 27.6	¥ 6.0
Noninterest income	**42.2**	41.8	0.4
Total revenue	**75.9**	69.5	6.4
General and administrative expenses	**27.0**	24.8	2.1
Ordinary business profit	**48.9**	44.6	4.2
Net credit costs (recoveries)	**(3.9)**	(8.5)	4.6
Ordinary business profit after net credit costs (recoveries)	**¥ 52.9**	¥ 53.2	¥ (0.3)
Global Markets Group:			
Net interest income	**¥ 3.5**	¥ 3.9	¥ (0.3)
Noninterest income	**12.3**	7.3	5.0
Total revenue	**15.9**	11.2	4.6
General and administrative expenses	**9.3**	8.9	0.4
Ordinary business profit	**6.5**	2.3	4.2
Net credit costs (recoveries)	**0.0**	(0.4)	0.5
Ordinary business profit after net credit costs (recoveries)	**¥ 6.5**	¥ 2.8	¥ 3.7
Individual Group:			
Net interest income	**¥ 88.8**	¥ 85.3	¥ 3.4
Noninterest income	**47.8**	44.0	3.7
Total revenue	**136.6**	129.3	7.2
General and administrative expenses	**103.1**	97.3	5.7
Ordinary business profit	**33.4**	31.9	1.4
Net credit costs	**15.7**	9.3	6.4
Ordinary business profit after net credit costs	**¥ 17.7**	¥ 22.6	¥ (4.9)
Corporate/Other[1]:			
Net interest income	**¥ 0.3**	¥ (6.4)	¥ 6.7
Noninterest income	**6.4**	(0.7)	7.1
Total revenue	**6.7**	(7.1)	13.9
General and administrative expenses	**2.1**	1.6	0.4
Ordinary business profit (loss)	**4.6**	(8.8)	13.5
Net credit costs (recoveries)	**(0.0)**	(0.0)	(0.0)
Ordinary business profit (loss) after net credit costs (recoveries)	**¥ 4.6**	¥ (8.8)	¥ 13.5
Total:			
Net interest income	**¥ 126.4**	¥ 110.5	¥ 15.9
Noninterest income	**108.8**	92.5	16.3
Total revenue	**235.3**	203.0	32.3
General and administrative expenses	**141.6**	132.8	8.8
Ordinary business profit	**93.6**	70.1	23.4
Net credit costs	**11.8**	0.2	11.5
Ordinary business profit after net credit costs	**¥ 81.8**	¥ 69.8	¥ 11.9

1 Includes company-wide accounts, allocation variance of indirect expense and elimination amount of inter-segment transactions.

RESULTS OF OPERATIONS (CONSOLIDATED) (continued)

INSTITUTIONAL GROUP

The Institutional Group consists of: 1) the Institutional Business Sub-Group, which proposes financial products and services for the corporate and public sectors as well as structured finance, including real estate and project finance, 2) the Principal Transactions Sub-Group, which is engaged in the credit trading and private equity businesses, 3) Showa Leasing and 4) Others, which includes asset-backed investment.

TABLE 11. INSTITUTIONAL GROUP ORDINARY BUSINESS PROFIT (LOSS) AFTER NET CREDIT COSTS (RECOVERIES) BY BUSINESS/SUBSIDIARY (CONSOLIDATED)

	Billions of yen		
Fiscal years ended March 31	**2015**	2014	Change (Amount)
Institutional Business Sub-Group—Institutional Business[1]:			
Net interest income	**¥ 10.2**	¥ 9.4	¥ 0.7
Noninterest income	**3.3**	3.2	0.0
Total revenue	**13.5**	12.7	0.8
General and administrative expenses	**6.8**	6.4	0.3
Ordinary business profit	**6.7**	6.2	0.4
Net credit costs (recoveries)	**2.1**	(2.0)	4.2
Ordinary business profit after net credit costs (recoveries)	**¥ 4.5**	¥ 8.3	¥ (3.7)
Institutional Business Sub-Group—Structured Finance:			
Net interest income	**¥ 12.9**	¥ 15.6	¥ (2.6)
Noninterest income	**5.5**	8.1	(2.6)
Total revenue	**18.5**	23.7	(5.2)
General and administrative expenses	**5.3**	4.7	0.5
Ordinary business profit	**13.2**	19.0	(5.7)
Net credit costs (recoveries)	**(6.5)**	(8.0)	1.4
Ordinary business profit after net credit costs (recoveries)	**¥ 19.8**	¥ 27.0	¥ (7.2)
Principal Transactions Sub-Group:			
Net interest income	**¥ 13.0**	¥ 5.2	¥ 7.7
Noninterest income	**13.1**	12.6	0.5
Total revenue	**26.2**	17.9	8.2
General and administrative expenses	**5.1**	4.2	0.9
Ordinary business profit	**21.0**	13.7	7.3
Net credit costs (recoveries)	**(0.3)**	(0.2)	(0.1)
Ordinary business profit after net credit costs (recoveries)	**¥ 21.4**	¥ 13.9	¥ 7.4
Showa Leasing:			
Net interest income	**¥ (2.1)**	¥ (2.4)	¥ 0.2
Noninterest income	**17.1**	17.6	(0.4)
Total revenue	**14.9**	15.1	(0.1)
General and administrative expenses	**8.1**	8.2	(0.1)
Ordinary business profit	**6.8**	6.9	(0.0)
Net credit costs (recoveries)	**(1.2)**	(2.6)	1.4
Ordinary business profit after net credit costs (recoveries)	**¥ 8.0**	¥ 9.5	¥ (1.5)
Others[1]:			
Net interest income	**¥ (0.4)**	¥ (0.2)	¥ (0.1)
Noninterest income	**3.0**	0.1	2.9
Total revenue	**2.6**	(0.1)	2.7
General and administrative expenses	**1.5**	1.1	0.4
Ordinary business profit (loss)	**1.0**	(1.2)	2.3
Net credit costs	**2.0**	4.4	(2.3)
Ordinary business profit (loss) after net credit costs	**¥ (0.9)**	¥ (5.6)	¥ 4.6
Institutional Group:			
Net interest income	**¥ 33.6**	¥ 27.6	¥ 6.0
Noninterest income	**42.2**	41.8	0.4
Total revenue	**75.9**	69.5	6.4
General and administrative expenses	**27.0**	24.8	2.1
Ordinary business profit	**48.9**	44.6	4.2
Net credit costs (recoveries)	**(3.9)**	(8.5)	4.6
Ordinary business profit after net credit costs (recoveries)	**¥ 52.9**	¥ 53.2	¥ (0.3)

1 Results for Business Management Division is included in "Institutional Business Sub-Group—Institutional Business," formerly shown in Others line with the organizational change on April 1, 2014.

RESULTS OF OPERATIONS (CONSOLIDATED) (continued)

Total revenue for the Institutional Group increased to ¥75.9 billion in the fiscal year ended March 31, 2015, up from ¥69.5 billion in the fiscal year ended March 31, 2014. Net interest income was ¥33.6 billion in the fiscal year ended March 31, 2015, up sharply from ¥27.6 billion in the fiscal year ended March 31, 2014, primarily due to significant dividend income from securities investments. Additionally, noninterest income was ¥42.2 billion in the fiscal year ended March 31, 2015, up from ¥41.8 billion in the fiscal year ended March 31, 2014.

Within the Institutional Business Sub-Group, which comes under the Institutional Group, institutional business related total revenue in the fiscal year ended March 31, 2015 was ¥13.5 billion, a strong performance compared to ¥12.7 billion recorded in the fiscal year ended March 31, 2014. This outperformance compared to the fiscal year ended March 31, 2014 was due to continued efforts to cultivate new loan customers as part of efforts to expand the customer base as well as the posting of a significant dividend income from securities investments. On the other hand, revenue from the structured finance business in the fiscal year ended March 31, 2015 totaled ¥18.5 billion, down from ¥23.7 billion in the fiscal year ended March 31, 2014. The decline was due to lower revenue as a result of the absence of significant real estate related revenue recorded in the fiscal year ended March 31, 2014, despite a strong performance from the project finance business, including renewable energy projects.

The Principal Transactions Sub-Group recorded total revenue of ¥26.2 billion in the fiscal year ended March 31, 2015, up from ¥17.9 billion in the fiscal year ended March 31, 2014. In addition to the private equity business recording significant dividend income from securities investments, the recording of larger gains on the sale of equity holdings than in the fiscal year ended March 31, 2014, and the domestic credit trading business continuing to record a strong performance were the contributing factors to the increase in total revenue.

Others of the Institutional Group recorded total revenue of ¥2.6 billion in the fiscal year ended March 31, 2015, compared to a loss of ¥0.1 billion in the fiscal year ended March 31, 2014. The turnaround was due to a major improvement in profits from overseas investments.

General and administrative expenses for the Institutional Group in the fiscal year ended March 31, 2015 totaled ¥27.0 billion, up from ¥24.8 billion in the fiscal year ended March 31, 2014. Although the Bank continued to promote cost efficiency in all business lines, expenses increased as the necessary management resources in order to expand our business base continued to be invested.

Net credit recoveries of ¥3.9 billion were recorded for the Institution Group in the fiscal year ended March 31, 2015, down from net credit recoveries of ¥8.5 billion in the fiscal year ended March 31, 2014. Although the Bank once again posted gains on the reversals of reserves for loan losses owing to the sale of nonperforming loans and the improving creditworthiness of some borrowers, lower net recoveries compared to the previous fiscal year reflect the reduction in the reserve ratio following reversals after the disposal of some large nonperforming loans and the improved quality of remaining assets.

As a result of the preceding, the Institutional Group recorded an ordinary business profit after net credit costs of ¥52.9 billion in the fiscal year ended March 31, 2015, compared to ¥53.2 billion in the fiscal year ended March 31, 2014.

Showa Leasing recorded an ordinary business profit after net credit costs of ¥8.0 billion in the fiscal year ended March 31, 2015, down from ¥9.5 billion in the fiscal year ended March 31, 2014. While total revenue in the fiscal year ended March 31, 2015 was ¥14.9 billion, more or less flat compared to ¥15.1 billion recorded in the fiscal year ended March 31, 2014, despite continuing efforts to collect outstanding debts and improve the quality of receivables, net credit recoveries of ¥1.2 billion were recorded in the fiscal year ended March 31, 2015, decreased compared to ¥2.6 billion recorded in the fiscal year ended March 31, 2014.

GLOBAL MARKETS GROUP

The Global Markets Group consists of: 1) the Financial Institutions Sub-Group, which provides financial products and services for financial institutions, 2) the Markets Sub-Group, which deals with foreign exchange, derivatives, and other capital markets business and 3) Others, which includes the asset management, wealth management, and Shinsei Securities' businesses.

TABLE 12. GLOBAL MARKETS GROUP ORDINARY BUSINESS PROFIT (LOSS) AFTER NET CREDIT COSTS (RECOVERIES) BY BUSINESS (CONSOLIDATED)

	Billions of yen		
Fiscal years ended March 31	**2015**	2014	Change (Amount)
Financial Institutions Sub-Group:			
Net interest income	**¥ 1.4**	¥ 1.5	¥ (0.1)
Noninterest income	**2.0**	1.6	0.4
Total revenue	**3.5**	3.2	0.2
General and administrative expenses	**2.3**	2.1	0.1
Ordinary business profit	**1.2**	1.1	0.0
Net credit costs (recoveries)	**0.0**	(0.4)	0.4
Ordinary business profit after net credit costs (recoveries)	**¥ 1.1**	¥ 1.5	¥ (0.3)
Markets Sub-Group:			
Net interest income	**¥ 1.9**	¥ 2.2	¥ (0.3)
Noninterest income	**6.6**	2.6	4.0
Total revenue	**8.6**	4.9	3.7
General and administrative expenses	**3.2**	3.2	0.0
Ordinary business profit	**5.3**	1.6	3.6
Net credit costs	**0.0**	0.0	(0.0)
Ordinary business profit after net credit costs	**¥ 5.2**	¥ 1.5	¥ 3.7
Others:			
Net interest income	**¥ 0.2**	¥ 0.1	¥ 0.0
Noninterest income	**3.5**	3.0	0.5
Total revenue	**3.8**	3.1	0.6
General and administrative expenses	**3.7**	3.5	0.2
Ordinary business profit (loss)	**0.0**	(0.4)	0.4
Net credit costs (recoveries)	**0.0**	(0.1)	0.1
Ordinary business profit (loss) after net credit costs (recoveries)	**¥ 0.0**	¥ (0.3)	¥ 0.3
Global Markets Group:			
Net interest income	**¥ 3.5**	¥ 3.9	¥ (0.3)
Noninterest income	**12.3**	7.3	5.0
Total revenue	**15.9**	11.2	4.6
General and administrative expenses	**9.3**	8.9	0.4
Ordinary business profit	**6.5**	2.3	4.2
Net credit costs (recoveries)	**0.0**	(0.4)	0.5
Ordinary business profit after net credit costs (recoveries)	**¥ 6.5**	¥ 2.8	¥ 3.7

Total revenue for the Global Markets Group increased to ¥15.9 billion in the fiscal year ended March 31, 2015, up from ¥11.2 billion in the fiscal year ended March 31, 2014. Successful efforts to expand the customer base and to develop and provide financial products which meet customers' needs contributed to an increase in customer transactions, as well as an increase in market-related transactions also, were the contributing factors behind this revenue growth.

Total revenue for the Financial Institutions Sub-Group in the fiscal year ended March 31, 2015 was ¥3.5 billion, up from ¥3.2 billion in the fiscal year ended March 31, 2014. The improvement reflects solid growth in revenue from transactions with customers.

Total revenue for the Markets Sub-Group grew in the fiscal year ended March 31, 2015, recording total revenue of ¥8.6 billion, compared with ¥4.9 billion in the fiscal year ended March 31, 2014. Similarly, the improvement was supported by growth both in customer transaction volume and in revenue from market-related transactions.

Total revenue for Others in the fiscal year ended March 31, 2015 was ¥3.8 billion, up from ¥3.1 billion in the fiscal year ended March 31, 2014.

General and administrative expenses for the Global Markets Group in the fiscal year ended March 31, 2015 totaled ¥9.3 billion, up from ¥8.9 billion in the fiscal year ended March 31, 2014. While the Bank continued to promote rationalization in each business line, the increased spending was due to the investment of resources in strategic areas in order to rebuild the client base and expand market transactions.

Net credit costs at the Global Markets Group totaled ¥0.0 billion (¥52 million) in the fiscal year ended March 31, 2015, compared with net credit recoveries of ¥0.4 billion in the fiscal year ended March 31, 2014.

As a result of the preceding, the Global Markets Group's ordinary business profit after net credit costs in the fiscal year ended March 31, 2015 was ¥6.5 billion, up from ¥2.8 billion in the fiscal year ended March 31, 2014.

RESULTS OF OPERATIONS (CONSOLIDATED) (continued)

INDIVIDUAL GROUP

The Individual Group consists of: 1) Retail Banking, which provides financial products and services for retail customers, 2) Shinsei Financial and Shinsei Bank Card Loan Lake ("Shinsei Bank Lake"), 3) SHINKI, which provide consumer finance, 4) APLUS FINANCIAL, which provides installment sales credit, credit cards, guarantees and settlement services, and 5) Others including Shinsei Property Finance Co., Ltd. and Consumer Finance Sub-Group.

TABLE 13. INDIVIDUAL GROUP TOTAL REVENUE BY PRODUCT/ENTITY (CONSOLIDATED)

	Billions of yen		
Fiscal years ended March 31	**2015**	2014	Change (Amount)
Retail Banking:	**¥ 30.3**	¥ 32.4	¥ (2.0)
Deposits and Debentures Net Interest Income	**13.5**	15.6	(2.1)
Deposits and Debentures Noninterest Income	**2.4**	2.7	(0.2)
Asset management	**5.1**	4.9	0.2
Loans	**9.1**	9.0	0.0
Shinsei Financial and Shinsei Bank Lake[1]	**48.4**	40.9	7.4
SHINKI	**6.2**	6.1	0.1
APLUS FINANCIAL	**50.1**	48.1	2.0
Others[2]	**1.4**	1.7	(0.2)
Total revenue	**¥ 136.6**	¥ 129.3	¥ 7.2

1 Results for Shinsei Financial and Shinsei Bank Lake in the Lake business (started on October 1, 2011) are combined on a management accounting basis.
2 Includes Shinsei Property Finance and unallocated Consumer Finance Sub-Group financials.

TABLE 14. INDIVIDUAL GROUP ORDINARY BUSINESS PROFIT (LOSS) AFTER NET CREDIT COSTS (RECOVERIES) BY BUSINESS/SUBSIDIARY (CONSOLIDATED)

	Billions of yen		
Fiscal years ended March 31	**2015**	2014	Change (Amount)
Retail Banking:			
Net interest income	**¥ 23.8**	¥ 25.3	¥ (1.5)
Noninterest income	**6.5**	7.0	(0.4)
Total revenue	**30.3**	32.4	(2.0)
General and administrative expenses	**34.4**	31.7	2.6
Ordinary business profit (loss)	**(4.1)**	0.6	(4.7)
Net credit costs (recoveries)	**(0.2)**	(0.0)	(0.1)
Ordinary business profit (loss) after net credit costs (recoveries)	**¥ (3.9)**	¥ 0.6	¥ (4.5)
Shinsei Financial and Shinsei Bank Lake[1]:			
Net interest income	**¥ 50.5**	¥ 44.2	¥ 6.3
Noninterest income	**(2.1)**	(3.3)	1.1
Total revenue	**48.4**	40.9	7.4
General and administrative expenses	**28.0**	25.8	2.2
Ordinary business profit	**20.4**	15.1	5.2
Net credit costs	**8.3**	2.6	5.6
Ordinary business profit after net credit costs	**¥ 12.1**	¥ 12.4	¥ (0.3)
SHINKI[2]:			
Net interest income	**¥ 6.7**	¥ 6.7	¥ 0.0
Noninterest income	**(0.5)**	(0.5)	0.0
Total revenue	**6.2**	6.1	0.1
General and administrative expenses	**4.4**	4.2	0.1
Ordinary business profit	**1.7**	1.8	(0.0)
Net credit costs	**1.1**	0.1	1.0
Ordinary business profit after net credit costs	**¥ 0.6**	¥ 1.7	¥ (1.0)
APLUS FINANCIAL:			
Net interest income	**¥ 6.4**	¥ 7.5	¥ (1.0)
Noninterest income	**43.7**	40.6	3.0
Total revenue	**50.1**	48.1	2.0
General and administrative expenses	**35.5**	34.7	0.8
Ordinary business profit	**14.6**	13.4	1.1
Net credit costs	**6.7**	6.8	(0.0)
Ordinary business profit after net credit costs	**¥ 7.8**	¥ 6.5	¥ 1.2
Others[3]:			
Net interest income	**¥ 1.2**	¥ 1.4	¥ (0.2)
Noninterest income	**0.2**	0.2	(0.0)
Total revenue	**1.4**	1.7	(0.2)
General and administrative expenses	**0.6**	0.7	(0.0)
Ordinary business profit	**0.7**	0.9	(0.1)
Net credit costs (recoveries)	**(0.1)**	(0.2)	0.0
Ordinary business profit after net credit costs (recoveries)	**¥ 0.9**	¥ 1.1	¥ (0.2)
Individual Group:			
Net interest income	**¥ 88.8**	¥ 85.3	¥ 3.4
Noninterest income	**47.8**	44.0	3.7
Total revenue	**136.6**	129.3	7.2
General and administrative expenses	**103.1**	97.3	5.7
Ordinary business profit	**33.4**	31.9	1.4
Net credit costs	**15.7**	9.3	6.4
Ordinary business profit after net credit costs	**¥ 17.7**	¥ 22.6	¥ (4.9)

1 Results for Shinsei Financial and Shinsei Bank Lake (started on October 1, 2011) are combined on a management accounting basis.
2 While results for SHINKI are reported as part of the Shinsei Financial Business Segment, the results are presented separately in this table.
3 Includes Shinsei Property Finance and unallocated Consumer Finance Sub-Group financials.

RESULTS OF OPERATIONS (CONSOLIDATED) (continued)

The Individual Group's ordinary business profit after net credit costs for the fiscal year ended March 31, 2015, were ¥17.7 billion, down from ¥22.6 billion in the fiscal year ended March 31, 2014.

RETAIL BANKING

Total revenue from Retail Banking in the fiscal year ended March 31, 2015 was ¥30.3 billion, down from ¥32.4 billion in the fiscal year ended March 31, 2014. Net interest income in the fiscal year ended March 31, 2015 totaled ¥23.8 billion, down from ¥25.3 billion in the fiscal year ended March 31, 2014. The disbursement of new housing loans continued to be brisk, resulting in a net increase in the loan balance and an increase in revenues. However, the continuing decline in market interest rates led to lower net interest income from deposits, including deposits held for liquidity purposes, resulting in total net interest income declining year on year. Noninterest income in the fiscal year ended March 31, 2015 was ¥6.5 billion, down from ¥7.0 billion in the fiscal year ended March 31, 2014 as an increase in ATM-related expenses offset an increase in the sale of investment products.

General and administrative expenses in the fiscal year ended March 31, 2015 were ¥34.4 billion, up from ¥31.7 billion in the fiscal year ended March 31, 2014. The increase was due to the proactive allocation of resources in order to grow the customer base, despite ongoing efforts to rationalize and boost efficiencies in all aspects of our operations.

Net credit recoveries of ¥0.2 billion were recorded in the fiscal year ended March 31, 2015, compared to recoveries of ¥0.0 billion (¥46 million) in the fiscal year ended March 31, 2014.

As a result of the preceding, an ordinary business loss after net credit costs of ¥3.9 billion was recorded in the fiscal year ended March 31, 2015 compared to an ordinary business profit after net credit costs of ¥0.6 billion in the fiscal year ended March 31, 2014.

SHINSEI FINANCIAL AND SHINSEI BANK LAKE

The combined ordinary business profit after net credit costs at Shinsei Financial and Shinsei Bank Lake in the fiscal year ended March 31, 2015 was ¥12.1 billion after related consolidation adjustments, down from ¥12.4 billion in the fiscal year ended March 31, 2014.

Total revenue was ¥48.4 billion in the fiscal year ended March 31, 2015, a solid increase from ¥40.9 billion in the fiscal year ended March 31, 2014 primarily owing to an increase in the total loan balance.

Net credit costs in the fiscal year ended March 31, 2015 were ¥8.3 billion, increased from ¥2.6 billion in the fiscal year ended March 31, 2014. While the Bank continued efforts to strengthen credit management and loan collection frameworks, credit costs rose nonetheless, reflecting the increase of the growth rate of the total loan balance over the course of the fiscal year ended March 31, 2015.

SHINKI

At SHINKI, ordinary business profit after net credit costs after related consolidation adjustments in the fiscal year ended March 31, 2015 was ¥0.6 billion, compared with ¥1.7 billion in the fiscal year ended March 31, 2014.

APLUS FINANCIAL

APLUS FINANCIAL's ordinary business profit after net credit costs after related consolidation adjustments in the fiscal year ended March 31, 2015 totaled ¥7.8 billion, up from ¥6.5 billion in the fiscal year ended March 31, 2014. Total revenue in the fiscal year ended March 31, 2015 was ¥50.1 billion, increased from ¥48.1 billion in the fiscal year ended March 31, 2014. Net interest income accounted for ¥6.4 billion of total revenue in the fiscal year ended March 31, 2015, down from ¥7.5 billion in the fiscal year ended March 31, 2014. The decrease was due to the gentle decline of the loan balance that has continued from the fiscal year ended March 31, 2014. However, the balance has begun to increase during the fourth quarter of the fiscal year ended March 31, 2015. Noninterest income in the fiscal year ended March 31, 2015 was ¥43.7 billion, up from ¥40.6 billion in the fiscal year ended March 31, 2014, owing to an increase in revenue from installment sales finance business. General and administrative expenses in the fiscal year ended March 31, 2015 increased to ¥35.5 billion, compared with ¥34.7 billion in the fiscal year ended March 31, 2014. This increase was due to an increase in spending on various measures aimed at enhancing customer service, despite ongoing efforts to rationalize and boost efficiencies in all aspects of our operations. Net credit costs in the fiscal year ended March 31, 2015 were ¥6.7 billion, compared to ¥6.8 billion recorded in the fiscal year ended March 31, 2014.

Others within the Retail Banking Group include the results of Shinsei Property Finance and the Consumer Finance Sub-Group.

RESULTS OF OPERATIONS (CONSOLIDATED) (continued)

INTEREST REPAYMENT

In the fiscal year ended March 31, 2014, we set aside a combined ¥15.6 billion in reserves for losses on interest repayments. After recalculating the amount of reserves required to cover potential future interest repayments based upon the recent trend in repayments, an additional ¥4.0 billion has been provisioned for APLUS FINANCIAL in the fiscal year ended March 31, 2015. Additionally, in the fourth quarter of the fiscal year ended March 31, 2015, Shinsei Financial's consolidated subsidiary Shinsei Card was absorbed by APLUS FINANCIAL. As a result, APLUS FINANCIAL's reserves for losses on interest repayments increased by ¥5.4 billion while Shinsei Financial's reserves decreased by an equal amount.

Shinsei Financial's usage of reserves for losses on interest repayments (interest repayments and principal amortization) totaled ¥34.6 billion in the fiscal year ended March 31, 2015, compared to ¥9.7 billion in the fiscal year ended March 31, 2014. This increase in the usage of reserves was due to the expansion in claimants following the conclusion of GE Japan's indemnity for losses on interest repayments and related additional provisioning of ¥175.0 billion in the fiscal year ended March 31, 2014. In the fiscal year ended March 31, 2015, while Shinsei Financial did not provision any additional reserves, the transfer of Shinsei Card and its subsidiary to APLUS FINANCIAL reduced Shinsei Financial's reserve balance by ¥5.4 billion. As a result, the total balance of reserves for losses on interest repayments as of March 31, 2015, was ¥147.3 billion, down from ¥187.3 billion as of March 31, 2014.

SHINKI's usage of reserves for losses on interest repayments (interest repayments and principal amortization) in the fiscal year ended March 31, 2015 totaled ¥4.1 billion, down from ¥4.5 billion in the fiscal year ended March 31, 2014.

APLUS FINANCIAL and its consolidated subsidiaries' usage of reserves for losses on interest repayments (interest repayments and principal amortization) totaled ¥3.2 billion in the fiscal year ended March 31, 2015, compared to ¥3.1 billion utilized in the fiscal year ended March 31, 2014. In addition to setting aside an additional ¥4.0 billion of reserves for losses on interest repayments, APLUS FINANCIAL added another ¥5.4 billion to its reserves for losses on interest repayments due to its absorption of Shinsei Card. As a result, APLUS FINANCIAL's total balance of reserves for losses on interest repayments increased to ¥10.8 billion as of March 31, 2015, up from ¥4.6 billion as of March 31, 2014.

RESULTS OF OPERATIONS (CONSOLIDATED) (continued)

CORPORATE/OTHER

Corporate/Other includes the business results of the Treasury Sub-Group, which oversees the ALM and capital procurement operations of the entire Bank, as well as Other accounts, which include company-wide accounts, allocation variance of indirect expense, and elimination of inter-segment transactions. The segment posted an ordinary business profit after net credit costs of ¥4.6 billion in the fiscal year ended March 31, 2015.

TABLE 15. CORPORATE/OTHER ORDINARY BUSINESS PROFIT (LOSS) AFTER NET CREDIT COSTS (RECOVERIES) BY BUSINESS (CONSOLIDATED)

	Billions of yen		
Fiscal years ended March 31	**2015**	2014	Change (Amount)
Treasury Sub-Group:			
Net interest income	**¥ 0.3**	¥ (3.3)	¥ 3.6
Noninterest income	**6.1**	(1.0)	7.2
Total revenue	**6.4**	(4.4)	10.8
General and administrative expenses	**1.6**	1.5	0.0
Ordinary business profit (loss)	**4.8**	(5.9)	10.8
Net credit costs	**—**	—	—
Ordinary business profit (loss) after net credit costs	**¥ 4.8**	¥ (5.9)	¥ 10.8
Others[1]:			
Net interest income	**¥ (0.0)**	¥ (3.1)	¥ 3.1
Noninterest income	**0.3**	0.3	(0.0)
Total revenue	**0.3**	(2.7)	3.0
General and administrative expenses	**0.5**	0.1	0.3
Ordinary business profit (loss)	**(0.2)**	(2.8)	2.6
Net credit costs (recoveries)	**(0.0)**	(0.0)	(0.0)
Ordinary business profit (loss) after net credit costs (recoveries)	**¥ (0.2)**	¥ (2.8)	¥ 2.6
Corporate/Other[1]:			
Net interest income	**¥ 0.3**	¥ (6.4)	¥ 6.7
Noninterest income	**6.4**	(0.7)	7.1
Total revenue	**6.7**	(7.1)	13.9
General and administrative expenses	**2.1**	1.6	0.4
Ordinary business profit (loss)	**4.6**	(8.8)	13.5
Net credit costs (recoveries)	**(0.0)**	(0.0)	(0.0)
Ordinary business profit (loss) after net credit costs (recoveries)	**¥ 4.6**	¥ (8.8)	¥ 13.5

1 Includes company-wide accounts, allocation variance of indirect expense and elimination amount of inter-segment transactions.

Total revenue for the Treasury Sub-Group was ¥6.4 billion in the fiscal year ended March 31, 2015, compared to a loss of ¥4.4 billion in the fiscal year ended March 31, 2014. The Treasury Sub-Group holds liquidity reserves and Japanese national government bonds for ALM purposes, and in the fiscal year ended March 31, 2015, factors such as gains on the sale of bonds including Japanese national government bonds contributed to an increase in revenue.

RESULTS OF OPERATIONS (NONCONSOLIDATED)

OVERVIEW

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

Shinsei recorded a net income for the fiscal year ended March 31, 2015 of ¥45.7 billion on a nonconsolidated basis. 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 SHINKI, the gains and losses on our investment in our equity-method affiliate, Jih Sun Financial Holding Co., Ltd., and the dividends received from our major consolidated subsidiaries.

TABLE 16. COMPARISON OF TARGETS AND RESULTS FOR KEY MEASURES IN THE REVITALIZATION PLAN (NONCONSOLIDATED)

Billions of yen (except percentages)

	2015		2014	
Fiscal years ended March 31	**Target**	**Actual**	Target	Actual
Net income	**¥ 42.0**	**¥ 45.7**	¥ 26.0	¥ 36.4
Total expenses (without taxes)[1]	**72.0**	**70.7**	70.0	65.6
Return on equity based on net business profit[2]	**5.5%**	**5.9%**	5.3%	4.3%

1 Equals Shinsei's total general and administrative expenses excluding business taxes such as consumption tax.
2 Equals net business profit (*jisshitsu gyomu jun-eki*), as such term is defined under "Supplemental Measures" below, divided by average total equity excluding stock acquisition rights.

SUPPLEMENTAL 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 following table sets forth these supplemental financial data and corresponding reconciliations to net income under Japanese GAAP for the fiscal years ended March 31, 2015 and 2014.

RESULTS OF OPERATIONS (NONCONSOLIDATED) (continued)

TABLE 17. SUPPLEMENTAL MEASURES (NONCONSOLIDATED)

	Billions of yen	
Fiscal years ended March 31	**2015**	2014
Gross business profit (*gyomu sorieki*):		
Net interest income	**¥ 91.8**	¥ 80.9
Net fees and commissions[1]	**10.1**	7.9
Net trading income	**4.5**	5.3
Net other business income	**11.0**	4.6
Total gross business profit	**117.5**	98.9
Expenses[2]	**75.2**	69.0
Net business profit (*jisshitsu gyomu jun-eki*)	**42.3**	29.8
Net credit costs (recoveries)	**(4.1)**	(7.2)
Other, net[3]	**1.4**	0.5
Net operating income (*keijo rieki*)	**47.8**	37.6
Extraordinary income (loss)	**(1.4)**	(1.8)
Income before income taxes	**46.3**	35.8
Current income taxes (benefit)	**(0.4)**	(0.3)
Deferred income taxes (benefit)	**1.0**	(0.2)
Net income	**¥ 45.7**	¥ 36.4

1 Includes net gain (loss) on monetary assets held in trust of ¥9.0 billion in the fiscal year ended March 31, 2015 and ¥3.8 billion in the previous fiscal year.
2 General and administrative expenses with certain adjustment.
3 Excludes net gain (loss) on monetary assets held in trust.

CRITICAL ACCOUNTING POLICIES

GENERAL

Our financial statements are prepared in accordance with Japanese GAAP. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. In addition, certain accounting principles require significant judgment by management in applying complex accounting principles to individual transactions to determine the most appropriate accounting treatment. We have established procedures and processes to facilitate making the estimates and assumptions necessary to value assets and liabilities, record transactions and prepare the financial statements. On an ongoing basis, management evaluates its estimates and judgments, including those related to the valuation of assets and liabilities. Although actual results may differ from these estimates under different assumptions and conditions and future changes in the key assumptions could change future valuations and results, we have used the best information available at the time to make our estimates. Significant accounting policies are described in Note 2 to the Consolidated Financial Statements included in this annual report.

Management believes the following are our critical accounting policies. These policies are considered "critical" because:

- the estimates involved in these policies require us to make assumptions about matters that are uncertain at the time the estimates are made; and
- different estimates that we reasonably could have used in the current period, or changes in the accounting estimate that are reasonably likely to occur from period to period, could have a material impact on the presentation of our financial condition, or changes in our financial condition or results of operations.

RESERVE FOR CREDIT LOSSES

The reserve for loan losses, a separate component of the reserve for credit losses, is management's estimate of the credit losses to be incurred in the lending portfolio and is discussed in further detail in "—Financial Condition—Asset Quality and Disposal of Nonperforming Loans of Shinsei." We establish a specific reserve, a general reserve and a reserve for loans to restructuring countries based on our self-assessment guidelines to absorb estimated credit losses in the lending portfolio.

A specific reserve is provided for claims against obligors in the legally bankrupt, virtually bankrupt and possibly bankrupt categories. For claims against obligors in the legally and virtually bankrupt categories, the unsecured, unguaranteed portion of the claim is written off or otherwise fully reserved because such portion is deemed unlikely to be collected. For claims against obligors in the possibly bankrupt category, a specific reserve is principally determined by estimating discounted future cash flows, other than in cases where it is difficult to reasonably estimate future cash flows.

A general reserve is provided for claims against normal obligors, as well as claims against need caution obligors (including substandard obligors). Shinsei applies the discounted cash flow method in calculating the amount of a general reserve for most of its claims against substandard obligors. The amount of the reserve for claims against normal obligors and claims against need caution obligors (other than substandard obligors of

CRITICAL ACCOUNTING POLICIES (continued)

Shinsei which are subject to the discounted cash flow method) is based on the total amount of, as well as the expected loss ratios for, claims against each category of obligor. Using the expected loss ratios, which are based on the historical loss ratios calculated in accordance with the pre-defined method in internal reserves guidelines, Shinsei reserves for the estimated amount of losses for the next three years for claims against substandard obligors, for the remaining term of the claims with respect to claims against normal obligors given ratings of 5A through 6C in Shinsei's credit ratings system and claims against need caution obligors other than substandard obligors or other need caution obligors, and for the next year for claims against normal obligors given ratings higher than 5A.

Shinsei reviews its classification of obligors quarterly, although every month it downgrades obligors whose financial condition has deteriorated based on the results of its self-assessment process. A reserve for loans to restructuring countries is provided for estimated losses on those loans due to political and economic conditions in the countries.

Estimating Shinsei's specific reserve for claims against obligors in the possibly bankrupt category and the general reserve for claims against obligors in the substandard category is subject to a number of significant judgments and uncertainties regarding discounted cash flows due to the changing financial conditions of the obligors and general economic conditions surrounding the obligors' business operations. In addition, because the secured portion of claims is not covered by a specific reserve, actual losses on such claims are also subject to significant judgments and uncertainties regarding the fair value of collateral. Estimating the general reserve for claims against obligors in the normal and other need caution categories could be affected by changes made by management in the methodologies used to calculate the migration analyses of obligors or the assumptions used in the calculation of the reserve. As a result, actual losses in the nonperforming loans portfolio could be greater or lesser than we have estimated. If the estimated credit losses are not enough to cover actual losses incurred from the ultimate disposition of the portfolio, it would result in additional write-offs or additional reserves in the future for the lending portfolio, increasing our reported total credit costs. If the estimate is in excess of actual losses, it would result in a reduction of our total credit costs.

APLUS FINANCIAL establishes loan loss reserves based on the historical loss ratio for delinquent and non delinquent accounts. The amount of reserves in the case of delinquent accounts primarily depends on the number of months for which a particular account is past due. In addition, APLUS FINANCIAL writes off the entire amount of any claims it deems uncollectible, either as a result of personal bankruptcy or otherwise. Shinsei Financial and SHINKI establish loan loss reserves in the same manner as APLUS FINANCIAL, and Showa Leasing establishes reserves on the basis of obligor classification in accordance with its self-assessment guidelines.

RESERVE FOR LOSSES ON INTEREST REPAYMENTS

In October, 2006, the Japanese Institute of Certified Public Accountants (the "JICPA") issued "Audit Guidelines on Consumer Finance Companies' Provisions for Possible Losses on Reimbursements of Excess Interest Payments." These guidelines stipulate that consumer and commercial finance companies make certain provisions for possible 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. If any of the assumptions change due to changes in circumstances, an additional reserve could become necessary.

VALUATION OF FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

We have various types of financial instruments in our trading and banking books. Pursuant to Japanese GAAP, we record some of our financial instruments at their fair values, which are measured based on market prices or third-party quotes or, if both are unavailable, our internal valuation methodologies.

Although we strive to follow market standards in making assumptions and determining scenarios necessary for these valuation methodologies, the outcomes of our methodologies could differ from those derived from other methodologies.

AVAILABLE-FOR-SALE SECURITIES

We record available-for-sale securities, both debt and equity, at their fair values except for securities whose fair value cannot be reliably determined, such as non marketable equity securities, etc. The net unrealized gains or losses on these securities are included in and presented as a separate component of equity.

Available-for-sale securities include some securities without readily obtainable market prices or quotes. These securities primarily consist of residual interests and debt investments in collateralized debt obligations as well as illiquid corporate bonds. We estimate the fair values of these securities based on historical data concerning market prices and quotes. In some cases, we determine fair value using internal valuation methodologies that are subject to complex assumptions, including those relating to scenarios, interest rates and volatility.

CRITICAL ACCOUNTING POLICIES (continued)

IMPAIRMENT IN VALUE OF DEBT AND EQUITY SECURITIES

Available-for-sale debt and equity securities, and held-to-maturity debt securities are both exposed to the risk of decline in their fair values. If the decline in fair values of available-for-sale securities and held-to-maturity securities whose fair value can be reliably determined is deemed to be significant, impairment loss is recognized in the amortized/acquisition cost of the securities since the decline in fair values is deemed to be other than temporary. To determine whether an other-than-temporary impairment has occurred, we apply the following rule, which depends on the obligor classification of the security issuer based on our self-assessment guidelines:

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

See "— Financial Condition— Asset Quality and Disposal of Nonperforming Loans— Self-Assessment Guidelines and Reserve Policies— Definition of Obligor Classifications," for the definition of each obligor classification.

For available-for-sale securities, whose fair value cannot be reliably determined, if the net asset value of a security has declined in excess of 50% of its acquisition cost, we deem the impairment to be other-than-temporary in principle.

FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING PURPOSES

Our trading book assets and liabilities consist of derivative financial instruments, securities, short-term money market investments and other monetary claims maturing within a short period of time.

In addition, we hold certain securities investments, such as foreign fund trusts and corporate bonds, financial assets backed by loans and receivables as well as mortgages included in securities, other monetary claims purchased and monetary assets held in trust that are not recorded in the trading book, but are held for trading purposes in the banking book. All of these trading-purpose assets and liabilities are booked at their fair values, and changes in value are reflected in our net income (loss). The fair values of trading-purpose assets that are traded actively in open markets are based on observable market prices of the same or similar securities and monetary claims.

When actively traded market prices are not available, we estimate the fair values of the assets and liabilities held for trading purposes using our internal valuation methodologies. These methodologies require us to use our judgment in both making assumptions regarding market parameters, such as swap rates for interest rate and currency swaps with longer maturities, as well as determining the required scenarios, such as future cash flow projections for financial assets underlying purchased monetary claims. In addition, we adjust the fair value estimates for derivative financial instruments to reflect credit and liquidity risks.

CREDIT TRADING ACTIVITIES

We are engaged in credit trading activities in Japan and foreign countries, in which we purchase monetary claims such as loans, bonds, guarantees, receivables and lease receivables without intending to hold them to maturity. To recover our investment, we either collect on the claim, including through repayments, legal proceedings and discounted payoffs, or resell or securitize the claim. Claims purchased are recorded either in monetary assets held in trust or other monetary claims purchased, depending on the structure used for the purchase, and are principally measured at fair value. Fair value is estimated in the same way as it is for assets held for trading purposes. The internal valuation methodology we use to calculate the fair value of these claims primarily relies on a discounted cash flow method based on cash flow projections and implied discount rates. As estimations of future cash flows and discount rates are based on complex processes and contain an element of judgment, changes in assumptions could lead to different estimates of the fair value of monetary assets held in trust and other monetary claims purchased, which could in turn impact the related gain or loss amounts in our financial statements.

VALUATION OF DEFERRED TAX ASSETS

We record deferred tax assets for deductible temporary differences and tax loss carry-forwards and evaluate them in accordance with the guidelines of the JICPA. Under the JICPA guidelines for the valuation of deferred tax assets, if a company records a material amount of tax loss carry-forwards, in most cases, it is deemed difficult to reasonably estimate future "Taxable Income" (which, for the purpose of utilizing deferred tax assets, is treated as taxable income before adjustments for existing temporary differences and tax loss carry-forwards). If, however, a company is able to reasonably estimate future Taxable Income for the next fiscal year, it may record deferred tax assets based on deductible temporary differences and tax loss carry-forwards to the extent that it is probable that those differences or carry-forwards would be used during the next fiscal year. In addition, the JICPA guidelines provide that a company

CRITICAL ACCOUNTING POLICIES (continued)

with a material amount of tax loss carry-forwards could recognize deferred tax assets as realizable based on future Taxable Income, reasonably estimated, for up to the next five fiscal years if the tax loss carry-forwards had been incurred due to certain non recurring events, such as the restructuring of businesses, and there was not necessarily any significant doubt as to the company's ability to earn Taxable Income in the future.

As a result of Taxable Income (as defined in the previous paragraph) recorded in recent periods, we could have recorded deferred tax assets realizable based on a reasonable estimate of income for at least a part of the next five fiscal years if we would have demonstrated that we would record actual Taxable Income for the foreseeable future. We have evaluated the available evidence concerning our future Taxable Income and other possible sources of the realization of deferred tax assets, and have concluded that we should record deferred tax assets that are realizable only in the following fiscal year for Shinsei and most of its subsidiaries. We have recorded a valuation allowance to reduce deferred tax assets accordingly. The actual Taxable Income amount for the fiscal year ended March 31, 2016 may be different from our estimate, which would result in a larger or smaller amount of deferred tax assets that should have been recognized.

"Act for Partial Reform of the Income Tax Act, etc." (Law No. 9 for 2015) and "Act for Partial Reform of the Local Tax Act, etc." (Law No. 2 for 2015) were promulgated in March 31, 2015 and the tax rates for corporate income taxes will be reduced from the fiscal year beginning on or after April 1, 2015. In connection with this change, the effective statutory tax rate for calculating deferred tax assets and deferred tax liabilities will be changed from the existing 35.64% to 33.06% for temporary differences and tax loss carryforwards that are expected to be realized in the fiscal year beginning on April 1, 2015, and to 32.30% for temporary differences and tax loss carryforwards that are expected to be realized in the fiscal year beginning on April 1, 2016. With these tax rate changes, the deferred tax assets (after deduction of the deferred tax liabilities) have decreased by ¥0.9 billion, the unrealized gain (loss) on available-for-sale securities has increased by ¥0.1 billion, the deferred gain (loss) on derivatives under hedge accounting has increased by ¥0.1 billion and the income taxes (benefit)—deferred have increased by ¥1.2 billion.

The deduction of carried forward tax losses will be limited to 65% of the taxable income before applying the tax loss deduction from the fiscal year beginning on or after April 1, 2015, and to 50% of the taxable income before applying the tax loss deduction from the fiscal year beginning on or after April 1, 2017. With this change, the deferred tax assets have decreased by ¥0.8 billion and the income taxes (benefit)—deferred have increased by ¥0.8 billion.

EMPLOYEES' RETIREMENT BENEFITS AND PENSION PLAN ASSETS

Shinsei, APLUS FINANCIAL and Showa Leasing each have a noncontributory defined benefit pension plan, and Shinsei Financial and certain of the other consolidated domestic subsidiaries have unfunded severance indemnity plans, which cover substantially all of our employees. The liabilities for retirement benefits are provided for the payment of employees' retirement benefits in future years. We follow the revised accounting standard and guideline for employees' retirement benefit plans issued by the Accounting Standards Board of Japan ("ASBJ") and estimate the amounts of the projected benefit obligation and the fair value of pension plan assets at the end of the fiscal year using assumptions for the long-term expected rate of return on plan assets and the discount rate. No retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

We determine the long-term expected rate of return on plan assets based on the targeted average long-term performance of the assets. Because assumptions regarding the long-term expected rate of return on plan assets are affected by changing general economic and market conditions, we need to make significant judgments to determine appropriate assumptions underlying the estimate of long-term performance, which also impact the estimate of the liabilities for employees' retirement benefits and net periodic retirement benefit cost.

We have applied the method of attributing expected benefits to periods on a benefit formula basis and selected a single weighted average discount rate of highly graded corporate bonds reflecting the estimated timing and amount of benefit payments. If we become aware of information that leads us to determine that a different discount rate for settling the benefit obligation is required, the discount rate could be changed accordingly, which may have an impact on the related amounts reported in our financial statements.

HEDGE ACCOUNTING

We follow guidelines issued by the JICPA regarding hedge accounting applicable to financial assets and liabilities exposed to a risk of change in fair value or cash flow. Derivative transactions that meet the hedge accounting criteria are primarily accounted for under a 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.

We adopted portfolio hedging in accordance with Industry Audit Committee Report No. 24 issued by the 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

CRITICAL ACCOUNTING POLICIES (continued)

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 the 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 values, but the net payments or receipts under the swap agreements are recognized and included in interest expenses or income.

Shinsei applies either deferral hedge accounting or fair value hedge accounting in accordance with Industry Audit Committee Report No. 25 of the JICPA to the derivative transactions that meet the hedge accounting criteria for mitigating foreign currency fluctuation risks of Shinsei's financial assets and liabilities such as fund swap and certain currency swap transactions. Fund swap transactions are foreign exchange swaps, and consist of spot foreign exchange contracts bought or sold and forward foreign exchange contracts sold or bought. Such transactions are contracted for the purpose of lending or borrowing in a different currency and converting the corresponding principal equivalents and foreign currency equivalents to pay and receive, whose amounts and due dates are predetermined at the time of the transactions, into forward foreign exchange contracts sold or bought. Under deferral hedge accounting, hedged items are identified by grouping the foreign currency-denominated financial assets and liabilities by currencies and designating derivative transactions such as currency swap transactions and forward exchange contracts as hedging instruments. Hedge effectiveness is reviewed by comparing the total foreign currency position of the hedged items and hedging instruments by currency.

In accordance with Industry Audit Committee Report No. 25 of the JICPA, Shinsei also applies deferral hedge accounting and fair value hedge accounting to translation gains or losses from foreign currency assets of net investments in foreign nonconsolidated 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 exceed the acquisition cost of such foreign currency assets.

IMPAIRMENT OF LONG-LIVED ASSETS

We review our long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. Impairment losses on an asset or asset group establish a new cost basis for the assets. We evaluate our long-lived assets for impairment using our best estimates based on reasonable and supportable assumptions and projections. An impairment loss would be 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 would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

BUSINESS COMBINATIONS

For consolidated financial statement purposes, assets and liabilities of acquired subsidiaries are recorded primarily on the basis of their estimated fair values at the date of the acquisition.

We acquired controlling interests in APLUS FINANCIAL and Showa Leasing on September 29, 2004 and March 23, 2005, respectively. On December 13, 2007, we acquired a controlling interest in SHINKI, which was previously an affiliate, through the purchase of additional shares. On September 22, 2008, the Bank, together with APLUS FINANCIAL, acquired 100% of the controlling interest (equity and debt) in Shinsei Financial, and its subsidiaries.

In connection with the consolidation of APLUS FINANCIAL, Showa Leasing, SHINKI and Shinsei Financial, we recognized the assets (including intangibles) and liabilities of those entities primarily at their fair values. We used quoted market prices in active markets as the best evidence of fair value, where available. If quoted market prices were not available, the estimate of fair value was based on the best information available, including prices for similar assets and liabilities and the results using other fair value measurement methodologies. We adopted the following methodologies based on the nature of the assets and liabilities being valued and the availability of information:

- market approach: market transactions involving the sale of comparable assets.
- income approach: present value of earnings attributable to the asset.

As a result of fair value recognition, reserves for credit losses were offset with the corresponding loans or other assets.

We also recognized certain identifiable intangible assets in connection with the acquisition of Showa Leasing, Shinsei Financial and their consolidated subsidiaries, because they were separable such as contractual or other legal rights. The identified intangible assets consist of trade names and customer and/or merchant relationships, among others, which are valued using variations of the income approach and which are being amortized over various periods and using different methodologies depending on the nature of the asset. See Note 2 (C) to the Consolidated Financial Statements.

CRITICAL ACCOUNTING POLICIES (continued)

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 undertaken before April 1, 2010, accounted for under 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 is recorded as negative goodwill and primarily amortized on a straight-line basis over 20 years, which is the maximum period allowed under the previous accounting standards. Any unamortized balances of identified intangible assets and goodwill are subject to impairment testing periodically.

IMPAIRMENT OF GOODWILL AND INTANGIBLE ASSETS ACQUIRED IN BUSINESS COMBINATIONS

We conduct impairment testing for goodwill and intangible assets acquired in business combinations as a result of certain triggering events such as:

- An expectation of an operating loss or negative cash flow for two consecutive years;
- Impairment of underlying investment securities is recognized;
- A significant adverse change in the environment surrounding the business operations of the subsidiary, such as a change in the law which significantly impacts the business in a negative way; and
- Management decisions that could have an adverse effect on the value of goodwill and intangible assets acquired in business combinations

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 combinations, of the business, it is determined that impairment exists and the next step of the impairment test is performed to measure the amount of impairment loss.

The next step of the impairment test compares the "value in use," which is calculated as the discounted value of future cash flows of the business, and the net asset book value which includes unamortized balances of goodwill and intangible assets acquired in business combinations. (i) Impairment loss for the total of goodwill and intangible assets acquired in business combinations, 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 combinations is determined in the same manner used to apply purchase accounting at the date of the initial acquisition, and (ii) the impairment loss of intangible assets acquired in business combinations, is determined as the difference between the recoverable amount and book value. Finally the impairment loss on goodwill is calculated as (i) less (ii) above.

ASSET RETIREMENT OBLIGATIONS

Effective April 1, 2010, the Group has applied ASBJ Statement No. 18 "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No. 21 "Guidance on Accounting Standard for Asset Retirement Obligations."

Under this accounting standard, 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 and 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 increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

See "(AC) NEW ACCOUNTING PRONOUNCEMENTS" in Note 2 "SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES" to the Consolidated Financial Statements.

FINANCIAL CONDITION

TOTAL ASSETS

As of March 31, 2015, we had consolidated total assets of ¥8,889.8 billion, representing a 4.6% decrease from March 31, 2014.

The balance of loans and bills discounted as of March 31, 2015 was ¥4,461.2 billion, increased ¥141.4 billion from ¥4,319.8 billion as of March 31, 2014. In loans to institutional customers, despite the fiercely competitive business environment, the balance of the Structured Finance business increased. In loans to individuals, housing loans continued to steadily increase, and the consumer finance loan balance continued to grow compared to the fiscal year ended March 31, 2014. As a result, the overall balance of loans and bills discounted for the Bank grew.

SECURITIES

The following table sets forth the composition of our consolidated portfolio of trading securities in the banking book, available-for-sale securities and held-to-maturity securities as of March 31, 2015. As reflected below, 60.7% of the securities will mature during the next five years. The balance of securities as of March 31, 2015 was ¥1,477.3 billion, decreased compared to the balance of ¥1,557.0 billion as of March 31, 2014. Over half of the investments in securities were consisted of Japanese national government bonds for ALM purposes, including liquidity reserves. In the course of portfolio management, the total balance of Japanese national government bonds was ¥990.8 billion as of March 31, 2015, as compared to ¥1,126.8 billion as of March 31, 2014.

TABLE 18. SECURITIES BY MATURITY (CONSOLIDATED)

Billions of yen

As of March 31, 2015	1 year or less	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years to 7 years	Over 7 years to 10 years	Over 10 years	Unspecified term	Total
Japanese national government bonds	**¥ 80.0**	**¥ 50.3**	**¥ 512.6**	**¥234.7**	**¥ 113.0**	**¥ —**	**¥ —**	**¥ 990.8**
Japanese local government bonds	**—**	**0.5**	**—**	**—**	**—**	**—**	**—**	**0.5**
Japanese corporate bonds	**3.9**	**28.5**	**46.3**	**5.2**	**—**	**—**	**—**	**84.0**
Japanese equity securities	**—**	**—**	**—**	**—**	**—**	**—**	**31.5**	**31.5**
Foreign bonds and other	**50.7**	**67.3**	**57.0**	**38.0**	**54.5**	**5.4**	**97.2**	**370.4**
Total securities	**¥ 134.6**	**¥ 146.7**	**¥ 615.9**	**¥278.0**	**¥ 167.5**	**¥ 5.4**	**¥ 128.7**	**¥ 1,477.3**

Billions of yen

As of March 31, 2014	1 year or less	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years to 7 years	Over 7 years to 10 years	Over 10 years	Unspecified term	Total
Japanese national government bonds	¥ 290.2	¥ 120.1	¥ 647.4	¥ 15.8	¥ 53.0	¥ —	¥ —	¥1,126.8
Japanese local government bonds	—	0.5	—	—	—	—	—	0.5
Japanese corporate bonds	32.6	48.7	34.2	—	—	0.5	—	116.1
Japanese equity securities	—	—	—	—	—	—	26.2	26.2
Foreign bonds and other	27.3	55.3	70.4	18.7	15.2	8.6	91.4	287.2
Total securities	¥ 350.2	¥ 224.7	¥ 752.2	¥ 34.6	¥ 68.3	¥ 9.1	¥ 117.7	¥1,557.0

FINANCIAL CONDITION (continued)

LOAN PORTFOLIO

As of March 31, 2015, loans and bills discounted totaled ¥4,461.2 billion. This represented 50.2% of total consolidated assets. Installment receivables of APLUS FINANCIAL, Showa Leasing and other non bank subsidiaries are classified in our consolidated balance sheets as other assets, and are not reflected in our data on loans and bills discounted.

Most of our loan portfolio was originated by Shinsei and our domestic subsidiaries. Of loans we originated, loans to the finance and insurance industry and the real estate industry accounted for 26.9% of total loans as of March 31, 2015. Loans to the real estate industry consisted in part of non recourse and project finance loans. Loans to others of ¥2,023.4 billion as of March 31, 2015 included loans extended to Shinsei's retail banking, Shinsei Bank Lake, Shinsei Financial's, APLUS FINANCIAL's and SHINKI's individual customers amounting, in aggregate, to ¥1,727.1 billion.

TABLE 19. LOANS BY BORROWER INDUSTRY (CONSOLIDATED)

As of March 31	Billions of yen (except percentages)			
	2015		2014	
Domestic offices (excluding Japan offshore market account):				
Manufacturing	**¥ 197.8**	**4.5%**	¥ 212.4	5.0%
Agriculture and forestry	**0.1**	**0.0**	0.1	0.0
Fishery	**0.0**	**0.0**	0.0	0.0
Mining, quarrying and gravel extraction	**0.1**	**0.0**	0.1	0.0
Construction	**10.7**	**0.2**	9.9	0.2
Electric power, gas, heat supply and water supply	**204.6**	**4.7**	170.1	4.0
Information and communications	**39.6**	**0.9**	40.7	1.0
Transportation, postal service	**187.9**	**4.3**	203.2	4.7
Wholesale and retail	**99.2**	**2.3**	89.2	2.1
Finance and insurance	**628.6**	**14.4**	662.6	15.5
Real estate	**549.0**	**12.5**	580.0	13.5
Services	**344.4**	**7.9**	317.9	7.4
Local government	**94.2**	**2.1**	104.3	2.4
Others	**2,023.4**	**46.2**	1,897.0	44.2
Total domestic (A)	**¥ 4,380.2**	**100.0%**	¥ 4,288.2	100.0%
Overseas offices (including Japan offshore market accounts):				
Governments	**¥ 1.1**	**1.4%**	¥ 1.5	4.8%
Financial institutions	**—**	**—**	0.5	1.7
Others	**79.8**	**98.6**	29.4	93.5
Total overseas (B)	**¥ 81.0**	**100.0%**	¥ 31.5	100.0%
Total (A+B)	**¥ 4,461.2**		¥ 4,319.8	

FINANCIAL CONDITION (continued)

LOAN MATURITY

The following table sets forth the composition of Shinsei's nonconsolidated loan portfolio by type of interest rate and maturity as of the dates indicated. In the fiscal year ended March 31, 2015, the increase in total loans resulted from an increase in both variable-interest rate loans and fixed-interest rate loans.

TABLE 20. LOAN MATURITY (NONCONSOLIDATED)

As of March 31	Billions of yen 2015	2014
Fixed-interest loans:		
One year or less[1]	**¥ —**	¥ —
Over one year to three years	**14.8**	23.6
Over three years to five years	**14.1**	134.4
Over five years to seven years	**20.4**	11.9
Over seven years	**796.9**	712.8
Indefinite term	**177.0**	130.2
Variable-interest loans:		
One year or less[1]	**¥ —**	¥ —
Over one year to three years	**706.0**	751.9
Over three years to five years	**695.5**	652.9
Over five years to seven years	**225.1**	244.9
Over seven years	**728.7**	652.7
Indefinite term	**12.1**	18.8
Total loans:		
One year or less	**¥ 831.6**	¥ 901.1
Over one year to three years	**720.9**	775.6
Over three years to five years	**709.7**	787.3
Over five years to seven years	**245.6**	256.8
Over seven years	**1,525.6**	1,365.5
Indefinite term	**189.1**	149.1
Total loans	**¥ 4,222.9**	¥ 4,235.7

1 Loans with maturities of one year or less are not broken down by type of interest rate.

ASSET QUALITY AND DISPOSAL OF NONPERFORMING LOANS OF SHINSEI

At March 31, 2015, 50.1% of our consolidated nonperforming loans as disclosed in accordance with the guidelines of the Japanese Bankers Association (JBA) were held by Shinsei and most of the remaining nonperforming loans 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 loans held by Shinsei Financial, APLUS FINANCIAL, Showa Leasing and SHINKI. For a discussion of the nonperforming claims of Shinsei Financial, APLUS FINANCIAL, Showa Leasing and SHINKI see "—Asset Quality of Shinsei Financial, APLUS FINANCIAL, Showa Leasing and SHINKI."

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.

The following table compares the scope of each category of claim under the Financial Revitalization Law and each type of risk-monitored loan, as well as the obligor type to which they relate as of March 31, 2015:

FINANCIAL CONDITION (continued)

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

(Billions of yen)

Obligor Classifications		Internal Ratings	Reserve Ratios for Borrowers Type	Claims Classified under the Financial Revitalization Law[2,3] Total loans and bills discounted: 4,222.9	Other 76.8	Risk-monitored Loans[2] Total loans and bills discounted: 4,222.9
Legally bankrupt		9E	100.0% for unsecured portion	Claims against bankrupt and quasi-bankrupt obligors 4.2 (Amount of coverage, coverage ratio) (4.2*, 100.0%) *Amount of reserve for loan losses is –, collateral and guarantees is 4.2		Loans to bankrupt obligors 0.7
Virtually bankrupt		9D	100.0% for unsecured portion			Non accrual delinquent loans 55.6
Possibly bankrupt		9C	97.4% for unsecured portion	Doubtful claims 52.1 (Amount of coverage, coverage ratio) (51.4*, 98.6%) *Amount of reserve for loan losses is 23.6, collateral and guarantees is 27.7		
Need caution	Substandard	9B	54.4% for unsecured portion	Substandard claims (loan account only) 4.5 (Amount of coverage, coverage ratio) (3.3*, 74.6%) *Amount of reserve for loan losses is 1.1, collateral and guarantees is 2.1		Loans past due for three months or more Restructured loans 4.5
	Other need caution	9A	4.0% for total claims	Normal claims 4,238.8		Normal 4,162.0
Normal		0A–6C	0.4% for total claims			
				Total nonperforming claims and ratio to total claims 60.9, 1.4% (Total amount of coverage, coverage ratio) (59.0*, 96.9%) *Total amount of reserve for loan losses is 24.8, collateral and guarantees is 34.1		Total risk-monitored loans and ratio to total loans and bills discounted 60.8, 1.4%

1 Financial and operational data that are stated in multiples of ¥0.1 billion have been truncated. All percentages have been rounded to the nearest 0.1%.
2 The Financial Revitalization Law requires us to classify and disclose "claims" which include, in addition to loans and bills discounted, foreign exchange claims, securities lent, private placement bonds guaranteed by Shinsei, accrued income and suspense payments in other assets, as well as customers' liabilities for acceptances and guarantees. By comparison, as for risk-monitored loans, the format devised by the JBA only classifies, and calls for disclosure of, certain loans and bills discounted.
3 Shaded claims denoted claims that are considered to be nonperforming under the Financial Revitalization Law.

In October 2002, the FSA announced the "Program for Financial Revival" that has led to more stringent evaluations of claims. This program requires banks to use discounted cash flow analyses, among other measures, when providing loan loss reserves against major borrowers with substandard claims. Through the program, the FSA also sought greater scrutiny of the effect of recording large amounts of deferred tax assets on the quality of a bank's regulatory capital. We have exceeded the FSA's requirements for employing the discounted cash flow method, applying it to approximately 90%, by principal amount, and ¥500 million or more in outstanding balance, of our claims against substandard obligors and possibly bankrupt obligors, excluding non Japanese transactions and transactions with individuals as their future cash flows cannot be reasonably estimated.

FINANCIAL CONDITION (continued)

SELF-ASSESSMENT GUIDELINES AND RESERVE POLICIES

DEFINITION OF OBLIGOR CLASSIFICATIONS

OBLIGOR CLASSIFICATION	DEFINITION
Legally bankrupt *(hatan-saki)*	Obligors who have already gone bankrupt, from a legal and/or formal perspective.
Virtually bankrupt *(jisshitsu hatan-saki)*	Obligors who have not yet gone legally or formally bankrupt but who are substantially bankrupt because they are in serious financial difficulties and are not deemed to be capable of restructuring.
Possibly bankrupt *(hatan kenen-saki)*	Obligors who are not yet bankrupt but are in financial difficulties and are very likely to go bankrupt in the future because they are having difficulty implementing their management improvement plans. This includes obligors who are receiving ongoing support from financial institutions.
Need caution *(youchui-saki)*	Obligors who require close attention because there are problems with their borrowings, such as reduced or suspended interest payments, problems with fulfillment, such as substantial postponements of principal or interest payments, or problems with their financial position as a result of their poor or unstable business conditions. The term "need caution obligors" includes "substandard obligors" *(youkanri-saki)*, which refers to obligors with "substandard claims," that is, loans past due for three months or more or restructured loans. Claims against need caution obligors that are not substandard claims are sometimes referred to as "claims against other need caution obligors" *(sono ta youchui-saki)*.
Normal *(seijou-saki)*	Obligors whose business conditions are favorable and who are deemed not to have any particular problems in terms of their financial position.

DEFINITIONS OF CLAIMS CLASSIFIED UNDER THE FINANCIAL REVITALIZATION LAW

CATEGORY	DEFINITION
Claims against bankrupt and quasi-bankrupt obligors *(hasan kosei saiken oyobi korera ni junzuru saiken)*	Claims against obligors under bankruptcy and similar claims, as provided for under the Bankruptcy Law, the Corporate Reorganization Law, the Civil Rehabilitation Law and similar laws.
Doubtful claims *(kiken saiken)*	Claims against obligors that are not yet in bankruptcy but have experienced deterioration in their financial condition and operating performance and for which there is a high probability of contractual defaults on principal and interest payments.
Substandard claims *(youkanri saiken)*	Loans past due for three months or more and restructured loans, excluding those categorized as claims against bankrupt and quasi-bankrupt obligors or doubtful claims.
Normal claims *(seijou saiken)*	Claims against obligors that are experiencing no particular problems with their financial condition or operating performance, other than claims in any of the three categories above.

DEFINITIONS OF CATEGORIES OF RISK-MONITORED LOANS

CATEGORY	DEFINITION
Loans to bankrupt obligors *(hatan-saki saiken)*	Loans to legally bankrupt obligors.
Non accrual delinquent loans *(entai-saki saiken)*	Loans to virtually bankrupt and possibly bankrupt obligors.
Loans past due for three months or more *(san-ka-getsu ijou entai saiken)*	Loans on which principal and/or interest are past due three months or more.
Restructured loans *(kashidashi jouken kanwa saiken)*	Loans with lending terms that have been changed in ways favorable to the borrower, including reducing interest rates, providing grace periods for repayment and forgiving a portion of the debt.

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FINANCIAL CONDITION (continued)

RESERVE POLICIES

CLAIMS AGAINST OBLIGORS, AS CATEGORIZED UNDER SELF-ASSESSMENT GUIDELINES	RESERVE POLICY
Claims against legally and virtually bankrupt obligors	We either write off directly or make a provision for, in the specific reserve for loan losses, the full amount of the unsecured, unguaranteed portion of the claim.
Claims against possibly bankrupt obligors	For most claims against possibly bankrupt obligors, we make a provision in the specific reserve for loan losses in an amount calculated based on the discounted cash flow method. For the remaining claims, we make a provision to that reserve for the unsecured, unguaranteed portion of the claims in the amount of the product of that portion and the higher of 70% or the estimated loss ratio, based on historical losses on claims in this category, for the next three years.
Claims against substandard obligors	For most claims against substandard obligors, we make a provision in the general reserve for loan losses in an amount calculated based on the discounted cash flow method. For the remaining claims, we make a provision to that reserve for the estimated amount of losses over three years computed based on the expected loss ratio for claims in this category.
Claims against need caution obligors, other than claims against substandard obligors	We make a provision, in the general reserve for loan losses, for the estimated amount of losses over the average remaining term of the loans computed based on the expected loss ratio for claims in this category.
Claims against normal obligors	For claims against obligors rated 5A through 6C under our credit rating system, we make a provision, in the general reserve for loan losses, for the estimated amount of losses over the average remaining term of the loans computed based on the expected loss ratio for claims in this category. For the remaining claims, we make a provision to that reserve for the estimated amount of losses over a year computed based on the expected loss ratio for claims in this category.

CLAIMS CLASSIFIED UNDER THE FINANCIAL REVITALIZATION LAW

Under the Financial Revitalization Law, Japanese banks categorize their 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 loans. Shinsei's total amount of nonperforming claims as disclosed pursuant to the Financial Revitalization Law decreased by ¥103.8 billion, or 63.0%, to ¥60.9 billion, between March 31, 2014 and 2015. During the fiscal year ended March 31, 2015, claims against bankrupt and quasi-bankrupt obligors decreased from ¥13.2 billion to ¥4.2 billion, doubtful claims decreased from ¥146.6 billion to ¥52.1 billion, and substandard claims decreased from ¥4.8 billion to ¥4.5 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 March 31, 2015 decreased to 1.4%, compared to 3.8% as of March 31, 2014.

Shinsei's claims against other need caution obligors, excluding substandard claims, totaled ¥74.6 billion as of March 31, 2015, a 31.4% decrease from ¥108.8 billion as of March 31, 2014. These include private placement bonds guaranteed by Shinsei and classified as claims against other need caution obligors. These claims represented 1.7% of total nonconsolidated claims as of March 31, 2015, down from 2.5% as of March 31, 2014.

TABLE 21. CLAIMS CLASSIFIED UNDER THE FINANCIAL REVITALIZATION LAW (NONCONSOLIDATED)

Billions of yen (except percentages)

As of March 31	2015	2014
Claims against bankrupt and quasi-bankrupt obligors	**¥ 4.2**	¥ 13.2
Doubtful claims	**52.1**	146.6
Substandard claims	**4.5**	4.8
Total claims disclosed under the Financial Revitalization Law[1]	**60.9**	164.7
Normal claims and claims against other need caution obligors, excluding substandard claims	**4,238.8**	4,163.5
Total claims	**¥ 4,299.8**	¥ 4,328.2
Ratio of total claims disclosed under the Financial Revitalization Law to total claims	**1.4%**	3.8%

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.

FINANCIAL CONDITION (continued)

COVERAGE RATIOS

As of March 31, 2015, Shinsei's 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, 98.6% for doubtful claims and 74.6% for substandard claims. For all claims classified under the Financial Revitalization Law, the coverage ratio was 96.9%, a increase from 95.3% as of March 31, 2014.

Shinsei directly writes off, rather than reserves, the portion of claims against bankrupt and quasi-bankrupt obligors that are estimated to be uncollectible. In the fiscal years ended March 31, 2015 and 2014, ¥54.8 billion and ¥63.4 billion, respectively, of such claims were written off on a nonconsolidated basis.

TABLE 22. COVERAGE RATIOS FOR NONPERFORMING CLAIMS DISCLOSED UNDER THE FINANCIAL REVITALIZATION LAW (NONCONSOLIDATED)

Billions of yen (except percentages)

	Amount of claims	Amounts of coverage: Reserve for loan losses	Collateral and guarantees	Total	Coverage ratio
As of March 31, 2015:					
Claims against bankrupt and quasi-bankrupt obligors	**¥ 4.2**	**¥ —**	**¥ 4.2**	**¥ 4.2**	**100.0%**
Doubtful claims	**52.1**	**23.6**	**27.7**	**51.4**	**98.6**
Substandard claims	**4.5**	**1.1**	**2.1**	**3.3**	**74.6**
Total	**¥ 60.9**	**¥ 24.8**	**¥ 34.1**	**¥ 59.0**	**96.9%**
As of March 31, 2014:					
Claims against bankrupt and quasi-bankrupt obligors	¥ 13.2	¥ —	¥ 13.2	¥ 13.2	100.0%
Doubtful claims	146.6	58.3	81.9	140.2	95.6
Substandard claims	4.8	1.9	1.5	3.4	71.8
Total	¥ 164.7	¥ 60.2	¥ 96.6	¥ 156.9	95.3%

CHANGES IN AMOUNT OF NONPERFORMING CLAIMS

The table below sets forth Shinsei's experience since March 31, 2013 with the removal of nonperforming claims and the emergence of new claims on a nonconsolidated basis:

TABLE 23. CHANGES IN AMOUNT OF NONPERFORMING CLAIMS (NONCONSOLIDATED)

Billions of yen

	Substandard claims	Doubtful claims	Claims against bankrupt and quasi-bankrupt obligors	Total
Balance of nonperforming claims as of March 31, 2013	¥ 5.6	¥ 198.3	¥ 38.6	¥ 242.6
Claims newly added April 1, 2013 to March 31, 2014	3.0	7.5	1.5	12.1
Claims removed April 1, 2013 to March 31, 2014	(3.3)	(44.0)	(42.6)	(90.0)
Claims migrating between classifications April 1, 2013 to March 31, 2014	(0.4)	(15.1)	15.6	—
Net change	(0.8)	(51.6)	(25.4)	(77.9)
Balance of nonperforming claims as of March 31, 2014	¥ 4.8	¥ 146.6	¥ 13.2	¥ 164.7
Claims newly added April 1, 2014 to March 31, 2015	**2.4**	**0.8**	**1.5**	**4.8**
Claims removed April 1, 2014 to March 31, 2015	**(2.2)**	**(84.2)**	**(22.1)**	**(108.6)**
Claims migrating between classifications April 1, 2014 to March 31, 2015	**(0.5)**	**(11.0)**	**11.5**	**—**
Net change	**(0.3)**	**(94.5)**	**(8.9)**	**(103.8)**
Balance of nonperforming claims as of March 31, 2015	**¥ 4.5**	**¥ 52.1**	**¥ 4.2**	**¥ 60.9**

In the fiscal year ended March 31, 2015, ¥4.8 billion of claims were newly classified as substandard or worse, while Shinsei removed ¥108.6 billion of claims in these categories during the same period. Of the newly added nonperforming claims, ¥2.4 billion were classified as substandard claims, and ¥1.5 billion were claims against bankrupt and quasi-bankrupt obligors .

For the fiscal year ended March 31, 2014, ¥12.1 billion of claims were newly classified as substandard or worse, while Shinsei removed ¥90.0 billion of claims in these categories during the same period.

FINANCIAL CONDITION (continued)

RESERVE FOR CREDIT LOSSES

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

TABLE 24. RESERVE FOR CREDIT LOSSES (NONCONSOLIDATED)

Billions of yen (except percentages)

As of March 31	2015	2014
General reserve for loan losses	**¥ 19.3**	¥ 19.9
Specific reserve for loan losses	**24.4**	59.7
Reserve for loans to restructuring countries	**0.0**	0.0
Subtotal of reserve for loan losses	**43.8**	79.6
Specific reserve for other credit losses	**3.9**	3.9
Total reserve for credit losses	**¥ 47.7**	¥ 83.5
Total claims[1]	**¥ 4,299.8**	¥ 4,328.2
Ratio of total reserve for loan losses to total claims	**1.0%**	1.8%
Ratio of total reserve for credit losses to total claims	**1.1%**	1.9%

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.

As of March 31, 2015 and 2014, Shinsei's total reserve for credit losses on a nonconsolidated basis was ¥47.7 billion and ¥83.5 billion, respectively, constituting 1.1% and 1.9%, respectively, of total claims.

TABLE 25. RESERVE RATIOS BY BORROWERS' CATEGORY (NONCONSOLIDATED)

Percentages

As of March 31		2015	2014
Legally and virtually bankrupt	(unsecured portion)	**100.0%**	100.0%
Possibly bankrupt	(unsecured portion)	**97.4%**	95.7%
Substandard	(unsecured portion)	**54.4%**	67.6%
Need caution	(total claims)	**4.0%**	6.6%
	(unsecured portion)	**8.9%**	22.9%
Normal	(total claims)	**0.4%**	0.3%

RISK-MONITORED LOANS

Consolidated risk-monitored loans decreased by 44.9% during the fiscal year ended March 31, 2015 to ¥121.5 billion. The decrease of ¥89.9 billion in nonaccrual delinquent loans during the period were primarily attributable to collection of nonconsolidated loans.

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

TABLE 26. RISK-MONITORED LOANS (CONSOLIDATED)

Billions of yen (except percentages)

As of March 31	2015	2014
Total loans and bills discounted	**¥ 4,461.2**	¥ 4,319.8
Loans to bankrupt obligors (A)	**3.2**	10.0
Nonaccrual delinquent loans (B)	**87.7**	177.7
Subtotal (A)+(B)	**¥ 91.0**	¥ 187.8
Ratio to total loans and bills discounted	**2.0%**	4.3%
Loans past due for three months or more (C)	**¥ 1.3**	¥ 1.1
Restructured loans (D)	**29.1**	31.7
Total risk-monitored loans (A)+(B)+(C)+(D)	**¥ 121.5**	¥ 220.7
Ratio to total loans and bills discounted	**2.7%**	5.1%
Reserve for credit losses	**¥ 108.2**	¥ 137.3

FINANCIAL CONDITION (continued)

TABLE 27. RISK-MONITORED LOANS (NONCONSOLIDATED)

As of March 31	Billions of yen (except percentages)	
	2015	2014
Total loans and bills discounted	**¥ 4,222.9**	¥ 4,235.7
Loans to bankrupt obligors (A)	**0.7**	7.2
Nonaccrual delinquent loans (B)	**55.6**	138.6
Subtotal (A)+(B)	**¥ 56.3**	¥ 145.8
Ratio to total loans and bills discounted	**1.3%**	3.4%
Loans past due for three months or more (C)	**¥ 1.1**	¥ 0.9
Restructured loans (D)	**3.3**	3.8
Total risk-monitored loans (A)+(B)+(C)+(D)	**¥ 60.8**	¥ 150.7
Ratio to total loans and bills discounted	**1.4%**	3.6%
Reserve for credit losses	**¥ 47.7**	¥ 83.5

TABLE 28. RISK-MONITORED LOANS BY BORROWER INDUSTRY (NONCONSOLIDATED)

As of March 31	Billions of yen	
	2015	2014
Domestic offices (excluding Japan offshore market account):		
Manufacturing	**¥ 0.9**	¥ 5.6
Agriculture and forestry	**—**	—
Fishery	**—**	—
Mining, quarrying and gravel extraction	**—**	—
Construction	**—**	—
Electric power, gas, heat supply and water supply	**—**	—
Information and communications	**0.5**	0.5
Transportation and postal service	**—**	2.9
Wholesale and retail	**1.0**	0.3
Finance and insurance	**—**	21.9
Real estate	**26.3**	74.6
Services	**25.2**	25.4
Local government	**—**	—
Individual	**3.4**	3.5
Overseas yen loan and overseas loans booked domestically	**3.1**	15.6
Total domestic (A)	**¥ 60.8**	¥ 150.7
Overseas offices (including Japan offshore market accounts):		
Governments	**¥ —**	¥ —
Financial institutions	**—**	—
Commerce and industry	**—**	—
Others	**—**	—
Total overseas (B)	**¥ —**	¥ —
Total (A+B)	**¥ 60.8**	¥ 150.7

FINANCIAL CONDITION (continued)

ASSET QUALITY OF SHINSEI FINANCIAL, APLUS FINANCIAL, SHOWA LEASING AND SHINKI

Shinsei Financial, APLUS FINANCIAL, Showa Leasing and SHINKI classify their obligors and assess their asset quality based on the self-assessment guidelines developed in accordance with guidelines published by the FSA. They generally perform their self-assessment quarterly and at least semi-annually. Shinsei Financial's, APLUS FINANCIAL's, Showa Leasing's and SHINKI's assessments, 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, Showa Leasing, SHINKI and other subsidiaries as of the dates indicated:

TABLE 29. RISK-MONITORED LOANS BREAKDOWN FOR LARGE ENTITIES (CONSOLIDATED)

	Billions of yen					
	Shinsei	Shinsei Financial	APLUS FINANCIAL	SHINKI	Other subsidiaries	Total
As of March 31, 2015:						
Loans to bankrupt obligors	**¥ 0.7**	**¥ 1.8**	**¥ 0.1**	**¥ 0.0**	**¥ 0.5**	**¥ 3.2**
Nonaccrual delinquent loans	**55.6**	**7.8**	**13.3**	**1.0**	**9.9**	**87.7**
Loans past due for three months or more	**1.1**	**0.0**	**0.1**	**—**	**0.0**	**1.3**
Restructured loans	**3.3**	**15.5**	**8.4**	**1.7**	**—**	**29.1**
Total	**¥ 60.8**	**¥ 25.1**	**¥ 22.0**	**¥ 2.7**	**¥ 10.6**	**¥ 121.5**
As of March 31, 2014:						
Loans to bankrupt obligors	¥ 7.2	¥ 1.5	¥ 0.1	¥ 0.0	¥ 1.1	¥ 10.0
Nonaccrual delinquent loans	138.6	7.0	13.9	0.8	17.4	177.7
Loans past due for three months or more	0.9	0.0	0.1	—	0.0	1.1
Restructured loans	3.8	17.1	9.2	1.4	—	31.7
Total	¥ 150.7	¥ 25.7	¥ 23.3	¥ 2.3	¥ 18.6	¥ 220.7

TABLE 30. RISK-MONITORED INSTALLMENT RECEIVABLES INCLUDED IN OTHER ASSETS (CONSOLIDATED)[1]

	Billions of yen				
	Shinsei Financial	APLUS FINANCIAL	Showa Leasing	Other subsidiaries	Total
As of March 31, 2015:					
Credits to bankrupt obligors	**¥ —**	**¥ 0.0**	**¥ 0.0**	**¥ 0.1**	**¥ 0.1**
Nonaccrual delinquent credits	**—**	**5.7**	**3.2**	**0.0**	**9.0**
Credits past due for three months or more	**—**	**0.7**	**0.0**	**—**	**0.8**
Restructured credits	**—**	**0.4**	**0.0**	**—**	**0.5**
Total	**¥ —**	**¥ 6.9**	**¥ 3.3**	**¥ 0.1**	**¥ 10.4**
As of March 31, 2014:					
Credits to bankrupt obligors	¥ 0.0	¥ 0.0	¥ 0.3	¥ 0.1	¥ 0.4
Nonaccrual delinquent credits	0.0	5.2	3.8	0.0	9.1
Credits past due for three months or more	—	0.2	0.0	—	0.2
Restructured credits	0.0	0.7	—	—	0.7
Total	¥ 0.0	¥ 6.2	¥ 4.2	¥ 0.1	¥ 10.6

1 Neither Shinsei nor SHINKI had any such installment receivables.

FUNDING AND LIQUIDITY

We continues to optimize its funding base through deposits from retail customers. Total deposits and negotiable certificates of deposit decrease from ¥5,850.4 billion as of March 31, 2014 to ¥5,452.7 billion as of March 31, 2015. The retail deposits balance totaled ¥4,856.2 billion as of March 31, 2015, a decrease of ¥235.5 billion compared to March 31, 2014. Retail Banking constitutes 89.1% of our total funding through customer deposits and debentures. The following table shows changes in the proportion of our overall funding represented by funds raised from deposits and debentures in our Retail and Institutional Banking businesses.

FINANCIAL CONDITION (continued)

TABLE 31. DIVERSIFICATION BY FUNDING TYPE (CONSOLIDATED)

As of March 31	Billions of yen 2015	2014
Retail deposits	**¥ 4,856.2**	¥ 5,091.7
Retail debentures[1]	**32.3**	39.9
Institutional deposits	**596.5**	758.7
Institutional debentures	**—**	1.8
Total	**¥ 5,485.0**	¥ 5,892.1

1 Excludes unclaimed matured debentures.

DEPOSITS

The following table sets forth the composition of our time deposits by remaining maturity as of the dates indicated:

TABLE 32. MATURITY SCHEDULE OF TIME DEPOSITS (CONSOLIDATED)

As of March 31	Billions of yen 2015	2014
Less than three months[1]	**¥ 1,604.3**	¥ 1,658.3
Three months or more, but less than six months	**172.4**	197.6
Six months or more, but less than one year	**202.3**	572.9
One year or more, but less than two years	**162.4**	249.4
Two years or more, but less than three years	**237.8**	159.9
Three years or more	**574.5**	738.5
Total	**¥ 2,954.1**	¥ 3,576.9

1 Less than three months includes time deposits that have matured but have not yet been paid.

DEBENTURES AND CORPORATE BONDS

The following table sets forth the composition of our debentures and corporate bonds by remaining maturity as of the dates indicated:

TABLE 33. MATURITY SCHEDULE OF DEBENTURES AND CORPORATE BONDS (CONSOLIDATED)

Debentures

Fiscal year ending March 31	Billions of yen
2016	¥ 14.4
2017	10.2
2018	6.9
2019	0.5
2020 and thereafter	—
Total	¥ 32.3

Corporate Bonds

Fiscal year ending March 31	Billions of yen
2016	¥ 36.8
2017	10.4
2018	21.8
2019	0.8
2020 and thereafter	87.5
Total	¥ 157.5

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FINANCIAL CONDITION (continued)

OTHER

The securitization of loans and other assets is another component of our funding strategy. We will continue to explore additional issuance opportunities subject to market conditions.

TABLE 34. SHINSEI'S CREDIT RATINGS AS OF JULY 2015

Rating agency	Long-term (Outlook)	Short-term
Moody's	Baa3 (Positive)	Prime-3
Standard & Poor's (S&P)	BBB+ (Stable)	A-2
Japan Credit Rating Agency (JCR)	BBB+ (Stable)	J-2
Rating and Investment Information, Inc. (R&I)	BBB+ (Positive)	a-2

OTHER CONTRACTUAL CASH OBLIGATIONS

We use other contractual cash obligations for funding purposes. The following table sets forth a summary of our primary consolidated other contractual cash obligations as of March 31, 2015 and 2014:

TABLE 35. OTHER CONTRACTUAL CASH OBLIGATIONS (CONSOLIDATED)

	Billions of yen		
Payments due by period as of March 31, 2015	**1 year or less**	**Over 1 year**	**Total**
Borrowed money	**¥ 407.4**	**¥ 397.7**	**¥ 805.2**
Obligations under finance leases	**0.5**	**2.1**	**2.7**
Total	**¥ 407.9**	**¥ 399.9**	**¥ 807.9**

	Billions of yen		
Payments due by period as of March 31, 2014	1 year or less	Over 1 year	Total
Borrowed money	¥ 311.8	¥ 331.6	¥ 643.4
Obligations under finance leases	0.6	2.6	3.3
Total	¥ 312.4	¥ 334.3	¥ 646.7

FINANCIAL CONDITION (continued)

TAXATION

SCHEDULE OF TAX LOSS CARRYFORWARDS

As of March 31, 2015, Shinsei had ¥218.5 billion of tax loss carryforwards based on the consolidated corporate tax system.

TABLE 36. SCHEDULE OF TAX LOSS CARRY-FORWARDS

	Billions of yen	
Year tax loss carry-forwards generated/renewed	Amount	Date of expiry
Shinsei Bank		
March 31, 2009	¥ 107.4	March 31, 2018
March 31, 2011	20.0	March 31, 2020
March 31, 2012	16.7	March 31, 2021
March 31, 2013	23.2	March 31, 2022
March 31, 2014	18.5	March 31, 2023
March 31, 2015	32.5	March 31, 2024
Total	¥ 218.5	
APLUS FINANCIAL		
March 31, 2009	¥ 1.5	March 31, 2017
March 31, 2009	0.2	March 31, 2018
March 31, 2010	0.8	March 31, 2019
March 31, 2011	3.9	March 31, 2020
March 31, 2012	7.6	March 31, 2021
March 31, 2013	0.8	March 31, 2022
March 31, 2014	7.9	March 31, 2023
Total	¥ 23.1	
Shinsei Financial		
March 31, 2010	¥ 72.0	March 31, 2019
March 31, 2011	22.8	March 31, 2020
March 31, 2012	26.1	March 31, 2021
March 31, 2015	21.6	March 31, 2024
Total	¥ 142.7	
SHINKI		
March 31, 2009	¥ 9.2	March 31, 2018
March 31, 2010	5.6	March 31, 2019
March 31, 2011	14.0	March 31, 2020
March 31, 2012	5.3	March 31, 2021
March 31, 2013	2.7	March 31, 2022
March 31, 2014	2.8	March 31, 2023
March 31, 2015	3.1	March 31, 2024
Total	¥ 43.0	

The table above sets forth a schedule of tax loss carryforwards of Shinsei Bank, APLUS FINANCIAL, Shinsei Financial and SHINKI as of March 31, 2015. Because APLUS FINANCIAL, Shinsei Financial and SHINKI are not wholly-owned subsidiaries, we are unable to include their results in our consolidated tax returns.

In the event that Shinsei, APLUS FINANCIAL, Shinsei Financial or SHINKI, as the case may be, generates less taxable income in a given fiscal year than the tax loss carryforward that will expire at year-end, the benefit of the unused portion of the expiring tax loss carryforward will be lost.

We record deferred tax assets for tax loss carryforwards and evaluate them in accordance with the JICPA guidelines. See "—Critical Accounting Policies— Valuation of Deferred Tax Assets" on page 91.

CONSOLIDATED CORPORATE TAX SYSTEM

Shinsei has filed its corporate tax returns under the consolidated corporate tax system since the fiscal year ended March 31, 2004. Under the consolidated corporate tax system, we base corporate tax payments on the combined profits or losses of Shinsei and its wholly-owned domestic subsidiaries.

Showa Leasing and APLUS FINANCIAL have also adopted the consolidated corporate tax system beginning with the fiscal year ended March 31, 2007 and March 31, 2011, respectively.

FINANCIAL CONDITION (continued)

CAPITAL RESOURCES AND ADEQUACY

EQUITY

The following table sets forth a summary of our equity as of March 31, 2015 and 2014:

TABLE 37. EQUITY (CONSOLIDATED)

Billions of yen (except percentages)

As of March 31	2015	2014
Common stock	**¥ 512.2**	¥ 512.2
Capital surplus	**79.4**	79.4
Stock acquisition rights	**1.2**	1.2
Retained earnings	**209.4**	146.0
Treasury stock, at cost	**(72.5)**	(72.5)
Accumulated other comprehensive income:		
Unrealized gain (loss) on available-for-sale securities	**10.8**	6.2
Deferred gain (loss) on derivatives under hedge accounting	**(11.5)**	(8.7)
Foreign currency translation adjustments	**3.6**	0.2
Defined retirement benefit plans	**(0.5)**	(5.1)
Total	**¥ 732.2**	¥ 658.9
Minority interests	**21.5**	63.6
Total equity	**¥ 753.7**	¥ 722.5
Ratio of total equity to total assets	**8.5%**	7.8%

CAPITAL RATIOS

From the fiscal year ended March 31, 2015, 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 March 31, 2015 was 14.9%, compared with 13.6% as of March 31, 2014.

FINANCIAL CONDITION (continued)

There is no concept of Tier of capital in Basel III Domestic standard regulation. Most of capital items are same as Basel II regulation.

TABLE 38. CAPITAL RATIOS (BASEL III, DOMESTIC STANDARD[1]) (CONSOLIDATED)

As of March 31	Billions of yen (except percentages) 2015	Amounts excluded under transitional arrangements
Core capital: instruments and reserves		
Directly issued qualifying common share capital or preferred share capital with a compulsory conversion clause plus related capital surplus and retained earnings	¥ 725.8	
of which: capital and capital surplus	591.6	
of which: retained earnings	209.4	
of which: treasury stock (-)	(72.5)	
of which: earning to be distributed (-)	(2.6)	
of which: other than above	—	
Accumulated other comprehensive income (amount allowed to be included in Core capital)	3.5	¥ (0.4)
of which: foreign currency translation adjustment	3.6	
of which: amount related defined benefit	(0.1)	(0.4)
Stock acquisition right to common shares and preferred shares with a compulsory conversion clause	1.2	
Adjusted minority interests (amount allowed to be included in Core capital)	—	
Total of reserves included in Core capital: instruments and reserves	2.7	
of which: general reserve for loan losses included in Core capital	0.7	
of which: eligible provision included in Core capital	2.0	
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)	144.9	
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)	—	
Minority interests subject to transitional arrangements (amount allowed to be included in Core capital: instruments and reserves)	3.9	
Core capital: instruments and reserves	¥ 882.3	
Core capital: regulatory adjustments		
Total amount of intangible assets (excluding those relating to mortgage servicing rights)	¥ 30.1	¥ 10.7
of which: goodwill (including those equivalent)	23.1	—
of which: other intangibles other than goodwill and mortgage servicing rights	6.9	10.7
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	1.4	5.9
Shortfall of eligible provisions to expected losses	—	—
Gain on sale of securitization	8.3	—
Gains and losses due to changes in own credit risk on fair valued liabilities	—	—
Net defined benefit asset	0.4	1.9
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 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	¥ 40.4	
Capital (consolidated)	¥ 841.9	
Risk-weighted assets		
Total amount of credit risk-weighted assets	¥ 5,127.5	
of which: total amount included in risk-weighted assets by transitional arrangements	(40.4)	
of which: intangible assets (excluding those relating to goodwill and mortgage servicing rights)	10.7	
of which: deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	5.9	
of which: net defined benefit asset	1.9	
of which: significant investments in the common stock of Other Financial Institutions (net of eligible short positions)	(59.1)	
of which: other than above	—	
Market risk (divided by multiplying the capital requirement by 12.5)	176.1	
Operational risk (divided by multiplying the capital requirement by 12.5)	358.2	
Credit risk adjustments	—	
Operational risk adjustments	—	
Total amount of Risk-weighted assets	¥ 5,661.9	
Capital ratio (consolidated)	14.9%	

FINANCIAL CONDITION (continued)

As of March 31	Billions of yen (except percentages) 2014	Amounts excluded under transitional arrangements
Core capital: instruments and reserves		
Directly issued qualifying common share capital or preferred share capital with a compulsory conversion clause plus related capital surplus and retained earnings	¥ 662.4	
of which: capital and capital surplus	591.6	
of which: retained earnings	146.0	
of which: treasury stock (-)	(72.5)	
of which: earning to be distributed (-)	(2.6)	
of which: other than above	—	
Accumulated other comprehensive income (amount allowed to be included in Core capital)	0.2	¥ (5.1)
of which: foreign currency translation adjustment	0.2	
of which: amount related defined benefit	—	(5.1)
Stock acquisition right to common shares and preferred shares with a compulsory conversion clause	1.2	
Adjusted minority interests (amount allowed to be included in Core capital)	—	
Total of reserves included in Core capital: instruments and reserves	2.9	
of which: general reserve for loan losses included in Core capital	2.9	
of which: eligible provision included in Core capital	—	
Eligible noncumulative perpetual preferred shares subject to transitional arrangements (amount allowed to be included in Core capital: instruments and reserves)	—	
Eligible capital instruments subject to transitional arrangements (amount allowed to be included in Core capital: instruments and reserves)	219.2	
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)	—	
Minority interests subject to transitional arrangements (amount allowed to be included in Core capital: instruments and reserves)	3.4	
Core capital: instruments and reserves	¥ 889.5	
Core capital: regulatory adjustments		
Total amount of intangible assets (excluding those relating to mortgage servicing rights)	¥ 34.9	¥ 12.6
of which: goodwill (including those equivalent)	28.9	—
of which: other intangibles other than goodwill and mortgage servicing rights	5.9	12.6
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	—	6.1
Shortfall of eligible provisions to expected losses	27.5	—
Gain on sale of securitization	9.4	—
Gains and losses due to changes in own credit risk on fair valued liabilities	—	—
Net defined benefit asset	—	1.0
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	0.0	1.9
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	¥ 71.9	
Capital (consolidated)	¥ 817.6	
Risk-weighted assets		
Total amount of credit risk-weighted assets	¥ 5,546.7	
of which: total amount included in risk-weighted assets by transitional arrangements	(20.6)	
of which: intangible assets (excluding those relating to goodwill and mortgage servicing rights)	12.6	
of which: deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	6.1	
of which: net defined benefit asset	1.0	
of which: significant investments in the common stock of Other Financial Institutions (net of eligible short positions)	(49.1)	
of which: other than above	8.7	
Market risk (divided by multiplying the capital requirement by 12.5)	125.5	
Operational risk (divided by multiplying the capital requirement by 12.5)	344.4	
Credit risk adjustments	—	
Operational risk adjustments	—	
Total amount of Risk-weighted assets	¥ 6,016.7	
Capital ratio (consolidated)	13.6%	

1 Calculated according to F-IRB.

FINANCIAL CONDITION (continued)

Subordinated debt and preferred securities are included in eligible capital instruments subject to transitional arrangements (amount allowed to be included in Core capital: instruments and reserves). In the grand fathering rule, eligible capital instruments can be calculated as capital but the value will decrease due to the amortization and redemption.

Basel III additional capital items which are capital deduction are the following items. The capital deduction will increase gradually in the grandfathering rule.

- Other intangibles other than goodwill and mortgage servicing rights.
- Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability).
- Net defined benefit asset.

Some of capital items (Gain on sale of securitization, expected losses on equity exposures under PD/LGD measures) are capital deductions in basel II, and are calculated as risk assets (Riskweight: 1,250%) in basel III.

OFF-BALANCE SHEET ARRANGEMENTS

We use off-balance sheet arrangements, including investments through special purpose entities, securitizations, lines and letters of credit, loan commitments and loan participations, in the ordinary course of business, including in our securitization and financing businesses, as well as to manage our own liquidity risk. The main purposes of such off-balance sheet arrangements are to develop our institutional banking business as well as to diversify our sources of liquidity. The following is a discussion of the principal off-balance sheet arrangements we use.

SECURITIZATION

We structure, arrange, distribute and service mortgage-backed securities and asset-backed securities both for third-parties and ourselves. Our securitization services utilize special purpose entities, which may be organized in the form of trusts, partnerships or corporations, mainly to protect the securitized assets from creditors of transferors even in bankruptcy. Assets securitized include commercial loans, residential mortgage loans, installment receivables and lease receivables.

REPACKAGING

One aspect of our securitization business involves our repackaging of assets purchased by special purpose entities that we establish into new financial instruments that represent undivided interests in the underlying assets. Repackaging the assets generally entails analyzing the cash flows from the underlying assets, using various means to rearrange the timing and order of cash flows, and then combining them with other cash flows to create new financial instruments that can be tailored to meet the demands of a broad range of investors.

Often the assets are repackaged into residual or subordinated interests, mezzanine interests and senior interests. The residual interests are the first to suffer any losses as a result of any decline in the value of the underlying financial assets, while the senior interests are structured to be the last to absorb such losses. In instances where we repackage assets on our own initiative, rather than for our customers, we generally retain the residual interests and either sell the senior or mezzanine interests immediately to third-parties or hold them temporarily before placing them with investors. Revenues on these transactions consist of gains on sales of the repackaged senior and mezzanine interests, transaction arrangement fees received from the originators of the assets, fees for underwriting the senior instruments, and returns on the residual interests.

The principal risk inherent in these repackagings is credit risk on the securitized financial instruments that is absorbed by the retained residual interests. We may record losses on the residual interests due to declines in the value of the underlying financial assets. We manage this credit risk through quarterly assessing our retained interests and providing valuation allowances for them based on those assessments, taking into consideration how much we believe we will be able to collect on the underlying assets. We generally transfer financial assets to special purpose entities on a "true sale" basis, which means that we would neither be entitled nor required to reacquire the financial assets so transferred.

FINANCIAL CONDITION (continued)

ARRANGEMENT

We also securitize customers' assets on their behalf, drawing on our expertise and experience in establishing securitization vehicles tailored to accommodate clients' needs, analyzing cash flows from the financial assets, structuring them into classes of securitized interests, arranging credit enhancements and locating investors for the securities to be issued. We generally place the securities representing the senior interests from these transactions with third-party investors. We may choose, however, to acquire temporarily a portion of these senior securities for later sale and often structure financial arrangements, including repackaging, that enhance the liquidity of these senior securities in order to attract third-party investors. These securities are recorded in other monetary claims purchased and recorded at fair value.

Our revenue on these transactions consists of fees, generally fixed, for arranging the transaction and for underwriting the sale of the financial instruments. We typically record those fees as having been received at the completion of all arrangements for the customer.

On these transactions, we act as an arranger, an underwriter, a servicer, a trustee or an administrator, or combination of some of these roles, for our corporate customers. As our customers usually retain the residual interests and the related risk of loss on them, we are not exposed to risks of incurring losses inherent in such residual interests.

As of March 31, 2015 and 2014, we held ¥39.3 billion and ¥38.5 billion, respectively, of debt securities and residual interests from securitization transactions.

LOAN PARTICIPATIONS

We have sold or transferred participation interests in certain of our loans. Loan participation involves the original lender transferring economic interests in the loan to others, while the original lender retains title to the loan itself.

Under Japanese GAAP, where substantially all of the economic interest in and risks of the loans are transferred to the participants, the original lenders are not deemed to bear recourse obligations for the participating interests or to have any rights to repurchase such interests. As a result, the original lender may remove the loans from its balance sheet as if the loans were sold to the participants. Because substantially all of the economic interest and risks have been transferred to the participants, we believe that we are not taking any substantial economic risk on the portions of loans in which we have sold participating interests.

As of March 31, 2015 and 2014, the total principal amount of participation interests in loans transferred to third-parties removed from the loan account was ¥17.1 billion and ¥14.4 billion, respectively.

OFF-BALANCE SHEET ARRANGEMENTS TO EXTEND CREDIT, ACCEPTANCES AND GUARANTEES

We have off-balance sheet commitments to extend credit to customers up to certain predetermined amounts at current market rates, in consideration of which we receive fee income that is recorded on an accrual basis for the period of the commitments. The unfunded amounts of these commitments and established credit line of overdrafts were ¥3,571.4 billion and ¥3,746.8 billion as of March 31, 2015 and 2014, out of which the amounts with original agreement terms of less than one year or which were cancelable, were ¥3,343.7 billion and ¥3,539.9 billion as of March 31, 2015 and 2014, respectively.

In addition, we provide acceptances and guarantees, which include lines and letters of credit and guarantees on customers' borrowings from other creditors. These acceptances and guarantees require us to satisfy our customers' obligations in the event they fail to do so, although we would have a claim for reimbursement against them. Under Japanese GAAP for banks, these acceptances and guarantees are deemed to be both contingent assets and liabilities, and are recorded as both assets and liabilities in the principal amount of the acceptances and guarantees. We record the fees we earn from providing acceptances and guarantees on an accrual basis over the period of the acceptance or guarantee. As of March 31, 2015 and 2014, we had ¥291.7 billion and ¥358.4 billion, respectively, of outstanding acceptances and guarantees.

APLUS FINANCIAL extends credit in the form of guarantees. The most significant component of its guarantee business is providing guarantees on installment shopping credit provided by other lenders to customers of its partner merchants. APLUS FINANCIAL also offers collection guarantees for foreign automobile dealers. As of March 31, 2015 and 2014, ¥269.4 billion and ¥341.5 billion of our outstanding acceptances or guarantees, respectively, were attributable to its guarantee business.

CONSOLIDATED BALANCE SHEETS

Shinsei Bank, Limited, and its Consolidated Subsidiaries
As of March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
ASSETS			
Cash and due from banks (Notes 3, 22, 23 and 37)	**¥ 881,776**	¥ 1,451,492	**$ 7,340,795**
Call loans (Note 37)	**30,000**	36,451	**249,750**
Receivables under resale agreements (Note 37)	**53,216**	53,216	**443,030**
Receivables under securities borrowing transactions (Note 37)	**8,750**	23,651	**72,851**
Other monetary claims purchased (Notes 4 and 37)	**93,412**	105,857	**777,660**
Trading assets (Notes 5, 22, 37 and 38)	**317,399**	249,115	**2,642,350**
Monetary assets held in trust (Notes 6, 22 and 37)	**233,918**	199,117	**1,947,371**
Securities (Notes 7, 22, 23 and 37)	**1,477,352**	1,557,020	**12,298,972**
Loans and bills discounted (Notes 8, 22, 23 and 37)	**4,461,281**	4,319,830	**37,140,205**
Foreign exchanges (Note 9)	**18,537**	25,656	**154,321**
Lease receivables and leased investment assets (Notes 22, 34 and 37)	**227,047**	227,764	**1,890,175**
Other assets (Notes 10, 22, 23, 37 and 38)	**788,647**	724,963	**6,565,495**
Premises and equipment (Notes 11, 22 and 34)	**46,285**	50,143	**385,327**
Intangible assets (Notes 12 and 34)	**49,655**	57,643	**413,382**
Assets for retirement benefits (Note 20)	**3,625**	1,567	**30,182**
Deferred issuance expenses for debentures	**12**	32	**100**
Deferred tax assets (Note 31)	**15,373**	16,519	**127,984**
Customers' liabilities for acceptances and guarantees (Note 21)	**291,795**	358,414	**2,429,196**
Reserve for credit losses (Note 13)	**(108,232)**	(137,358)	**(901,038)**
Total assets	**¥ 8,889,853**	¥ 9,321,103	**$ 74,008,108**
LIABILITIES AND EQUITY			
Liabilities:			
Deposits, including negotiable certificates of deposit (Notes 14, 22 and 37)	**¥ 5,452,733**	¥ 5,850,447	**$ 45,394,049**
Debentures (Notes 15 and 37)	**32,300**	41,747	**268,901**
Call money (Notes 22 and 37)	**230,000**	180,000	**1,914,752**
Payables under repurchase agreements (Notes 22 and 37)	**29,152**	—	**242,694**
Payables under securities lending transactions (Notes 22 and 37)	**103,369**	317,599	**860,554**
Trading liabilities (Notes 16, 37 and 38)	**267,976**	218,585	**2,230,909**
Borrowed money (Notes 17, 22, 23 and 37)	**805,217**	643,431	**6,703,441**
Foreign exchanges (Note 9)	**27**	37	**226**
Short-term corporate bonds (Note 37)	**96,000**	86,900	**799,201**
Corporate bonds (Notes 18, 22, 23 and 37)	**157,505**	177,248	**1,311,236**
Other liabilities (Notes 19, 22, 37 and 38)	**481,359**	497,804	**4,007,322**
Accrued employees' bonuses	**8,774**	7,782	**73,051**
Accrued directors' bonuses	**88**	67	**736**
Liabilities for retirement benefits (Note 20)	**8,749**	10,116	**72,839**
Reserve for directors' retirement benefits	**95**	119	**798**
Reserve for losses on interest repayments	**170,250**	208,201	**1,417,339**
Deferred tax liabilities (Note 31)	**694**	9	**5,781**
Acceptances and guarantees (Notes 21, 22 and 37)	**291,795**	358,414	**2,429,196**
Total liabilities	**8,136,091**	8,598,512	**67,733,025**
Equity:			
Common stock (Note 25)	**512,204**	512,204	**4,264,107**
Capital surplus	**79,461**	79,461	**661,521**
Stock acquisition rights (Note 26)	**1,211**	1,221	**10,086**
Retained earnings	**209,419**	146,002	**1,743,419**
Treasury stock, at cost (Note 25)	**(72,558)**	(72,558)	**(604,054)**
Accumulated other comprehensive income:			
Unrealized gain (loss) on available-for-sale securities (Note 7)	**10,830**	6,288	**90,168**
Deferred gain (loss) on derivatives under hedge accounting	**(11,501)**	(8,769)	**(95,749)**
Foreign currency translation adjustments	**3,682**	267	**30,656**
Defined retirement benefit plans (Note 20)	**(515)**	(5,195)	**(4,295)**
Total	**732,234**	658,923	**6,095,859**
Minority interests (Note 24)	**21,528**	63,667	**179,224**
Total equity	**753,762**	722,590	**6,275,083**
Total liabilities and equity	**¥ 8,889,853**	¥ 9,321,103	**$ 74,008,108**

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

CONSOLIDATED STATEMENTS OF INCOME

Shinsei Bank, Limited, and its Consolidated Subsidiaries
For the fiscal years ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	**2015**
Interest income:			
Interest on loans and bills discounted	**¥ 125,227**	¥ 124,531	**$ 1,042,523**
Interest and dividends on securities	**20,713**	15,694	**172,442**
Interest on deposits with banks	**1,289**	1,052	**10,736**
Other interest income	**1,395**	1,991	**11,618**
Total interest income	**148,626**	143,270	**1,237,319**
Interest expenses:			
Interest on deposits, including negotiable certificates of deposit	**10,856**	20,606	**90,384**
Interest and discounts on debentures	**48**	155	**404**
Interest on other borrowings	**4,910**	5,090	**40,881**
Interest on corporate bonds	**5,175**	5,940	**43,088**
Other interest expenses	**1,172**	959	**9,760**
Total interest expenses	**22,164**	32,752	**184,517**
Net interest income	**126,462**	110,518	**1,052,802**
Fees and commissions income	**45,869**	43,603	**381,868**
Fees and commissions expenses	**21,171**	21,165	**176,253**
Net fees and commissions	**24,698**	22,437	**205,615**
Net trading income (loss) (Note 27)	**11,527**	13,975	**95,967**
Other business income (loss), net:			
Income on lease transactions and installment receivables, net	**38,096**	36,536	**317,152**
Net gain (loss) on monetary assets held in trust	**7,448**	6,796	**62,008**
Net gain (loss) on foreign exchanges	**6,366**	5,024	**53,001**
Net gain (loss) on securities	**8,473**	952	**70,540**
Net gain (loss) on other monetary claims purchased	**7,366**	822	**61,330**
Other, net (Note 28)	**4,902**	5,972	**40,810**
Net other business income (loss)	**72,653**	56,105	**604,841**
Total revenue	**235,342**	203,036	**1,959,225**
General and administrative expenses:			
Personnel expenses	**59,669**	55,231	**496,753**
Premises expenses	**19,433**	20,022	**161,786**
Technology and data processing expenses	**18,861**	18,178	**157,018**
Advertising expenses	**11,437**	10,099	**95,220**
Consumption and property taxes	**7,874**	6,147	**65,559**
Deposit insurance premium	**3,527**	3,434	**29,367**
Other general and administrative expenses	**23,477**	21,953	**195,449**
General and administrative expenses	**144,282**	135,067	**1,201,152**
Amortization of goodwill and intangible assets acquired in business combinations	**8,612**	9,746	**71,702**
Total general and administrative expenses	**152,895**	144,814	**1,272,854**
Net business profit (loss)	**82,446**	58,221	**686,371**
Net credit costs (Note 29)	**11,852**	279	**98,669**
Other gains (losses), net (Note 30)	**2,165**	(11,922)	**18,029**
Income (loss) before income taxes and minority interests	**72,760**	46,020	**605,731**
Income taxes (benefit) (Note 31):			
Current	**2,450**	2,464	**20,398**
Deferred	**908**	(795)	**7,560**
Net income (loss) before minority interests	**69,402**	44,351	**577,773**
Minority interests in net income of subsidiaries	**1,528**	2,976	**12,729**
Net income (loss)	**¥ 67,873**	¥ 41,374	**$ 565,044**

	Yen		U.S. dollars (Note 1)
Basic net income (loss) per common share (Note 32)	**¥ 25.57**	¥ 15.59	**$ 0.21**
Diluted net income (loss) per common share (Note 32)	**¥ —**	¥ 15.59	**$ —**

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Shinsei Bank, Limited, and its Consolidated Subsidiaries
For the fiscal years ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	**2015**
Net income (loss) before minority interests	**¥ 69,402**	¥ 44,351	**$ 577,773**
Other comprehensive income (Note 33):			
Unrealized gain (loss) on available-for-sale securities	**4,559**	2,803	**37,961**
Deferred gain (loss) on derivatives under hedge accounting	**(2,731)**	2,835	**(22,739)**
Foreign currency translation adjustments	**1,556**	(655)	**12,957**
Defined retirement benefit plans	**5,329**	—	**44,369**
Share of other comprehensive income in affiliates	**3,251**	(153)	**27,071**
Total other comprehensive income	**11,966**	4,830	**99,619**
Comprehensive income	**¥ 81,368**	¥ 49,181	**$ 677,392**
Total comprehensive income attributable to:			
Owners of the parent	**¥ 78,426**	¥ 45,466	**$ 652,904**
Minority interests	**2,941**	3,715	**24,488**

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

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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Shinsei Bank, Limited, and its Consolidated Subsidiaries
For the fiscal years ended March 31, 2015 and 2014

Millions of yen

	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock, at cost	Accumulated other comprehensive income				Total	Minority 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, 2013	¥512,204	¥79,461	¥1,238	¥107,288	¥ (72,558)	¥ 3,825	¥ (11,605)	¥1,475	¥ —	¥621,329	¥ 62,315	¥683,644
Dividends				(2,653)						(2,653)		(2,653)
Net income (loss)				41,374						41,374		41,374
Changes by inclusion of consolidated subsidiaries				(5)						(5)		(5)
Changes by exclusion of consolidated subsidiaries				(0)						(0)		(0)
Net change during the year			(17)			2,463	2,835	(1,207)	(5,195)	(1,120)	1,351	230
BALANCE, March 31, 2014 (April 1, 2014, as previously reported)	512,204	79,461	1,221	146,002	(72,558)	6,288	(8,769)	267	(5,195)	658,923	63,667	722,590
Cumulative effect of accounting change				(1,799)					(648)	(2,447)		(2,447)
BALANCE, April 1, 2014 (as restated)	512,204	79,461	1,221	144,203	(72,558)	6,288	(8,769)	267	(5,844)	656,475	63,667	720,142
Dividends				(2,653)						(2,653)		(2,653)
Net income (loss)				67,873						67,873		67,873
Purchase of treasury stock					(0)					(0)		(0)
Changes by inclusion of consolidated subsidiaries				(0)						(0)		(0)
Changes by exclusion of consolidated subsidiaries				(2)						(2)		(2)
Net change during the year			(10)			4,541	(2,731)	3,414	5,328	10,543	(42,139)	(31,595)
BALANCE, March 31, 2015	¥512,204	¥79,461	¥1,211	¥209,419	¥ (72,558)	¥10,830	¥ (11,501)	¥3,682	¥ (515)	¥732,234	¥ 21,528	¥753,762

Thousands of U.S. dollars (Note 1)

	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock, at cost	Accumulated other comprehensive income				Total	Minority 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, March 31, 2014 (April 1, 2014, as previously reported)	$ 4,264,107	$ 661,521	$ 10,170	$1,215,476	$ (604,052)	$ 52,356	$ (73,009)	$ 2,227	$ (43,255)	$5,485,541	$ 530,033	$ 6,015,574
Cumulative effect of accounting change				(14,980)					(5,399)	(20,379)		(20,379)
BALANCE, April 1, 2014 (as restated)	4,264,107	661,521	10,170	1,200,496	(604,052)	52,356	(73,009)	2,227	(48,654)	5,465,162	530,033	5,995,195
Dividends				(22,094)						(22,094)		(22,094)
Net income (loss)				565,044						565,044		565,044
Purchase of treasury stock					(2)					(2)		(2)
Changes by inclusion of consolidated subsidiaries				(8)						(8)		(8)
Changes by exclusion of consolidated subsidiaries				(19)						(19)		(19)
Net change during the year			(84)			37,812	(22,740)	28,429	44,359	87,776	(350,809)	(263,033)
BALANCE, March 31, 2015	$ 4,264,107	$ 661,521	$ 10,086	$1,743,419	$ (604,054)	$ 90,168	$ (95,749)	$ 30,656	$ (4,295)	$6,095,859	$ 179,224	$ 6,275,083

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Shinsei Bank, Limited, and its Consolidated Subsidiaries
For the fiscal years ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	**2015**
Cash flows from operating activities:			
Income (loss) before income taxes and minority interests	**¥ 72,760**	¥ 46,020	**$ 605,731**
Adjustments for:			
Income taxes paid	**(3,360)**	(1,281)	**(27,978)**
Depreciation (other than leased assets as lessor)	**10,460**	10,274	**87,083**
Amortization of goodwill and intangible assets acquired in business combinations	**8,612**	9,746	**71,702**
Impairment losses on long-lived assets	**1,415**	1,558	**11,782**
Net change in reserve for credit losses	**(29,126)**	(24,459)	**(242,475)**
Net change in reserve for losses on interest repayments	**(37,950)**	173,217	**(315,936)**
Net change in other reserves	**986**	50	**8,216**
Interest income	**(148,626)**	(143,270)	**(1,237,319)**
Interest expenses	**22,164**	32,752	**184,517**
Investment (gains) losses	**(11,972)**	(5,293)	**(99,671)**
Net exchange (gain) loss	**(20,123)**	(20,741)	**(167,530)**
Net change in trading assets	**(68,283)**	38,791	**(568,458)**
Net change in trading liabilities	**49,391**	(21,514)	**411,185**
Net change in loans and bills discounted	**(141,544)**	(24,921)	**(1,178,362)**
Net change in deposits, including negotiable certificates of deposit	**(397,715)**	392,927	**(3,310,986)**
Net change in debentures	**(9,446)**	(220,594)	**(78,644)**
Net change in borrowed money (other than subordinated debt)	**173,896**	(54,298)	**1,447,692**
Net change in corporate bonds (other than subordinated corporate bonds)	**17,567**	2,667	**146,252**
Net change in interest-bearing deposits with banks (other than due from the Bank of Japan)	**30,826**	(8,818)	**256,628**
Net change in call loans, receivables under resale agreements, receivables under securities borrowing transactions and other monetary claims purchased	**37,904**	15,552	**315,558**
Net change in call money, payables under repurchase agreements, payables under securities lending transactions, and short-term corporate bonds (liabilities)	**(125,977)**	284,536	**(1,048,766)**
Net change in foreign exchange assets and liabilities	**7,109**	8,063	**59,189**
Interest received	**139,005**	141,507	**1,157,225**
Interest paid	**(45,443)**	(59,034)	**(378,316)**
Net change in securities for trading purposes	**85**	530	**710**
Net change in monetary assets held in trust for trading purposes	**17,669**	30,327	**147,100**
Net change in lease receivables and leased investment assets	**734**	(24,084)	**6,115**
Other, net	**(60,050)**	(55,395)	**(499,917)**
Total adjustments	**(581,789)**	478,797	**(4,843,404)**
Net cash provided by (used in) operating activities	**(509,029)**	524,817	**(4,237,673)**
Cash flows from investing activities:			
Purchase of investments	**(7,518,832)**	(777,805)	**(62,594,344)**
Proceeds from sales of investments	**7,175,611**	874,442	**59,737,023**
Proceeds from maturity of investments	**411,204**	217,897	**3,423,282**
Purchase of premises and equipment (other than leased assets as lessor)	**(4,002)**	(4,808)	**(33,323)**
Purchase of intangible assets (other than leased assets as lessor)	**(6,602)**	(5,638)	**(54,965)**
Purchase of investments in subsidiaries	**(28)**	—	**(240)**
Other, net	**3,046**	3,344	**25,358**
Net cash provided by (used in) investing activities	**60,395**	307,431	**502,791**
Cash flows from financing activities:			
Proceeds from issuance of subordinated debt	**—**	2,400	**—**
Repayment of subordinated debt	**(11,000)**	(25,000)	**(91,575)**
Proceeds from issuance of subordinated corporate bonds	**—**	24,787	**—**
Payment for redemption of subordinated corporate bonds	**(33,200)**	(37,288)	**(276,390)**
Proceeds from minority shareholders of subsidiaries	**1,165**	851	**9,702**
Payment for capital returned to minority shareholders of subsidiaries	**(42,962)**	(41)	**(357,661)**
Dividends paid	**(2,653)**	(2,653)	**(22,094)**
Dividends paid to minority shareholders of subsidiaries	**(3,238)**	(3,173)	**(26,961)**
Payment for purchase of treasury stock	**(0)**	—	**(2)**
Net cash provided by (used in) financing activities	**(91,889)**	(40,118)	**(764,981)**
Foreign currency translation adjustments on cash and cash equivalents	**178**	108	**1,483**
Net change in cash and cash equivalents	**(540,345)**	792,239	**(4,498,380)**
Cash and cash equivalents at beginning of year	**1,366,710**	574,470	**11,377,878**
Cash and cash equivalents at end of year (Note 3)	**¥ 826,365**	¥ 1,366,710	**$ 6,879,498**

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Shinsei Bank, Limited, and its Consolidated Subsidiaries
For the fiscal years ended March 31, 2015 and 2014

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS CONSOLIDATED

The accompanying 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 consolidated financial statements prepared under the provisions set forth in the Financial Instruments and Exchange Act of Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

Certain reclassifications and rearrangements have been made to the 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 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

As permitted by the Financial Instruments and Exchange Act of Japan, yen amounts, except for per share amounts, are presented in millions of yen and are rounded down to the nearest million. As a result, the totals do not necessarily conform with the sum of the individual amounts.

The 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 ¥120.12 to U.S.$1.00, the rate of exchange prevailing on the Tokyo foreign exchange market on March 31, 2015. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONSOLIDATED

(A) PRINCIPLES OF CONSOLIDATION

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

The numbers of subsidiaries and affiliates as of March 31, 2015 and 2014 were as follows:

	2015	2014
Consolidated subsidiaries	**179**	184
Unconsolidated subsidiaries	**91**	93
Affiliates accounted for by the equity method	**19**	19
Affiliates accounted for not applying the equity method	**1**	0

Shinsei Capital Partners Limited Partnership and 1 other company were newly consolidated due to their formation, and SL PERM CO., LTD. and 2 other companies were newly consolidated due to their increased materiality, Galaxy Asset Management Co., Ltd. and 5 other companies were excluded from the scope of consolidation due to their liquidation, Shinsei Card Co., LTD. was excluded from the scope of consolidation due to a merger into APLUS Co., Ltd. ("APLUS"), and SL ROCKY LTD. and 2 other companies were excluded from the scope of consolidation due to their decreased materiality during the fiscal year ended March 31, 2015.

Shinsei Creation Partners Investment Limited Partnership II and 3 other companies were newly included in the scope of application of the equity method due to their formation and other factors, while SR Investment Business Limited Partnership and 3 other companies were excluded from the scope of application of the equity method due to liquidation during the fiscal year ended March 31, 2015.

Unconsolidated subsidiaries are primarily operating companies that undertake leasing business based on the Tokumei Kumiai system (silent partnerships). Tokumei Kumiai's assets, profit and loss virtually belong to each silent partner but not to the operation companies, and the Group does not have any material transactions with these subsidiaries. Therefore, these subsidiaries are excluded from the scope of consolidation and application of the equity method in order to avoid any material misunderstanding by the Bank's stakeholders.

Other unconsolidated subsidiaries are excluded from the scope of consolidation and application of the equity method because they are immaterial to the financial condition or results of operations of the Group.

BH Co., Ltd. is excluded from the scope of application of the equity method because it is immaterial to the financial condition or results of operations of the Group.

Major consolidated subsidiaries as of March 31, 2015 were as listed below:

Name	Location	Percentage ownership
APLUS FINANCIAL Co., Ltd.	Japan	95.0%
Showa Leasing Co., Ltd.	Japan	97.8%
SHINKI Co., Ltd.	Japan	100.0%
Shinsei Financial Co., Ltd.	Japan	100.0%
Shinsei Trust & Banking Co., Ltd.	Japan	100.0%
Shinsei Securities Co., Ltd.	Japan	100.0%
Shinsei Principal Investments Ltd.	Japan	100.0%

All significant inter-company transactions, related account balances and unrealized gains have been eliminated in consolidation. As of March 31, 2015, the fiscal year ending dates were March 31 for 136 subsidiaries, July 31 for 1 subsidiary, September 30 for 3 subsidiaries, November 30 for 1 subsidiary, December 31 for 35 subsidiaries, January 31 for 1 subsidiary and February 28 for 2 subsidiaries. Except for 7 subsidiaries which were consolidated as of March 31 rather than their fiscal year ends, those consolidated subsidiaries whose fiscal years end at dates other than March 31 were consolidated using their fiscal year end financial statements with appropriate adjustments made for significant transactions that occurred during the period from the ending dates of their fiscal years to the date of the Group's consolidated financial statements.

Major affiliates accounted for by the equity method as of March 31, 2015 were as listed below:

Name	Location	Percentage ownership
Comox Holdings Ltd.	Bermuda	49.9%
Jih Sun Financial Holding Co., Ltd.	Taiwan	35.4%

(B) BUSINESS COMBINATIONS

In October 2003, the Business Accounting Council (the "BAC") issued a Statement of Opinion, "Accounting for Business Combinations," and in December 2005, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Statement No.7, "Accounting Standard for Business Divestitures" and ASBJ Guidance No.10, "Guidance for Accounting Standard for Business Combinations and Business Divestitures." The accounting standard for business combinations allowed companies to apply the pooling of interests method of accounting only when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests. For business combinations that do not meet the uniting-of-interests criteria, the business combination is considered to be an acquisition and the purchase method of accounting is required. This standard also prescribes the accounting for combinations of entities under common control and for joint ventures.

In December 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No. 21, "Accounting Standard for Business Combinations." Major accounting changes under the revised accounting standard are as follows: (i) The revised standard requires accounting for business combinations only by the purchase method. As a result, the pooling of interests method of accounting is no longer allowed. (ii) The previous accounting standard provided for a bargain purchase gain (negative goodwill) to be systematically amortized over a period not exceeding 20 years. Under the revised standard, the acquirer recognizes the bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase price allocation. The revised standard was applicable to business combinations undertaken on or after April 1, 2010.

Under the previous standard, the Group accounted for the acquisitions of APLUS FINANCIAL Co., Ltd. ("APLUS FINANCIAL"), Showa Leasing Co., Ltd. ("Showa Leasing"), SHINKI Co., Ltd. ("SHINKI"), Shinsei Financial Co., Ltd. ("Shinsei Financial") and their consolidated subsidiaries by the purchase method of accounting.

(C) GOODWILL AND INTANGIBLE ASSETS ACQUIRED IN BUSINESS COMBINATIONS

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

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

Showa Leasing

Identified intangible assets	Amortization method	Amortization period
Trade name and trademark	Straight-line	10 years
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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONSOLIDATED

With regard to the acquisitions undertaken before April 1, 2010, accounted for under 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 is recorded as negative goodwill and primarily amortized on a straight-line basis over 20 years, which is the maximum period allowed under the previous accounting standard.

(D) 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:

- An expectation of an operating loss or negative cash flow for two consecutive years;
- Impairment of underlying investment securities is recognized;
- A significant adverse change in the environment surrounding the business operations of the subsidiary, such as a change in law which significantly impacts the business in a negative way;
- Management decisions that could have an adverse effect on the value of goodwill and intangible assets acquired in business combinations.

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 combinations, of the business, it is determined that impairment exists and the next step of the impairment test is performed to measure the amount of the impairment loss.

The next step of the impairment test compares the "value in use," which is calculated as the discounted value of future cash flows of the business, and the net asset book value which includes unamortized balances of goodwill and intangible assets acquired in business combinations. (i) Impairment loss for the total of goodwill and intangible assets acquired in business combinations, 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 combinations is determined in the same manner used to apply purchase accounting at the time of the initial acquisition, and (ii) the impairment loss of intangible assets acquired in business combinations, is determined as the difference between the recoverable amount and book value. Finally, the impairment loss on goodwill is calculated as the residual calculated as (i) less (ii) above.

(E) TRANSLATION OF FOREIGN CURRENCY FINANCIAL STATEMENTS AND TRANSACTIONS

(a) The 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 the currency of the 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.

(F) CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand, due from the Bank of Japan and noninterest-bearing deposits.

(G) OTHER MONETARY CLAIMS PURCHASED

Other monetary claims purchased held for trading purposes are recorded at fair value and unrealized gains and losses are recorded in other business income (loss), net.

(H) 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 fiscal year, which reflects liquidity and credit risks.

Trading income and trading losses include interest received and paid during the fiscal year 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 fiscal year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONSOLIDATED

(I) 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 for which fair value cannot be reliably determined are carried at cost.

(J) SECURITIES

Securities other than investments in unconsolidated subsidiaries and affiliates are classified into three categories, based principally on the Group's intent, as follows:

Trading securities are securities held in anticipation of gains arising from short-term changes in market value and/or held for resale to customers. Trading securities are carried at fair value with corresponding unrealized gains and losses recorded in income (loss).

Securities being held to maturity are debt securities for which the Group 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.

Securities available for sale are securities other than trading securities and securities being held to maturity. Securities available for sale are carried at fair value with the corresponding unrealized gains and losses, 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. Securities available for sale for which fair value cannot be reliably determined are carried at cost determined by the moving average method.

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 based on their most recent financial statements.

Individual securities, other than trading securities, are written down when a decline in fair value is significant as compared to the cost of such securities since the decline in fair value is deemed to be other than temporary.

(K) PREMISES AND EQUIPMENT

Premises and equipment are stated at cost less accumulated depreciation.

Depreciation of the Group's buildings and the Bank's computer equipment (including ATMs) other than personal computers is computed principally using the straight-line method, and depreciation of other equipment is computed principally using the declining-balance method. Principal estimated useful lives of buildings and equipment as of March 31, 2015 were as follows:

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

(L) SOFTWARE

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

(M) 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 discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

(N) 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.

(O) 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 legally bankrupt due to bankruptcy, special liquidation proceedings or similar legal proceedings ("legally bankrupt obligors") or to obligors who are effectively in similar conditions ("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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONSOLIDATED

For claims to obligors who are not yet bankrupt but are experiencing financial difficulties and are very likely to go bankrupt in the future ("possibly bankrupt obligors"), except for claims to obligors with larger claims than a predetermined amount, 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 discounted cash flow 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 (discounted cash flow method). In case where it is difficult to reasonably estimate future cash flows, the reserve is provided based on expected loss amount for the remaining term of respective claims.

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

For specific foreign claims, there is a reserve for loans to restructuring countries which has been provided based on losses estimated by considering the political and economic conditions in those countries.

All claims are assessed by business divisions based on the predetermined internal rules for self-assessment of asset quality. The Credit Assessment Division, which is independent from business divisions, conducts 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 and totaled ¥133,001 million (U.S.$1,107,241 thousand) and ¥155,632 million as of March 31, 2015 and 2014, respectively.

(P) 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 fiscal year.

(Q) EMPLOYEES' RETIREMENT BENEFITS AND PENSION PLAN ASSETS

The Bank and Showa Leasing have a noncontributory defined benefit pension plan. APLUS has a noncontributory defined benefit pension plan and an unfunded severance indemnity plan. Shinsei Financial and certain of the other consolidated domestic subsidiaries have unfunded severance indemnity plans. These plans cover substantially all of the Group's employees. The liability for employees' retirement benefits is provided for the payment of employees' retirement benefits based on the estimated amounts of the projected benefit obligation and the estimated value of pension plan assets at the end of the period. Net actuarial gains and losses and past service costs are amortized using the straight-line method over the average remaining service period primarily from the period of occurrence. Certain consolidated subsidiaries recognized retirement benefit obligations at the amount to be required for voluntary termination as of the end of period.

Effective April 1, 2000, the Bank adopted an accounting standard for employees' retirement benefits and accounts for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. The transitional unrecognized net retirement benefit obligations for the Bank of ¥9,081 million is being amortized using the straight-line method over 15 years.

In May 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the accounting standard for retirement benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000, and the other related practical guidance, and were followed by partial amendments from time to time through 2009.

(a) Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and any resulting deficit or surplus is recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).

(b) The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts are recognized in profit or loss over a certain period no longer than the expected average remaining service period of the employees. However, actuarial gains and losses and past service costs that arose in the current period and have not yet been recognized in profit or loss are included in other comprehensive income, and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period, are treated as reclassification adjustments (see Note 33).

(c) The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods, the discount rate, and expected future salary increases.

This accounting standard and the guidance for (a) and (b) above are effective for the end of the fiscal year beginning on or after April 1, 2013, and for (c) above are effective for the beginning of the fiscal year beginning on or after April 1, 2014, or for the beginning of fiscal year beginning on or after April 1, 2015, subject to certain disclosure in March 2015, all with earlier application being permitted from the beginning of the fiscal year beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Group applied the revised accounting standard and guidance for retirement benefits for (a) and (b) above, effective March 31, 2014. As a result, asset for retirement benefits of ¥1,567 million, which was previously included in other assets as prepaid pension cost, and liability for retirement benefits of ¥10,116 million, which was previously presented under the title of reserve for employees' retirement benefits, were recorded as of March 31, 2014, and accumulated other comprehensive income for the fiscal year ended March 31, 2014, decreased by ¥5,195 million.

The Group applied the revised accounting standard for (c) above, effective from April 1, 2014, and changed (i) the method of attributing the expected benefit to periods from a straight-line basis to a benefit formula basis and (ii) the method of determining the discount rate, from the method based on a single bond interest rate corresponding to the expected average remaining service period of employees, to the method of using a single weighted average discount rate reflecting the estimated timing and amount of benefit payments. As a result of this application on April 1, 2014, assets for retirement benefits of ¥1,223 million (U.S.$10,185 thousand) and liabilities for retirement benefits of ¥3,671 million (U.S.$30,564 thousand) increased and retained earnings of ¥1,799 million (U.S.$14,980 thousand) and defined retirement benefit plans of ¥648 million (U.S.$5,398 thousand) decreased. The effects of this application on net income and basic net income per common share were immaterial.

(R) RESERVE FOR DIRECTORS' RETIREMENT BENEFITS

Retirement allowances for directors and audit & supervisory board members are recorded to state the liability at the amount that would be required if all directors and audit & supervisory board members retired at each balance sheet date.

(S) 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.

In addition, a reserve for losses on interest repayments of Shinsei Financial had been calculated considering the terms stipulated in the share transfer agreement entered into by and between the Bank and the seller, GE Japan Holdings Co., Ltd. ("GE Japan"), for the acquisition of Shinsei Financial, under which the sharing of interest repayment costs between the Bank and GE Japan is determined. The agreement also provided GE Japan with a buyout option to end such obligation as of March 31, 2014, whereby GE Japan would make a one-time payment to Shinsei Financial in the amount that the Bank had determined to cover expected future losses on interest repayments. In accordance with the agreement, GE Japan exercised its option to conclude the indemnity for losses on interest repayments and Shinsei Financial received a cash payment for expected future losses on interest repayments of ¥175,000 million and recorded a reserve of the same amount as of March 31, 2014.

(T) ASSET RETIREMENT OBLIGATIONS

In March 2008, the ASBJ issued ASBJ Statement No.18 "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No. 21 "Guidance on Accounting Standard for Asset Retirement Obligations."

Under this accounting standard, 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 and 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED) CONSOLIDATED

(U) STOCK OPTIONS

In December 2005, the ASBJ issued ASBJ Statement No. 8, "Accounting Standard for Stock Options" and related guidance. The new standard and guidance are applicable to stock options newly granted on and after May 1, 2006. This standard requires companies to measure the cost of employee stock options based on the fair value at the date of grant and recognize 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 as a separate component of equity until exercised.

(V) LEASE TRANSACTIONS

In March 2007, the ASBJ issued ASBJ Statement No.13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions.

Effective April 1, 2008, the Bank and its consolidated subsidiaries applied the revised accounting standard for lease transactions.

(As lessee)

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in the note to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions be capitalized by recognizing lease assets and lease obligations in the consolidated balance sheets.

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

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

(As lessor)

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were treated as sales. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if sold" information was disclosed in the note to the lessor's financial statements. The revised accounting standard requires that all finance leases that are deemed to transfer ownership of the leased property to the lessee be recognized as lease receivables, and that all finance leases that are not deemed to transfer ownership of the leased property to the lessee be recognized 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.

Net income 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 do not deem to transfer ownership of the leased property to the lessee, leased investment assets are recognized at the amount of book values of those leased properties as of March 31, 2008.

As a result of this transitional treatment, income before income taxes and minority interests increased by ¥183 million (U.S.$1,528 thousand) and ¥364 million for the fiscal years ended March 31, 2015 and 2014, respectively, as compared to what would have been reported if the revised accounting standard was applied retroactively to all finance lease transactions as lessor.

(W) 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 either by the sum-of-the-months digits method, the straight-line method or the credit-balance method over the contract terms.

(X) 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.

(Y) INCOME TAXES

Deferred income taxes relating to temporary differences between financial reporting and tax bases of assets and liabilities and tax loss carryforwards have been recognized. The asset and liability approach is used to recognize deferred income taxes.

The Bank files its corporate income tax return under the consolidated 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 recognized for any portion of the deferred tax assets where it is considered more likely than not that it will not be realized.

(Z) DERIVATIVES AND HEDGE ACCOUNTING

Derivatives are stated at fair value. Derivative transactions that meet the hedge accounting criteria are primarily accounted for using 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 of 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 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.

Fund 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, fund swap transactions and forward exchange contracts as hedging instruments. Hedge effectiveness is reviewed by comparing the total foreign currency position of the hedged items and hedging instruments by currency.

The Bank also applies deferral hedge accounting and fair value hedge accounting to translation gains or losses from foreign currency assets of net investments in foreign 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.

(AA) PER SHARE INFORMATION

Basic net income (loss) per common share calculations represent net income (loss) available to common shareholders, divided by the weighted average number of outstanding shares of common stock during the respective fiscal year, retroactively adjusted for stock splits and reverse stock splits.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONSOLIDATED

Diluted net income per common share 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 fiscal year and at the beginning of the fiscal year for those previously issued and outstanding at the beginning of the fiscal year.

(AB) ACCOUNTING CHANGES AND ERROR CORRECTIONS

In December 2009, the ASBJ issued ASBJ Statement No.24 "Accounting Standard for Accounting Changes and Error Corrections" and ASBJ Guidance No.24 "Guidance on Accounting Standard for Accounting Changes and Error Corrections." Accounting treatments under this standard and guidance are as follows:

(a) Changes in accounting policies
When a new accounting policy is applied following revision of an accounting standard, the new policy is applied retrospectively unless the revised accounting standard includes specific transitional provisions, in which case the entity shall comply with the specific transitional provisions.

(b) Changes in presentation
When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation.

(c) Changes in accounting estimates
A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods.

(d) Corrections of prior-period errors
When an error in prior-period financial statements is discovered, those statements are restated.

(AC) NEW ACCOUNTING PRONOUNCEMENTS

Accounting Standards for Business Combinations and Consolidated Financial Statements

In September 2013, the ASBJ issued revised ASBJ Statement No. 21, "Accounting Standard for Business Combinations," revised ASBJ Guidance No. 10, "Guidance on Accounting Standards for Business Combinations and Business Divestitures," and revised ASBJ Statement No. 22, "Accounting Standard for Consolidated Financial Statements." Major accounting changes are as follows:

(a) Transactions with noncontrolling interest
A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of minority interest is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Under the current accounting standard, any difference between the fair value of the consideration received or paid and the amount by which the minority interest is adjusted is accounted for as an adjustment of goodwill or as profit or loss in the consolidated statement of income. Under the revised accounting standard, such difference shall be accounted for as capital surplus as long as the parent retains control over its subsidiary.

(b) Presentation of the consolidated balance sheet
In the consolidated balance sheet, "minority interest" under the current accounting standard will be changed to "noncontrolling interest" under the revised accounting standard.

(c) Presentation of the consolidated statement of income
In the consolidated statement of income, "income before minority interest" under the current accounting standard will be changed to "net income" under the revised accounting standard, and "net income" under the current accounting standard will be changed to "net income attributable to owners of the parent" under the revised accounting standard.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED) CONSOLIDATED

(d) Provisional accounting treatments for a business combination
If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisioned amounts for the items for which the accounting is incomplete. Under the current accounting standard guidance, the effect of adjustments to provisional amounts recorded in a business combination on profit or loss is recognized as profit or loss in the year in which the measurement is completed. Under the revised accounting standard guidance, during the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date.

(e) Acquisition-related costs
Acquisition-related costs are costs, such as advisory fees or professional fees, which an acquirer incurs to effect a business combination. Under the current accounting standard, the acquirer accounts for acquisition-related costs by including them in the acquisition costs of the investment. Under the revised accounting standard, acquisition-related costs shall be accounted for as expenses in the periods in which the costs are incurred.

The above accounting standards and guidance for (a) transactions with noncontrolling interest, (b) presentation of the consolidated balance sheet, (c) presentation of the consolidated statement of income, and (e) acquisition-related costs are effective for the beginning of the fiscal year beginning on or after April 1, 2015. Earlier application is permitted from the beginning of the fiscal year beginning on or after April 1, 2014, except for (c) presentation of the consolidated statement of income. In the case of earlier application, all accounting standards and guidance above, except for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income, should be applied simultaneously.

Either retrospective or prospective application of the revised accounting standards and guidance for (a) transactions with noncontrolling interest and (e) acquisition-related costs is permitted. In retrospective application of the revised standards and guidance, the accumulated effects of retrospective adjustments for all (a) transactions with noncontrolling interest and (e) acquisition-related costs which occurred in the past shall be reflected as adjustments to the beginning balance of capital surplus and retained earnings for the year of the first-time application. In prospective application, the new standards and guidance shall be applied prospectively from the beginning of the year of the first-time application.

The revised accounting standards and guidance for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income shall be applied to all periods presented in financial statements containing the first-time application of the revised standards and guidance.

The revised standards and guidance for (d) provisional accounting treatments for a business combination are effective for a business combination which occurs on or after the beginning of the fiscal year beginning on or after April 1, 2015. Earlier application is permitted for a business combination which occurs on or after the beginning of the fiscal year beginning on or after April 1, 2014.

The Group expects to apply the revised accounting standards and guidance for (a), (b), (c) and (e) above from April 1, 2015, and for (d) above for a business combination which will occur on or after April 1, 2015, and is in the process of measuring the effects of applying the revised accounting standards and guidance in future applicable periods.

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 March 31, 2015 and 2014 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Cash and due from banks	**¥ 881,776**	¥ 1,451,492	**$ 7,340,795**
Interest-bearing deposits included in due from banks (other than due from the Bank of Japan)	**(55,411)**	(84,782)	**(461,297)**
Cash and cash equivalents	**¥ 826,365**	¥ 1,366,710	**$ 6,879,498**

4. OTHER MONETARY CLAIMS PURCHASED CONSOLIDATED

(a) Other monetary claims purchased as of March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Trading purposes	**¥ 40,473**	¥ 51,259	**$ 336,943**
Other	**52,938**	54,597	**440,717**
Total	**¥ 93,412**	¥ 105,857	**$ 777,660**

(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 March 31, 2015 and 2014 were as follows:

	Millions of yen				Thousands of U.S. dollars	
	2015		2014		**2015**	
	Fair value	**Unrealized loss**	Fair value	Unrealized loss	**Fair value**	**Unrealized loss**
Trading purposes	**¥ 40,473**	**¥ 6,239**	¥ 51,259	¥ 32,485	**$ 336,943**	**$ 51,942**

5. TRADING ASSETS CONSOLIDATED

Trading assets as of March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Trading securities	**¥ 35,828**	¥ 13,642	**$ 298,270**
Derivatives for trading securities	**1,573**	1,515	**13,103**
Derivatives for securities held to hedge trading transactions	**64,599**	59,599	**537,787**
Trading-related financial derivatives	**213,272**	173,637	**1,775,492**
Other	**2,125**	720	**17,698**
Total	**¥ 317,399**	¥ 249,115	**$ 2,642,350**

6. MONETARY ASSETS HELD IN TRUST CONSOLIDATED

(a) Monetary assets held in trust as of March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Trading purposes	**¥ 50,284**	¥ 67,954	**$ 418,621**
Other	**183,633**	131,163	**1,528,750**
Total	**¥ 233,918**	¥ 199,117	**$ 1,947,371**

6. MONETARY ASSETS HELD IN TRUST (CONTINUED)

CONSOLIDATED

(b) The fair value and the unrealized gain and loss which is included in net gain (loss) on monetary assets held in trust for trading purposes as of March 31, 2015 and 2014 were as follows:

	Millions of yen				Thousands of U.S. dollars	
	2015		2014		**2015**	
	Fair value	**Unrealized gain**	Fair value	Unrealized loss	**Fair value**	**Unrealized gain**
Trading purposes	**¥ 50,284**	**¥ 143**	¥ 67,954	¥ 3,012	**$ 418,621**	**$ 1,197**

(c) The acquisition cost and the carrying amount of monetary assets held in trust for other than trading purposes as of March 31, 2015 and 2014 were as follows:

	Millions of yen							
	2015				2014			
	Acquisition cost	**Gross unrealized gain**	**Gross unrealized loss**	**Carrying amount**	Acquisition cost	Gross unrealized gain	Gross unrealized loss	Carrying amount
Other	**¥ 184,880**	**¥ —**	**¥ 1,246**	**¥ 183,633**	¥ 131,163	¥ —	¥ —	¥ 131,163

	Thousands of U.S. dollars			
	2015			
	Acquisition cost	**Gross unrealized gain**	**Gross unrealized loss**	**Carrying amount**
Other	**$ 1,539,128**	**$ —**	**$ 10,378**	**$ 1,528,750**

7. SECURITIES

CONSOLIDATED

(a) Securities as of March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Trading securities	**¥ 46**	¥ 131	**$ 386**
Securities being held to maturity	**644,533**	545,675	**5,365,747**
Securities available for sale:			
Securities carried at fair value	**720,533**	895,444	**5,998,446**
Securities carried at cost whose fair value cannot be reliably determined	**58,542**	69,757	**487,363**
Investments in unconsolidated subsidiaries and affiliates	**53,697**	46,010	**447,030**
Total	**¥ 1,477,352**	¥ 1,557,020	**$ 12,298,972**

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 March 31, 2015 and 2014 were ¥32,187 million (U.S.$267,959 thousand) and ¥28,302 million, respectively. In addition, ¥41,003 million (U.S.$341,354 thousand) and ¥38,571 million of those securities were further pledged as of March 31, 2015 and 2014, 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 March 31, 2015 and 2014 were ¥3,897 million (U.S.$32,446 thousand) and ¥23,433 million, respectively.

7. SECURITIES (CONTINUED)

CONSOLIDATED

(b) The amortized/acquisition cost and the fair values of securities (other than trading securities) as of March 31, 2015 and 2014 were as follows:

	Millions of yen							
	2015				2014			
	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	¥ 605,530	¥ 2,427	¥ 64	¥ 607,893	¥ 497,405	¥ 1,771	¥ —	¥ 499,177
Other	39,002	2,644	—	41,647	48,269	4,101	—	52,371
Total	¥ 644,533	¥ 5,071	¥ 64	¥ 649,541	¥ 545,675	¥ 5,872	¥ —	¥ 551,548
Securities available for sale:								
Equity securities	¥ 13,162	¥ 12,703	¥ 247	¥ 25,618	¥ 13,511	¥ 6,877	¥ 442	¥ 19,947
Japanese national government bonds	386,037	34	791	385,279	630,133	—	735	629,398
Japanese local government bonds	501	13	—	514	502	21	—	523
Japanese corporate bonds	84,459	586	1,044	84,001	115,794	782	413	116,162
Other, primarily foreign debt securities	226,100	4,840	151	230,790	132,347	4,505	318	136,533
Total	¥ 710,261	¥ 18,178	¥ 2,235	¥ 726,204	¥ 892,289	¥ 12,186	¥ 1,909	¥ 902,565

	Thousands of U.S. dollars			
	2015			
	Amortized/ Acquisition cost	Gross unrealized gain	Gross unrealized loss	Fair value
Securities being held to maturity:				
Japanese national government bonds	$ 5,041,049	$ 20,205	$ 535	$ 5,060,719
Other	324,698	22,019	—	346,717
Total	$ 5,365,747	$ 42,224	$ 535	$ 5,407,436
Securities available for sale:				
Equity securities	$ 109,576	$ 105,758	$ 2,060	$ 213,274
Japanese national government bonds	3,213,764	284	6,593	3,207,455
Japanese local government bonds	4,175	111	—	4,286
Japanese corporate bonds	703,127	4,883	8,699	699,311
Other, primarily foreign debt securities	1,882,289	40,299	1,259	1,921,329
Total	$ 5,912,931	$ 151,335	$ 18,611	$ 6,045,655

Note: "Other, primarily foreign debt securities" includes other monetary claims purchased whose fair value can be reliably determined.

Individual securities (except for those whose fair value cannot be reliably determined), other than trading securities, are written down when a decline in fair value is significant as compared to the cost of such securities since the decline in fair value is deemed to be other than temporary.

The amount written down is accounted for as an impairment loss. Impairment loss on such securities for the fiscal year ended March 31, 2015 was ¥2,072 million (U.S.$17,252 thousand), which consisted of ¥2,069 million (U.S.$17,230 thousand) for Japanese corporate bonds and ¥2 million (U.S.$22 thousand) for other securities.

Impairment loss on such securities for the fiscal year ended March 31, 2014 was ¥1,716 million, which consisted of ¥0 million for equity securities, ¥1,699 million for Japanese corporate bonds and ¥16 million for other securities.

To determine whether an other-than-temporary impairment has occurred, the Group applies the following rule, by the obligor classification of the security issuer based on the Group's self-assessment guidelines:

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

7. SECURITIES (CONTINUED)

CONSOLIDATED

"Legally bankrupt" obligors are those who have already gone bankrupt from a legal and/or formal perspective.

"Virtually bankrupt" obligors are those who have not yet gone legally or formally bankrupt but who are substantially bankrupt 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 bankrupt but are in financial difficulties and are very likely to go bankrupt in the future.

"Need caution" obligors are those who require 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 terms of their financial position.

(c) Unrealized gain (loss) on available-for-sale securities as of March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Unrealized gain (loss) before deferred tax on:			
Available-for-sale securities	**¥ 15,942**	¥10,276	**$132,725**
The Group's interests in available-for-sale securities held by partnerships recorded as securities whose fair value cannot be reliably determined and other adjustments	**1,150**	1,580	**9,575**
Securities being held to maturity, reclassified from available-for-sale in the past, under extremely illiquid market conditions	**(2,122)**	(3,581)	**(17,673)**
Other monetary assets held in trust	**(1,246)**	—	**(10,378)**
Deferred tax liabilities	**(2,855)**	(1,966)	**(23,768)**
Unrealized gain (loss) on available-for-sale securities before interest adjustments	**10,868**	6,308	**90,481**
Minority interests	**(103)**	(99)	**(859)**
The Group's interests in unrealized gain (loss) on available-for-sale securities held by affiliates to which the equity method is applied	**65**	80	**546**
Unrealized gain (loss) on available-for-sale securities	**¥ 10,830**	¥ 6,288	**$ 90,168**

(d) Available-for-sale securities sold during the fiscal year ended March 31, 2015 and 2014 were as follows:

	Millions of yen					
	2015			2014		
	Proceeds from sales	**Gains on sales**	**Losses on sales**	Proceeds from sales	Gains on sales	Losses on sales
Available-for-sale securities sold:						
Equity securities	**¥ 8,941**	**¥ 6,344**	**¥ —**	¥ 6,806	¥ 4,194	¥ 17
Japanese national government bonds	**6,825,522**	**4,090**	**432**	512,949	530	1,935
Japanese local government bonds	**30,988**	**6**	**39**	31,583	0	70
Japanese corporate bonds	**49,004**	**9**	**4**	76,817	1,110	17
Other	**158,491**	**2,033**	**125**	109,100	743	1,601
Total	**¥ 7,072,948**	**¥ 12,484**	**¥ 601**	¥ 737,258	¥ 6,580	¥ 3,642

	Thousands of U.S. dollars		
	2015		
	Proceeds from sales	**Gains on sales**	**Losses on sales**
Available-for-sale securities sold:			
Equity securities	**$ 74,435**	**$ 52,816**	**$ —**
Japanese national government bonds	**56,822,530**	**34,053**	**3,599**
Japanese local government bonds	**257,983**	**55**	**327**
Japanese corporate bonds	**407,962**	**82**	**35**
Other	**1,319,446**	**16,925**	**1,048**
Total	**$ 58,882,356**	**$ 103,931**	**$ 5,009**

8. LOANS AND BILLS DISCOUNTED

CONSOLIDATED

Loans and bills discounted as of March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Loans on deeds	**¥ 3,734,059**	¥ 3,625,948	**$ 31,086,073**
Loans on bills	**33,963**	30,649	**282,748**
Bills discounted	**4,921**	5,684	**40,971**
Overdrafts	**688,337**	657,547	**5,730,413**
Total	**¥ 4,461,281**	¥ 4,319,830	**$ 37,140,205**

(a) Risk-monitored loans

Loans and bills discounted include loans to bankrupt obligors of ¥3,248 million (U.S.$27,044 thousand) and ¥10,049 million as of March 31, 2015 and 2014, respectively, as well as nonaccrual delinquent loans of ¥87,796 million (U.S.$730,910 thousand) and ¥177,786 million as of March 31, 2015 and 2014, 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 exclude loans to bankrupt obligors and nonaccrual delinquent loans. The balances of loans past due for three months or more as of March 31, 2015 and 2014 were ¥1,366 million (U.S.$11,373 thousand) and ¥1,177 million, respectively.

Restructured loans are loans where the Group relaxes lending conditions, such as by reducing the original interest rate, or by forbearing interest payments or principal repayments to support the borrower's reorganization, but exclude loans to bankrupt obligors, nonaccrual delinquent loans or loans past due for three months or more. The outstanding balances of restructured loans as of March 31, 2015 and 2014 were ¥29,114 million (U.S.$242,380 thousand) and ¥31,719 million, respectively.

(b) Loan participations

The total outstanding amounts deducted from the loan account for loan participations as of March 31, 2015 and 2014 were ¥17,161 million (U.S.$142,873 thousand) and ¥14,439 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 ¥7,927 million (U.S.$65,998 thousand) and ¥21,864 million as of March 31, 2015 and 2014, 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 March 31, 2015 and 2014 were ¥4,963 million (U.S.$41,324 thousand) and ¥5,875 million, respectively.

(d) Loan commitments

The Bank and certain of its consolidated subsidiaries establish credit lines for overdrafts and issue commitments to extend credit to meet the financing needs of customers. The unfunded amounts of these commitments were ¥3,571,470 million (U.S.$29,732,522 thousand) and ¥3,746,826 million as of March 31, 2015 and 2014, out of which the amounts with original agreement terms of within one year or which were cancelable were ¥3,343,715 million (U.S.$27,836,455 thousand) and ¥3,539,902 million as of March 31, 2015 and 2014, respectively. Since a large majority of these commitments expire without being drawn upon, the unfunded 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 March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Foreign exchange assets:			
Foreign bills bought	**¥ 42**	¥ 190	**$ 353**
Foreign bills receivable	**3,113**	9,441	**25,922**
Due from foreign banks	**15,380**	16,024	**128,046**
Total	**¥ 18,537**	¥ 25,656	**$ 154,321**
Foreign exchange liabilities:			
Foreign bills payable	**¥ 24**	¥ 34	**$ 206**
Due to foreign banks	**2**	2	**20**
Total	**¥ 27**	¥ 37	**$ 226**

10. OTHER ASSETS
CONSOLIDATED

Other assets as of March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Accrued income	**¥ 15,912**	¥ 14,875	**$ 132,467**
Prepaid expenses	**3,632**	3,704	**30,244**
Fair value of derivatives	**146,163**	123,488	**1,216,812**
Accounts receivable	**51,601**	46,560	**429,586**
Installment receivables	**459,133**	421,920	**3,822,292**
Security deposits	**14,611**	14,072	**121,644**
Suspense payments	**16,337**	21,434	**136,008**
Margin deposits for futures transactions	**7,139**	1,481	**59,438**
Cash collateral paid for financial instruments	**14,482**	4,633	**120,570**
Other	**59,631**	72,792	**496,434**
Total	**¥ 788,647**	¥ 724,963	**$ 6,565,495**

Installment receivables in other assets as of March 31, 2015 and 2014 include credits to bankrupt obligors of ¥151 million (U.S.$1,260 thousand) and ¥496 million, nonaccrual delinquent credits of ¥9,027 million (U.S.$75,153 thousand) and ¥9,154 million, credits past due for three months or more of ¥807 million (U.S.$6,724 thousand) and ¥271 million, and restructured credits of ¥506 million (U.S.$4,216 thousand) and ¥731 million, respectively.

11. PREMISES AND EQUIPMENT
CONSOLIDATED

Premises and equipment as of March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Buildings	**¥ 29,415**	¥ 29,996	**$ 244,881**
Land	**3,949**	5,914	**32,884**
Tangible leased assets as lessor	**44,155**	43,919	**367,596**
Other	**23,441**	22,890	**195,148**
Subtotal	**100,961**	102,720	**840,509**
Accumulated depreciation	**(54,676)**	(52,577)	**(455,182)**
Net book value	**¥ 46,285**	¥ 50,143	**$ 385,327**

12. INTANGIBLE ASSETS

CONSOLIDATED

Intangible assets as of March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Software	¥ 19,437	¥ 18,693	$ 161,818
Goodwill, net:			
Goodwill	27,732	33,847	230,872
Negative goodwill	(4,534)	(4,897)	(37,750)
Intangible assets acquired in business combinations	6,350	9,182	52,864
Intangible leased assets as lessor	3	3	25
Other	667	815	5,553
Total	¥ 49,655	¥ 57,643	$ 413,382

13. RESERVE FOR CREDIT LOSSES

CONSOLIDATED

Reserve for credit losses as of March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Reserve for loan losses:			
General reserve for loan losses	¥ 60,283	¥ 59,809	$ 501,864
Specific reserve for loan losses	44,041	73,641	366,643
Reserve for loan losses to restructuring countries	0	0	7
Subtotal	104,325	133,451	868,514
Specific reserve for other credit losses	3,906	3,906	32,524
Total	¥ 108,232	¥ 137,358	$ 901,038

14. DEPOSITS, INCLUDING NEGOTIABLE CERTIFICATES OF DEPOSIT

CONSOLIDATED

Deposits, including negotiable certificates of deposit, as of March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Current	¥ 12,387	¥ 13,207	$ 103,129
Ordinary	2,023,206	1,721,190	16,843,215
Notice	12,749	7,435	106,143
Time	2,954,160	3,576,937	24,593,414
Negotiable certificates of deposit	85,565	117,223	712,333
Other	364,662	414,451	3,035,815
Total	¥ 5,452,733	¥ 5,850,447	$ 45,394,049

15. DEBENTURES CONSOLIDATED

(a) Debentures as of March 31, 2015 and 2014 consisted of the following:

Issuer	Description	Issue	Maturity	Interest Rate (%)	Millions of yen 2015	Millions of yen 2014	Thousands of U.S. dollars 2015
Shinsei Bank, Limited	Five-year coupon debentures[1]	Apr. 2009 to Apr. 2013	Apr. 2014 to Apr. 2018	0.08 to 0.40	**¥ 32,300**	¥ 39,947	**$ 268,901**
	Coupon debentures, payable in Euroyen[2]	Sept. 2004 to Jan. 2005	Sept. 2014 to Jan. 2015	1.13 to 1.778	**—**	1,800	**—**
	Total				**¥ 32,300**	¥ 41,747	**$ 268,901**

1 This includes a series of five-year Long-Term Credit Debentures.
2 This includes a series of Long-Term Credit Debentures issued under Euro Note Programme.

(b) Annual maturities of debentures as of March 31, 2015 were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2016	**¥ 14,483**	**$ 120,574**
2017	**10,292**	**85,686**
2018	**6,981**	**58,120**
2019	**543**	**4,521**
2020 and thereafter	**—**	**—**
Total	**¥ 32,300**	**$ 268,901**

16. TRADING LIABILITIES CONSOLIDATED

Trading liabilities as of March 31, 2015 and 2014 consisted of the following:

	Millions of yen 2015	Millions of yen 2014	Thousands of U.S. dollars 2015
Derivatives for trading securities	**¥ 996**	¥ 1,162	**$ 8,297**
Derivatives for securities held to hedge trading transactions	**56,833**	52,239	**473,140**
Trading-related financial derivatives	**199,797**	150,892	**1,663,317**
Trading securities sold for short sales	**10,349**	14,290	**86,155**
Total	**¥ 267,976**	¥ 218,585	**$ 2,230,909**

17. BORROWED MONEY CONSOLIDATED

(a) Borrowed money as of March 31, 2015 and 2014 consisted of the following:

	Millions of yen 2015	Millions of yen 2014	Thousands of U.S. dollars 2015
Subordinated debt	**¥ 58,400**	¥ 69,400	**$ 486,180**
Other	**746,817**	574,031	**6,217,261**
Total	**¥ 805,217**	¥ 643,431	**$ 6,703,441**

(b) The weighted average interest rate applicable to the total balance of borrowed money as of March 31, 2015 was 0.79%.

(c) Annual maturities of borrowed money as of March 31, 2015 were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2016	**¥ 407,444**	**$ 3,391,975**
2017	**92,129**	**766,982**
2018	**117,901**	**981,529**
2019	**82,687**	**688,378**
2020 and thereafter	**105,054**	**874,577**
Total	**¥ 805,217**	**$ 6,703,441**

18. CORPORATE BONDS

CONSOLIDATED

(a) Corporate bonds as of March 31, 2015 and 2014 consisted of the following:

Issuer	Description	Issue	Maturity	Interest Rate (%)	Millions of yen 2015	Millions of yen 2014	Thousands of U.S. dollars 2015
Shinsei Bank, Limited	Unsecured straight bonds, payable in Euroyen[1]	Aug. 2006 to Aug. 2009	Sept. 2014 to Sept. 2037	0.00 to 10.00[5]	**¥ 350**	¥ 4,551	**$ 2,914**
	Unsecured subordinated bonds, payable in Yen[2]	Mar. 2005 to Dec. 2013	Mar. 2015 to Dec. 2023	1.96 to 4.00	**67,200**	100,400	**559,441**
	Unsecured subordinated notes, payable in Euro	Sept. 2010	Sept. 2020	7.375	**44,959**	49,070	**374,291**
	Unsecured perpetual subordinated notes, payable in Euroyen[3]	Oct. 2005	—	2.35 and 2.435	**4,500**	4,500	**37,463**
	Unsecured straight bond, payable in Yen[4]	Jul. 2014 and Dec. 2014	Jul. 2017 and Dec. 2019	0.326 and 0.367	**11,000**	—	**91,575**
Hotaka GK	Unsecured straight bond, payable in Yen	Dec. 2011	Dec. 2016	1.635	**3,000**	3,000	**24,975**
Marusei GK	Unsecured straight bond, payable in Yen	Jan. 2012	Dec. 2016	2.925	**500**	500	**4,162**
Tsumagoi GK	Unsecured straight bond, payable in Yen	Apr. 2012	Jun. 2017	2.25	**2,000**	2,000	**16,650**
AMOne GK	Unsecured straight bond, payable in Yen	Jan. 2009	Feb. 2021	2.18	**4,995**	7,227	**41,590**
Showa Leasing Co., Ltd.	Unsecured straight bond, payable in Yen[4]	Feb. 2014 and Feb. 2015	Feb. 2017 and Feb. 2018	0.50 and 0.70	**9,000**	6,000	**74,925**
APLUS FINANCIAL Co., Ltd.	Unsecured straight bond, payable in Yen	Sept. 2014	Sept. 2017	0.45	**10,000**	—	**83,250**
	Total				**¥ 157,505**	¥177,248	**$ 1,311,236**

1 This includes a series of straight bonds issued under Euro Note Programme.
2 This includes a series of subordinated bonds, payable in Yen.
3 This includes a series of perpetual subordinated notes issued under Euro Note Programme.
4 This includes a series of straight bonds, payable in Yen.
5 The maximum and minimum rates under contracts are presented if the interest rates are not decided as of March 31, 2015 and 2014.

(b) Annual maturities of corporate bonds as of March 31, 2015 were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2016	**¥ 36,897**	**$ 307,175**
2017	**10,414**	**86,700**
2018	**21,856**	**181,958**
2019	**800**	**6,662**
2020 and thereafter	**87,536**	**728,741**
Total	**¥ 157,505**	**$ 1,311,236**

19. OTHER LIABILITIES

CONSOLIDATED

Other liabilities as of March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Accrued expenses	**¥ 21,303**	¥ 44,490	**$ 177,353**
Unearned income	**23,456**	24,323	**195,275**
Income taxes payable	**1,989**	2,880	**16,560**
Fair value of derivatives	**192,866**	179,890	**1,605,613**
Matured debentures, including interest	**8,268**	9,623	**68,831**
Trust account	**162**	334	**1,356**
Accounts payable	**70,145**	78,997	**583,959**
Deferred gains on installment receivables and credit guarantees	**32,470**	32,008	**270,315**
Asset retirement obligations	**8,596**	8,526	**71,568**
Deposits payable	**88,260**	90,468	**734,773**
Cash collateral received for financial instruments	**26,227**	12,653	**218,341**
Other	**7,612**	13,607	**63,378**
Total	**¥ 481,359**	¥ 497,804	**$ 4,007,322**

20. EMPLOYEES' RETIREMENT BENEFITS AND PENSION PLAN ASSETS

CONSOLIDATED

(a) The changes in defined benefit obligation for the fiscal years ended March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Balance at beginning of the year (as previously reported)	**¥ 80,807**	¥ 78,730	**$ 672,720**
Cumulative effect of accounting change	**2,447**	—	**20,379**
Balance at beginning of the year (as restated)	**83,255**	78,730	**693,099**
Current service cost	**3,732**	3,488	**31,075**
Interest cost	**977**	953	**8,137**
Actuarial (gains) losses	**1,831**	1,729	**15,250**
Benefits paid	**(3,442)**	(4,102)	**(28,656)**
Others	**26**	7	**220**
Balance at end of the year	**¥ 86,381**	¥ 80,807	**$ 719,125**

(b) The changes in plan assets for the fiscal years ended March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Balance at beginning of the year	**¥ 72,258**	¥ 66,455	**$ 601,557**
Expected return on plan assets	**1,696**	1,554	**14,121**
Actuarial gains (losses)	**5,074**	3,045	**42,247**
Contributions from the employer	**5,362**	5,050	**44,641**
Benefits paid	**(3,134)**	(3,846)	**(26,097)**
Balance at end of the year	**¥ 81,257**	¥ 72,258	**$ 676,469**

20. EMPLOYEES' RETIREMENT BENEFITS AND PENSION PLAN ASSETS (CONTINUED)

CONSOLIDATED

(c) A reconciliation between the liability and the asset recorded in the consolidated balance sheet and balances of defined benefit obligation and plan assets as of March 31, 2015 and 2014 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Defined benefit obligation	**¥ 79,528**	¥ 74,633	**$ 662,079**
Plan assets	**(81,257)**	(72,258)	**(676,468)**
Subtotal	**(1,728)**	2,374	**(14,389)**
Unfunded defined benefit obligation	**6,852**	6,173	**57,046**
Net liability (asset) arising from benefit obligation	**¥ 5,123**	¥ 8,548	**$ 42,657**

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Liability for retirement benefits	**¥ 8,749**	¥ 10,116	**$ 72,839**
Asset for retirement benefits	**(3,625)**	(1,567)	**(30,182)**
Net liability (asset) arising from benefit obligation	**¥ 5,123**	¥ 8,548	**$ 42,657**

(d) The components of net periodic retirement benefit cost for the fiscal years ended March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Current service cost	**¥ 3,732**	¥ 3,488	**$ 31,075**
Interest cost	**977**	953	**8,137**
Expected return on plan assets	**(1,696)**	(1,554)	**(14,121)**
Amortization of past service cost	**(511)**	(517)	**(4,259)**
Recognized actuarial (gains) losses	**1,992**	2,322	**16,591**
Amortization of obligation at transition	**605**	605	**5,040**
Other (primarily consists of extraordinary severance benefit)	**25**	138	**210**
Net periodic retirement benefit cost	**¥ 5,125**	¥ 5,436	**$ 42,673**

(e) Other comprehensive income on defined retirement benefit plans (before adjusting for tax effects) for the fiscal years ended March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Actuarial gains (losses)	**¥ 3,009**	¥ —	**$ 25,051**

(f) Accumulated other comprehensive income on defined retirement benefit plans (before adjusting for tax effects) as of March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Unrecognized past service cost	**¥ 1,466**	¥ 1,977	**$ 12,207**
Unrecognized actuarial gains (losses)	**(1,967)**	(7,203)	**(16,381)**
Unrecognized obligation at transition	**—**	(605)	**—**
Total	**¥ (501)**	¥ (5,830)	**$ (4,174)**

20. EMPLOYEES' RETIREMENT BENEFITS AND PENSION PLAN ASSETS (CONTINUED) CONSOLIDATED

(g) Plan assets

(i) Components of plan assets

Plan assets as of March 31, 2015 and 2014 consisted of the following:

	2015	2014
Domestic bonds	**25.2%**	27.3%
Foreign bonds	**10.6**	11.0
Domestic equity securities	**18.6**	17.3
Foreign equity securities	**17.4**	17.3
Life insurance company accounts (general accounts)	**17.5**	19.3
Other	**10.7**	7.8
Total	**100.0%**	100.0%

(ii) Method of determining the long-term expected rate of return on plan assets

The Bank, which dominates a large share of plan assets in the Group, determined 2.20% of long-term expected rate of return on plan assets for the fiscal year ended March 31, 2015, considering the financial condition, policy for asset investment and the asset portfolios of the Bank besides current economic environment and market trend. For major consolidated subsidiaries, the long-term expected rates of return on plan assets were determined considering the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

(h) Assumptions used for the fiscal years ended March 31, 2015 and 2014 were set forth as follows:

	2015	2014
Discount rate	**1.00-1.40%**	1.00-1.75%
Long-term expected rate of return on plan assets	**2.00-3.50%**	2.00-3.50%
Expected future salary increase rate	**0.00-19.71%**	0.00-19.71%

21. ACCEPTANCES AND GUARANTEES CONSOLIDATED

Acceptances and guarantees as of March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Guarantees	**¥ 291,795**	¥ 358,414	**$ 2,429,196**

22. ASSETS PLEDGED AS COLLATERAL CONSOLIDATED

Assets pledged as collateral and liabilities collateralized as of March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Assets pledged as collateral:			
Cash and due from banks	**¥ 2,505**	¥ 2,433	**$ 20,856**
Trading assets	**26,377**	8,814	**219,592**
Monetary assets held in trust	**2,648**	1,767	**22,051**
Securities	**772,014**	808,841	**6,427,026**
Loans and bills discounted	**78,272**	97,593	**651,617**
Lease receivables and leased investment assets	**60,786**	71,676	**506,048**
Other assets	**56,331**	48,212	**468,957**
Premises and equipment	**2,011**	2,285	**16,744**
Liabilities collateralized:			
Deposits, including negotiable certificates of deposit	**¥ 1,206**	¥ 692	**$ 10,045**
Call money	**230,000**	180,000	**1,914,752**
Payables under repurchase agreements	**29,152**	—	**242,694**
Payables under securities lending transactions	**101,280**	306,843	**843,157**
Borrowed money	**445,268**	353,030	**3,706,862**
Corporate bonds	**10,495**	12,727	**87,378**
Other liabilities	**16**	58	**137**
Acceptances and guarantees	**963**	961	**8,022**

In addition, ¥109,052 million (U.S.$907,862 thousand) and ¥170,124 million of securities as of March 31, 2015 and 2014, were pledged as collateral for transactions, including exchange settlements, swap transactions and replacement of margin for futures transactions.

Also, ¥7,139 million (U.S.$59,438 thousand) and ¥1,481 million of margin deposits for futures transactions outstanding, ¥14,611 million (U.S.$121,644 thousand) and ¥14,072 million of security deposits, ¥14,482 million (U.S.$120,570 thousand) and ¥4,633 million of cash collateral paid for financial instruments, and ¥8,581 million (U.S.$71,440 thousand) and ¥2,619 million of guarantee deposits under resale agreements were included in other assets as of March 31, 2015 and 2014, respectively.

23. NONRECOURSE DEBTS CONSOLIDATED

Nonrecourse debts in consolidated special purpose companies as of March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Nonrecourse debts:			
Borrowed money	**¥ 90,700**	¥ 95,335	**$ 755,086**
Corporate bonds	**10,495**	12,727	**87,378**
Assets corresponding to nonrecourse debts:			
Cash and due from banks	**¥ 2,385**	¥ 2,208	**$ 19,857**
Securities	**115,815**	121,026	**964,169**
Loans and bills discounted	**30,713**	44,955	**255,687**
Other assets	**13,167**	14,374	**109,619**

The above balances included certain amount of "Assets pledged as collateral" in Note 22.

24. PREFERRED SECURITIES ISSUED BY SUBSIDIARIES OUTSIDE JAPAN CONSOLIDATED

The noncumulative perpetual preferred securities issued by the Bank's wholly owned subsidiaries outside Japan as of March 31, 2015 and 2014 were as follows:

Issuer	Issued date	Issue amount (in millions)	Dividend rate[1]	Floating dividend start date	Type	Redemption date at the issuer's option	Millions of yen 2015	Millions of yen 2014	Thousands of U.S. dollars 2015
Shinsei Finance (Cayman) Limited	Feb. 2006	U.S.$775	6.418%	Jul. 2016	step-up	Jul. 2016[2]	**¥ 3,633**	¥ 3,110	**$ 30,250**
Shinsei Finance II (Cayman) Limited	Mar. 2006	U.S.$700	7.16%	Jul. 2016	non step-up	Jul. 2016[3]	**2,064**	1,767	**17,187**
Shinsei Finance III (Cayman) Limited	Mar. 2009	¥19,000	5.5%	Jul. 2014	non step-up	Jul. 2014[2]	**—**	15,600	**—**
	Mar. 2009	¥20,100	5.0%	Jul. 2019	step-up	Jul. 2014[2]	**—**	18,000	**—**
Shinsei Finance IV (Cayman) Limited	Mar. 2009	¥2,500	5.0%	Jul. 2019	step-up	Jul. 2014[2]	**—**	2,500	**—**
	Mar. 2009	¥6,600	5.5%	Jul. 2014	non step-up	Jul. 2014[2]	**—**	6,600	**—**
Shinsei Finance V (Cayman) Limited	Oct. 2009	¥4,000	5.5%	Jul. 2015	non step-up	Jul. 2015[2]	**4,000**	4,000	**33,300**
	Oct. 2009	¥5,000	floating	—	non step-up	Jul. 2015[2]	**5,000**	5,000	**41,625**
Total							**¥ 14,697**	¥ 56,577	**$ 122,362**

1 Fixed dividend rates shown in this column are to be changed to floating dividend rates on the dividend payment date shown in "Floating dividend start date" column.
2 These preferred securities are redeemable on any dividend payment date shown in this column or thereafter, at a price equal to the liquidation preference together with any dividends otherwise payable, subject to the prior approval of the Financial Services Agency of Japan ("FSA").
3 The preferred securities issued by Shinsei Finance II (Cayman) Limited are redeemable on dividend payment date shown in this column or on each dividend payment date falling at ten year intervals thereafter, at a price equal to the liquidation preference together with any dividends otherwise payable, subject to the prior approval of the FSA.

These preferred securities are accounted for as minority interests in the consolidated balance sheets.

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25. EQUITY

CONSOLIDATED

The authorized number of shares of common stock as of March 31, 2015 was 4,000,000 thousand shares.

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

	Thousands	
	Issued number of shares	Number of treasury stock
Fiscal year ended March 31, 2014:		
Beginning of year	2,750,346	96,427
Increase	—	—
Decrease	—	—
End of year	2,750,346	96,427
Fiscal year ended March 31, 2015:		
Beginning of year	**2,750,346**	**96,427**
Increase[1]	**—**	**0**
Decrease	**—**	**—**
End of year	**2,750,346**	**96,428**

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

Japanese banks are subject to the Companies Act of Japan (the "Companies Act") and the Banking Act. The significant provisions in the Companies Act and the Banking Act that affect financial and accounting matters are summarized below:

(a) Dividends
Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. For companies that meet certain criteria including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation.

The Bank meets all of the above criteria and its articles of incorporation prescribe the authority for dividend declaration by the Board of Directors.

The Companies Act permits companies to distribute dividends-in-kind (noncash assets) to shareholders subject to a certain limitations and additional requirements.

Interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act and the Banking Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock.

(b) Increases/decreases and transfer of common stock, reserve and surplus
The Banking Act requires that an amount equal to 20% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus), depending on the equity account charged upon the payment of such dividends, until the aggregate amount of legal reserve and additional paid-in capital equals 100% of the common stock.

The Companies Act provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts within equity under certain conditions upon resolution of the shareholders.

(c) Treasury stock and treasury stock acquisition rights
The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by a specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

26. STOCK ACQUISITION RIGHTS

CONSOLIDATED

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

Stock acquisition rights provide eligible individuals (the "holders") with the right to purchase common stock of the Bank without any cash consideration at an exchange rate of one thousand common shares to one stock acquisition right. The amount of money to be paid upon exercising stock acquisition rights is the amount calculated by multiplying the payment amount per share (the "exercise price") by the number of common shares that can be purchased through the exercise of one stock acquisition right. Conditions are stipulated in the "Agreement on the Grant of Stock Acquisition Rights" entered into between the Bank and the holders to whom stock acquisition rights were allotted based on the resolution of the annual general meeting of shareholders and the meetings of the Board of Directors which resolves the issuance of stock acquisition rights subsequent to the shareholders' meeting.

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

There were no stock acquisition rights issued during the fiscal years ended March 31, 2015 and 2014.

(a) There were no stock-based compensation expenses for the fiscal years ended March 31, 2015 and 2014.

(b) Amount of profit by non-exercise of stock options for the fiscal years ended March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Other gains (losses), net	**¥ 10**	¥ 17	**$ 84**

(c) Details of stock options

Stock options outstanding as of March 31, 2015 and 2014 were as follows:

	Date of issuance	Total number of stock options (shares) at the issuance	Total number of holders at the issuance	Exercise period	Exercise price (Yen)	Fair value at the grant date (Yen)
1st	July 1, 2004	9,455,000	2,196	July 1, 2006-June 23, 2014	684	—
4th	June 1, 2005	250,000	1	July 1, 2006-June 23, 2014	551	—
5th	June 27, 2005	4,922,000	462	July 1, 2007-June 23, 2015	601	—
6th	June 27, 2005	2,856,000	40	July 1, 2007-June 23, 2015	601	—
7th	June 27, 2005	1,287,000	135	July 1, 2008-June 23, 2015	601	—
8th	June 27, 2005	561,000	35	July 1, 2008-June 23, 2015	601	—
9th	September 28, 2005	157,000	2	July 1, 2007-June 23, 2015	697	—
10th	September 28, 2005	53,000	2	July 1, 2008-June 23, 2015	697	—
13th	May 25, 2006	5,342,000	588	June 1, 2008-June 23, 2015	825	163 or 173
14th	May 25, 2006	3,027,000	31	June 1, 2008-June 23, 2015	825	163 or 173
15th	May 25, 2006	1,439,000	171	June 1, 2009-June 23, 2015	825	173 or 192
16th	May 25, 2006	331,000	19	June 1, 2009-June 23, 2015	825	173 or 192
17th	May 25, 2007	3,306,000	135	June 1, 2009-May 8, 2017	555	131 or 143
18th	May 25, 2007	1,480,000	26	June 1, 2009-May 8, 2017	555	131 or 143
19th	July 2, 2007	140,000	32	July 1, 2009-June 19, 2017	527	121 or 132
20th	May 30, 2008	2,830,000	124	June 1, 2010-May 13, 2018	416	158 or 169
21st	May 30, 2008	2,081,000	30	June 1, 2010-May 13, 2018	416	158 or 169
22nd	July 10, 2008	203,000	43	July 1, 2010-June 24, 2018	407	127 or 137
23rd	December 1, 2008	97,000	17	December 1, 2010-November 11, 2018	221	53 or 57

26. STOCK ACQUISITION RIGHTS (CONTINUED)

CONSOLIDATED

(d) Number of stock options and movement therein

Numbers of stock options and price information are as follows:

	1st	4th	5th	6th
Fiscal year ended March 31, 2014				
Nonvested (share)				
Outstanding at the beginning of the year	—	—	—	—
Granted during the year	—	—	—	—
Forfeited during the year	—	—	—	—
Vested during the year	—	—	—	—
Outstanding at the end of the year	—	—	—	—
Vested (share)				
Outstanding at the beginning of the year	4,798,000	250,000	2,108,000	1,496,000
Vested during the year	—	—	—	—
Exercised during the year	—	—	—	—
Forfeited during the year	133,000	—	72,000	—
Exercisable at the end of the year	4,665,000	250,000	2,036,000	1,496,000
Exercise price (Yen)	684	551	601	601
Weighted average stock price at the date of exercise (Yen)	—	—	—	—
Fiscal year ended March 31, 2015				
Nonvested (share)				
Outstanding at the beginning of the year	**—**	**—**	**—**	**—**
Granted during the year	**—**	**—**	**—**	**—**
Forfeited during the year	**—**	**—**	**—**	**—**
Vested during the year	**—**	**—**	**—**	**—**
Outstanding at the end of the year	**—**	**—**	**—**	**—**
Vested (share)				
Outstanding at the beginning of the year	**4,665,000**	**250,000**	**2,036,000**	**1,496,000**
Vested during the year	**—**	**—**	**—**	**—**
Exercised during the year	**—**	**—**	**—**	**—**
Forfeited during the year	**4,665,000**	**250,000**	**5,000**	**—**
Exercisable at the end of the year	**—**	**—**	**2,031,000**	**1,496,000**
Exercise price (Yen)	**684**	**551**	**601**	**601**
Weighted average stock price at the date of exercise (Yen)	**—**	**—**	**—**	**—**

	7th	8th	9th	10th
Fiscal year ended March 31, 2014				
Nonvested (share)				
Outstanding at the beginning of the year	—	—	—	—
Granted during the year	—	—	—	—
Forfeited during the year	—	—	—	—
Vested during the year	—	—	—	—
Outstanding at the end of the year	—	—	—	—
Vested (share)				
Outstanding at the beginning of the year	451,000	170,000	108,000	36,000
Vested during the year	—	—	—	—
Exercised during the year	—	—	—	—
Forfeited during the year	17,000	—	—	—
Exercisable at the end of the year	434,000	170,000	108,000	36,000
Exercise price (Yen)	601	601	697	697
Weighted average stock price at the date of exercise (Yen)	—	—	—	—
Fiscal year ended March 31, 2015				
Nonvested (share)				
Outstanding at the beginning of the year	**—**	**—**	**—**	**—**
Granted during the year	**—**	**—**	**—**	**—**
Forfeited during the year	**—**	**—**	**—**	**—**
Vested during the year	**—**	**—**	**—**	**—**
Outstanding at the end of the year	**—**	**—**	**—**	**—**
Vested (share)				
Outstanding at the beginning of the year	**434,000**	**170,000**	**108,000**	**36,000**
Vested during the year	**—**	**—**	**—**	**—**
Exercised during the year	**—**	**—**	**—**	**—**
Forfeited during the year	**—**	**—**	**—**	**—**
Exercisable at the end of the year	**434,000**	**170,000**	**108,000**	**36,000**
Exercise price (Yen)	**601**	**601**	**697**	**697**
Weighted average stock price at the date of exercise (Yen)	**—**	**—**	**—**	**—**

26. STOCK ACQUISITION RIGHTS (CONTINUED)

CONSOLIDATED

	13th	14th	15th	16th
Fiscal year ended March 31, 2014				
Nonvested (share)				
Outstanding at the beginning of the year	—	—	—	—
Granted during the year	—	—	—	—
Forfeited during the year	—	—	—	—
Vested during the year	—	—	—	—
Outstanding at the end of the year	—	—	—	—
Vested (share)				
Outstanding at the beginning of the year	2,053,000	1,717,000	449,000	19,000
Vested during the year	—	—	—	—
Exercised during the year	—	—	—	—
Forfeited during the year	78,000	—	19,000	—
Exercisable at the end of the year	1,975,000	1,717,000	430,000	19,000
Exercise price (Yen)	825	825	825	825
Weighted average stock price at the date of exercise (Yen)	—	—	—	—
Fiscal year ended March 31, 2015				
Nonvested (share)				
Outstanding at the beginning of the year	**—**	**—**	**—**	**—**
Granted during the year	**—**	**—**	**—**	**—**
Forfeited during the year	**—**	**—**	**—**	**—**
Vested during the year	**—**	**—**	**—**	**—**
Outstanding at the end of the year	**—**	**—**	**—**	**—**
Vested (share)				
Outstanding at the beginning of the year	**1,975,000**	**1,717,000**	**430,000**	**19,000**
Vested during the year	**—**	**—**	**—**	**—**
Exercised during the year	**—**	**—**	**—**	**—**
Forfeited during the year	**27,000**	**—**	**2,000**	**—**
Exercisable at the end of the year	**1,948,000**	**1,717,000**	**428,000**	**19,000**
Exercise price (Yen)	**825**	**825**	**825**	**825**
Weighted average stock price at the date of exercise (Yen)	**—**	**—**	**—**	**—**

	17th	18th	19th	20th
Fiscal year ended March 31, 2014				
Nonvested (share)				
Outstanding at the beginning of the year	—	—	—	—
Granted during the year	—	—	—	—
Forfeited during the year	—	—	—	—
Vested during the year	—	—	—	—
Outstanding at the end of the year	—	—	—	—
Vested (share)				
Outstanding at the beginning of the year	1,224,000	805,000	140,000	1,174,000
Vested during the year	—	—	—	—
Exercised during the year	—	—	—	—
Forfeited during the year	—	—	—	3,000
Exercisable at the end of the year	1,224,000	805,000	140,000	1,171,000
Exercise price (Yen)	555	555	527	416
Weighted average stock price at the date of exercise (Yen)	—	—	—	—
Fiscal year ended March 31, 2015				
Nonvested (share)				
Outstanding at the beginning of the year	**—**	**—**	**—**	**—**
Granted during the year	**—**	**—**	**—**	**—**
Forfeited during the year	**—**	**—**	**—**	**—**
Vested during the year	**—**	**—**	**—**	**—**
Outstanding at the end of the year	**—**	**—**	**—**	**—**
Vested (share)				
Outstanding at the beginning of the year	**1,224,000**	**805,000**	**140,000**	**1,171,000**
Vested during the year	**—**	**—**	**—**	**—**
Exercised during the year	**—**	**—**	**—**	**—**
Forfeited during the year	**—**	**—**	**—**	**32,000**
Exercisable at the end of the year	**1,224,000**	**805,000**	**140,000**	**1,139,000**
Exercise price (Yen)	**555**	**555**	**527**	**416**
Weighted average stock price at the date of exercise (Yen)	**—**	**—**	**—**	**—**

26. STOCK ACQUISITION RIGHTS (CONTINUED) CONSOLIDATED

	21st	22nd	23rd
Fiscal year ended March 31, 2014			
Nonvested (share)			
Outstanding at the beginning of the year	—	—	—
Granted during the year	—	—	—
Forfeited during the year	—	—	—
Vested during the year	—	—	—
Outstanding at the end of the year	—	—	—
Vested (share)			
Outstanding at the beginning of the year	42,000	188,000	54,000
Vested during the year	—	—	—
Exercised during the year	—	—	—
Forfeited during the year	—	—	—
Exercisable at the end of the year	42,000	188,000	54,000
Exercise price (Yen)	416	407	221
Weighted average stock price at the date of exercise (Yen)	—	—	—
Fiscal year ended March 31, 2015			
Nonvested (share)			
Outstanding at the beginning of the year	**—**	**—**	**—**
Granted during the year	**—**	**—**	**—**
Forfeited during the year	**—**	**—**	**—**
Vested during the year	**—**	**—**	**—**
Outstanding at the end of the year	**—**	**—**	**—**
Vested (share)			
Outstanding at the beginning of the year	**42,000**	**188,000**	**54,000**
Vested during the year	**—**	**—**	**—**
Exercised during the year	**—**	**—**	**—**
Forfeited during the year	**—**	**—**	**—**
Exercisable at the end of the year	**42,000**	**188,000**	**54,000**
Exercise price (Yen)	**416**	**407**	**221**
Weighted average stock price at the date of exercise (Yen)	**—**	**—**	**—**

(e) Measurement of the fair value of stock options

There were no stock options granted or whose fair value was changed due to the modification to the terms and conditions during the fiscal years ended March 31, 2015 and 2014.

(f) Method of determining the vested number of stock options

Incorporated only the actual forfeited options, as the reasonable estimate of future forfeitures is not determinable.

27. NET TRADING INCOME (LOSS) CONSOLIDATED

Net trading income (loss) for the fiscal years ended March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Income (loss) from trading securities	**¥ 6,111**	¥ 6,336	**$ 50,881**
Income (loss) from securities held to hedge trading transactions	**(129)**	(2,347)	**(1,074)**
Income (loss) from trading-related financial derivatives	**5,604**	10,181	**46,661**
Other, net	**(60)**	(195)	**(501)**
Total	**¥ 11,527**	¥ 13,975	**$ 95,967**

28. OTHER BUSINESS INCOME (LOSS), NET

CONSOLIDATED

"Other, net" in other business income (loss), net, for the fiscal years ended March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Income (loss) from derivatives entered into for banking purposes, net	**¥ (240)**	¥ 653	**$ (1,998)**
Equity in net income (loss) of affiliates	**4,052**	2,623	**33,738**
Gain on lease cancellation and other lease income (loss), net	**630**	1,796	**5,249**
Other, net	**459**	899	**3,821**
Total	**¥ 4,902**	¥ 5,972	**$ 40,810**

29. NET CREDIT COSTS

CONSOLIDATED

Net credit costs for the fiscal years ended March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Losses on write-off or sales of loans	**¥ 4,952**	¥ 3,172	**$ 41,228**
Net provision (reversal) of reserve for loan losses:			
Net provision (reversal) of general reserve for loan losses	**14,395**	2,868	**119,846**
Net provision (reversal) of specific reserve for loan losses	**665**	3,410	**5,536**
Subtotal	**15,060**	6,279	**125,382**
Other credit costs (recoveries) relating to leasing business	**(104)**	(233)	**(870)**
Recoveries of written-off claims	**(8,056)**	(8,938)	**(67,071)**
Total	**¥11,852**	¥ 279	**$ 98,669**

30. OTHER GAINS (LOSSES), NET

CONSOLIDATED

Other gains (losses), net for the fiscal years ended March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Net gain (loss) on disposal of premises and equipment	**¥ 992**	¥ 1,417	**$ 8,261**
Gains on write-off of unclaimed debentures	**587**	1,279	**4,893**
Gains on write-off of unclaimed deposits	**345**	103	**2,873**
Gains on sale of nonperforming loans	**5,122**	—	**42,641**
Gain on liquidation of subsidiaries	**99**	2,230	**825**
Provision of reserve for losses on interest repayments	**(4,053)**	(15,640)	**(33,744)**
Impairment losses on long-lived assets	**(1,415)**	(1,558)	**(11,782)**
Other, net	**487**	245	**4,062**
Total	**¥ 2,165**	¥ (11,922)	**$ 18,029**

(a) Gain on liquidation of subsidiaries

For the fiscal years ended March 31, 2015 and 2014, respectively, gain on liquidation of subsidiaries of ¥99 million (U.S.$825 thousand) and ¥2,230 million were recognized in relation to the liquidation of overseas subsidiaries.

(b) Impairment losses on long-lived assets

For the fiscal years ended March 31, 2015 and 2014, respectively, impairment losses on long-lived assets of ¥1,163 million (U.S.$9,687 thousand) and ¥1,557 million were recognized by the Bank on the properties of the branches which were decided to be closed and the unused IT related properties, assuming their recoverable amount to be zero.

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31. INCOME TAXES

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The Group is subject to a number of taxes based on income, such as corporate tax, inhabitant tax and enterprise tax, which, in the aggregate, resulted in normal effective statutory tax rates of approximately 35.6% and 38.0% for the fiscal years ended March 31, 2015 and 2014, respectively.

(a) A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of income for the fiscal years ended March 31, 2015 and 2014 was as follows:

	2015	2014
Normal effective statutory tax rate	**35.6%**	38.0%
Increase (decrease) in taxes resulting from:		
Permanently tax-exempt income	**(1.4)**	(2.8)
Amortization and impairment of goodwill	**2.8**	5.3
Equity in net income/loss of affiliates	**(1.9)**	(2.2)
Other nondeductible expenses	**0.1**	0.6
Foreign tax	**0.0**	0.1
Change in valuation allowance	**(43.4)**	(57.3)
Effect of reduction of carried tax loss deduction limit	**1.2**	—
Effect of tax rate reduction	**1.7**	2.4
Expiration of tax loss carryforwards	**11.8**	24.2
Other	**(1.9)**	(4.7)
Actual effective tax rate	**4.6%**	3.6%

New tax reform laws enacted in 2015 in Japan changed the normal effective statutory tax rate for the fiscal year beginning on or after April 1, 2015, to approximately 33.1% and for the fiscal year beginning on or after April 1, 2016, to approximately 32.3%. The effect of these changes was to decrease deferred tax assets, net of deferred tax liabilities, by ¥944 million (U.S.$7,863 thousand) and increase accumulated other comprehensive income for unrealized gain (loss) on available-for-sale securities by ¥147 million (U.S.$1,231 thousand), deferred gain (loss) on derivatives under hedge accounting by ¥166 million (U.S.$1,384 thousand), in the consolidated balance sheet as of March 31, 2015, and to increase income taxes (benefits)—deferred in the consolidated statement of income for the year then ended by ¥1,258 million (U.S.$10,478 thousand).

The use of tax loss carryforwards has been limited to the equivalent of 65% of taxable income before deducting tax loss carryforwards since the fiscal year beginning on or after April 1, 2015, and to the equivalent of 50% of taxable income before deducting tax loss carryforwards since the fiscal year beginning on or after April 1, 2017. The effect of these changes was to decrease deferred tax assets by ¥881 million (U.S.$7,336 thousand) in the consolidated balance sheet as of March 31, 2015, and to increase income taxes (benefits)—deferred in the consolidated statement of income for the year then ended by ¥881 million (U.S.$7,336 thousand).

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31. INCOME TAXES (CONTINUED)

CONSOLIDATED

(b) The tax effects of significant temporary differences and tax loss carryforwards, which resulted in deferred tax assets and liabilities, as of March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Deferred tax assets:			
Tax loss carryforwards	**¥ 145,661**	¥ 147,663	**$ 1,212,635**
Reserve for credit losses	**97,316**	123,773	**810,163**
Reserve for losses on interest repayments	**59,945**	76,957	**499,043**
Securities	**18,703**	27,679	**155,709**
Monetary assets held in trust	**12,371**	17,218	**102,994**
Deferred loss on derivatives under hedge accounting	**4,764**	4,085	**39,662**
Other	**24,899**	34,096	**207,290**
Subtotal	**363,662**	431,475	**3,027,496**
Valuation allowance	**(341,119)**	(406,004)	**(2,839,825)**
Total deferred tax assets	**22,543**	25,471	**187,671**
Offset with deferred tax liabilities	**(7,169)**	(8,951)	**(59,687)**
Net deferred tax assets	**¥ 15,373**	¥ 16,519	**$ 127,984**
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	**¥ 2,855**	¥ 1,966	**$ 23,768**
Temporary differences due to business combination (primarily related to identified intangible assets)	**2,211**	3,508	**18,413**
Deferred gain on derivatives under hedge accounting	**1,524**	1,464	**12,691**
Asset retirement costs included in premises and equipment	**1,106**	1,180	**9,213**
Other	**166**	839	**1,383**
Total deferred tax liabilities	**7,864**	8,960	**65,468**
Offset with deferred tax assets	**(7,169)**	(8,951)	**(59,687)**
Net deferred tax liabilities	**¥ 694**	¥ 9	**$ 5,781**

(c) The Bank has ¥218,573 million (U.S.$1,819,627 thousand) of tax loss carryforward related to corporate tax as of March 31, 2015. The schedule of tax loss carryforward and its expiration date are as follows:

	Amount		
Fiscal year ended March 31	Millions of yen	Thousands of U.S. dollars	Date of expiry
2009	¥ 107,458	$ 894,593	March 31, 2018
2011	20,019	166,664	March 31, 2020
2012	16,732	139,295	March 31, 2021
2013	23,214	193,265	March 31, 2022
2014	18,596	154,816	March 31, 2023
2015	32,551	270,994	March 31, 2024
Total	¥ 218,573	$ 1,819,627	

31. INCOME TAXES (CONTINUED)

CONSOLIDATED

In addition, other significant tax loss carryforwards of major subsidiaries as of March 31, 2015 are as follows:

Subsidiary	Fiscal period ended	Millions of yen	Thousands of U.S. dollars	Date of expiry
APLUS FINANCIAL	March 31, 2009	¥ 1,585	$ 13,201	March 31, 2017
	March 31, 2009	234	1,950	March 31, 2018
	March 31, 2010	863	7,188	March 31, 2019
	March 31, 2011	3,906	32,520	March 31, 2020
	March 31, 2012	7,676	63,904	March 31, 2021
	March 31, 2013	888	7,393	March 31, 2022
	March 31, 2014	7,961	66,283	March 31, 2023
	Total	¥ 23,115	$ 192,439	
Shinsei Financial	March 31, 2010	¥ 72,077	$ 600,047	March 31, 2019
	March 31, 2011	22,894	190,601	March 31, 2020
	March 31, 2012	26,107	217,342	March 31, 2021
	March 31, 2015	21,635	180,113	March 31, 2024
	Total	¥ 142,714	$ 1,188,103	
SHINKI	March 31, 2009	¥ 9,280	$ 77,260	March 31, 2018
	March 31, 2010	5,605	46,662	March 31, 2019
	March 31, 2011	14,064	117,084	March 31, 2020
	March 31, 2012	5,345	44,505	March 31, 2021
	March 31, 2013	2,764	23,010	March 31, 2022
	March 31, 2014	2,884	24,017	March 31, 2023
	March 31, 2015	3,113	25,923	March 31, 2024
	Total	¥ 43,058	$ 358,461	

32. NET INCOME (LOSS) PER COMMON SHARE

CONSOLIDATED

Basic net income (loss) per commons share ("EPS") for the fiscal year ended March 31, 2015 was as follows:

	Net income (loss) (Millions of yen)	Weighted average shares (Thousands)	EPS (Yen)	EPS (U.S. dollars)
For the fiscal year ended March 31, 2015:				
Basic EPS				
Net income (loss) available to common shareholders	**¥ 67,873**	**2,653,918**	**¥ 25.57**	**$ 0.21**

Diluted EPS for the fiscal year ended March 31, 2015 is not disclosed because there was no effect from dilutive securities.

A reconciliation of the difference between basic and diluted EPS for the fiscal year ended March 31, 2014 was as follows:

	Net income (loss) (Millions of yen)	Weighted average shares (Thousands)	EPS (Yen)
For the fiscal year ended March 31, 2014:			
Basic EPS			
Net income (loss) available to common shareholders	¥ 41,374	2,653,919	¥ 15.59
Effect of dilutive securities			
Stock acquisition rights	—	2	
Diluted EPS			
Net income (loss) for computation	¥ 41,374	2,653,921	¥ 15.59

33. OTHER COMPREHENSIVE INCOME

CONSOLIDATED

The components of other comprehensive income for the fiscal years ended March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Unrealized gain (loss) on available-for-sale securities:			
Gains (losses) arising during the fiscal year	**¥ 12,682**	¥ 2,378	**$ 105,580**
Reclassification adjustment to profit or loss	**(7,234)**	1,906	**(60,225)**
Amount before income tax effect	**5,448**	4,285	**45,355**
Income tax effect	**(888)**	(1,481)	**(7,394)**
Total	**4,559**	2,803	**37,961**
Deferred gain (loss) on derivatives under hedge accounting:			
Gains (losses) arising during the fiscal year	**(4,943)**	1,109	**(41,154)**
Reclassification adjustment to profit or loss	**2,262**	1,501	**18,838**
Amount before income tax effect	**(2,680)**	2,610	**(22,316)**
Income tax effect	**(50)**	225	**(423)**
Total	**(2,731)**	2,835	**(22,739)**
Foreign currency translation adjustments:			
Gains (losses) arising during the fiscal year	**1,587**	3,934	**13,219**
Reclassification adjustment to profit or loss	**(31)**	(4,580)	**(262)**
Amount before income tax effect	**1,556**	(646)	**12,957**
Income tax effect	**—**	(9)	**—**
Total	**1,556**	(655)	**12,957**
Defined retirement benefit plans:			
Gains (losses) arising during the fiscal year	**3,009**	—	**25,051**
Reclassification adjustment to profit or loss	**2,320**	—	**19,318**
Amount before income tax effect	**5,329**	—	**44,369**
Income tax effect	**—**	—	**—**
Total	**5,329**	—	**44,369**
Share of other comprehensive income in affiliates:			
Gains (losses) arising during the fiscal year	**3,278**	180	**27,291**
Reclassification adjustment to profit or loss	**(26)**	(333)	**(220)**
Amount before income tax effect	**3,251**	(153)	**27,071**
Income tax effect	**—**	—	**—**
Total	**3,251**	(153)	**27,071**
Total other comprehensive income	**¥ 11,966**	¥ 4,830	**$ 99,619**

34. LEASE TRANSACTIONS

CONSOLIDATED

(A) FINANCE LEASE TRANSACTIONS

AS LESSEE

(a) For finance lease transactions, where the ownership of the property is deemed to transfer to the lessee, lease assets are software included in "Intangible assets."

(b) For finance lease transactions, where the ownership of the property is not deemed to transfer to the lessee, lease assets are primarily buildings, tools, equipment and fixtures included in "Premises and equipment," and software included in "Intangible assets."

(c) Depreciation method is described in "(V) LEASE TRANSACTIONS" in Note 2 "SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES."

34. LEASE TRANSACTIONS (CONTINUED)

CONSOLIDATED

AS LESSOR

(a) Breakdown of “Lease receivables and leased investment assets” as of March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Lease receivables	**¥ 72,921**	¥ 62,456	**$ 607,076**
Leased investment assets:			
Lease payment receivables	**167,415**	180,008	**1,393,736**
Estimated residual value	**6,272**	6,570	**52,215**
Interest equivalent	**(19,867)**	(21,587)	**(165,400)**
Other	**306**	315	**2,548**
Subtotal	**154,125**	165,307	**1,283,099**
Total	**¥ 227,047**	¥ 227,764	**$ 1,890,175**

(b) Lease payment receivables for “Lease receivables and leased investment assets” as of March 31, 2015 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	**¥ 23,566**	**$ 196,188**	**¥ 50,630**	**$ 421,499**
Due after one year within two years	**18,083**	**150,541**	**40,063**	**333,525**
Due after two years within three years	**13,332**	**110,997**	**29,513**	**245,703**
Due after three years within four years	**9,902**	**82,442**	**19,619**	**163,331**
Due after four years within five years	**6,543**	**54,477**	**10,166**	**84,637**
Due after five years	**5,874**	**48,902**	**17,422**	**145,041**
Total	**¥ 77,302**	**$ 643,547**	**¥ 167,415**	**$ 1,393,736**

(B) OPERATING LEASE TRANSACTIONS

Noncancelable operating lease obligations as lessee and lease payment receivables as lessor as of March 31, 2015 and 2014 were as follows:

AS LESSEE

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Lease obligations:			
Due within one year	**¥ 4,922**	¥ 4,062	**$ 40,980**
Due after one year	**17,141**	16,253	**142,705**
Total	**¥ 22,064**	¥ 20,316	**$ 183,685**

AS LESSOR

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Lease payment receivables:			
Due within one year	**¥ 3,933**	¥ 4,252	**$ 32,749**
Due after one year	**19,917**	19,885	**165,811**
Total	**¥ 23,851**	¥ 24,137	**$ 198,560**

35. SEGMENT INFORMATION

CONSOLIDATED

(A) SEGMENT INFORMATION

(a) DESCRIPTION OF REPORTABLE SEGMENTS

Our reportable segments are components of the Group about which separate financial information is available and such information is evaluated regularly by the Executive Committee in deciding how to allocate resources and in assessing performance.

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

In the Institutional Group, the "Institutional Business Sub-Group" provides financial products, financial services and advisory services for corporate banking business and public sector finance, real estate finance, such as nonrecourse loans, financial products and services for the real estate and construction industries, specialty finance such as M&A finance, and trust business. The "Principal Transactions Sub-Group" provides financial products and services related to credit trading. "Showa Leasing" primarily provides leasing related financial products and services. The "Other Institutional Group" consists of asset-backed investment and other products and services in the Institutional Group.

In the Global Markets Group, the "Financial Institutions Sub-Group" provides financial products and services for financial institutions business. The "Markets Sub-Group" is engaged in foreign exchanges, derivatives, equity-related transactions and other capital markets transactions. The "Other Global Markets Group" consists of Shinsei Securities' businesses, asset management, wealth management, and other products and services in the Global Markets Group.

In the Individual Group, the "Retail Banking Sub-Group" provides financial products and services for retail customers, "Shinsei Financial" which consists of the business of Shinsei Financial Co., Ltd., SHINKI Co., Ltd. and "Shinsei Bank Card Loan—Lake" in the Bank provides consumer finance, and "APLUS FINANCIAL" provides installment sales credit, credit cards, guarantees and settlement services. The "Other" consists of profit and loss attributable to the Consumer Finance Sub-Group and other subsidiaries.

In the Corporate/Other, the "Treasury Sub-Group" is engaged in ALM operations and capital fund raising.

On April 1, 2014, we implemented organizational changes. The Business Management Division of the "Other Institutional Group" in the Institutional Group was abolished and its business related to the Institutional Group transferred into the Institutional Business Division of the "Institutional Business Sub-Group." As a result of this organizational change, classification of reportable segments was changed, and "REVENUE, PROFIT (LOSS), ASSETS, LIABILITIES AND OTHER ITEMS BY REPORTABLE SEGMENTS" for the fiscal year ended March 31, 2014 is presented based on the new classification of reportable segments.

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

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

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

35. SEGMENT INFORMATION (CONTINUED)

CONSOLIDATED

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

	Millions of yen						
	Institutional Group				Global Markets Group		
Fiscal year ended March 31, 2015	Institutional Business Sub-Group	Principal Transactions Sub-Group	Showa Leasing	Other Institutional Group	Financial Institutions Sub-Group	Markets Sub-Group	Other Global Markets Group
Revenue:	¥ 32,115	¥ 26,228	¥ 14,995	¥ 2,639	¥ 3,514	¥ 8,605	¥ 3,822
Net Interest Income	23,246	13,051	(2,168)	(435)	1,427	1,939	226
Noninterest Income[1]	8,869	13,176	17,164	3,075	2,087	6,666	3,595
Expenses	12,146	5,151	8,165	1,552	2,309	3,296	3,768
Net Credit Costs (Recoveries)	(4,400)	(352)	(1,236)	2,023	11	39	0
Segment Profit (Loss)	¥ 24,370	¥ 21,429	¥ 8,066	¥ (936)	¥ 1,193	¥ 5,268	¥ 53
Segment Assets[2]	¥ 2,664,049	¥ 210,487	¥ 456,889	¥ 54,493	¥ 159,517	¥ 461,152	¥ 78,689
Segment Liabilities	¥ 309,456	¥ 18,307	¥ —	¥ 1,179	¥ 258,400	¥ 255,859	¥ 34,423
Includes:							
1. Equity in net income (loss) of affiliates	¥ —	¥ 2,205	¥ —	¥ 1,657	¥ 171	¥ 19	¥ —
2. Investment in affiliates	—	52,083	—	—	—	1,458	—
Other:							
Goodwill (Negative Goodwill):							
Amortization	¥ —	¥ —	¥ 2,146	¥ —	¥ —	¥ —	¥ —
Unamortized balance	—	—	21,464	—	—	—	—
Intangible assets acquired in business combinations:							
Amortization	¥ —	¥ —	¥ 564	¥ —	¥ —	¥ —	¥ —
Unamortized balance	—	—	1,827	—	—	—	—
Impairment losses on long-lived assets	¥ —	¥ 21	¥ —	¥ —	¥ —	¥ —	¥ —

	Millions of yen						
	Individual Group				Corporate/Other		
		Consumer Finance Sub-Group					
Fiscal year ended March 31, 2015	Retail Banking Sub-Group	Shinsei Financial	APLUS FINANCIAL	Other	Treasury Sub-Group	Other	Total
Revenue:	¥ 30,343	¥ 54,668	¥ 50,199	¥ 1,440	¥ 6,460	¥ 307	¥ 235,342
Net Interest Income	23,811	57,345	6,455	1,226	340	(5)	126,462
Noninterest Income[1]	6,532	(2,677)	43,744	213	6,119	312	108,879
Expenses	34,463	32,469	35,575	666	1,600	523	141,689
Net Credit Costs (Recoveries)	(216)	9,411	6,741	(164)	—	(4)	11,852
Segment Profit (Loss)	¥ (3,902)	¥ 12,787	¥ 7,883	¥ 938	¥ 4,860	¥ (211)	¥ 81,800
Segment Assets[2]	¥ 1,241,858	¥ 400,916	¥ 796,519	¥ 21,214	¥ 1,033,171	¥ 0	¥ 7,578,959
Segment Liabilities	¥ 4,888,507	¥ 9,015	¥ 269,471	¥ 25	¥ 157	¥ —	¥ 6,044,805
Includes:							
1. Equity in net income (loss) of affiliates	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ 4,052
2. Investment in affiliates	—	—	—	—	—	—	53,541
Other:							
Goodwill (Negative Goodwill):							
Amortization	¥ 140	¥ 2,606	¥ 887	¥ (0)	¥ —	¥ —	¥ 5,780
Unamortized balance	128	749	858	(4)	—	—	23,197
Intangible assets acquired in business combinations:							
Amortization	¥ —	¥ 2,267	¥ —	¥ —	¥ —	¥ —	¥ 2,832
Unamortized balance	—	4,522	—	—	—	—	6,350
Impairment losses on long-lived assets	¥ 601	¥ 273	¥ —	¥ 19	¥ —	¥ 499	¥ 1,415

35. SEGMENT INFORMATION (CONTINUED)

CONSOLIDATED

	Millions of yen						
	Institutional Group				Global Markets Group		
Fiscal year ended March 31, 2014	Institutional Business Sub-Group	Principal Transactions Sub-Group	Showa Leasing	Other Institutional Group	Financial Institutions Sub-Group	Markets Sub-Group	Other Global Markets Group
Revenue:	¥ 36,522	¥ 17,948	¥ 15,190	¥ (106)	¥ 3,251	¥ 4,902	¥ 3,142
Net Interest Income	25,098	5,297	(2,468)	(250)	1,571	2,246	129
Noninterest Income[1]	11,424	12,651	17,658	143	1,679	2,655	3,013
Expenses	11,247	4,224	8,275	1,110	2,136	3,252	3,563
Net Credit Costs (Recoveries)	(10,106)	(246)	(2,662)	4,418	(440)	97	(118)
Segment Profit (Loss)	¥ 35,382	¥ 13,969	¥ 9,577	¥ (5,635)	¥ 1,555	¥ 1,552	¥ (302)
Segment Assets[2]	¥ 2,474,481	¥ 291,447	¥ 452,221	¥ 71,452	¥ 174,128	¥ 391,462	¥ 48,443
Segment Liabilities	¥ 365,080	¥ 5,552	¥ —	¥ 1,740	¥ 360,353	¥ 202,614	¥ 52,867
Includes:							
1. Equity in net income (loss) of affiliates	¥ —	¥ 1,450	¥ —	¥ 1,291	¥ (106)	¥ (11)	¥ —
2. Investment in affiliates	—	43,746	—	—	—	2,111	—
Other:							
Goodwill (Negative Goodwill):							
Amortization	¥ —	¥ —	¥ 2,176	¥ —	¥ —	¥ —	¥ —
Unamortized balance	—	—	23,610	—	—	—	—
Intangible assets acquired in business combinations:							
Amortization	¥ —	¥ —	¥ 597	¥ —	¥ —	¥ —	¥ —
Unamortized balance	—	—	2,391	—	—	—	—
Impairment losses on long-lived assets	¥ 86	¥ —	¥ —	¥ —	¥ 39	¥ 5	¥ —

	Millions of yen						
	Individual Group				Corporate/Other		
		Consumer Finance Sub-Group					
Fiscal year ended March 31, 2014	Retail Banking Sub-Group	Shinsei Financial	APLUS FINANCIAL	Other	Treasury Sub-Group	Other	Total
Revenue:	¥ 32,420	¥ 47,072	¥ 48,152	¥ 1,720	¥ (4,424)	¥ (2,756)	¥ 203,036
Net Interest Income	25,391	50,971	7,501	1,478	(3,342)	(3,106)	110,518
Noninterest Income[1]	7,028	(3,899)	40,651	242	(1,081)	350	92,518
Expenses	31,792	30,108	34,726	757	1,540	139	132,875
Net Credit Costs (Recoveries)	(46)	2,782	6,830	(227)	—	(0)	279
Segment Profit (Loss)	¥ 673	¥ 14,180	¥ 6,596	¥ 1,190	¥ (5,964)	¥ (2,894)	¥ 69,882
Segment Assets[2]	¥ 1,197,176	¥ 373,187	¥ 818,485	¥ 21,503	¥ 1,142,864	¥ —	¥ 7,456,855
Segment Liabilities	¥ 5,131,667	¥ 5,278	¥ 341,578	¥ 73	¥ 2,387	¥ —	¥ 6,469,194
Includes:							
1. Equity in net income (loss) of affiliates	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ 2,623
2. Investment in affiliates	—	—	—	—	—	—	45,857
Other:							
Goodwill (Negative Goodwill):							
Amortization	¥ 140	¥ 3,266	¥ 859	¥ (0)	¥ —	¥ —	¥ 6,441
Unamortized balance	269	3,356	1,717	(5)	—	—	28,949
Intangible assets acquired in business combinations:							
Amortization	¥ —	¥ 2,708	¥ —	¥ —	¥ —	¥ —	¥ 3,305
Unamortized balance	—	6,790	—	—	—	—	9,182
Impairment losses on long-lived assets	¥ 936	¥ 25	¥ —	¥ —	¥ 5	¥ 460	¥ 1,558

35. SEGMENT INFORMATION (CONTINUED)

CONSOLIDATED

	Thousands of U.S. dollars						
	Institutional Group				Global Markets Group		
Fiscal year ended March 31, 2015	Institutional Business Sub-Group	Principal Transactions Sub-Group	Showa Leasing	Other Institutional Group	Financial Institutions Sub-Group	Markets Sub-Group	Other Global Markets Group
Revenue:	$ 267,365	$ 218,356	$ 124,839	$ 21,975	$ 29,260	$ 71,638	$ 31,823
Net Interest Income	193,530	108,658	(18,053)	(3,629)	11,885	16,143	1,887
Noninterest Income[1]	73,835	109,698	142,892	25,604	17,375	55,495	29,936
Expenses	101,119	42,889	67,979	12,929	19,227	27,447	31,370
Net Credit Costs (Recoveries)	(36,638)	(2,933)	(10,293)	16,842	99	331	7
Segment Profit (Loss)	$ 202,884	$ 178,400	$ 67,153	$ (7,796)	$ 9,934	$ 43,860	$ 446
Segment Assets[2]	$ 22,178,233	$ 1,752,310	$ 3,803,607	$ 453,658	$ 1,327,982	$ 3,839,100	$ 655,092
Segment Liabilities	$ 2,576,231	$ 152,409	$ —	$ 9,819	$ 2,151,190	$ 2,130,035	$ 286,574
Includes:							
1. Equity in net income (loss) of affiliates	$ —	$ 18,358	$ —	$ 13,797	$ 1,425	$ 158	$ —
2. Investment in affiliates	—	433,599	—	—	—	12,138	—
Other:							
Goodwill (Negative Goodwill):							
Amortization	$ —	$ —	$ 17,869	$ —	$ —	$ —	$ —
Unamortized balance	—	—	178,692	—	—	—	—
Intangible assets acquired in business combinations:							
Amortization	$ —	$ —	$ 4,699	$ —	$ —	$ —	$ —
Unamortized balance	—	—	15,214	—	—	—	—
Impairment losses on long-lived assets	$ —	$ 181	$ —	$ —	$ —	$ —	$ —

	Thousands of U.S. dollars						
	Individual Group				Corporate/Other		
		Consumer Finance Sub-Group					
Fiscal year ended March 31, 2015	Retail Banking Sub-Group	Shinsei Financial	APLUS FINANCIAL	Other	Treasury Sub-Group	Other	Total
Revenue:	$ 252,608	$ 455,116	$ 417,911	$ 11,989	$ 53,785	$ 2,560	$ 1,959,225
Net Interest Income	198,227	477,405	53,741	10,215	2,837	(44)	1,052,802
Noninterest Income[1]	54,381	(22,289)	364,170	1,774	50,948	2,604	906,423
Expenses	286,905	270,309	296,163	5,545	13,325	4,359	1,179,566
Net Credit Costs (Recoveries)	(1,806)	78,352	56,119	(1,373)	—	(38)	98,669
Segment Profit (Loss)	$ (32,491)	$ 106,455	$ 65,629	$ 7,817	$ 40,460	$ (1,761)	$ 680,990
Segment Assets[2]	$ 10,338,483	$ 3,337,630	$ 6,631,034	$ 176,609	$ 8,601,160	$ —	$ 63,094,898
Segment Liabilities	$ 40,696,868	$ 75,054	$ 2,243,349	$ 216	$ 1,310	$ —	$ 50,323,055
Includes:							
1. Equity in net income (loss) of affiliates	$ —	$ —	$ —	$ —	$ —	$ —	$ 33,738
2. Investment in affiliates	—	—	—	—	—	—	445,737
Other:							
Goodwill (Negative Goodwill):							
Amortization	$ 1,169	$ 21,699	$ 7,392	$ (5)	$ —	$ —	$ 48,124
Unamortized balance	1,073	6,244	7,150	(37)	—	—	193,122
Intangible assets acquired in business combinations:							
Amortization	$ —	$ 18,879	$ —	$ —	$ —	$ —	$ 23,578
Unamortized balance	—	37,650	—	—	—	—	52,864
Impairment losses on long-lived assets	$ 5,011	$ 2,273	$ —	$ 159	$ —	$ 4,158	$ 11,782

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 net 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.
(8) On March 2015, on behalf of proper revenue allocation, net interest income calculated using an inter-office rate was adjusted between two segments. Thus revenue, net interest income and segment profit of the "Retail Banking Sub-Group" were improved ¥1,284 million (U.S.$10,692 thousand). On the other hand, revenue, net interest income and segment profit of the "Treasury Sub-Group" were decreased the same amount.

35. 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 and minority interests on the consolidated statements of income for the fiscal years ended March 31, 2015 and 2014 was as follows:

	Millions of yen		Thousands of U.S. dollars
Fiscal Year ended March 31	**2015**	2014	**2015**
Total segment profit	**¥ 81,800**	¥ 69,882	**$ 680,990**
Amortization of goodwill acquired in business combinations	**(5,640)**	(6,300)	**(46,955)**
Amortization of intangible assets acquired in business combinations	**(2,832)**	(3,305)	**(23,578)**
Lump-sum payments	**(2,733)**	(2,332)	**(22,755)**
Other gains (losses), net	**2,165**	(11,922)	**18,029**
Income (loss) before income taxes and minority interests	**¥ 72,760**	¥ 46,020	**$ 605,731**

(ii) A reconciliation between total segment assets and total assets on the consolidated balance sheets as of March 31, 2015 and 2014 was as follows:

	Millions of yen		Thousands of U.S. dollars
As of March 31,	**2015**	2014	**2015**
Total segment assets	**¥ 7,578,959**	¥ 7,456,855	**$ 63,094,898**
Cash and due from banks	**881,776**	1,451,492	**7,340,795**
Call loans	**30,000**	36,451	**249,750**
Receivables under resale agreements	**53,216**	53,216	**443,030**
Receivables under securities borrowing transactions	**8,750**	23,651	**72,851**
Foreign exchanges	**18,537**	25,656	**154,321**
Other assets excluding installment receivables	**329,513**	303,043	**2,743,204**
Premises and equipment excluding tangible leased assets	**28,669**	32,333	**238,674**
Intangible assets excluding intangible leased assets	**49,652**	57,640	**413,357**
Asset for retirement benefits	**3,625**	1,567	**30,182**
Deferred issuance expenses for debentures	**12**	32	**100**
Deferred tax assets	**15,373**	16,519	**127,984**
Reserve for credit losses	**(108,232)**	(137,358)	**(901,038)**
Total assets	**¥ 8,889,853**	¥ 9,321,103	**$ 74,008,108**

(iii) A reconciliation between total segment liabilities and total liabilities on the consolidated balance sheets as of March 31, 2015 and 2014 was as follows:

	Millions of yen		Thousands of U.S. dollars
As of March 31,	**2015**	2014	**2015**
Total segment liabilities	**¥ 6,044,805**	¥ 6,469,194	**$ 50,323,055**
Call money	**230,000**	180,000	**1,914,752**
Payables under repurchase agreements	**29,152**	—	**242,694**
Payables under securities lending transactions	**103,369**	317,599	**860,554**
Borrowed money	**805,217**	643,431	**6,703,441**
Foreign exchanges	**27**	37	**226**
Short-term corporate bonds	**96,000**	86,900	**799,201**
Corporate bonds	**157,505**	177,248	**1,311,236**
Other liabilities	**481,359**	497,804	**4,007,322**
Accrued employees' bonuses	**8,774**	7,782	**73,051**
Accrued directors' bonuses	**88**	67	**736**
Liability for retirement benefits	**8,749**	10,116	**72,839**
Reserve for directors' retirement benefits	**95**	119	**798**
Reserve for losses on interest repayments	**170,250**	208,201	**1,417,339**
Deferred tax liabilities	**694**	9	**5,781**
Total liabilities	**¥ 8,136,091**	¥ 8,598,512	**$ 67,733,025**

35. SEGMENT INFORMATION (CONTINUED) CONSOLIDATED

(B) RELATED INFORMATION

(a) INFORMATION BY SERVICES

Income regarding major services for the fiscal years ended March 31, 2015 and 2014 was as follows:

Fiscal Year ended March 31	Millions of yen 2015	Millions of yen 2014	Thousands of U.S. dollars 2015
Loan Businesses	**¥ 133,284**	¥ 133,470	**$ 1,109,594**
Lease Businesses	**8,665**	9,228	**72,143**
Securities Investment Businesses	**29,187**	16,647	**242,982**
Installment Sales and Guarantee Businesses	**45,186**	42,709	**376,174**

(b) GEOGRAPHICAL INFORMATION

(i) REVENUE

Revenue from external domestic customers exceeded 90% of total revenue on the consolidated statements of income for the fiscal years ended March 31, 2015 and 2014, 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 March 31, 2015 and 2014, 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 fiscal years ended March 31, 2015 and 2014, therefore major customer information is not presented.

36. RELATED PARTY TRANSACTIONS CONSOLIDATED

Related party transactions for the fiscal years ended March 31, 2015 and 2014 were as follows:

Related party	Description of the transaction	Amount of the transaction: Millions of yen 2015	Amount of the transaction: Millions of yen 2014	Amount of the transaction: Thousands of U.S. dollars 2015	Account name	Balance at the end of fiscal year: Millions of yen 2015	Balance at the end of fiscal year: Millions of yen 2014	Balance at the end of fiscal year: Thousands of U.S. dollars 2015
Companies in which a majority of the voting rights is owned by directors (including their subsidiaries)								
J.C. Flowers II L.P.[1]	Investment[2]	**¥ —**	¥ 22	**$ —**	—	**¥ —**	¥ —	**$ —**
	Dividend	**—**	163	**—**	—	**—**	—	**—**
J.C. Flowers III L.P.[1]	Investment[3]	**229**	394	**1,908**	—	**—**	—	**—**
	Dividend	**478**	414	**3,980**	—	**—**	—	**—**

1 The fund is operated by J.C. Flowers & Co. LLC, of which J. Christopher Flowers, a director of the Bank, serves as the managing director and chief executive officer.
2 The committed investment amounts are U.S.$200 million based on the limited partnership agreement.
3 The committed investment amounts are U.S.$34,975 thousand based on the limited partnership agreement.

37. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

CONSOLIDATED

(A) GROUP POLICY FOR FINANCIAL INSTRUMENTS

The Group conducts total financial service, primarily basic banking business and other financial services such as securities business, trust business, consumer finance business, and commercial finance business.

For conducting these businesses, the Bank obtains retail customer deposits as a long-term and stable source of funding. In addition, the Bank diversifies sources of funding by securitization of loans or other assets. Subsidiaries and affiliates also use borrowings from other financial institutions as a source of funding.

(B) NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

(a) Financial assets

The financial assets held by the Group are exposed to the following risks:

Loans and bills discounted

Loans and bills discounted, which are primarily provided to domestic institutional and individual customers, are exposed to customer's credit risk and risk of fluctuation in interest rates.

Securities

Securities primarily consist of bonds and stocks and other investments such as foreign securities and investment in partnerships. They are exposed to the risk of fluctuation in interest rates, foreign exchange rates, and prices in the bond/stock markets and in addition, credit risk arising from downgrading of issuer's credit rating, default, etc.

Other monetary claims purchased,
Monetary assets held in trust

Other monetary claims purchased and Monetary assets held in trust consist of investments in various assets such as housing loans, nonperforming loans, and receivables in credit trading and securitization businesses, with a purpose of collection, sale, or securitization. There is a possibility that the Group's profits and losses and financial conditions will be badly affected if earnings from these assets are less than expected. These investments are exposed to risk of fluctuation in market size and price of these assets.

Lease receivables and leased investment assets,
Installment receivables

Lease receivables, leased investment assets, and installment receivables held by consolidated subsidiaries are exposed to customer's credit risk and risk of fluctuation in interest rates.

(b) Financial liabilities

Financial liabilities of the Group are mainly deposits. In addition to risk of fluctuation in interest rates, the Group has funding liquidity risk that sufficient funding would become difficult or more expensive in case of deterioration in Group's financial position.

By utilizing time deposits as an important Asset Liability Management (ALM) measure, the Bank is striving to diversify funding maturities and to disperse refunding dates. Without solely relying on interbank funding, the Bank is aiming to cover its funding needs through core retail deposits and corporate deposits as well as capital.

(c) Derivative transactions

The Group enters into the following derivative transactions to provide products for customer needs, to maximize the profit of the Bank's own trading account and for asset and liability management, hedging transactions and other purposes.

(1) Interest rate related	Interest rate swap, Future contract, Interest rate option, and Interest rate swaption
(2) Currency related	Currency swap, Forward foreign exchange contract, and Currency option
(3) Equity related	Equity index futures, Equity index option, Equity option, and other
(4) Bond related	Bond futures, and Bond future option
(5) Credit derivative	Credit default option, and other

Among the risks associated with derivative transactions, market risk, credit risk and liquidity risk are to be specially noted for risk management.

(1) Market Risk	Risk that losses are incurred associated with changes in the value of financial instruments from fluctuation in market price, as well as volatilities inherent in derivative instruments
(2) Credit Risk	Risk that losses are incurred associated with the counterparty defaulting on contractual terms
(3) Liquidity Risk	Risk that additional costs are incurred associated with closing out the position of the financial instrument held

To appropriately reflect the risk mitigation effect of derivative transactions to the consolidated financial statements, the Group adopts hedge accounting where risks in assets and liabilities of the Group are hedged by interest rate swap, currency swap, etc.

In hedge accounting, effectiveness of hedging is assessed based on the conditions determined in the accounting standards such as "Accounting Standard for Financial Instruments."

37. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED)

CONSOLIDATED

(C) RISK MANAGEMENT FOR FINANCIAL INSTRUMENTS

(a) Credit risk management

The Group's model for credit risk management focuses on securing adequate return on risk, avoiding excessive concentration in particular sectors or to particular customer groups, and managing the credit portfolio with an analysis of potential losses under a worst-case scenario.

Concrete policies and guidelines related to credit risk management of corporate business are clarified in the Group's detailed procedures, and credit risk management processes are roughly classified into credit risk management for individual transactions and portfolio-based credit risk management.

As for credit risk management for individual transactions, approval authority level is determined in accordance with transaction amount, aggregate credit exposure to obligor's group companies, credit rating, and so on. The Group has an approval system in which the decisions are made jointly by the delegation holders of the business promotion division and the risk management divisions, and the final authority and decision rests with the risk management division.

On portfolio-based credit risk management, to diversify risks in terms of industries, ratings and customer groups, the Portfolio and Risk Management Division monitors the segment-specific risk diversification status and also rating fluctuations related to customers within the portfolios. The division uses this information to provide comprehensive reports to the Risk Policy Committee on a quarterly basis.

Credit risks in credit transactions are quantified based on the probability of default by obligor rating, loss given default, and unexpected loss ratio. In order to decrease credit risk of obligors, the Group secures collateral and guarantees for the protection of its claims, the values of which are checked more than once a year. Quasi credit risks involved in market transactions, such as derivative transactions, are controlled based on fair value and estimations of future value fluctuations and are reflected valuation of derivatives transactions.

As for credit risk management of the consumer finance business, risk management divisions of each subsidiary monitor leading indicators for quality of screening, quality of portfolio and performance of collection of claims monthly to recognize and tackle the aggravation of credit cost promptly. In case of any aggravation, the Group takes action to tackle it.

To take the risk strategy above, Individual Banking Risk Management Division in the Bank holds monthly performance review, analyzes and monitors these leading indicators and advises the persons in charge of risk management of each subsidiary on their policies and strategies. The division does not merely avoid losses but also produces a balanced strategy with appropriate risk and return attributes and reports this business performance to the Risk Policy Committee quarterly.

(b) Market risk management

Market risks which are associated with changes in the value of financial assets and liabilities, including off-balance-sheet transactions, from fluctuations in interest rates, foreign exchange rates, stock prices and other market-related indices, have an effect on our financial performance.

The Group manages market risk by segregating the overall balance sheet, including off-balance-sheet transactions, into a trading business and a banking business. At the Market Business Management Committee, the senior review and decision-making for the management of the trading business are performed. At the ALM Committee, the senior review and decision-making for the management mainly related to asset/liability management of the banking business are performed.

To control total market risk amounts properly, the trading business include the banking account transactions in "Securities" and "Derivative instruments," which are desirable to manage the total risk amount in combination with the trading business in light of the purpose and format of the transaction, in addition to the trading account transactions.

The actual risk limits for asset/liability management of the trading business, such as the value-at-risk (VaR) method, are approved by the Executive Committee based on "Trading Business Risk Management Policy and Procedure." The Market Business Management Committee meets monthly to review reports from the Market Risk Management Division and front office.

The interest rate risk of the net asset and/or liability in the banking business, which has interest rate sensitivity, is managed by the ALM Committee based on "Asset Liability Management Policy for Banking Account."

The Market Risk Management Division is responsible for appropriate monitoring and reporting of market risk in both the Group's trading business and banking business. In addition to reporting risk information to management, administrative divisions and front office units, the Market Risk Management Division carries out regular risk analyses and makes recommendations. Market risk involved in the trading business is managed by the Markets Sub-Group, and market risk of the balance sheet involved in the banking business is managed by the Treasury Sub-Group.

Market risk is managed by quantifying on a daily basis and making risk adjustment in response to market conditions.

Quantitative information on market risk is as follows:

(i) Amount of market risk associated with trading business

The Group uses VaR for quantitative analysis on market risk associated with trading business. For calculating VaR, the historical simulation method (holding period of 10 days, confidence interval of 99%, and observation period of 250 business days) has been adopted.

37. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED)

CONSOLIDATED

The VaR in the Group's trading business as of March 31, 2015 and 2014 was ¥1,022 million (U.S.$8,509 thousand) and ¥1,209 million in the aggregate, respectively.

The Group conducts back testing to compare VaR calculated using the model with actual loss amounts. According to the results of back testing conducted, it is believed that the measurement model the Group uses is adequate enough to accurately capture market risk. It should be noted that VaR measures and calculates the amount of market risk at certain probability levels statistically based on historical market fluctuation, and therefore there may be cases where risk cannot be captured in such situations when market conditions are changing dramatically beyond what was experienced historically.

(ii) Amount of market risk associated with banking business
The Group's main financial instruments which are affected by interest rate risk, one of the major risk variables, includes "Call loans," "Receivables under resale agreements," "Receivables under securities borrowing transactions," "Other monetary claims purchased," "Monetary assets held in trust," bonds other than trading business in "Securities," "Loans and bills discounted," "Lease receivables and leased investment assets," "Installment receivables," "Deposits, including negotiable certificates of deposit," "Debentures," "Call money," "Payables under repurchase agreements," "Payables under securities lending transactions," "Borrowed money," "Short-term corporate bonds," "Corporate bonds" and interest rate swaps other than trading business in "Derivative instruments." As for these financial assets and liabilities, the Group uses the amount of impact on fair values, which is calculated using a rationally expected fluctuation range of interest rates for one year from the fiscal year end for quantitative analysis to manage fluctuation risk of interest rates. The amount of such impact on fair values is calculated by categorizing the balance of these financial assets and liabilities according to the term of interest payments and using a certain fluctuation range of interest rates. Assuming all risk variables except for interest rate are constant, the Group estimated that the fair value would decrease by ¥5,346 million (U.S.$44,508 thousand) and ¥2,645 million in case of an increase of the index interest rates by 10 basis points (0.10%), and would increase by ¥3,327 million (U.S.$27,698 thousand) and ¥1,519 million in case of a decrease by 10 basis points (0.10%), as of March 31, 2015 and 2014, respectively. Such amount of impact on fair value is calculated based on the assumption that all risk variables except for interest rate are constant, and correlation between interest rate and other risk variables is not taken into consideration. There is a possibility that interest rate changes beyond the rationally expected fluctuation range may cause an impact greater than the calculated amount.

(c) Liquidity risk management
The ALM Committee, which is the senior review and decision-making body for the management of funding liquidity risk, manages funding liquidity risk by establishing funding gap limits and minimum liquidity reserve levels. In accordance with the "Cash Liquidity Risk Management Policy," the Bank has a structure to conduct two or more liquidity measurements and to secure available reserves over the net cumulative outflow forecasted in an emergency situation.

To manage the market liquidity risk for marketable instruments, the Group has trading limits and monitors the amounts of marketable instruments in view of the attributes of marketable instruments. Moreover, liquidity reserves for trading account are calculated monthly and are reflected valuation of derivatives transactions.

(D) CONCENTRATION OF CREDIT RISK

As of March 31, 2015, loans to the financial and insurance industry were approximately 14% of the total loans and bills discounted, and those to the real estate industry were approximately 12%, approximately 50% of which are nonrecourse loans for real estate.

As of March 31, 2014, loans to the financial and insurance industry were approximately 15% of the total loans and bills discounted, and those to the real estate industry were approximately 13%, slightly less than 50% of which are nonrecourse loans for real estate.

(E) FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair values of financial instruments include the values calculated rationally in cases where no market price is available besides the value based on market price. Certain assumptions have been adopted for the calculation, so that the value calculated may not be the same when assumptions that differ from the Group's calculation are adopted.

37. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED)

CONSOLIDATED

Fair values of financial instruments as of March 31, 2015 and 2014 were as follows:

	Millions of yen					
	2015			2014		
	Carrying amount	**Fair value**	**Unrealized gain (loss)**	Carrying amount	Fair value	Unrealized gain (loss)
Assets:						
(1) Cash and due from banks	**¥ 881,776**	**¥ 881,776**	**¥ —**	¥ 1,451,492	¥ 1,451,492	¥ —
(2) Call loans	**30,000**	**30,000**	**—**	36,451	36,451	—
(3) Receivables under resale agreements	**53,216**	**53,418**	**202**	53,216	53,518	301
(4) Receivables under securities borrowing transactions	**8,750**	**8,750**	**—**	23,651	23,651	—
(5) Other monetary claims purchased						
Trading purposes	**40,473**	**40,473**	**—**	51,259	51,259	—
Other[1]	**51,424**	**52,459**	**1,035**	53,142	53,903	761
(6) Trading assets						
Securities held for trading purposes	**37,954**	**37,954**	**—**	14,362	14,362	—
(7) Monetary assets held in trust[1]	**233,791**	**238,593**	**4,802**	199,115	202,915	3,800
(8) Securities						
Trading securities	**46**	**46**	**—**	131	131	—
Securities being held to maturity	**644,533**	**649,541**	**5,007**	545,675	551,548	5,872
Securities available for sale	**720,533**	**720,533**	**—**	895,444	895,444	—
Equity securities of affiliates	**49,453**	**36,434**	**(13,018)**	40,975	31,163	(9,812)
(9) Loans and bills discounted[2]	**4,461,281**			4,319,830		
Reserve for credit losses	**(70,548)**			(92,484)		
Net	**4,390,732**	**4,499,552**	**108,819**	4,227,346	4,309,890	82,544
(10) Lease receivables and leased investment assets[1]	**222,871**	**224,768**	**1,897**	223,805	225,471	1,665
(11) Other assets						
Installment receivables	**459,133**			421,920		
Deferred gains on installment receivables	**(14,963)**			(13,672)		
Reserve for credit losses	**(10,996)**			(10,700)		
Net	**433,173**	**451,169**	**17,996**	397,547	411,144	13,597
Total	**¥ 7,798,732**	**¥ 7,925,473**	**¥ 126,741**	¥ 8,213,618	¥ 8,312,351	¥ 98,732
Liabilities:						
(1) Deposits, including negotiable certificates of deposit	**¥ 5,452,733**	**¥ 5,461,018**	**¥ (8,285)**	¥ 5,850,447	¥ 5,855,332	¥ (4,885)
(2) Debentures	**32,300**	**32,322**	**(22)**	41,747	41,782	(35)
(3) Call money	**230,000**	**230,000**	**—**	180,000	180,000	—
(4) Payables under repurchase agreements	**29,152**	**29,152**	**—**	—	—	—
(5) Payables under securities lending transactions	**103,369**	**103,369**	**—**	317,599	317,599	—
(6) Trading liabilities						
Trading securities sold for short sales	**10,349**	**10,349**	**—**	14,290	14,290	—
(7) Borrowed money	**805,217**	**805,470**	**(252)**	643,431	645,895	(2,463)
(8) Short-term corporate bonds	**96,000**	**96,000**	**—**	86,900	86,900	—
(9) Corporate bonds	**157,505**	**160,033**	**(2,528)**	177,248	181,687	(4,439)
Total	**¥ 6,916,627**	**¥ 6,927,716**	**¥ (11,089)**	¥ 7,311,664	¥ 7,323,488	¥ (11,824)
Derivative instruments[3]:						
Hedge accounting is not applied	**¥ (15,411)**	**¥ (15,411)**	**¥ —**	¥ (17,867)	¥ (17,867)	¥ —
Hedge accounting is applied	**(9,474)**	**(9,474)**	**—**	(8,076)	(8,076)	—
Total	**¥ (24,885)**	**¥ (24,885)**	**¥ —**	¥ (25,943)	¥ (25,943)	¥ —

	Contract amount	**Fair value**	Contract amount	Fair value
Other:				
Guarantee contracts[4]	**¥ 291,795**	**¥ (1,376)**	¥ 358,414	¥ (3,171)

37. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED)

CONSOLIDATED

	Thousands of U.S. dollars		
	2015		
	Carrying amount	Fair value	Unrealized gain (loss)
Assets:			
(1) Cash and due from banks	$ 7,340,795	$ 7,340,795	$ —
(2) Call loans	249,750	249,750	—
(3) Receivables under resale agreements	443,030	444,712	1,682
(4) Receivables under securities borrowing transactions	72,851	72,851	—
(5) Other monetary claims purchased			
Trading purposes	336,943	336,943	—
Other[1]	428,110	436,728	8,618
(6) Trading assets			
Securities held for trading purposes	315,969	315,969	—
(7) Monetary assets held in trust[1]	1,946,313	1,986,295	39,982
(8) Securities			
Trading securities	386	386	—
Securities being held to maturity	5,365,747	5,407,436	41,689
Securities available for sale	5,998,446	5,998,446	—
Equity securities of affiliates	411,704	303,321	(108,383)
(9) Loans and bills discounted[2]	37,140,205		
Reserve for credit losses	(587,321)		
Net	36,552,884	37,458,809	905,925
(10) Lease receivables and leased investment assets[1]	1,855,406	1,871,202	15,796
(11) Other assets			
Installment receivables	3,822,292		
Deferred gains on installment receivables	(124,575)		
Reserve for credit losses	(91,542)		
Net	3,606,175	3,755,993	149,818
Total	$ 64,924,509	$ 65,979,636	$ 1,055,127
Liabilities:			
(1) Deposits, including negotiable certificates of deposit	$ 45,394,049	$ 45,463,029	$ (68,980)
(2) Debentures	268,901	269,088	(187)
(3) Call money	1,914,752	1,914,752	—
(4) Payables under repurchase agreements	242,694	242,694	—
(5) Payables under securities lending transactions	860,554	860,554	—
(6) Trading liabilities			
Trading securities sold for short sales	86,155	86,155	—
(7) Borrowed money	6,703,441	6,705,546	(2,105)
(8) Short-term corporate bonds	799,201	799,201	—
(9) Corporate bonds	1,311,236	1,332,283	(21,047)
Total	$ 57,580,983	$ 57,673,302	$ (92,319)
Derivative instruments[3]:			
Hedge accounting is not applied	$ (128,302)	$ (128,302)	$ —
Hedge accounting is applied	(78,872)	(78,872)	—
Total	$ (207,174)	$ (207,174)	$ —

	Contract amount	Fair value
Other:		
Guarantee contracts[4]	$ 2,429,196	$ (11,463)

1 Carrying amounts of Other monetary claims purchased, Monetary assets held in trust, and Lease receivables and leased investment assets 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 ¥170,250 million (U.S.$1,417,339 thousand) and ¥208,201 million was recognized for estimated losses on reimbursements of excess interest payments as of March 31, 2015 and 2014, respectively, which included the reserve for losses on interest repayments that have a possibility of being appropriated for loan principal in the future.
3 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.
4 Contract amount for guarantee contracts presents the amount of "Acceptances and guarantees" on the consolidated balance sheets. Unearned guarantee fees of ¥22,201 million (U.S.$184,830 thousand) and ¥22,831 million were recognized as "Other liabilities" as of March 31, 2015 and 2014, respectively.

37. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED) CONSOLIDATED

(Note 1) Valuation methodologies for financial instruments

Assets:

(1) Cash and due from banks

The fair values of due from banks with no maturities approximate carrying amounts. For due from banks with maturities, the fair values approximate carrying amounts because most of them are with short maturities of six months or less.

(2) Call loans and (4) Receivables under securities borrowing transactions

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

(3) Receivables under resale agreements

The fair values of the receivables under resale agreements with maturity of three months or less approximate carrying amounts because of their short-term maturity. The fair values of the receivables under resale agreements with maturity of more than three months are determined by discounting contractual cash flows in case of the transactions with fixed interest rate, or expected cash flows based on the forward rate in case of the transactions with floating interest rate, using the risk-free rate adjusted to account for credit risk (after consideration of collateral) with credit default swap (CDS) spreads etc. corresponding to internal credit rating of each borrower.

(5) Other monetary claims purchased

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

(6) Trading assets

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

(7) Monetary assets held in trust

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

(8) 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 discounted cash flow method.

(9) Loans and bills discounted

The fair values of loans and bills discounted with fixed interest rate are determined by discounting contractual cash flows, and the fair values of loans and bills discounted with floating interest rate are determined by discounting expected cash flows based on the forward rates, using the risk-free rate adjusted to account for credit risk (after consideration of collateral) with CDS spreads etc. corresponding to internal credit rating of each borrower. The fair values of housing loans are determined by discounting expected cash flows at the rates that 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.

For loans to obligors "legally bankrupt," "virtually bankrupt" and "possibly bankrupt," a reserve is provided based on the discounted cash flow method, or based on amounts expected to be collected through the disposal of collateral or execution of guarantees, so that the carrying amount net of the reserve is a reasonable estimate of the fair values of those loans.

(10) Lease receivables and leased investment assets

The fair values are primarily determined by discounting contractual cash flows at the rates that consist of the risk-free rate, credit risk and certain costs, by a group of major product categories.

(11) 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 a group of major product categories.

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 approximate carrying amounts because of their short-term maturity.

The fair values of time deposits are determined by discounting the contractual cash flows at the rates 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 debentures and corporate bonds are measured at market prices.

The fair values of nonmarketable corporate debentures and corporate bonds under the Medium Term Note program are determined by discounting expected cash flows at the actual

37. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED) CONSOLIDATED

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.

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

(6) Trading liabilities
The fair values are measured at market prices.

(7) Borrowed money
The fair values of borrowed money with fixed interest rates are primarily determined by discounting contractual cash flows (for borrowed money hedged by interest rate swaps which meets 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 approximate carrying amounts because most of them are with short maturities of six months or less.

Derivative instruments:
The fair values are primarily measured at closing prices on exchanges or determined using the discounted cash flow method or option-pricing models.

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

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

	Millions of yen		Thousands of U.S. dollars
As of March 31,	2015	2014	2015
Equity securities without readily available market price[1,2]	¥ 10,538	¥ 11,501	$ 87,736
Investment in partnerships and others[1,2]	52,246	63,292	434,953
Total	¥ 62,785	¥ 74,793	$ 522,689

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 fiscal years ended March 31, 2015 and 2014, impairment losses on equity securities without readily available market price of ¥683 million (U.S.$5,688 thousand) and ¥27 million, and on investment in partnerships and others of ¥114 million (U.S.$951 thousand) and ¥33 million were recognized, respectively.

(Note 3) Maturity analysis for financial assets with contractual maturities

	Millions of yen			
As of March 31, 2015	1 year or less	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years
Due from banks	¥ 877,600	¥ —	¥ —	¥ —
Call loans	30,000	—	—	—
Receivables under resale agreements	—	53,216	—	—
Receivables under securities borrowing transactions	8,750	—	—	—
Other monetary claims purchased				
Other than trading purposes	12,103	11,977	4,879	23,979
Securities				
Held-to-maturity	80,000	63,213	245,941	244,961
Available-for-sale	50,580	77,186	365,918	190,380
Loans and bills discounted	903,698	857,789	756,729	1,859,244
Lease receivables and leased investment assets	67,913	92,766	42,763	21,582
Installment receivables	166,014	162,597	53,945	47,766
Total	¥ 2,196,662	¥ 1,318,746	¥ 1,470,177	¥ 2,387,915

37. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED)

CONSOLIDATED

	Thousands of U.S. dollars			
As of March 31, 2015	1 year or less	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years
Due from banks	$ 7,306,035	$ —	$ —	$ —
Call loans	249,750	—	—	—
Receivables under resale agreements	—	443,030	—	—
Receivables under securities borrowing transactions	72,851	—	—	—
Other monetary claims purchased				
Other than trading purposes	100,758	99,711	40,618	199,630
Securities				
Held-to-maturity	666,001	526,250	2,047,467	2,039,310
Available-for-sale	421,083	642,575	3,046,275	1,584,923
Loans and bills discounted	7,523,301	7,141,106	6,299,777	15,478,225
Lease receivables and leased investment assets	565,382	772,284	356,007	179,675
Installment receivables	1,382,075	1,353,624	449,100	397,655
Total	$ 18,287,236	$ 10,978,580	$ 12,239,244	$ 19,879,418

Note: The financial instruments whose cash flow cannot be reliably estimated such as loans and bills discounted to obligors of "legally bankrupt," "virtually bankrupt" and "possibly bankrupt," and the financial instruments with no contractual maturity are not included in the tables above.

(Note 4) Maturity analysis for financial liabilities with contractual maturities

	Millions of yen			
As of March 31, 2015	1 year or less	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years
Deposits, including negotiable certificates of deposit	¥ 4,476,368	¥ 399,416	¥ 560,416	¥ 16,531
Debentures	14,483	17,273	543	—
Call money	230,000	—	—	—
Payables under repurchase agreements	29,152	—	—	—
Payables under securities lending transactions	103,369	—	—	—
Borrowed money	407,444	210,031	117,320	70,421
Short-term corporate bonds	96,000	—	—	—
Corporate bonds	36,897	32,271	6,548	81,815
Total	¥ 5,393,715	¥ 658,992	¥ 684,829	¥ 168,768

	Thousands of U.S. dollars			
As of March 31, 2015	1 year or less	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years
Deposits, including negotiable certificates of deposit	$ 37,265,802	$ 3,325,144	$ 4,665,474	$ 137,629
Debentures	120,574	143,806	4,521	—
Call money	1,914,752	—	—	—
Payables under repurchase agreements	242,694	—	—	—
Payables under securities lending transactions	860,554	—	—	—
Borrowed money	3,391,975	1,748,511	976,697	586,258
Short-term corporate bonds	799,201	—	—	—
Corporate bonds	307,175	268,658	54,515	681,112
Total	$ 44,902,727	$ 5,486,119	$ 5,701,207	$ 1,404,999

Note: The cash flow of demand deposits is included in "1 year or less."

38. 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 March 31, 2015 and 2014 are adjusted for credit risk by a reduction of ¥995 million (U.S.$8,286 thousand) and ¥623 million, respectively, and also adjusted for liquidity risk by a reduction of ¥1,080 million (U.S.$8,993 thousand) and ¥1,102 million, respectively.

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

(a) INTEREST RATE-RELATED TRANSACTIONS

Interest rate-related transactions as of March 31, 2015 and 2014 were as follows:

	Millions of yen							
	2015				2014			
	Contract/Notional principal				Contract/Notional principal			
	Total	**Maturity over 1 year**	**Fair value**	**Unrealized gain (loss)**	Total	Maturity over 1 year	Fair value	Unrealized gain (loss)
Futures contracts (listed):								
Sold	**¥ 6,471**	**¥ 1,479**	**¥ 0**	**¥ 0**	¥ 2,495	¥ —	¥ 0	¥ 0
Bought	**3,597**	**591**	**9**	**9**	9,582	682	0	0
Interest rate options (listed):								
Sold	**746**	**—**	**(0)**	**0**	639	639	(0)	0
Interest rate swaps (over-the-counter):								
Receive fixed and pay floating	**6,143,320**	**4,694,556**	**186,023**	**186,023**	5,760,971	4,643,282	143,784	143,784
Receive floating and pay fixed	**5,678,687**	**4,378,688**	**(164,243)**	**(164,243)**	5,336,252	4,261,538	(120,446)	(120,446)
Receive floating and pay floating	**1,853,984**	**1,412,251**	**1,330**	**1,330**	694,348	557,544	(29)	(29)
Interest rate swaptions (over-the-counter):								
Sold	**707,609**	**538,509**	**(10,160)**	**3,350**	883,245	652,788	(13,407)	7,956
Bought	**1,252,215**	**1,092,990**	**3,664**	**(5,596)**	1,449,667	1,315,767	8,346	(3,267)
Interest rate options (over-the-counter):								
Sold	**34,824**	**30,873**	**(187)**	**180**	96,755	55,944	(275)	433
Bought	**78,676**	**54,127**	**94**	**(263)**	120,172	80,926	139	(333)
Total			**¥ 16,530**	**¥ 20,792**			¥ 18,113	¥ 28,097

	Thousands of U.S. dollars			
	2015			
	Contract/Notional principal			
	Total	**Maturity over 1 year**	**Fair value**	**Unrealized gain (loss)**
Futures contracts (listed):				
Sold	**$ 53,875**	**$ 12,315**	**$ 0**	**$ 0**
Bought	**29,947**	**4,926**	**80**	**80**
Interest rate options (listed):				
Sold	**6,219**	**—**	**(4)**	**4**
Interest rate swaps (over-the-counter):				
Receive fixed and pay floating	**51,143,192**	**39,082,224**	**1,548,649**	**1,548,649**
Receive floating and pay fixed	**47,275,119**	**36,452,616**	**(1,367,325)**	**(1,367,325)**
Receive floating and pay floating	**15,434,436**	**11,757,005**	**11,076**	**11,076**
Interest rate swaptions (over-the-counter):				
Sold	**5,890,858**	**4,483,099**	**(84,587)**	**27,896**
Bought	**10,424,707**	**9,099,159**	**30,506**	**(46,589)**
Interest rate options (over-the-counter):				
Sold	**289,911**	**257,024**	**(1,561)**	**1,500**
Bought	**654,984**	**450,614**	**783**	**(2,195)**
Total			**$ 137,617**	**$ 173,096**

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 discounted cash flow method or option pricing models.

38. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

CONSOLIDATED

(b) CURRENCY-RELATED TRANSACTIONS

Currency-related transactions as of March 31, 2015 and 2014 were as follows:

Millions of yen

	2015				2014			
	Contract/Notional principal				Contract/Notional principal			
	Total	Maturity over 1 year	Fair value	Unrealized gain (loss)	Total	Maturity over 1 year	Fair value	Unrealized gain (loss)
Currency swaps (over-the-counter)	¥ 849,626	¥ 512,261	¥ (33,015)	¥ (33,015)	¥ 839,527	¥ 725,663	¥ (26,309)	¥ (26,309)
Forward foreign exchange contracts (over-the-counter):								
Sold	873,045	104,071	(37,348)	(37,348)	879,171	108,948	(25,619)	(25,619)
Bought	550,357	128,221	47,268	47,268	589,755	142,497	44,780	44,780
Currency options (over-the-counter):								
Sold	910,317	384,820	(27,196)	(14,616)	1,452,721	542,009	(33,859)	(9,031)
Bought	893,142	376,886	12,124	(1,474)	1,441,375	527,601	(800)	(21,886)
Total			¥ (38,167)	¥ (39,185)			¥ (41,807)	¥ (38,065)

Thousands of U.S. dollars

	2015			
	Contract/Notional principal			
	Total	Maturity over 1 year	Fair value	Unrealized gain (loss)
Currency swaps (over-the-counter)	$ 7,073,147	$ 4,264,583	$ (274,852)	$ (274,852)
Forward foreign exchange contracts (over-the-counter):				
Sold	7,268,115	866,396	(310,927)	(310,927)
Bought	4,581,733	1,067,446	393,509	393,509
Currency options (over-the-counter):				
Sold	7,578,400	3,203,631	(226,411)	(121,680)
Bought	7,435,419	3,137,587	100,938	(12,273)
Total			$ (317,743)	$ (326,223)

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 discounted cash flow method or option pricing models.

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38. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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(c) EQUITY-RELATED TRANSACTIONS

Equity-related transactions as of March 31, 2015 and 2014 were as follows:

	Millions of yen							
	2015				2014			
	Contract/Notional principal				Contract/Notional principal			
	Total	Maturity over 1 year	Fair value	Unrealized gain (loss)	Total	Maturity over 1 year	Fair value	Unrealized gain (loss)
Equity index futures (listed):								
Sold	¥ 25,563	¥ 4,995	¥ (2,546)	¥ (2,546)	¥ 12,003	¥ 6,938	¥ 343	¥ 343
Bought	15,331	5,796	821	821	14,103	3,090	(286)	(286)
Equity index options (listed):								
Sold	273,885	77,585	(37,244)	(18,955)	625,042	176,262	(34,603)	(4,740)
Bought	266,286	72,950	35,145	14,962	624,831	163,425	37,056	4,999
Equity options (over-the-counter):								
Sold	51,207	27,585	(16,449)	(10,918)	77,568	48,523	(15,800)	(7,119)
Bought	60,474	30,851	29,008	21,436	82,960	57,790	22,193	11,857
Other (over-the-counter):								
Sold	50,400	48,400	1,097	1,097	68,900	68,900	50	50
Bought	70,877	68,177	(1,502)	(1,502)	103,377	103,377	(1,162)	(1,162)
Total			¥ 8,330	¥ 4,395			¥ 7,790	¥ 3,943

	Thousands of U.S. dollars			
	2015			
	Contract/Notional principal			
	Total	Maturity over 1 year	Fair value	Unrealized gain (loss)
Equity index futures (listed):				
Sold	$ 212,820	$ 41,591	$ (21,202)	$ (21,202)
Bought	127,634	48,259	6,838	6,838
Equity index options (listed):				
Sold	2,280,095	645,896	(310,061)	(157,802)
Bought	2,216,836	607,309	292,590	124,561
Equity options (over-the-counter):				
Sold	426,301	229,646	(136,940)	(90,893)
Bought	503,447	256,842	241,495	178,456
Other (over-the-counter):				
Sold	419,580	402,930	9,140	9,140
Bought	590,056	567,578	(12,506)	(12,506)
Total			$ 69,354	$ 36,592

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 discounted cash flow method or option pricing model.

38. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED) CONSOLIDATED

(d) BOND-RELATED TRANSACTIONS

Bond-related transactions as of March 31, 2015 and 2014 were as follows:

	Millions of yen							
	2015				2014			
	Contract/Notional principal				Contract/Notional principal			
	Total	Maturity over 1 year	Fair value	Unrealized gain (loss)	Total	Maturity over 1 year	Fair value	Unrealized gain (loss)
Bond futures (listed):								
Sold	¥ 20,356	¥ —	¥ 19	¥ 19	¥ 5,042	¥ —	¥ (1)	¥ (1)
Bought	2,987	—	(1)	(1)	13,525	—	(15)	(15)
Total			¥ 18	¥ 18			¥ (16)	¥ (16)

	Thousands of U.S. dollars			
	2015			
	Contract/Notional principal			
	Total	Maturity over 1 year	Fair value	Unrealized gain (loss)
Bond futures (listed):				
Sold	$ 169,470	$ —	$ 164	$ 164
Bought	24,873	—	(9)	(9)
Total			$ 155	$ 155

Notes:

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

(2) The fair values of listed transactions represent the closing price on the Osaka Exchange and other exchanges.

(e) CREDIT DERIVATIVES TRANSACTIONS

Credit derivatives transactions as of March 31, 2015 and 2014 were as follows:

	Millions of yen							
	2015				2014			
	Contract/Notional principal				Contract/Notional principal			
	Total	Maturity over 1 year	Fair value	Unrealized gain (loss)	Total	Maturity over 1 year	Fair value	Unrealized gain (loss)
Credit default option (over-the-counter):								
Sold	¥ 263,809	¥ 186,890	¥ 3,538	¥ 3,538	¥ 294,763	¥ 242,814	¥ 3,571	¥ 3,571
Bought	259,803	202,862	(3,587)	(3,587)	288,062	237,995	(3,792)	(3,792)
Total			¥ (48)	¥ (48)			¥ (220)	¥ (220)

	Thousands of U.S. dollars			
	2015			
	Contract/Notional principal			
	Total	Maturity over 1 year	Fair value	Unrealized gain (loss)
Credit default option (over-the-counter):				
Sold	$ 2,196,216	$ 1,555,864	$ 29,462	$ 29,462
Bought	2,162,869	1,688,828	(29,868)	(29,868)
Total			$ (406)	$ (406)

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 discounted cash flow method.

(3) "Sold" stands for accepting credit risk and "Bought" stands for transferring credit risk.

38. 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 March 31, 2015 and 2014 were as follows:

	Millions of yen					
	2015			2014		
	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	**¥ 482,869**	**¥ 450,400**	**¥ 4,545**	¥ 760,794	¥ 477,794	¥ 3,743
Receive floating and pay fixed	**246,188**	**227,188**	**(14,696)**	247,304	232,411	(11,061)
Total			**¥ (10,151)**			¥ (7,317)

	Thousands of U.S. dollars		
	2015		
	Contract/Notional principal		
	Total	**Maturity over 1 year**	**Fair value**
Interest rate swaps:			
Receive fixed and pay floating	**$ 4,019,896**	**$ 3,749,584**	**$ 37,843**
Receive floating and pay fixed	**2,049,517**	**1,891,349**	**(122,352)**
Total			**$ (84,509)**

Notes:

(1) Most of the hedged items are interest-bearing assets and liabilities such as loans and bills discounted, securities available for sale (bonds) and deposits, including negotiable certificate of deposit.

(2) Interest rate swaps are primarily accounted for using deferral method in accordance with Industry Audit Committee Report No.24 of the JICPA.

(3) The fair values are calculated primarily by using the discounted cash flow method.

38. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

CONSOLIDATED

Interest rate swaps which meet specific matching criteria as of March 31, 2015 and 2014 were as follows:

	Millions of yen					
	2015			2014		
	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	**¥ 20,525**	**¥ 14,925**	**¥ —**	¥ 8,125	¥ 4,525	¥ —

	Thousands of U.S. dollars		
	2015		
	Contract/Notional principal		
	Total	**Maturity over 1 year**	**Fair value**
Interest rate swaps:			
Receive floating and pay fixed	**$ 170,871**	**$ 124,251**	**$ —**

Notes:

(1) The hedged item is borrowed money.

(2) Interest rate swaps which meet specific matching criteria are accounted for as component of hedged borrowed money. Therefore, the fair value of those interest rate swaps is included in the fair value of borrowed money in fair value information shown in Note 37 "FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES."

(b) CURRENCY-RELATED TRANSACTIONS

Currency-related transactions which are accounted for using the deferral method as of March 31, 2015 and 2014 were as follows:

	Millions of yen					
	2015			2014		
	Contract/Notional principal			Contract/Notional principal		
	Total	**Maturity over 1 year**	**Fair value**	Total	Maturity over 1 year	Fair value
Currency swaps	**¥ 47,516**	**¥ 41,252**	**¥ 677**	¥ 10,329	¥ 10,329	¥ (758)

	Thousands of U.S. dollars		
	2015		
	Contract/Notional principal		
	Total	**Maturity over 1 year**	**Fair value**
Currency swaps	**$ 395,576**	**$ 343,431**	**$ 5,637**

Notes:

(1) Most of the hedged items are foreign currency denominated loans and bills discounted, securities, deposits and foreign exchanges.

(2) Currency swap transactions are primarily accounted for using deferral method in accordance with Industry Audit Committee Report No.25 of the JICPA.

(3) The fair values are calculated primarily by using the discounted cash flow method.

39. SUBSEQUENT EVENTS CONSOLIDATED

(A) DIVIDENDS

The following appropriation of retained earnings of the Bank for the fiscal year ended March 31, 2015 was approved at the meeting of the Board of Directors held on May 12, 2015:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends, common stock, ¥1.00 (U.S.$0.01) per share	**¥ 2,653**	**$ 22,094**

(B) REDEMPTION OF PREFERRED SECURITIES ISSUED BY SUBSIDIARY

On May 26, 2015, the Bank decided to redeem the preferred securities issued by the Bank's wholly owned subsidiary outside Japan.

Outline of the preferred securities to be redeemed is as follows:

(a) Issuer
Shinsei Finance V (Cayman) Limited

(b) Type of securities
Japanese yen denominated preferred securities

(c) Aggregate redemption amount
¥9,000 million (U.S.$74,925 thousand)

(d) Scheduled redemption date
July 23, 2015

(e) Reason for redemption
Optional redemption date has arrived.

INDEPENDENT AUDITORS' REPORT

Deloitte.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of Shinsei Bank, Limited:

We have audited the accompanying consolidated financial statements of Shinsei Bank, Limited (the "Bank") and its consolidated subsidiaries (collectively, the "Group"), which comprise the consolidated balance sheets as of March 31, 2015 and 2014, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Bank and its consolidated subsidiaries as of March 31, 2015 and 2014, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Other Matter

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

June 11, 2015

Member of
Deloitte Touche Tohmatsu Limited

NONCONSOLIDATED BALANCE SHEETS (UNAUDITED)

Shinsei Bank, Limited
As of March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note)
	2015	2014	2015
ASSETS			
Cash and due from banks	¥ 808,296	¥ 1,367,839	$ 6,729,074
Call loans	30,000	36,451	249,750
Receivables under resale agreements	53,216	53,216	443,030
Other monetary claims purchased	185,707	195,287	1,546,021
Trading assets	279,159	235,097	2,324,005
Monetary assets held in trust	166,285	196,421	1,384,326
Securities	1,863,774	1,977,811	15,515,935
Valuation allowance for investments	(3,370)	(3,370)	(28,061)
Loans and bills discounted	4,222,922	4,235,713	35,155,868
Foreign exchanges	18,537	25,656	154,321
Other assets	253,808	204,706	2,112,955
Premises and equipment	18,609	20,042	154,928
Intangible assets	8,988	9,485	74,831
Prepaid pension cost	—	1,830	—
Deferred issuance expenses for debentures	12	32	100
Deferred tax assets	1,071	2,458	8,918
Customers' liabilities for acceptances and guarantees	13,381	11,616	111,399
Reserve for credit losses	(47,715)	(83,550)	(397,233)
Total assets	¥ 7,872,684	¥ 8,486,745	$ 65,540,167
LIABILITIES AND EQUITY			
Liabilities:			
Deposits, including negotiable certificates of deposit	¥ 5,600,291	¥ 6,194,216	$ 46,622,471
Debentures	32,300	41,747	268,901
Call money	230,000	180,000	1,914,752
Payables under repurchase agreements	29,152	—	242,694
Payables under securities lending transactions	101,280	300,690	843,157
Trading liabilities	259,128	206,587	2,157,246
Borrowed money	444,139	360,769	3,697,466
Foreign exchanges	27	37	226
Corporate bonds	148,423	221,891	1,235,623
Other liabilities	272,383	265,671	2,267,599
Accrued employees' bonuses	4,645	4,035	38,675
Reserve for employees' retirement benefits	750	—	6,248
Reserve for directors' retirement benefits	47	—	397
Acceptances and guarantees	13,381	11,616	111,399
Total liabilities	7,135,951	7,787,262	59,406,854
Equity:			
Common stock	512,204	512,204	4,264,107
Capital surplus	79,465	79,465	661,555
Stock acquisition rights	1,211	1,221	10,086
Retained earnings:			
Legal reserve	13,158	12,628	109,548
Unappropriated retained earnings	212,144	172,395	1,766,108
Unrealized gain (loss) on available-for-sale securities	8,502	5,140	70,781
Deferred gain (loss) on derivatives under hedge accounting	(17,395)	(11,013)	(144,818)
Treasury stock, at cost	(72,558)	(72,558)	(604,054)
Total equity	736,733	699,483	6,133,313
Total liabilities and equity	¥ 7,872,684	¥ 8,486,745	$ 65,540,167

Note: U.S. dollar amounts, presented solely for the readers' convenience, are translated at ¥120.12=U.S.$1.00, the rate of exchange prevailing on the Tokyo foreign exchange market on March 31, 2015.

NONCONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

Shinsei Bank, Limited
For the fiscal years ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note)
	2015	2014	**2015**
Interest income:			
Interest on loans and bills discounted	**¥ 76,016**	¥ 72,022	**$ 632,835**
Interest and dividends on securities	**33,007**	36,904	**274,787**
Interest on deposits with banks	**1,182**	948	**9,844**
Other interest income	**1,918**	2,609	**15,968**
Total interest income	**112,124**	112,486	**933,434**
Interest expenses:			
Interest on deposits, including negotiable certificates of deposit	**10,878**	20,625	**90,561**
Interest and discounts on debentures	**48**	155	**404**
Interest on other borrowings	**2,461**	2,706	**20,494**
Interest on corporate bonds	**6,804**	9,106	**56,652**
Other interest expenses	**740**	377	**6,163**
Total interest expenses	**20,933**	32,969	**174,274**
Net interest income	**91,190**	79,516	**759,160**
Fees and commissions income	**20,959**	20,194	**174,486**
Fees and commissions expenses	**19,908**	16,121	**165,736**
Net fees and commissions	**1,051**	4,072	**8,750**
Net trading income	**4,529**	5,394	**37,711**
Other business income (loss), net:			
Net gain (loss) on monetary assets held in trust	**9,060**	3,841	**75,426**
Net gain (loss) on foreign exchanges	**7,177**	6,228	**59,756**
Net gain (loss) on securities	**6,012**	(709)	**50,055**
Net gain (loss) on other monetary claims purchased	**2,020**	29	**16,823**
Other, net	**(256)**	2,198	**(2,137)**
Net other business income (loss)	**24,014**	11,588	**199,923**
Total revenue	**120,785**	100,570	**1,005,544**
General and administrative expenses:			
Personnel expenses	**27,161**	23,923	**226,123**
Premises expenses	**12,014**	12,321	**100,019**
Technology and data processing expenses	**8,345**	7,602	**69,479**
Advertising expenses	**6,848**	5,851	**57,013**
Consumption and property taxes	**4,530**	3,426	**37,715**
Deposit insurance premium	**3,527**	3,434	**29,367**
Other general and administrative expenses	**15,576**	14,820	**129,672**
Total general and administrative expenses	**78,004**	71,381	**649,388**
Net business profit	**42,781**	29,189	**356,156**
Net credit costs (recoveries)	**(4,138)**	(7,270)	**(34,454)**
Other gains (losses), net	**(554)**	(614)	**(4,612)**
Income (loss) before income taxes	**46,366**	35,845	**385,998**
Income taxes (benefit):			
Current	**(422)**	(348)	**(3,519)**
Deferred	**1,047**	(260)	**8,723**
Net income (loss)	**¥ 45,740**	¥ 36,454	**$ 380,794**

	Yen		U.S. dollars (Note)
Basic net income (loss) per common share	**¥ 17.23**	¥ 13.73	**$ 0.14**
Diluted net income (loss) per common share	**¥ —**	¥ 13.73	**$ —**

Note: U.S. dollar amounts, presented solely for the readers' convenience, are translated at ¥120.12=U.S.$1.00, the rate of exchange prevailing on the Tokyo foreign exchange market on March 31, 2015.

NONCONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)

Shinsei Bank, Limited
For the fiscal years ended March 31, 2015 and 2014

	Millions of yen								
				Retained earnings					
	Common stock	Capital surplus	Stock acquisition rights	Legal reserve	Unappropriated retained earnings	Unrealized gain (loss) on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Treasury stock, at cost	Total equity
BALANCE, April 1, 2013	¥ 512,204	¥ 79,465	¥ 1,238	¥ 12,097	¥ 139,126	¥ 2,976	¥ (8,657)	¥ (72,558)	¥ 665,893
Dividends				530	(3,184)				(2,653)
Net income (loss)					36,454				36,454
Purchase of treasury stock									
Net change during the year			(17)			2,163	(2,355)		(209)
BALANCE, March 31, 2014 (April 1, 2014, as previously reported)	512,204	79,465	1,221	12,628	172,395	5,140	(11,013)	(72,558)	699,483
Cumulative effect of accounting change					(2,807)				(2,807)
BALANCE, April 1, 2014 (as restated)	512,204	79,465	1,221	12,628	169,588	5,140	(11,013)	(72,558)	696,676
Dividends				530	(3,184)				(2,653)
Net income (loss)					45,740				45,740
Purchase of treasury stock								(0)	(0)
Net change during the year			(10)			3,362	(6,381)		(3,030)
BALANCE, March 31, 2015	¥ 512,204	¥ 79,465	¥ 1,211	¥ 13,158	¥ 212,144	¥ 8,502	¥ (17,395)	¥ (72,558)	¥ 736,733

	Thousands of U.S. dollars (Note)								
				Retained earnings					
	Common stock	Capital surplus	Stock acquisition rights	Legal reserve	Unappropriated retained earnings	Unrealized gain (loss) on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Treasury stock, at cost	Total equity
BALANCE, March 31, 2014 (April 1, 2014, as previously reported)	$ 4,264,107	$ 661,555	$ 10,170	$ 105,129	$ 1,435,195	$ 42,792	$ (91,688)	$ (604,052)	$ 5,823,208
Cumulative effect of accounting change					(23,368)				(23,368)
BALANCE, April 1, 2014 (as restated)	4,264,107	661,555	10,170	105,129	1,411,827	42,792	(91,688)	(604,052)	5,799,840
Dividends				4,419	(26,513)				(22,094)
Net income (loss)					380,794				380,794
Purchase of treasury stock								(2)	(2)
Net change during the year			(84)			27,989	(53,130)		(25,225)
BALANCE, March 31, 2015	$ 4,264,107	$ 661,555	$ 10,086	$ 109,548	$ 1,766,108	$ 70,781	$ (144,818)	$ (604,054)	$ 6,133,313

Note: U.S. dollar amounts, presented solely for the readers' convenience, are translated at ¥120.12=U.S.$1.00, the rate of exchange prevailing on the Tokyo foreign exchange market on March 31, 2015.

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).

QUALITATIVE DISCLOSURE

1. RANGE OF CONSOLIDATION

(1) DIFFERENCES BETWEEN COMPANIES WHICH BELONG TO THE GROUP OF COMPANIES (CONSOLIDATED GROUP) SUBJECTED TO CALCULATION OF THE CONSOLIDATED CAPITAL RATIOS BASED ON THE ACCORD'S ARTICLE 26 AND COMPANIES INCLUDED IN THE SCOPE OF ACCOUNTING CONSOLIDATION AND REASONS FOR DIFFERENCES

- There are no differences.

(2) NUMBER OF CONSOLIDATED SUBSIDIARIES AND NAMES AND BUSINESS OF MAJOR CONSOLIDATED SUBSIDIARIES

i) Number of consolidated subsidiaries

179 consolidated subsidiaries.

ii) Major consolidated subsidiaries

- Shinsei Trust & Banking Co., Ltd. (trust banking)
- Shinsei Securities Co., Ltd. (securities)
- APLUS FINANCIAL Co., Ltd. (installment credit)
- Showa Leasing Co., Ltd. (leasing)
- SHINKI Co., Ltd. (consumer finance)
- SHINSEI FINANCIAL Co., Ltd. (consumer finance)
- Shinsei Principal Investments Ltd. (financial investment)

(3) NUMBER AND NAMES OF FINANCIAL AFFILIATES UNDER ARTICLE 32 OF THE ACCORD AND TOTAL ASSETS AND NET ASSETS AMOUNTS ON BALANCE SHEET AND MAJOR BUSINESS OF THOSE FINANCIAL AFFILIATES

- There are no financial affiliate companies.

(4) NAMES OF COMPANIES WHICH BELONG TO THE CONSOLIDATED GROUP BUT ARE NOT INCLUDED IN THE SCOPE OF ACCOUNTING CONSOLIDATION OR COMPANIES WHICH DO NOT BELONG TO THE CONSOLIDATED GROUP BUT ARE INCLUDED IN THE SCOPE OF ACCOUNTING CONSOLIDATION, AND TOTAL ASSETS AND NET ASSETS AMOUNTS ON BALANCE SHEET AND MAJOR BUSINESS OF THOSE COMPANIES

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

(5) SUMMARY OF RESTRICTIONS ON TRANSFER OF CASH AND CAPITAL IN THE CONSOLIDATED GROUP

- There are no particular restrictions.

2. TYPES OF CAPITAL INSTRUMENTS

The Bank has raised capital through the issuance of common shares. It should be noted with regard to preferred securities, perpetual subordinated bonds and loans and dated subordinated bonds and loans issued before March 31, 2014, the amounts under transitional arrangements are included in "Core capital: instruments and reserves."

3. ASSESSMENT OF CAPITAL ADEQUACY OF THE BANK GROUP

As part of its comprehensive risk management, the Bank, at the start of the fiscal year, determines a Risk Capital budget in consideration of its source of capital. This Risk Capital budget is allocated to each business line and monitored on a monthly basis, and each month the Executive Committee receives a report on the amount of Risk Capital used and the relevant source of capital. Additionally, in regards to regulatory capital, capital ratio is reported at the above mentioned reporting, allowing senior management to monitor and assess the overall availability of capital. At least once a year, the Bank performs stress tests on its estimates of Risk Capital and regulatory capital.

Current capital ratios are maintained at a sufficient level. Going forward, while the Bank expects an increase in risk assets due to an increase in loan assets, the Bank looks to strengthen its financial basis by improving profitability through the consideration and enactment of appropriate measures that take into account the market environment.

4. CREDIT RISK MANAGEMENT POLICIES AND PROCEDURES

CREDIT RISK MANAGEMENT SYSTEM

Credit risk is defined as the risk of loss due to a counterpart defaulting on contractual debt obligations. Our model for credit risk management focuses on securing adequate return on risk, avoiding excessive concentration in particular sectors or

QUALITATIVE DISCLOSURE (CONTINUED)

to particular obligors, and managing the risk with an awareness of maximum loss amount from credit portfolio.

To achieve these goals, the Bank defines the policy to gain or restrict risk regarding customer attributes, products, markets, the type of industry and the form of transaction, etc. in the "Credit Risk Policy," and clarifies basic policies of credit operations and specific guidelines for credit risk management in this "Credit Risk Policy," "Credit Procedures" and other procedures. The credit risk management processes are roughly classified into credit risk management for individual transactions and portfolio-based credit risk management, as follows.

CREDIT RISK MANAGEMENT FOR INDIVIDUAL TRANSACTIONS

(1) Organization and Systems

In principle, a credit provision is consulted jointly by the sales promotion divisions and the risk management divisions that are independent from the sales promotion divisions. Thus the transparent and strict decision making processes are secured and the framework to put a brake on the sales promotion division has been established. Each transaction is discussed and approved by the Transaction Committee, etc. The level of approval authority over the obligor whose group companies should be taken into consideration is decided based mainly on the total exposure to the obligor group and ratings, and the decision is made strictly.

Among receivables that must be paid attention, for those that falls under a certain category decided by rating, the exposure, reserve, etc., the obligor's business performance are monitored by the Doubtful Debt Committee so that the Bank is able to take preventive measures, and by deciding the measures to handle the obligor in future, the Bank is making efforts to minimize credit-related costs and to ensure soundness of assets.

(2) Obligor Rating System

For corporate exposures, the Bank uses an internal obligor rating system with the following characteristics:

- Increasing model accuracy and reflecting appropriate qualitative factors
- Benchmarked against external ratings
- Ensuring conformity with rating systems among industry classifications

More specifically, obligor ratings are determined by applying adjustments with qualitative factors to the model ratings calculated by our estimation models, which are based on external ratings. Obligor ratings shall be determined at the "Credit Rating Review Committee" in order to ensure objectivity and transparency. Moreover, we ensure conformity of obligor ratings with obligor categories based on the regulatory self-assessment requirements.

Obligor ratings are used in the standards of credit approval authority procedures and portfolio controls, and are the foundation for credit risk management.

Furthermore, the Bank also applies a facility rating system based on expected losses that allows for improvement in the credit status, such as collateral and/or covenants, from the perspective of obligor ratings and the credit status of individual transactions.

An obligor rating system and facility rating system similar to those adopted in the Bank have been implemented for large amount leasing receivables of Showa Leasing.

(3) Pool Classification

The Bank assigns retail exposures to specific pools based on risk profile such as obligor characteristics and transaction characteristics that create reasonably homogeneous sub-portfolios. Major retail exposures to which pool classification is applied are housing loans of the Bank, installment sales credit receivables of APLUS, unsecured personal loans of Shinsei Financial, and small-lot leasing receivables of Showa Leasing.

PORTFOLIO-BASED CREDIT RISK MANAGEMENT

Controls must be carried out in such a way that risks are diversified in terms of industries and other criteria. This is done on a portfolio basis, which is an aggregation of transactions, and operations of individual transactions must be conducted based on appropriate risk analyses. At the Bank, Portfolio and Risk Management Division undertakes risk analyses of portfolios, and monitors the segment-specific risk distribution status including industry classifications, ratings, products and areas and also rating fluctuations related to customers within the portfolios. The Division uses this information to provide reports to senior management and the Chief Risk Officer on a monthly as well as on an ad hoc basis.

PRINCIPAL "CREDIT RISK MANAGEMENT STANDARDS"

For Basel Regulation, the Foundation Internal Ratings-Based Approach (F-IRB) has been adopted by the Bank for calculation of credit risk-weighted assets. In accordance with this approach, the Bank established "Credit Risk Management Standards," a set of policy, standards/guideline and procedures, which define the Bank's internal rating system design and operations, internal control, use of internal rating and risk quantification.

These Standards contain "Basic Principles of the Internal Rating System for Credit Risk" as the highest level policy to define basic framework of overall internal rating systems. Details of management policy and procedures are defined in the form of subordinate specific rules for each group of exposures in the portfolio.

Summary of internal rating system of each group of exposures is shown in "EXHIBIT."

QUALITATIVE DISCLOSURE (CONTINUED)

INTERNAL CONTROL ROLES AND RESPONSIBILITIES

The Bank Group's internal control system for credit risk management has been set up in accordance with current regulations.

(1) Credit Risk Management Divisions
The risk management divisions of the Bank and its subsidiaries undertake the roles and responsibilities for the Bank Group's management of credit risk. Credit Risk Management Sections are responsible for the management of each asset category, and Credit Risk Control Section (a section specified in Risk Management Group of the Bank) is responsible for management across asset categories.

(2) Senior Management Control/Oversight
Control and oversight for internal rating systems by senior management is defined in "Credit Risk Management Standards," and is performed in an appropriate manner.

(3) Audit Section
The Internal Audit Division of the Bank and its subsidiaries evaluate the internal rating system employed by the Bank Group and ensures the system is in compliance with existing regulations.

APPLICATION OF THE INTERNAL RATING SYSTEM

The Bank uses its own internal rating systems for portfolios to which the F-IRB Approach are applied. These items are listed in the "Exhibit" for each portfolio.

The internal rating system is applied to corporate and retail exposures as categorized below. The rules for applying the internal rating system are part of the Bank's overall "Credit Risk Management Standards."

(1) Corporate Exposure
Corporate exposure, financial institution exposure, and sovereign exposure are included. Basic standards and related detailed rules for design and operations of internal rating system, which are benchmarked against R&I rating and categorized as 0A, and 1A-9E, are applied. Corporate exposure includes Specialized Lending such as Non-Recourse Real Estate Loans, Project Finance, etc. using slotting criteria categorized as Strong, Good, Satisfactory, Weak, and Default. Specific rating standards are established for each type of finance.

(2) Retail Exposure
Retail exposures are defined as:
- Exposures subject to pool management
- Claims against an individual (except for a claim for the purpose of funding business operations), or claims against a corporation (including an individual with the purpose of funding a business) with an outstanding amount of less than ¥100 million after the "aggregation" (*nayose*) on a consolidated basis.

Features of these products and credit analysis standards may vary between the Bank and its subsidiaries. As such, specific pool classification systems for each product are applied at each entity, in accordance with established guidelines.

ESTIMATION AND VALIDATION OF PARAMETERS

The approach for estimation and validation of parameters such as Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD) is set forth in "Credit Risk Management Standards." Ratings, pool classifications and estimated parameters are also used for internal control.

STRESS TESTS

Specific implementation guidelines are established for stress tests used in the assessment of capital adequacy, and credit risk stress tests to assess the effect of certain specific conditions on the Bank's regulatory capital requirements. Stress test results are reported to senior management at least once a year.

RESERVE POLICY

A reserve for credit losses of the Bank and its subsidiaries is provided as detailed below, pursuant to the predetermined internal rules for providing such reserves according to the obligor categorizations based on the self assessment of their assets.

A general reserve for claims against normal obligors, need-caution obligors and substandard obligors is provided based on the specific actual past loss experience.

A specific reserve for claims to possibly bankrupt, virtually bankrupt and legally bankrupt obligors is provided based on the full amount of the unsecured, un-guaranteed portion of the respective claims after a solvency assessment.

For claims against obligors that are possibly bankrupt (that is, those that are not presently bankrupt but are likely to go bankrupt in the future), 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.

For claims against obligors that are legally bankrupt (due to bankruptcy and special liquidation) or virtually bankrupt, a specific reserve is provided based on the amount of claims, net of amounts expected to be collected through the disposal of collateral or execution of guarantees.

The reserve for loans to restructuring countries is provided based on the amount of expected losses due to the political and economic situation in each country.

Additionally, with regard to claims against possibly bankrupt obligors and substandard obligors, a reserve is provided based on the discounted cash flow method when the obligor's future cash flows for debt service are reasonably estimable and the balance of claims to such obligors is large.

QUALITATIVE DISCLOSURE (CONTINUED)

TRANSITION PLAN FOR MOVING A PORTION OF THE BANK'S PORTFOLIO, WHICH HAS NOT YET APPLIED F-IRB, FROM THE STANDARDIZED APPROACH TO THE F-IRB APPROACH

Expected IRB roll-out periods of assets currently evaluated using the Standardized Approach, and the F-IRB Approach will be applied at a future date to secure sufficient data observation periods are as follows:

- Card Loan Lake at the Bank: March end 2017

In the case of portfolios to which the Standardized Approach is applied, the Bank will use ratings from the following qualified rating agencies to determine exposure risk weights:

S&P, Moody's, R&I and JCR.

Fitch was removed from our list of eligible rating agencies as rating information became unavailable.

5. CREDIT RISK MITIGATION POLICIES AND PROCEDURES

(1) Policies and framework for mitigating credit risk

The Bank mitigates credit exposure with collateral and guarantees to reduce the credit risk of obligors. The Bank has a clear framework regarding methods for mitigating credit risk. Basic procedures and descriptions of controls, as well as types of standard collateral, guarantees necessary in granting credit, evaluation methods for different types of credit and collateral, possible "haircuts" to collateral and regular revaluation of collateral, are stipulated in the Bank's credit procedures.

(2) Controls concerning overall methods to mitigate credit risk

The Bank uses net exposure for capital calculations after netting deposit and loan claims. All collateral and guarantees are registered in a dedicated system. The information is linked to obligor and credit account data. Collateral and guarantees are revalued at least once a year. Perfection of security interest, currency, date and correlation between collateral and counterparty are checked.

(3) Eligible financial asset collateral

Financial asset collateral types are defined by the Bank to include deposits, fixed income securities, equities and commercial paper.

(4) Eligible collateralized claims

Collateral types in this category include commercial bills, rights to claim return of security deposits, rights to claim return of construction funds, loan receivables, leasing and sales installment receivables and beneficial interests in trust.

(5) Eligible real estate collateral

Collateral types in this category include land and buildings, plants and foundations including industrial foundations.

(6) Other asset-backed collateral

Eligible other asset-backed collateral is defined by the Bank as aircraft and ships.

(7) Guarantees

Guarantors are classified into the following categories: governments, central banks, municipalities, public institutions, credit guarantee associations, banks, general business entities and individuals.

6. POLICIES AND PROCEDURES FOR COUNTERPARTIES OF DERIVATIVE PRODUCT AND TRANSACTIONS WITH LONG-HORIZON SETTLEMENT PERIODS

(1) COUNTERPARTY RISK

Credit risk arising from market trading, such as derivatives, is controlled based on current fair value and estimation of future fair value volatility.

As the risk associated with market trade changes by market rate fluctuation after the trade, the Bank controls it based on estimation of future fair value volatility.

(2) ALLOCATION OF CREDIT LIMITS

Counterparty limits due to derivatives transactions are established based on counterparty's specific situation, and credit limits are managed as appropriate on both a counterparty limit basis, and total credit limit basis where counterparty limit is added to any other credit exposure for each obligor in order to reflect the Bank's overall exposure.

As risk embedded in market transactions changes with market movement, the Bank strictly manages its exposures using estimation of future market volatilities.

(3) CREDIT ENHANCEMENT BASED ON COLLATERAL AND RESERVES

Credit enhancement measures are taken to mitigate the Bank's concerns regarding certain obligors' credit quality as well as concentration risk in the Bank's portfolio.

The Bank follows the guidelines outlined in the ISDA Credit Support Annex (CSA), which has been accepted by many financial institutions. Reserves are calculated based on expected losses according to the counterparty's credit quality, and are taken into consideration in the mark-to-market process.

QUALITATIVE DISCLOSURE (CONTINUED)

(4) POSSIBILITY OF THE BANK POSTING ADDITIONAL COLLATERAL DUE TO A DECLINE IN THE BANK'S CREDIT QUALITY

If the Bank's credit quality were to decline and be reflected as such in the assignment of lower external ratings, the Bank may be required to provide additional collateral to counterparties in transactions subject to the ISDA Credit Support Annex (CSA).

(5) CALCULATION METHOD OF COUNTERPARTY CREDIT EXPOSURE

Current exposure method has been applied.

7. EQUITY RISK MANAGEMENT

The Bank's equity investments are mainly composed of strategic merger/acquisition or business alliance related transactions, which are approved by the Executive Committee, and investment business related transactions, which are approved by the Transaction Committee (TC).

The risk management methodologies for these investments are determined based on their investment types and purposes. Each risk is recognized and monitored appropriately by evaluating underlying assets/enterprise value. For securities that do not have fair market value, self assessment is conducted every quarter.

Investments in subsidiaries and affiliates are carried at cost determined by the moving average method. Available-for-sale securities are carried at fair value at the balance sheet date (cost of securities sold is determined by the moving average method) in principle, with the exception of those whose fair value cannot be reliably determined, which are carried at cost determined by the moving average method.

8. SECURITIZATION EXPOSURE RISK MANAGEMENT POLICIES AND RISK CHARACTERISTICS

BANK RULES

The Bank manages securitization transactions as follows:

(1) Originator

For fundraising, mitigation of exposure concentration, transfer of credit risk and balance sheet management purposes, the Bank securitizes loans and the Bank's subsidiaries securitize financial assets such as credit card and consumer loan receivables.

As an originator, the Bank manages the credit risk of its securitized transactions using the assumption that original assets are maintained on its books. Since the purpose of these transactions includes acquiring funds, mitigating exposure concentration, transferring credit risk and managing the Bank's balance sheet, securitization transactions are a tool to control liquidity risk.

(2) Investor

In order to invest in assets whose credit risks are different from those of existing corporate exposure and to enhance the profit-earning opportunity, the Bank selectively invests in securitization transactions, including re-securitization as well as securitization defined as non-re-securitization as per Clause 2 a or b in Article 1 of Administrative Notice, which are backed by various financial products.

The Bank also re-securitizes some securitized products of which the Bank has purchased and may hold the subordinated/residual portion.

As a general rule, Risk Management Group which is fully independent from Business Groups, manages the risks arising from securitization exposure, and risk management/monitoring methodologies and risk taking/reduction policies are specified according to the types of products. Although the Bank does not actively intend to increase securitization exposure at this moment, aforementioned procedure defined in "4. Credit Risk Management and Procedures, Credit Risk Management of Specific Transactions" will be followed for new investments after specifying and recognizing the risk profile, product specifics, nature of underlying assets and structure including credit enhancement, etc.

(3) Servicer

The Bank acts as a servicer when loans, which were originated by the Bank, are used as underlying assets in securitization.

Similarly, when financial assets such as credit card and consumer loan receivables originated by the Bank's subsidiaries are used as underlying assets for a securitization, the subsidiary serves as a servicer.

(4) Swap provider

In some transactions wherein the Bank is the arranger, the Bank provides swaps in order to mitigate interest rate risk within a specified range or to manage any cashflow difference between interest from underlying assets and coupons from the securities backed by the same assets.

Securitized exposure includes various risk characteristics that are unique to each product, as well as general risks, such as credit risk, market risk, and liquidity risk.

The Bank does not act as a credit enhancement provider/liquidity provider in any transaction. The Bank does not conduct ABCP business as well.

QUALITATIVE DISCLOSURE (CONTINUED)

PREPARATION AND MANAGEMENT STATUSES OF THE FRAMEWORK DEFINED IN CLAUSE 4-3 THROUGH CLAUSE 4-6 OF ARTICLE 249 OF ADMINISTRATIVE NOTICE ON CAPITAL ADEQUACY RULES (INCLUDING INSTANCES WHERE THE RELEVANT PROVISIONS ARE APPLIED *MUTATIS MUTANDIS* BASED ON CLAUSE 2 OF ARTICLE 254 AND CLAUSE 4-1 OF ARTICLE 302 OF ADMINISTRATIVE NOTICE ON CAPITAL ADEQUACY RULES): OVERVIEW

When the Bank acquires and monitors securitized exposures, outside ratings and their changes are closely watched as one of the effective indicators. Moreover, when the Bank assigns internal ratings, risk characteristics and structural characteristics are understood and future performance forecast is analyzed, without depending solely on outside ratings.

Investment decisions are made based on the results of such analysis and expected return. Even after an investment is made, various covenants and triggers are checked based on trustee reports and servicer reports. A continuous and regular monitoring framework is established whereby information on comprehensive risk characteristics and performance of securitized exposures and underlying assets is captured in a timely manner.

Risk capital is measured based on internal ratings assigned for each transaction. For investments in securities without a fair market value or its track record, risks are understood and controlled through self-assessments.

In terms of the reporting, overall situation of the Bank's portfolio including the securitization exposure is reported to the senior management via the Risk Policy Committee etc on a monthly or a quarterly basis. The report includes information of exposure, risk quantification, change in the portfolio, and risk profiles.

POLICIES USING SECURITIZATION TRANSACTIONS FOR CREDIT RISK MITIGATION

The Bank is not using securitization transactions for credit risk mitigation.

CALCULATION METHODS FOR DETERMINING THE AMOUNT OF CREDIT RISK IN THE CONTEXT OF SECURITIZATION EXPOSURE

Risk weights are calculated based on internal rules entitled "Standards for Administering Risk Weight Calculation for Securitization Exposure." In general, the amount of credit risk assets related to securitization exposures is calculated using the Ratings-Based Approach (RBA).

In certain cases, where ratings have not been assigned by qualified rating agencies, Risk Management Group and Finance Group may approve exceptions to using the RBA. For such transactions, the Bank has sufficient data to estimate PDs and LGDs of the original assets, and therefore can calculate the transaction-specific PDs, LGDs and credit risk amount based on the Supervisory Formula Approach.

Where no ratings are assigned by qualified rating agencies and no data are available for estimating the PDs and LGDs of original assets, 1,250% of risk weight is applied.

CALCULATION METHODS FOR DETERMINING THE AMOUNT OF MARKET RISK IN THE CONTEXT OF SECURITIZATION EXPOSURE

The amount of the general market risk of the market risk related to securitization exposures is calculated using the internal model approach. The amount of the specific risk of the market risk related to securitization exposures is calculated using the standardized approach.

TYPE OF SECURITIZATION-PURPOSE-CONDUITS FOR SECURITIZATION TRANSACTIONS OF THIRD PARTIES' ASSETS, AND WHETHER THE BANK HOLDS RELATED SECURITIZATION EXPOSURE

The Bank securitizes third parties' assets using "trust" as a part of its businesses. However, the Bank does not hold related securitization exposure.

NONCONSOLIDATED SUBUSIDIARIES AND AFFILIATES WHO HOLD SECURITIZATION EXPOSURES RELATED TO THE BANK'S ORIGINATED SECURITIZATION TRANSACTIONS

No securitization exposures related to the Bank's originated securitization transactions are held by the Bank's nonconsolidated subsidiaries and affiliates.

ACCOUNTING POLICY ADOPTED FOR SECURITIZATION TRANSACTIONS

(1) When assets to be securitized are owned by the Bank, securitization assets are removed from the balance sheet and assignment of gains and losses are calculated based on the financial component (*zaimu-kousei-youso*) approach.

The assets sold and retained interests are recognized as separate components of a transfer of financial assets. Those components in the transferred assets are measured by allocating the previous carrying amount between the assets sold and retained interests based on the relative fair values at the time of transfer. Based on the calculated values of assets that are sold, gains or losses on the transfer are recognized.

However, when assets are securitized for fundraising purposes, the book value to be credited on the balance sheet is adjusted in order to prevent generating any initial profits, after removing the assets from the balance sheet using the financial component approach.

QUALITATIVE DISCLOSURE (CONTINUED)

(2) When the Bank purchases securitized products, Accounting Standards for Financial Products apply to each financial asset.

(3) Fee income earned by the Bank in arranging securitization for other parties (no investment) is treated as noninterest income.

QUALIFIED RATING AGENCIES WHOSE RATINGS ARE USED BY THE BANK IN DETERMINING SECURITIZED EXPOSURE TYPE-SPECIFIC RISK WEIGHTS:

S&P, Moody's, R&I, and JCR.

Fitch was removed from our list of eligible rating agencies as rating information became unavailable.

SUMMARY OF INTERNAL VALUATION METHOD FOR SECURITIZATION

The Bank is not using the internal valuation method for securitization.

SIGNIFICANT CHANGES OF QUANTITATIVE INFORMATION

There are no significant changes of quantitative information.

9. MARKET RISK MANAGEMENT POLICIES AND PROCEDURES

a) POLICY AND PROCEDURE FOR RISK MANAGEMENT

(1) DEFINITION OF MARKET RISK

Market risk is the risk of incurring losses due to changes in interest rates, FX rates, stock prices, etc.

(2) MARKET RISK MANAGEMENT POLICY

The Executive Committee makes important decisions concerning trading business. The Committee approves important items relating to market risk, including "Trading Business Risk Management Policy and Procedure" and qualitative limits of Value at Risk and Loss limit for the Bank and its Securities.

The Market Business Management Committee regularly controls market risk management and risk review of trading businesses. The Committee reviews monthly individual limit settings, customer related business movement, profit and loss/market risk situation and inherent market products risk in the business as a whole and makes decision on risk management. The market risk reports are delivered to the CRO and to the front office.

(3) MARKET RISK MANAGEMENT FRAMEWORK

We have established effective organizational framework for check and balance by making front office unit, back office unit and middle office management unit independent respectively. The Market Risk Management Division, the middle office unit, is responsible for the objective and timely recognition, monitoring and reporting of these market risks and carries out regular risk analysis and recommendations, as well as timely and appropriately providing management and front office unit.

(4) QUANTITATIVE MARKET RISK MANAGEMENT

The market risk is managed based on the VaR limit and loss limit which are determined by the Executive Committee. The bank also set sensitivity limits relating to interest rate and FX rate etc. and implement stress testing based on various market shocks to enhance market risk management.

The Market Risk Management Division is consistently responsible for risk measurement and its control stipulating its definitions and rules.

b) NAME OF METHODOLOGY FOR MARKET RISK MEASUREMENT

The internal-model method has been adopted for general market risk at market risk measurement and the standardized method for specific risk since March 31, 2007 for the Bank and Shinsei Securities. The standardized method is applied for FX related risks except Trading.

Market Risk Methodologies

		Trading	FX-related Risks except Trading
Shinsei Bank	General Market Risk	Internal Model Method • Historical Simulation Method	Standardized Method
	Specific Risk	Standardized method	
Shinsei Securities	General Market Risk	Internal Model Method •Historical Simulation Method	Standardized Method
	Specific Risk	Standardized Method	
Other Subsidiaries		—	Standardized Method

QUALITATIVE DISCLOSURE (CONTINUED)

c) ADEQUATE PRICING METHOD ACCORDING TO TRANSACTION PROFILE TAKING POSSIBILITIES INTO CONSIDERATION THAT ACTUAL HOLDING PERIOD MAY EXCEED EXPECTED HOLDING PERIOD

The VaR framework is using this 10-day for holding period. Market liquidity of all trading book's products are high enough, and we evaluate adequately the pricing according to the products profile including the independent price valuation process.

d) INTERNAL MODEL METHOD AND BACK-TESTING, STRESS-TESTING

The Bank and Shinsei Securities use a historical simulation VaR for internal model at general market risk measurement (a 99% confidential level, 10 day holding period, 250 observation days). Please refer to following table for VaR data and Stressed VaR.

		Millions of yen	
		Consolidated	Nonconsolidated
VaR at the end of year		¥ 976	¥ 594
through FY	High	1,662	1,534
	Mean	977	789
	Low	468	397

		Millions of yen	
		Consolidated	Nonconsolidated
Stressed VaR at the end of year		¥ 2,595	¥ 1,627
through FY	High	4,939	4,170
	Mean	3,065	2,537
	Low	1,673	1,492

The validity of the VaR is verified through back-testing etc., which examines how frequently hypothetical daily loss that would have occurred if the position remained unchanged exceeds VaR for a one-day holding period. The back-testing results for fiscal year 2014 show that the number of days in which loss amount exceeded VaR for one-day holding period on a consolidated basis was zero.

For complementing the Internal Model method and figuring out loss possibility at stress, the Bank implements stress testing on a weekly basis. And the stress test results are reported to the Market Business Management Committee and etc.

e) INTERNAL MODEL SUMMARY IN CASE THAT INCREMENTAL RISK IS MEASURED BY INTERNAL MODEL

Not applicable.

f) INTERNAL MODEL SUMMARY IN CASE THAT COMPREHENSIVE RISK IS MEASURED BY INTERNAL MODEL

Not applicable.

g) ASSUMPTIONS AND VALUATION METHOD FOR INTERNAL EVALUATION OF CAPITAL SUFFICIENCY ON MARKET RISK

When we evaluate capital sufficiency for market risk using risk capital, we convert the above mentioned VaR calculation method into a one year horizon basis.

10. BANKING BOOK INTEREST RATE RISK MANAGEMENT

A. Overview of risk management policy and procedure

Interest rate risk is the risk of losses on the current value of assets and liabilities whose cash flow mismatch may be impacted by interest rates due to market interest rate fluctuations.

The interest rate risk of the banking account is managed and administered pursuant to the Asset Liability Management Policy for Banking Account. In order to appropriately control interest rate risk, at the beginning of each fiscal year the ALM Committee determines limits for the Bank and its group companies, such as the interest rate sensitivity limit and the loss limit. At the monthly meetings, the ALM Committee makes comprehensive decisions on assets and liabilities based on the monitoring of the limits and net interest income (NII).

In addition to monthly reporting to the ALM Committee, the Market Risk Management Division, which is independent of the front offices, monitors the status of acquiring the risk and observing the limits on a daily basis and reports the results to management.

B. Overview of the interest rate risk calculation method for the banking account used by the Bank and its consolidated subsidiaries for internal control

Based on the banking IR sensitivity calculation procedure, a rule subordinate to the Asset Liability Management Policy for Banking Account, the interest rate risk of the banking account is calculated as follows.

1) Calculation method

The amount of interest rate risk is calculated by adding up grid point sensitivity (GPS) for each period which reflects a certain interest rate shock. GPS is fluctuations in the current value of assets, liabilities, and off-balance-sheet transactions in accordance with interest rate fluctuations for each period (grid).

2) Subject assets and liabilities

Subject assets liabilities are deposits, loans, JGBs, and other assets and liabilities whose future cash flow is impacted by interest rates. The interest rate risk of investment and funding sides is calculated.

QUALITATIVE DISCLOSURE (CONTINUED)

3) Interest rate shock range
Internal control: 1%; outlier criteria: 2%

4) Calculation frequency
Bank: daily; consolidated subsidiaries: monthly

The amount of interest rate risk is significantly impacted by the recognition of maturities and prepayments. Accordingly, we are endeavoring to appropriately capture interest rate risk by adopting the following models.

a. Housing loans
We calculate the interest rate risk of retail housing loans by statistically analyzing prepayment data and estimating future cash flow based on a proportional hazard model using periods lapsed from the loan origination.

b. Core deposits
Core deposits are defined as retail ordinary yen deposits and 2-week yen denominated time deposits which are left with financial institutions for a long term without withdrawal. We model depositors' behaviors by statistically analyzing deposit balance data and estimating maturities by customer group.

The model parameters are regularly reviewed.

The 2% interest rate shock range is adopted in the outlier criteria. The outlier rate is calculated by a method which is consistent with calculations for internal control. March end, 2015 actual outlier rate is much lower than the outlier criteria (economical value decrease by the 2% interest rate shock range impact may exceed 20% against our core capital), which indicates that interest rate risk is controllable.

The change in economic values for applied interest rate shock of 2% in the banking book at the end of March 2015:

	Billions of yen	
	Consolidated	Nonconsolidated
JPY	¥ (106)	¥ (65)
USD	(1)	(1)
Other	(1)	(1)
Total	¥ (109)	¥ (68)
Outlier Ratio	12.9%	7.8%

11. OPERATIONAL RISK MANAGEMENT POLICIES AND PROCEDURES

MANAGEMENT POLICIES AND PROCEDURES

(1) Definition of Operational Risk

The Bank classifies operational risk into several risk categories, such as operational and administrative risk, compliance risk, labor-related risk, systems risk, extensive disaster risk and material object risk, which are applied across the Bank and its consolidated subsidiaries.

(2) Operational Risk Management System

The Bank manages operational risk at multiple levels as follows:

- Management by business lines according to the nature of each business
- Cross-organizational management by designated management divisions for respective risk categories mentioned above (hereinafter "designated management divisions") and by the firm-wide management division of operational risk (hereinafter "firm-wide management division")
- Verification by Internal Audit Division on the appropriateness and effectiveness of the overall risk management system
- Based on reports and proposals, the Board of Directors etc. makes decisions on important items, including general rules and organizational changes related to operational risk management

The designated management divisions and the firm-wide management division are independent from business lines, which are accountable for earnings, and promoting management of overall operational risk and each risk category. The divisions develop uniform management standards and procedures, capture and evaluate errors and irregularities, conduct causal analysis and support establishment of recurrence prevention measures. Moreover, the divisions meet on a regular basis to discuss challenges and measures for operational risk management, as well as to share information.

Operational risk is recognized and evaluated through review of internal errors and irregularities that have occurred, as well as through consideration of potential errors and irregularity scenarios that may occur less frequently but may have a significant impact. Uniform standards for collection and evaluation of errors and irregularities are established to capture and/or evaluate significant actual errors and/or irregularities on a regular basis. Procedures are determined to ensure that potential errors and irregular scenarios for each business operation are specified and their frequency and severity are evaluated in a complete and appropriate manner on an at least an annual basis.

QUALITATIVE DISCLOSURE (CONTINUED)

Such identified and evaluated risks are reported to senior management by the designated management divisions and the firm-wide management division and are used in Risk Capital measurement for internal management purposes.

(3) "Operational Risk Management Standards"
"Operational Risk Management Standards" are a set of policies and procedures used to define the organizational framework, specific methods and processes for operational risk management. They are composed of the following:
- "Operational Risk Management Policy"
- Specific management rules
- Management rules at consolidated subsidiaries

"Operational Risk Management Policy" is the highest set of rules on operational risk management. To ensure comprehensive and consistent operational risk management within the Bank Group, the Policy establishes risk definitions, governance and basic policies on operational risk management, and the basic framework for risk capture, evaluation, monitoring, reporting, control and mitigation.

Specific management rules include management standards and procedures for each respective operational risk category, and for new businesses and products.

Management rules at each consolidated subsidiary are composed of comprehensive rules on overall operational risk management and specific rules for respective operational risk categories. Consolidated subsidiaries establish, revise and repeal rules with the approval of their Board of Directors, according to their risk characteristics and specific internal controls. Their establishment, revision and repeal are subject to prior discussions with and after-the-fact reports to the Bank to ensure consistency with the Bank's risk management rules.

METHODOLOGY TO CALCULATE OPERATIONAL RISK UNDER BASEL REGULATION

The Standardized Approach is adopted by the Bank.

Amount of required capital for Operational Risk at the end of fiscal year 2014:

	Millions of yen	
	Required capital amount (Consolidated)	Required capital amount (Nonconsolidated)
The Standardized Approach	¥ 28,661	¥ 14,647

QUALITATIVE DISCLOSURE (CONTINUED)

EXHIBIT: SUMMARY OF INTERNAL RATING SYSTEM

Type of Exposures	Corporate Exposures (Shinsei Bank, and Showa Leasing (large amount exposures))	
	(a) Corporate Exposures, (b) Sovereign Exposures, (c) Exposures to Banks, and (d) Equity Exposures (Exposures to which Internal Rating and PD/LGD approach is applied)	(e) Specialized Lending
Structure of Internal Rating System	A obligor rating system benchmarked against external ratings (R&I) which reflects credit status of obligor is in place. Obligor rating is derived from quantitative score calculated from model prepared by using external ratings as a benchmark based on the financial data of a customer, and determined taking into account of influence from group companies and future financial projection. Obligor ratings for Sovereign/Bank exposures are assigned based on specific rules.	A facility rating system based on degree of expected loss ratio according to the transaction type is in place for specialized lending assets whose interest payments and principal repayments are heavily dependent on the profit of assets and the business. Ratings are assessed according to facility type as follows. • Real estate nonrecourse loans are decided by adding qualitative adjustments to quantitative index based on the LTV. • Ratings for project finance or non-recourse shipping finance are decided by comprehensively considering financial indices such as DSCR and the assessment of each risk factor that has an impact on the operation of the project. Regarding nonrecourse shipping finance, evaluation of ship is also considered in the risk assessment.
Usage of Various Estimated Value (Use Test)	Obligor rating and facility rating are used in the standards of credit approval authority procedures, pricing, portfolio management, and allocating Risk Capital.	
Management of Internal Rating System, and Rating Assignment Procedures	Portfolio and Risk Management Division (PRMD: Credit Risk Control Section) of the Bank is in charge of designing the rating system and ratings are assigned by the Credit Rating Review Committee.	Credit Risk Management Section (CRMS) of the Bank and PRMD of the Bank are jointly in charge of the design of the rating system. Ratings are assigned by the Credit Rating Review Committee or CRMS of the Bank depending on the transaction type.
Validation Procedures	Back testing, rating transition analyses, the reasonability of the rating and appropriateness of the rating process are conducted in a multifaceted manner for validation of rating and parameters by using internal and external data.	According to the type of transactions, rating transition analyses, the reasonability of the rating and appropriateness of the rating process are conducted for validation of rating by using internal and external data.
Estimation of Parameters	Definition of Default Obligor categorization under self assessment falls to sub-standard (9B) or lower, etc. PD Long-term averages are calculated based on internal data, and margin for estimation error is added to derive estimates. LGD/EAD Parameters are not estimated as a bank using Fundamental Internal Ratings-Based Approach.	Internal ratings are allocated to slotting criteria, and parameters are not estimated.

QUALITATIVE DISCLOSURE (CONTINUED)

EXHIBIT: SUMMARY OF INTERNAL RATING SYSTEM

Type of Exposures	Retail Exposures (Shinsei Bank)	Retail Exposures (APLUS FINANCIAL, APLUS, APLUS PERSONAL LOAN, Zen-Nichi Shinpan, Shinsei Financial, SHINKI, and Showa Leasing)
	(f) Residential Mortgage Exposures	(g) Qualifying Revolving Retail Exposures, (h) Other Retail Exposures
Structure of Internal Rating System	Assignment of Pool Category to each exposure shall be conducted so that risk is appropriately categorized, taking into account the obligor's risk characteristics, transaction's risk characteristics and the delinquency status of the exposure. (In addition to housing loans described above, housing loans originated by lenders other than the Bank and purchased as portfolios by the Bank are managed as purchased receivables.)	Portfolios of the Bank's subsidiaries are classified as qualifying revolving retail exposures (such as unsecured personal loans, credit cards) or other retail exposures (such as installment sales credit receivables, small-lot lease receivables) according to credit facility types. (Housing loan portfolios of APLUS and Zen-Nichi Shinpan are classified as residential mortgage exposures). Exposures are assigned to appropriate pools established for each subsidiary, considering obligor risk characteristics, transaction risk characteristics, and delinquency status. Major criteria on obligor/transaction risk characteristics for pool classification are as follows: • Installment sales credit receivables ... Obligor risk grade, and type of asset financed • Unsecured personal loans/credit cards ... situation of card utilization, exposure amount, credit limit, borrowing status, and repayment status • Small-lot lease receivables ... Obligor Rating (mainly determined by external evidence), and type of asset leased
Usage of Various Estimated Value (Use Test)	Pool classification and PD/LGD/EAD estimates are used for calculating and allocating Risk Capital.	Pool classification and PD/LGD/EAD estimates are used for calculating and allocating Risk Capital.
Management of Internal Rating System, and Rating Assignment Procedures	Credit Risk Management Section (CRMS) of the Bank and Portfolio and Risk Management Division (PRMD. Credit Risk Control Section) of the Bank are in charge of internal rating system design and pool assignment. PRMD estimates/validates parameters.	CRMS of the Bank's subsidiaries and PRMD of the Bank are jointly in charge of internal rating system design. Pool assignment is conducted or confirmed/overseen by CRMS of the Bank's subsidiaries. CRMS of the Bank's subsidiaries and PRMD of the Bank estimate/validate PD/LGD/EAD, based on data provided by the subsidiaries.
Validation Procedures	Key methodologies of validation are as follows: • PD: Validation whether GAP between PD estimates/theoretical PD values by age of exposures based on the PD seasoning curve and historical PD • LGD: Validation whether gap between LGD estimates and historical LGD remain within a certain confidence level, and validation whether estimated collateral sale price is conservative.	Key methodologies of validation are as follows: • PD: Validation of accordance between PD estimates and historical PD, and validation of PD and rating goodness of fit • LGD: Validation if gap between LGD estimates and historical LGD remain within a certain confidence level • Pool classification: Validation on default predictive power
Estimation of Parameters	Definition of Default Any of the following: i) past due three months or more, ii) relaxation of terms and conditions, iii) legal bankruptcy PD/LGD PD/LGD are estimated using the Bank's historical data and the margin for estimation error is added to derive estimates. The seasoning characteristics of default for PD and collection from collateral sale value for LGD are taken into consideration.	Definition of Default Any of the following: i) past due three months or more, ii) relaxation of terms and conditions, iii) legal bankruptcy, etc. PD/LGD/EAD PD/LGD/EAD are estimated on pool by pool basis, using the Bank's subsidiaries' historical data. Long-term averages are calculated based on these data, and margin for estimation error is added to derive estimates.

QUALITATIVE DISCLOSURE (CONTINUED)

SHINSEI BANK CORPORATE OBLIGOR RATING SYSTEM

Obligor Rating Categories	Corresponding Rating Assigned by R & I	Summary
0A		1. Japanese Government, BOJ. 2. Government-affiliated agencies, expected high certainty from strong backup by the Government.
1A	AAA	Highest capability to meet its financial commitments on the obligations and many other positive factors.
2A	AA+	Very high capability to meet its financial commitment on the obligation and other positive factors.
2B	AA	
2C	AA-	
3A	A+	High capability to meet its financial commitments on the obligations and some good factors.
3B	A	
3C	A-	
4A	BBB+	There is adequate certainty of the fulfillment of obligations, but there are also some factors requiring attention in the event of serious adverse economic conditions in the future.
4B	BBB	
4C	BBB-	
5A	BB+	No problem regarding the certainty of the fulfillment of obligations for the time being, but some factors need to be closely watched in the event of adverse economic conditions in the future.
5B	BB	
5C	BB-	
6A	B+	No problem regarding the certainty of the fulfillment of obligations in the present situation, but special supervision is needed to monitor the trends in business performance and the protection of credit exposure.
6B	B	
6C	B-	
9A		Classified as "Other Need Caution" in the self-assessment.
9B		Classified as "Sub-Standard" in the self-assessment.
9C		Classified as "Possibly Bankrupt" in the self-assessment.
9D		Classified as "Virtually Bankrupt" in the self-assessment.
9E		Classified as "Bankrupt" in the self-assessment.

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

COMPOSITION OF CAPITAL DISCLOSURE (CONSOLIDATED)

Shinsei Bank and subsidiaries

As of March 31 Items	Millions of yen (except percentages) 2015 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	¥ 725,873	
of which: capital and capital surplus	591,666	
of which: retained earnings	209,419	
of which: treasury stock (–)	(72,558)	
of which: earning to be distributed (–)	(2,653)	
of which: other than above	—	
Accumulated other comprehensive income (amount allowed to be included in Core capital)	3,579	¥ (412)
of which: foreign currency translation adjustment	3,682	
of which: amount related defined benefit	(103)	(412)
Stock acquisition right to common shares and preferred shares with a compulsory conversion clause	1,211	
Adjusted minority interests (amount allowed to be included in Core capital)	—	
Total of reserves included in Core capital: instruments and reserves	2,781	
of which: general reserve for loan losses included in Core capital	764	
of which: eligible provision included in Core capital	2,017	
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)	144,965	
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)	—	
Minority interests subject to transitional arrangements (amount allowed to be included in Core capital: instruments and reserves)	3,958	
Core capital: instruments and reserves (A)	¥ 882,368	
Core capital: regulatory adjustments (2)		
Total amount of intangible assets (excluding those relating to mortgage servicing rights)	¥ 30,140	¥ 10,768
of which: goodwill (including those equivalent)	23,197	—
of which: other intangibles other than goodwill and mortgage servicing rights	6,942	10,768
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	1,492	5,969
Shortfall of eligible provisions to expected losses	—	—
Gain on sale of securitization	8,323	—
Gains and losses due to changes in own credit risk on fair valued liabilities	—	—
Net defined benefit asset	485	1,941
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)	¥ 40,442	
Capital (consolidated)		
Capital (consolidated)((A)–(B))(C)	¥ 841,926	
Risk-weighted assets (3)		
Total amount of credit risk-weighted assets	¥ 5,127,565	
of which: total amount included in risk-weighted assets by transitional arrangements	(40,446)	
of which: intangible assets (excluding those relating to goodwill and mortgage servicing rights)	10,768	
of which: deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	5,969	
of which: net defined benefit asset	1,941	
of which: significant investments in the common stock of Other Financial Institutions (net of eligible short positions)	(59,125)	
of which: other than above	—	
Market risk (derived by multiplying the capital requirement by 12.5)	176,106	
Operational risk (derived by multiplying the capital requirement by 12.5)	358,265	
Credit risk adjustments	—	
Operational risk adjustments	—	
Total amount of Risk-weighted assets (D)	¥ 5,661,936	
Capital ratio (consolidated)		
Capital ratio (consolidated)((C)/(D))	14.86%	

COMPOSITION OF CAPITAL DISCLOSURE (CONSOLIDATED) (continued)

Shinsei Bank and subsidiaries

As of March 31 Items	2014 Basel III (Domestic Standard)	Amounts excluded under transitional arrangements
	Millions of yen (except percentages)	
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	¥ 662,456	
of which: capital and capital surplus	591,666	
of which: retained earnings	146,002	
of which: treasury stock (–)	(72,558)	
of which: earning to be distributed (–)	(2,653)	
of which: other than above	—	
Accumulated other comprehensive income (amount allowed to be included in Core capital)	267	¥ (5,195)
of which: foreign currency translation adjustment	267	
of which: amount related defined benefit	—	(5,195)
Stock acquisition right to common shares and preferred shares with a compulsory conversion clause	1,221	
Adjusted minority interests (amount allowed to be included in Core capital)	—	
Total of reserves included in Core capital: instruments and reserves	2,919	
of which: general reserve for loan losses included in Core capital	2,919	
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)	219,293	
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)	—	
Minority interests subject to transitional arrangements (amount allowed to be included in Core capital: instruments and reserves)	3,412	
Core capital: instruments and reserves (A)	¥ 889,571	
Core capital: regulatory adjustments (2)		
Total amount of intangible assets (excluding those relating to mortgage servicing rights)	¥ 34,914	¥ 12,674
of which: goodwill (including those equivalent)	28,949	—
of which: other intangibles other than goodwill and mortgage servicing rights	5,964	12,674
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	—	6,129
Shortfall of eligible provisions to expected losses	27,564	—
Gain on sale of securitization	9,414	—
Gains and losses due to changes in own credit risk on fair valued liabilities	—	—
Net defined benefit asset	—	1,018
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)	60	1,990
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)	¥ 71,953	
Capital (consolidated)		
Capital (consolidated)((A)–(B))(C)	¥ 817,618	
Risk-weighted assets (3)		
Total amount of credit risk-weighted assets	¥5,546,726	
of which: total amount included in risk-weighted assets by transitional arrangements	(20,629)	
of which: intangible assets (excluding those relating to goodwill and mortgage servicing rights)	12,674	
of which: deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	6,129	
of which: net defined benefit asset	1,018	
of which: significant investments in the common stock of Other Financial Institutions (net of eligible short positions)	(49,195)	
of which: other than above	8,742	
Market risk (derived by multiplying the capital requirement by 12.5)	125,561	
Operational risk (derived by multiplying the capital requirement by 12.5)	344,483	
Credit risk adjustments	—	
Operational risk adjustments	—	
Total amount of Risk-weighted assets (D)	¥6,016,771	
Capital ratio (consolidated)		
Capital ratio (consolidated)((C)/(D))	13.58%	

COMPOSITION OF CAPITAL DISCLOSURE (NONCONSOLIDATED)

Shinsei Bank

Millions of yen (except percentages)

As of March 31 Items	2015 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	¥ 741,761	
of which: capital and capital surplus	591,670	
of which: retained earnings	225,303	
of which: treasury stock (–)	(72,558)	
of which: earning to be distributed (–)	(2,653)	
of which: other than above	—	
Stock acquisition right to common shares and preferred shares with a compulsory conversion clause	1,211	
Total of reserves included in Core capital: instruments and reserves	1,639	
of which: general reserve for loan losses included in Core capital	196	
of which: eligible provision included in Core capital	1,442	
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)	144,965	
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)	¥ 889,577	
Core capital: regulatory adjustments (2)		
Total amount of intangible assets (excluding those relating to mortgage servicing rights)	¥ 2,411	¥ 3,863
of which: goodwill (including those equivalent)	780	—
of which: other intangibles other than goodwill and mortgage servicing rights	1,631	3,863
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	399	1,598
Shortfall of eligible provisions to expected losses	—	—
Gain on sale of securitization	8,323	—
Gains and losses due to changes in own credit risk on fair valued liabilities	—	—
Prepaid pension cost	—	—
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)	¥ 11,135	
Capital (nonconsolidated)		
Capital (nonconsolidated)((A)–(B))(C)	¥ 878,442	
Risk-weighted assets (3)		
Total amount of credit risk-weighted assets	¥ 5,057,118	
of which: total amount included in risk-weighted assets by transitional arrangements	(56,275)	
of which: intangible assets (excluding those relating to goodwill and mortgage servicing rights)	3,863	
of which: deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	1,598	
of which: prepaid pension cost	—	
of which: significant investments in the common stock of Other Financial Institutions (net of eligible short positions)	(61,737)	
of which: other than above	—	
Market risk (derived by multiplying the capital requirement by 12.5)	120,112	
Operational risk (derived by multiplying the capital requirement by 12.5)	183,098	
Credit risk adjustments	—	
Operational risk adjustments	—	
Total amount of Risk-weighted assets (D)	¥ 5,360,329	
Capital ratio (nonconsolidated)		
Capital ratio (nonconsolidated)((C)/(D))	16.38%	

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COMPOSITION OF CAPITAL DISCLOSURE (NONCONSOLIDATED) (continued)

Shinsei Bank

As of March 31 Items	Millions of yen (except percentages) 2014 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	¥ 701,481	
of which: capital and capital surplus	591,670	
of which: retained earnings	185,023	
of which: treasury stock (–)	(72,558)	
of which: earning to be distributed (–)	(2,653)	
of which: other than above	—	
Stock acquisition right to common shares and preferred shares with a compulsory conversion clause	1,221	
Total of reserves included in Core capital: instruments and reserves	2,400	
of which: general reserve for loan losses included in Core capital	2,400	
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)	219,293	
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)	¥ 924,396	
Core capital: regulatory adjustments (2)		
Total amount of intangible assets (excluding those relating to mortgage servicing rights)	¥ 1,851	¥ 4,668
of which: goodwill (including those equivalent)	1,021	—
of which: other intangibles other than goodwill and mortgage servicing rights	830	4,668
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	—	1,916
Shortfall of eligible provisions to expected losses	23,121	—
Gain on sale of securitization	9,414	—
Gains and losses due to changes in own credit risk on fair valued liabilities	—	—
Prepaid pension cost	—	1,189
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)	¥ 34,387	
Capital (nonconsolidated)		
Capital (nonconsolidated)((A)–(B))(C)	¥ 890,009	
Risk-weighted assets (3)		
Total amount of credit risk-weighted assets	¥5,508,483	
of which: total amount included in risk-weighted assets by transitional arrangements	(41,420)	
of which: intangible assets (excluding those relating to goodwill and mortgage servicing rights)	4,668	
of which: deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	1,916	
of which: prepaid pension cost	1,189	
of which: significant investments in the common stock of Other Financial Institutions (net of eligible short positions)	(49,195)	
of which: other than above	—	
Market risk (derived by multiplying the capital requirement by 12.5)	119,673	
Operational risk (derived by multiplying the capital requirement by 12.5)	173,676	
Credit risk adjustments	—	
Operational risk adjustments	—	
Total amount of Risk-weighted assets (D)	¥5,801,833	
Capital ratio (nonconsolidated)		
Capital ratio (nonconsolidated)((C)/(D))	15.34%	

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	
	2015	2014
As of March 31	**Required capital amount**	Required capital amount
Shinsei Bank[1]	**¥ 10,369**	¥ 43,397
Subsidiaries	**5,450**	5,980

1 “Power Smart Home Loan” included in “Shinsei Bank” had shifted to the F-IRB approach since March 31, 2015. The total amount of required capital under the standardized approach was ¥36,013 million as of March 31, 2014.

Portfolios under the Internal Ratings-Based Approach (IRB)

	Millions of yen	
	2015	2014
As of March 31	**Required capital amount**	Required capital amount
Corporate (Excluding Specialized Lending)[1]	**¥ 168,100**	¥ 170,472
Specialized Lending[2]	**90,666**	103,628
Sovereign	**4,382**	3,158
Bank	**13,107**	17,594
Residential mortgages	**18,314**	1,502
Qualified revolving retails	**82,899**	98,388
Other retails	**134,112**	132,190
Equity	**22,392**	29,755
Regarded (Fund)	**24,047**	27,707
Securitization	**18,923**	31,637
Purchase receivables	**34,824**	44,536
Other assets	**5,576**	6,331
CVA risk	**8,300**	8,900
CCP risk	**30**	—
Total	**¥ 625,680**	¥ 675,805

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	
	2015	2014
As of March 31	**Required capital amount**	Required capital amount
Market-Based Approach Simplified Method	**¥ 2,371**	¥ 1,972
PD/LGD Method	**9,113**	18,144
Grandfathering Rule	**—**	402
RW100% Applied	**0**	0
RW250% Applied	**10,907**	9,234
Total	**¥ 22,392**	¥ 29,755

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

	Millions of yen	
	2015	2014
As of March 31	**Required capital amount**	Required capital amount
Look Through	**¥ 3,307**	¥ 3,384
Revised Naivete Majority	**15,499**	17,418
Simplified [400%]	**1,080**	616
Simplified [1,250%]	**4,158**	6,288
Total	**¥ 24,047**	¥ 27,707

QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)

(4) AMOUNT OF REQUIRED CAPITAL FOR MARKET RISK

Millions of yen

As of March 31	2015 Required capital amount	2014 Required capital amount
The Standardized Approach	¥ 1,041	¥ 659
Interest rate risk	434	482
Equity position risk	7	0
FX risk	247	79
Securitization risk	351	96
The Internal Models Approach (IMA) (General Market Risk)	13,047	9,385

(5) AMOUNT OF REQUIRED CAPITAL FOR OPERATIONAL RISK

Millions of yen

As of March 31	2015 Required capital amount	2014 Required capital amount
The Standardized Approach	¥ 28,661	¥ 27,558

(6) TOTAL REQUIRED CAPITAL (DOMESTIC STANDARD)

Millions of yen

As of March 31	2015	2014
Total Required Capital (Risk-weighted Assets x 4%)	¥ 226,477	¥ 240,670

3. CREDIT RISK EXPOSURE (EXCLUDING SECURITIZATION AND REGARDED EXPOSURE)

(1) AMOUNT OF CREDIT RISK EXPOSURE

Geographic, Industries or Maturity

Millions of yen

	2015				2014			
	Amount of Credit Risk Exposure				Amount of Credit Risk Exposure			
As of March 31	Total	Loans, etc.[1]	Securities[2]	Derivatives[3]	Total	Loans, etc.[1]	Securities[2]	Derivatives[3]
Manufacturing	¥ 344,335	¥ 336,336	¥ 70	¥ 7,929	¥ 346,707	¥ 339,231	¥ —	¥ 7,476
Agriculture	666	666	—	—	831	831	—	—
Mining	809	809	—	—	874	874	—	—
Construction	49,868	49,831	36	—	44,252	44,215	36	—
Electric power, gas, water supply	248,329	241,978	—	6,350	197,906	195,828	19	2,057
Information and communication	60,856	60,835	—	20	57,135	57,116	—	19
Transportation	215,110	209,561	1,998	3,550	224,010	220,870	1,998	1,141
Wholesale and retail	184,451	180,284	—	4,166	175,307	169,418	68	5,820
Finance and insurance	1,503,694	1,411,729	65,546	26,418	2,077,613	2,018,663	24,142	34,807
Real estate	645,257	560,021	82,260	2,975	680,862	565,016	113,107	2,738
Services	512,056	510,423	1,167	465	487,746	485,143	1,594	1,007
Government	1,077,082	85,012	992,069	—	1,217,011	88,968	1,128,042	—
Individuals	2,506,120	2,506,103	—	16	2,476,668	2,476,627	—	40
Others	50,565	50,564	0	—	6,412	6,412	0	—
Domestic Total	7,399,203	6,204,158	1,143,150	51,894	7,993,341	6,669,220	1,269,010	55,110
Foreign	823,223	517,585	184,035	121,602	669,638	388,151	100,191	181,295
Total	¥ 8,222,427	¥ 6,721,744	¥ 1,327,185	¥ 173,496	¥ 8,662,980	¥ 7,057,372	¥ 1,369,202	¥ 236,405
To 1 year	1,273,422	1,121,689	129,406	22,325	1,466,105	1,066,926	338,841	60,337
1 to 3 years	1,675,154	1,487,174	147,307	40,672	1,790,471	1,489,387	224,649	76,434
3 to 5 years	1,472,888	827,437	618,228	27,222	2,935,922	2,185,072	721,146	29,703
Over 5 years	2,598,753	2,083,562	431,914	83,276	2,039,390	1,892,690	76,769	69,930
Undated	1,202,207	1,201,880	327	—	431,090	423,294	7,795	—
Total	¥ 8,222,427	¥ 6,721,744	¥ 1,327,185	¥ 173,496	¥ 8,662,980	¥ 7,057,372	¥ 1,369,202	¥ 236,405

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	
	2015	2014
As of March 31	**Default Exposure**	Default Exposure
Manufacturing	**¥ 3,039**	¥ 10,606
Agriculture	**19**	6
Mining	**—**	—
Construction	**1,788**	1,486
Electric power, gas, water supply	**—**	—
Information and communication	**537**	508
Transportation	**1,735**	5,863
Wholesale and retail	**2,674**	1,146
Finance and insurance	**4,849**	49,597
Real estate	**51,037**	84,206
Services	**27,435**	28,735
Government	**—**	—
Individuals	**138,330**	138,115
Others	**5,154**	5,947
Domestic Total	**236,601**	326,220
Foreign	**30,267**	41,249
Total	**¥ 266,868**	¥ 367,470

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

	Millions of yen					
	2015			2014		
As of March 31	**Start Amount**	**Change Amount**	**End Amount**	Start Amount	Change Amount	End Amount
General	**¥ 59,809**	**¥ 474**	**¥ 60,283**	¥ 67,707	¥ (7,898)	¥ 59,809
Specific	**227,478**	**(40,730)**	**186,748**	243,746	(16,268)	227,478
Country	**0**	**—**	**0**	0	—	0
Total	**¥ 287,288**	**¥ (40,255)**	**¥ 247,033**	¥ 311,454	¥ (24,166)	¥ 287,288

Geographic

	Millions of yen							
	2015				2014			
	Reserve Amount				Reserve Amount			
As of March 31	**Total**	**General**	**Specific**	**Country**	Total	General	Specific	Country
Domestic	**¥ 211,173**	**¥ 54,246**	**¥ 156,927**	**¥ —**	¥ 250,385	¥ 54,265	¥ 196,119	¥ —
Foreign	**35,859**	**6,037**	**29,821**	**0**	36,903	5,543	31,358	0
Total	**¥ 247,033**	**¥ 60,283**	**¥ 186,748**	**¥ 0**	¥ 287,288	¥ 59,809	¥ 227,478	¥ 0

QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)

Industries

As of March 31	Millions of yen 2015 Reserve Amount	2014 Reserve Amount
Manufacturing	**¥ 4,942**	¥ 8,808
Agriculture	**33**	25
Mining	**4**	4
Construction	**1,263**	1,359
Electric power, gas, water supply	**673**	331
Information and communication	**553**	552
Transportation	**1,482**	2,392
Wholesale and retail	**3,786**	2,369
Finance and insurance	**1,239**	14,685
Real estate	**40,513**	60,107
Services	**15,284**	17,979
Government	**59**	74
Individuals	**131,465**	134,161
Others	**6,635**	4,436
Foreign	**35,859**	36,903
Non-classified	**3,232**	3,096
Total	**¥ 247,033**	¥ 287,288

(4) AMOUNT OF WRITE-OFFS

Industries

	Millions of yen FY2014 Amount of write-off	FY2013 Amount of write-off
Manufacturing	**¥ 393**	¥ 927
Agriculture	**—**	5
Mining	**—**	—
Construction	**18**	48
Electric power, gas, water supply	**—**	—
Information and communication	**14**	382
Transportation	**73**	10
Wholesale and retail	**287**	81
Finance and insurance	**25,997**	—
Real estate	**6,566**	5,440
Services	**474**	146
Government	**—**	—
Individuals	**27,454**	26,076
Others	**0**	5
Foreign	**3,641**	1,834
Non-classified	**—**	—
Total	**¥ 64,922**	¥ 34,958

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

	Millions of yen			
	2015		2014	
As of March 31	**Rated**	**Unrated**	Rated	Unrated
0%	**¥ 254**	**¥ 7,592**	¥ 66	¥ 1,970
10%	**—**	**—**	—	—
20%	**37,095**	**30**	58,796	30
35%	**—**	**8,877**	—	976,239
50%	**134**	**3,123**	159	5,015
75%	**—**	**209,504**	—	305,809
100%	**431**	**26,012**	332	28,966
150%	**—**	**1,343**	—	1,686
350%	**—**	**—**	—	—
1,250%	**—**	**—**	—	—
Total	**¥ 37,916**	**¥ 256,484**	¥ 59,354	¥ 1,319,718

QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)

(6) SPECIALIZED LENDING EXPOSURE UNDER SLOTTING CRITERIA AND EQUITY EXPOSURE UNDER MARKET-BASED SIMPLIFIED METHOD

Specialized lending excluding high-volatility commercial real estate

As of March 31	Millions of yen	
	2015	2014
Risk weight ratio	**Amount of Exposure**	Amount of Exposure
50%	**¥ 20,748**	¥ 28,948
70%	**255,902**	242,205
90%	**155,693**	56,855
115%	**88,302**	53,771
250%	**35,683**	22,331
0% (Default)	**33,196**	85,100
Total	**¥ 589,527**	¥ 489,212

Specialized lending for high-volatility commercial real estate

As of March 31	Millions of yen	
	2015	2014
Risk weight ratio	**Amount of Exposure**	Amount of Exposure
70%	**¥ 5,157**	¥ 5,830
95%	**1,873**	1,194
120%	**1,270**	1,028
140%	**16,532**	15,894
250%	**20,944**	18,390
0% (Default)	**26,364**	36,319
Total	**¥ 72,143**	¥ 78,657

Equity exposure under Market-Based Simplified Method

As of March 31	Millions of yen	
	2015	2014
Risk weight ratio	**Amount of Exposure**	Amount of Exposure
300%	**¥ 2,332**	¥ 2,019
400%	**5,243**	4,301
Total	**¥ 7,575**	¥ 6,320

QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)

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

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

Corporate

Millions of yen (except percentages)

As of March 31	2015					2014				
Credit Rating	**PD**	**LGD**	**Risk Weight**	**EAD (On-balance)**	**EAD (Off-balance)**	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)
0–4	**0.18%**	**44.87%**	**44.25%**	**¥ 1,485,176**	**¥ 182,793**	0.20%	44.87%	45.67%	¥ 1,352,909	¥ 154,719
5–6	**1.93%**	**44.10%**	**99.92%**	**617,908**	**35,299**	1.93%	44.39%	102.35%	543,351	58,191
9A	**10.47%**	**44.86%**	**196.11%**	**105,670**	**3,668**	10.91%	44.85%	197.92%	128,825	5,872
Default	**100.00%**	**44.35%**	**—**	**42,717**	**2,160**	100.00%	43.80%	—	54,385	839

Sovereign

Millions of yen (except percentages)

As of March 31	2015					2014				
Credit Rating	**PD**	**LGD**	**Risk Weight**	**EAD (On-balance)**	**EAD (Off-balance)**	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)
0–4	**0.00%**	**44.99%**	**2.45%**	**¥ 2,059,322**	**¥1,797**	0.00%	45.00%	1.34%	¥ 2,728,857	¥ 981
5–6	**0.62%**	**45.00%**	**80.71%**	**0**	**165**	0.65%	45.00%	89.71%	—	156
9A	**—**	**—**	**—**	**—**	**—**	—	—	—	—	—
Default	**100.00%**	**45.00%**	**—**	**15**	**—**	100.00%	45.00%	—	15	—

Bank

Millions of yen (except percentages)

As of March 31	2015					2014				
Credit Rating	**PD**	**LGD**	**Risk Weight**	**EAD (On-balance)**	**EAD (Off-balance)**	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)
0–4	**0.11%**	**39.83%**	**31.47%**	**¥ 304,787**	**¥ 148,975**	0.11%	40.93%	30.29%	¥ 364,445	¥ 219,021
5–6	**1.16%**	**45.00%**	**80.96%**	**8,055**	**492**	2.19%	45.00%	116.20%	19,124	634
9A	**10.47%**	**45.00%**	**196.24%**	**662**	**31**	10.91%	45.00%	207.09%	811	—
Default	**100.00%**	**45.00%**	**—**	**42**	**—**	100.00%	45.00%	—	68	—

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

Millions of yen (except percentages)

As of March 31	2015				2014			
Credit Rating	**PD**	**LGD**	**Risk Weight**	**Amount**	PD	LGD	Risk Weight	Amount
0–4	**0.12%**	**90.00%**	**231.50%**	**¥ 14,568**	0.15%	90.00%	235.80%	¥ 13,654
5–6	**1.08%**	**90.00%**	**311.29%**	**6,109**	1.95%	90.00%	451.22%	24,963
9A	**10.47%**	**90.00%**	**792.93%**	**6,436**	10.91%	90.00%	793.29%	8,244
Default	**100.00%**	**90.00%**	**1,125.00%**	**327**	100.00%	90.00%	1,125.00%	332

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)

As of March 31	2015							2014						
Pool	**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	**0.32%**	**22.64%**	**14.33%**	**¥ 1,168,036**	**¥ 6,002**	**¥ —**	**—**	1.25%	68.12%	89.91%	¥ 7,269	¥ 7,011	¥ —	—
Need caution	**68.63%**	**31.42%**	**105.62%**	**1,934**	**150**	**—**	**—**	78.83%	49.60%	121.87%	4	233	—	—
Default	**100.00%**	**45.50%**	**54.59%**	**4,501**	**94**	**—**	**—**	100.00%	59.04%	—	201	113	—	—

Qualified revolving retail exposure

Millions of yen (except percentages)

As of March 31	2015							2014						
Pool	**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	**5.18%**	**71.16%**	**76.08%**	**¥308,492**	**¥112,492**	**¥ 2,267,164**	**4.96%**	6.52%	72.62%	90.95%	¥327,769	¥90,328	¥ 2,401,824	3.76%
Need caution	**81.53%**	**77.06%**	**109.11%**	**1,869**	**2**	**1,547**	**0.13%**	83.37%	78.15%	97.81%	2,340	—	—	—
Default	**100.00%**	**73.86%**	**—**	**51,839**	**—**	**—**	**—**	100.00%	77.25%	—	56,763	—	—	—

Other retail exposure

Millions of yen (except percentages)

As of March 31	2015							2014						
Pool	**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	**2.61%**	**59.86%**	**76.03%**	**¥ 386,544**	**¥ 575,257**	**¥ 33,650**	**1.12%**	2.56%	58.90%	73.94%	¥355,289	¥604,674	¥ 22,569	1.00%
Need caution	**75.24%**	**49.90%**	**84.81%**	**6,711**	**2,250**	**3**	**0.15%**	74.52%	51.67%	90.96%	5,657	2,394	—	—
Default	**100.00%**	**56.56%**	**—**	**92,410**	**606**	**—**	**—**	100.00%	56.74%	—	93,467	686	—	—

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

	FY2014	FY2013	FY2012
Results of actual losses (a)	**¥ 1,838**	¥ 1,323	¥ 2,697
Expected losses (b)	**11,666**	13,958	16,277
Differences ((b) - (a))	**9,827**	12,635	13,579

Retail

Millions of yen

	FY2014	FY2013	FY2012
Results of actual losses (a)	**¥ 17,128**	¥ 16,079	¥ 9,807
Expected losses (b)	**41,380**	40,932	23,664
Differences ((b) - (a))	**24,252**	24,853	13,856

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 March 31, 2013, 2014 and 2015 for the Bank Group's non-default exposures at the start of the twelve-month period, with expected losses. The exposures for Housing Loans are calculated through the F-IRB approach starting from this Fiscal Year and are included above.

QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)

4. CREDIT RISK MITIGATION (CRM)

(1) COVERED AMOUNT OF CRM BY COLLATERAL

FIRB

As of March 31	2015 Eligible financial collateral	2015 Other eligible FIRB collateral	2014 Eligible financial collateral	2014 Other eligible FIRB collateral
	Millions of yen			
Corporate	¥ 3,166	¥ 169,300	¥ 935	¥ 182,677
Sovereign	—	—	—	—
Bank	53,216	—	53,216	—
Total	¥ 56,382	¥ 169,300	¥ 54,141	¥ 182,677

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

IRB

As of March 31	2015	2014
	Millions of yen	
Corporate	¥ 1,585	¥ 3,024
Sovereign	42,786	52,909
Bank	30,000	55,000
Residential mortgages	—	—
Qualified revolving retail	—	—
Other retail	—	—
Total	¥ 74,371	¥ 110,933

5. COUNTERPARTY CREDIT RISK OF DERIVATIVES

As of March 31	2015	2014
	Millions of yen	
Total amount of gross positive fair value	¥ 422,895	¥ 575,872
Amount of gross add-on	136,372	211,069
EAD before CRM	559,268	786,942
FX-related	207,781	227,248
Interest-related	302,031	276,314
Equity-related	10,518	68,592
Commodity-related	—	—
Credit derivatives	38,913	214,389
Others	22	397
Amount of net	385,771	550,138
EAD after net	173,496	236,803
Amount covered collateral	—	—
EAD after CRM	173,496	236,803

Note: Current Exposure Method

• Notional amount of credit derivatives which have counterparty risk

As of March 31	2015		2014	
	Millions of yen			
Notional amount	Protection-buy	Protection-sell	Protection-buy	Protection-sell
Single name	¥ 217,297	¥ 192,363	¥ 265,369	¥ 208,567
Multi name	62,976	50,976	66,472	42,416

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

As of March 31	Millions of yen 2015	2014
Type of original assets	**Amount of original assets**	Amount of original assets
Residential mortgages	**¥ 107,833**	¥ 155,191
Consumer loans	**—**	—
Commercial real estate loans	**—**	—
Corporate loans	**26,026**	26,318
Others	**—**	—
Total	**¥ 133,859**	¥ 181,510

Note: Includes originally securitized assets originated by the Bank Group, 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

As of March 31	Millions of yen 2015	2014
Type of original assets	**Amount of Default**	Amount of Default
Residential mortgages	**¥ 508**	¥ 4,571
Consumer loans	**—**	—
Commercial real estate loans	**—**	—
Corporate loans	**26,026**	26,318
Others	**—**	—
Total	**¥ 26,535**	¥ 30,889

Note: Includes originally securitized assets originated by the Bank Group, 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

As of March 31	Millions of yen 2015	2014
Type of original assets	**Amount of Exposure**	Amount of Exposure
Residential mortgages	**¥ 55,858**	¥ 62,271
Consumer loans	**—**	—
Commercial real estate loans	**—**	—
Corporate loans	**1,334**	19,518
Others	**—**	—
Total	**¥ 57,193**	¥ 81,790

QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)

Resecuritization

As of March 31	Millions of yen 2015	2014
Type of original assets	**Amount of Exposure**	Amount of Exposure
Residential mortgages	**¥ —**	¥ 845
Consumer loans	**—**	—
Commercial real estate loans	**—**	—
Corporate loans	**—**	—
Others	**—**	—
Total	**¥ —**	¥ 845

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

Securitization by transfer of assets

Excluding resecuritization exposure

As of March 31	Millions of yen 2015		2014	
Band of risk weight ratio	**Amount**	**Required capital amount**	Amount	Required capital amount
To 12%	**¥ 23,229**	**¥ 61**	¥ 19,527	¥ 115
Over 12% to 20%	**12,117**	**138**	50,462	807
Over 20% to 50%	**21,691**	**542**	—	—
Over 50% to 75%	**—**	**—**	—	—
Over 75% to 100%	**—**	**—**	11,800	944
Over 100% to 250%	**20**	**2**	—	—
Over 250% to 425%	**133**	**45**	—	—
Over 425% under 1,250%	**—**	**—**	—	—
Total	**¥ 57,193**	**¥ 789**	¥ 81,790	¥ 1,867

Resecuritization exposure

As of March 31	Millions of yen 2015		2014	
Band of risk weight ratio	**Amount**	**Required capital amount**	Amount	Required capital amount
To 30%	**¥ —**	**¥ —**	¥ —	¥ —
Over 30% to 50%	**—**	**—**	483	16
Over 50% to 100%	**—**	**—**	361	19
Over 100% to 225%	**—**	**—**	—	—
Over 225% to 500%	**—**	**—**	—	—
Over 500% under 1,250%	**—**	**—**	—	—
Total	**¥ —**	**¥ —**	¥ 845	¥ 36

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

As of March 31	Millions of yen 2015	2014
Type of original assets	**Amount**	Amount
Residential mortgages	**¥ 8,323**	¥ 9,414
Consumer loans	**—**	—
Commercial real estate loans	**—**	—
Corporate loans	**—**	—
Others	**—**	—
Total	**¥ 8,323**	¥ 9,414

QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)

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

As of March 31	2015 (Millions of yen)	2014 (Millions of yen)
Type of original assets	**Amount**	Amount
Residential mortgages	**¥ 1,901**	¥ 5,717
Consumer loans	**—**	—
Commercial real estate loans	**—**	—
Corporate loans	**—**	—
Others	**—**	—
Total	**¥ 1,901**	¥ 5,717

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 FY2014
- 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

As of March 31	2015 (Millions of yen)	2014 (Millions of yen)
Type of original assets	**Amount of Exposure**	Amount of Exposure
Residential mortgages	**¥ —**	¥ 2,449
Consumer loans	**—**	—
Commercial real estate loans	**22,650**	56,221
Corporate loans	**12,998**	20,357
Others	**30,926**	24,207
Total	**¥ 66,575**	¥ 103,235

Resecuritization exposure

As of March 31	2015 (Millions of yen)	2014 (Millions of yen)
Type of original assets	**Amount of Exposure**	Amount of Exposure
Residential mortgages	**¥ —**	¥ —
Consumer loans	**—**	—
Commercial real estate loans	**20,468**	—
Corporate loans	**12,782**	16,588
Others	**—**	—
Total	**¥ 33,250**	¥ 16,588

QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)

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

Excluding resecuritization exposure

As of March 31	2015 (Millions of yen)		2014 (Millions of yen)	
Band of risk weight ratio	**Amount**	**Required capital amount**	Amount	Required capital amount
To 12%	**¥ 36,518**	**¥ 216**	¥ 40,245	¥ 246
Over 12% to 20%	**7,406**	**94**	17,221	254
Over 20% to 50%	**—**	**—**	—	—
Over 50% to 75%	**—**	**—**	—	—
Over 75% to 100%	**—**	**—**	—	—
Over 100% to 250%	**19,848**	**3,160**	6,000	965
Over 250% to 425%	**2,801**	**960**	27,311	6,680
Over 425% under 1,250%	**—**	**—**	12,456	5,980
Total	**¥ 66,575**	**¥ 4,432**	¥ 103,235	¥ 14,127

Resecuritization exposure

As of March 31	2015 (Millions of yen)		2014 (Millions of yen)	
Band of risk weight ratio	**Amount**	**Required capital amount**	Amount	Required capital amount
To 30%	**¥ 13,250**	**¥ 233**	¥ 16,588	¥ 311
Over 30% to 50%	**—**	**—**	—	—
Over 50% to 100%	**20,000**	**1,087**	—	—
Over 100% to 225%	**—**	**—**	—	—
Over 225% to 500%	**—**	**—**	—	—
Over 500% under 1,250%	**—**	**—**	—	—
Total	**¥ 33,250**	**¥ 1,321**	¥ 16,588	¥ 311

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

As of March 31	2015 (Millions of yen)	2014 (Millions of yen)
Type of original assets	**Amount**	Amount
Residential mortgages	**¥ 1,892**	¥ 39
Consumer loans	**—**	—
Commercial real estate loans	**—**	—
Corporate loans	**32**	56
Others	**—**	—
Total	**¥ 1,924**	¥ 96

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

As of March 31	Millions of yen	
	2015	2014
Type of original assets	Amount of Exposure	Amount of Exposure
Residential mortgages	¥ 18,159	¥ 1,575
Consumer loans	—	—
Commercial real estate loans	—	—
Corporate loans	—	—
Others	—	—
Total	¥ 18,159	¥ 1,575

Resecuritization exposure

As of March 31	Millions of yen	
	2015	2014
Type of original assets	Amount of Exposure	Amount of Exposure
Residential mortgages	¥1,876	¥ 2,232
Consumer loans	—	—
Commercial real estate loans	—	—
Corporate loans	—	—
Others	—	—
Total	¥1,876	¥ 2,232

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

Excluding resecuritization exposure

As of March 31	Millions of yen			
	2015		2014	
Band of risk weight ratio	Amount	Required capital amount	Amount	Required capital amount
1.6%	¥ 18,159	¥ 290	¥ 1,575	¥ 25
4%	—	—	—	—
8%	—	—	—	—
28%	—	—	—	—
Total	¥ 18,159	¥ 290	¥ 1,575	¥ 25

Resecuritization exposure

As of March 31	Millions of yen			
	2015		2014	
Band of risk weight ratio	Amount	Required capital amount	Amount	Required capital amount
3.2%	¥ 1,847	¥ 59	¥ 2,232	¥ 71
8%	28	2	—	—
18%	—	—	—	—
52%	—	—	—	—
Total	¥ 1,876	¥ 61	¥ 2,232	¥ 71

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 MARCH 2015 AND MARCH 2014 AND THE HIGH, MEAN AND LOW VAR

	Millions of yen	
As of March 31	**2015**	2014
VaR at term end	**¥ 976**	¥ 1,209
VaR through this term		
High	**1,662**	3,264
Mean	**977**	1,735
Low	**468**	751

(2) STRESSED VAR AT THE END OF MARCH 2015 AND MARCH 2014 AND THE HIGH, MEAN AND LOW VAR

	Millions of yen	
As of March 31	**2015**	2014
VaR at term end	**¥ 2,595**	¥ 2,222
VaR through this term		
High	**4,939**	4,314
Mean	**3,065**	2,834
Low	**1,673**	1,375

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 March 31	**2015**	2014
Market-based approach		
Listed equity exposure	**¥ 2,332**	¥ 2,101
Unlisted equity exposure	**5,243**	4,301
PD/LGD method		
Listed equity exposure	**11,566**	10,275
Unlisted equity exposure	**13,142**	36,918

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

	Millions of yen	
	FY2014	FY2013
Gain (loss) on sale	**¥ 7,236**	¥ 4,905
Loss of depreciation	**684**	36

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 March 31	**2015**	2014
Unrealized gain (loss)	**¥ 13,497**	¥ 6,415

(4) AMOUNT OF EQUITY EXPOSURE UNDER GRANDFATHERING RULE SUBJECT TO THE ACCORD SUPPLEMENTARY PROVISION 13

	Millions of yen	
As of March 31	**2015**	2014
Grandfathering rule (100% risk weight apply)	—	¥ 4,744

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 March 31	**2015**	2014
Regarded exposure (fund)	**¥ 58,846**	¥ 63,890

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

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

	Billions of yen	
As of March 31	**2015**	2014
JPY	**¥ (106.0)**	¥ (57.8)
USD	**(1.4)**	(2.2)
Others	**(1.4)**	(2.7)
Total	**¥ (109.0)**	¥ (62.8)

QUANTITATIVE DISCLOSURE (NONCONSOLIDATED)

1. CAPITAL ADEQUACY

(1) AMOUNT OF REQUIRED CAPITAL FOR CREDIT RISK

Portfolios under the Standardized Approach (SA)

	Millions of yen	
	2015	2014
As of March 31	**Required capital amount**	Required capital amount
Shinsei Bank	**¥ 10,369**	¥ 43,397
Housing loans[1]	**307**	36,229
Shinsei Bank Card Loan Lake	**10,062**	7,168

1 "Power Smart Home Loan" had shifted to the F-IRB approach since March 31, 2015. The total amount of required capital under the standardized approach was ¥36,013 million as of March 31, 2014.

Portfolios under the Internal Ratings-Based Approach (IRB)

	Millions of yen	
	2015	2014
As of March 31	**Required capital amount**	Required capital amount
Corporate (Excluding Specialized Lending)[1]	**¥ 147,278**	¥ 158,756
Specialized Lending[2]	**88,974**	102,786
Sovereign	**4,350**	3,123
Bank	**12,803**	17,354
Residential mortgages	**17,112**	—
Qualified revolving retails	**0**	—
Other retails	**5**	—
Equity	**141,855**	149,074
Regarded (Fund)	**16,826**	19,568
Securitization	**20,298**	32,106
Purchase receivables	**34,656**	44,191
Other assets	**2,139**	2,440
CVA risk	**8,200**	8,803
CCP risk	**30**	—
Total	**¥ 494,534**	¥ 538,205

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	
	2015	2014
As of March 31	**Required capital amount**	Required capital amount
Market-Based Approach Simplified Method	**¥ 7,407**	¥ 6,527
PD/LGD Method	**134,239**	140,765
Grandfathering Rule	**—**	1,392
RW100% Applied	**0**	0
RW250% Applied	**209**	389
Total	**¥ 141,855**	¥ 149,074

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

	Millions of yen	
	2015	2014
As of March 31	**Required capital amount**	Required capital amount
Look Through	**¥ 3,468**	¥ 3,384
Revised Naivete Majority	**6,777**	8,106
Simplified [400%]	**2,421**	1,790
Simplified [1,250%]	**4,158**	6,286
Total	**¥ 16,826**	¥ 19,568

QUANTITATIVE DISCLOSURE (NONCONSOLIDATED) (continued)

(4) AMOUNT OF REQUIRED CAPITAL FOR MARKET RISK

	Millions of yen	
	2015	2014
As of March 31	**Required capital amount**	Required capital amount
The Standardized Approach	**¥ 462**	¥ 553
Interest rate risk	**238**	473
Equity position risk	**7**	0
FX risk	**216**	79
Securitization risk	**—**	—
The Internal Models Approach (IMA) (General Market Risk)	**9,146**	9,020

(5) AMOUNT OF REQUIRED CAPITAL FOR OPERATIONAL RISK

	Millions of yen	
	2015	2014
As of March 31	**Required capital amount**	Required capital amount
The Standardized Approach	**¥ 14,647**	¥ 13,894

(6) TOTAL REQUIRED CAPITAL (DOMESTIC STANDARD)

	Millions of yen	
As of March 31	**2015**	2014
Total Required Capital (Risk-weighted Assets x 4%)	**¥ 214,413**	¥ 231,256

2. CREDIT RISK EXPOSURE (EXCLUDING SECURITIZATION AND REGARDED EXPOSURE)

(1) AMOUNT OF CREDIT RISK EXPOSURE

Geographic, Industries or Maturity

	Millions of yen							
	2015				2014			
	Amount of Credit Risk Exposure				Amount of Credit Risk Exposure			
As of March 31	**Total**	**Loans,etc.[1]**	**Securities[2]**	**Derivatives[3]**	Total	Loans,etc.[1]	Securities[2]	Derivatives[3]
Manufacturing	**¥ 278,685**	**¥ 270,686**	**¥ 70**	**¥ 7,929**	¥ 278,294	¥ 270,818	¥ —	¥ 7,476
Agriculture	**132**	**132**	**—**	**—**	224	224	—	—
Mining	**259**	**259**	**—**	**—**	329	329	—	—
Construction	**9,842**	**9,842**	**—**	**—**	9,238	9,238	—	—
Electric power, gas, water supply	**247,591**	**241,241**	**—**	**6,350**	197,716	195,638	19	2,057
Information and communication	**42,732**	**42,711**	**—**	**20**	41,398	41,379	—	19
Transportation	**186,061**	**180,511**	**1,998**	**3,550**	197,202	194,062	1,998	1,141
Wholesale and retail	**108,661**	**104,495**	**—**	**4,166**	98,595	92,706	68	5,820
Finance and insurance	**1,622,557**	**1,518,915**	**76,651**	**26,991**	2,256,478	2,186,034	39,626	30,817
Real estate	**649,741**	**564,505**	**82,260**	**2,975**	696,073	580,226	113,107	2,738
Services	**409,153**	**407,227**	**1,060**	**865**	399,726	395,695	1,487	2,543
Government	**1,066,469**	**74,400**	**992,069**	**—**	1,205,312	77,305	1,128,006	—
Individuals	**1,175,745**	**1,175,728**	**—**	**16**	1,116,933	1,116,892	—	40
Others	**30**	**30**	**—**	**—**	—	—	—	—
Domestic Total	**5,797,665**	**4,590,688**	**1,154,110**	**52,867**	6,497,525	5,160,554	1,284,314	52,656
Foreign	**803,845**	**483,799**	**202,044**	**118,002**	654,039	352,604	119,849	181,585
Total	**¥ 6,601,511**	**¥ 5,074,487**	**¥ 1,356,154**	**¥ 170,869**	¥ 7,151,565	¥ 5,513,159	¥ 1,404,163	¥ 234,242
To 1 year	**1,130,857**	**978,894**	**129,406**	**22,555**	1,478,233	1,063,441	354,289	60,502
1 to 3 years	**1,219,128**	**1,031,626**	**147,307**	**40,194**	1,249,715	949,476	224,649	75,590
3 to 5 years	**1,239,396**	**578,027**	**636,129**	**25,239**	2,723,112	1,954,113	740,695	28,303
Over 5 years	**2,145,282**	**1,630,487**	**431,914**	**82,879**	1,649,623	1,503,007	76,769	69,846
Undated	**866,847**	**855,451**	**11,395**	**—**	50,880	43,120	7,759	—
Total	**¥ 6,601,511**	**¥ 5,074,487**	**¥ 1,356,154**	**¥ 170,869**	¥ 7,151,565	¥ 5,513,159	¥ 1,404,163	¥ 234,242

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	
	2015	2014
As of March 31	**Default Exposure**	Default Exposure
Manufacturing	**¥ 1,438**	¥ 7,463
Agriculture	**—**	—
Mining	**—**	—
Construction	**—**	72
Electric power, gas, water supply	**—**	—
Information and communication	**533**	500
Transportation	**3**	3,592
Wholesale and retail	**1,584**	375
Finance and insurance	**4,842**	58,432
Real estate	**50,474**	107,661
Services	**25,665**	26,923
Government	**—**	—
Individuals	**6,232**	6,093
Others	**—**	—
Domestic Total	**90,774**	211,114
Foreign	**30,267**	41,249
Total	**¥ 121,042**	¥ 252,364

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

	Millions of yen					
	2015			2014		
As of March 31	**Start Amount**	**Change Amount**	**End Amount**	Start Amount	Change Amount	End Amount
General	**¥ 19,937**	**¥ (623)**	**¥ 19,314**	¥ 28,522	¥ (8,585)	¥ 19,937
Specific	**127,075**	**(43,843)**	**83,232**	136,187	(9,112)	127,075
Country	**0**	**—**	**0**	0	—	0
Total	**¥ 147,013**	**¥ (44,466)**	**¥ 102,547**	¥ 164,711	¥ (17,698)	¥ 147,013

Geographic

	Millions of yen							
	2015				2014			
As of March 31	**Total**	**General**	**Specific**	**Country**	Total	General	Specific	Country
Domestic	**¥ 68,605**	**¥ 14,175**	**¥ 54,430**	**¥ —**	¥ 112,452	¥ 15,943	¥ 96,508	¥ —
Foreign	**33,941**	**5,138**	**28,802**	**0**	34,560	3,993	30,566	0
Total	**¥ 102,547**	**¥ 19,314**	**¥ 83,232**	**¥ 0**	¥ 147,013	¥ 19,937	¥ 127,075	¥ 0

QUANTITATIVE DISCLOSURE (NONCONSOLIDATED) (continued)

Industries

	Millions of yen	
	2015	2014
As of March 31	**Reserve Amount**	Reserve Amount
Manufacturing	**¥ 2,177**	¥ 5,494
Agriculture	**0**	0
Mining	**1**	0
Construction	**44**	99
Electric power, gas, water supply	**670**	330
Information and communication	**414**	383
Transportation	**788**	1,322
Wholesale and retail	**2,089**	698
Finance and insurance	**2,018**	16,736
Real estate	**39,747**	63,778
Services	**11,960**	14,619
Government	**—**	—
Individuals	**4,784**	5,080
Others	**3,908**	3,907
Foreign	**33,941**	34,560
Non-classified	**—**	—
Total	**¥ 102,547**	¥ 147,013

(4) AMOUNT OF WRITE-OFFS

Industries

	Millions of yen	
	FY2014	FY2013
	Amount of write-off	Amount of write-off
Manufacturing	**¥ 263**	¥ 785
Agriculture	**—**	—
Mining	**—**	—
Construction	**—**	—
Electric power, gas, water supply	**—**	—
Information and communication	**—**	—
Transportation	**56**	—
Wholesale and retail	**25**	—
Finance and insurance	**25,997**	—
Real estate	**6,563**	5,434
Services	**—**	—
Government	**—**	—
Individuals	**83**	85
Others	**—**	—
Foreign	**3,641**	1,834
Non-classified	**—**	—
Total	**¥ 36,632**	¥ 8,141

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

	Millions of yen			
	2015		2014	
As of March 31	**Rated**	**Unrated**	Rated	Unrated
0%	**¥ —**	**¥ —**	¥ —	¥ —
10%	**—**	**—**	—	—
20%	**—**	**—**	—	—
35%	**—**	**8,877**	—	976,239
50%	**—**	**15**	—	1,677
75%	**—**	**168,667**	—	263,677
100%	**—**	**—**	—	1,539
150%	**—**	**—**	—	434
350%	**—**	**—**	—	—
1,250%	**—**	**—**	—	—
Total	**¥ —**	**¥ 177,560**	¥ —	¥ 1,243,568

QUANTITATIVE DISCLOSURE (NONCONSOLIDATED) (continued)

(6) SPECIALIZED LENDING EXPOSURE UNDER SLOTTING CRITERIA AND EQUITY EXPOSURE UNDER MARKET-BASED SIMPLIFIED METHOD

Specialized lending excluding high-volatility commercial real estate

Millions of yen

As of March 31	2015	2014
Risk weight ratio	**Amount of Exposure**	Amount of Exposure
50%	**¥ 20,748**	¥ 28,948
70%	**251,299**	237,092
90%	**155,693**	56,855
115%	**88,302**	53,771
250%	**30,886**	20,556
0% (Default)	**33,196**	85,100
Total	**¥ 580,127**	¥ 482,324

Specialized lending for high-volatility commercial real estate

Millions of yen

As of March 31	2015	2014
Risk weight ratio	**Amount of Exposure**	Amount of Exposure
70%	**¥ 5,157**	¥ 5,830
95%	**1,873**	1,194
120%	**1,270**	1,028
140%	**16,532**	15,894
250%	**20,944**	18,390
0% (Default)	**26,364**	36,319
Total	**¥ 72,143**	¥ 78,657

Equity exposure under Market-Based Simplified Method

Millions of yen

As of March 31	2015	2014
Risk weight ratio	**Amount of Exposure**	Amount of Exposure
300%	**¥ 682**	¥ 1,958
400%	**21,325**	17,773
Total	**¥ 22,008**	¥ 19,732

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

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

Corporate

Millions of yen (except percentages)

As of March 31	2015					2014				
Credit Rating	**PD**	**LGD**	**Risk Weight**	**EAD (On-balance)**	**EAD (Off-balance)**	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)
0–4	**0.18%**	**44.87%**	**45.38%**	**¥ 1,470,084**	**¥ 183,552**	0.20%	44.87%	47.77%	¥ 1,370,703	¥ 156,545
5–6	**1.82%**	**44.00%**	**100.42%**	**552,696**	**35,299**	1.82%	44.35%	103.00%	501,122	58,169
9A	**10.47%**	**44.72%**	**187.67%**	**50,384**	**3,668**	10.91%	44.80%	198.74%	96,495	4,654
Default	**100.00%**	**44.21%**	**—**	**36,202**	**809**	100.00%	43.57%	—	45,103	1,154

Sovereign

Millions of yen (except percentages)

As of March 31	2015					2014				
Credit Rating	**PD**	**LGD**	**Risk Weight**	**EAD (On-balance)**	**EAD (Off-balance)**	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)
0–4	**0.00%**	**44.99%**	**2.46%**	**¥ 2,041,277**	**¥1,797**	0.00%	45.00%	1.33%	¥ 2,706,452	¥ 981
5–6	**0.62%**	**45.00%**	**80.71%**	**0**	**165**	0.65%	45.00%	89.71%	—	156
9A	**—**	**—**	**—**	**—**	**—**	—	—	—	—	—
Default	**100.00%**	**45.00%**	**—**	**15**	**—**	100.00%	45.00%	—	15	—

QUANTITATIVE DISCLOSURE (NONCONSOLIDATED) (continued)

Bank

Millions of yen (except percentages)

As of March 31	2015					2014				
Credit Rating	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)
0–4	0.11%	39.69%	32.53%	¥ 287,060	¥ 154,319	0.11%	40.71%	30.92%	¥ 327,842	¥ 225,868
5–6	1.21%	45.00%	87.16%	3,549	492	2.26%	45.00%	119.20%	17,268	634
9A	10.47%	45.00%	192.10%	487	31	10.91%	45.00%	223.09%	2,380	—
Default	—	—	—	—	—	100.00%	45.00%	—	68	—

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

Millions of yen (except percentages)

As of March 31	2015				2014			
Credit Rating	PD	LGD	Risk Weight	Amount	PD	LGD	Risk Weight	Amount
0–4	0.28%	90.00%	301.27%	¥ 407,624	0.31%	90.00%	301.74%	¥ 392,811
5–6	1.03%	90.00%	322.78%	10,013	1.85%	90.00%	435.99%	30,006
9A	10.47%	90.00%	885.85%	36,383	10.91%	90.00%	896.20%	37,713
Default	100.00%	90.00%	1,125.00%	26	100.00%	90.00%	1,125.00%	523

• 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)

As of March 31	2015							2014						
Pool	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	0.31%	22.17%	13.59%	¥ 1,162,134	¥ —	¥ —	—	—	—	—	¥ —	¥ —	¥ —	—
Need caution	66.76%	30.05%	110.40%	1,932	—	—	—	—	—	—	—	—	—	—
Default	100.00%	44.59%	58.12%	4,317	—	—	—	—	—	—	—	—	—	—

Other retail exposure

Millions of yen (except percentages)

As of March 31	2015							2014						
Pool	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	0.45%	20.43%	14.48%	¥ 430	¥ —	¥ —	—	—	—	—	¥ —	¥ —	¥ —	—
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

	FY2014	FY2013	FY2012
Results of actual losses (a)	¥ 1,568	¥ 1,219	¥ 2,006
Expected losses (b)	10,565	12,602	15,881
Differences ((b) - (a))	8,997	11,383	13,875

QUANTITATIVE DISCLOSURE (NONCONSOLIDATED) (continued)

Retail

	Millions of yen		
	FY2014	FY2013	FY2012
Results of actual losses (a)	**¥ 245**		
Expected losses (b)	**1,291**		
Differences ((b) - (a))	**1,046**		

The above matrix shows the results of default (downgrade below substandard) losses (increase of reserve, write-offs and loss on sale) for the twelve-month period ended March 31, 2013, 2014 and 2015 for the Bank Group's non-default exposures at the start of the twelve-month period, with expected losses. The exposures for Housing Loans are calculated through the F-IRB approach starting from this Fiscal Year and are included above.

3. CREDIT RISK MITIGATION (CRM)

(1) COVERED AMOUNT OF CRM BY COLLATERAL

FIRB

	Millions of yen			
	2015		2014	
As of March 31	**Eligible financial collateral**	**Other eligible FIRB collateral**	Eligible financial collateral	Other eligible FIRB collateral
Corporate	**¥ 3,166**	**¥ 169,300**	¥ 935	¥ 182,677
Sovereign	**—**	**—**	—	—
Bank	**53,216**	**—**	53,216	—
Total	**¥ 56,382**	**¥ 169,300**	¥ 54,141	¥ 182,677

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

IRB

	Millions of yen	
As of March 31	**2015**	2014
Corporate	**¥ 1,585**	¥ 3,024
Sovereign	**42,786**	52,909
Bank	**30,000**	55,000
Residential mortgages	**—**	—
Qualified revolving retail	**—**	—
Other retail	**—**	—
Total	**¥ 74,371**	¥ 110,933

4. COUNTERPARTY CREDIT RISK OF DERIVATIVES

	Millions of yen	
As of March 31	**2015**	2014
Total amount of gross positive fair value	**¥ 432,409**	¥ 524,455
Amount of gross add-on	**135,952**	210,088
EAD before CRM	**568,362**	734,543
FX-related	**209,282**	229,115
Interest-related	**301,563**	276,539
Equity-related	**8,766**	67,028
Commodity-related	**—**	—
Credit derivatives	**48,727**	161,462
Others	**22**	397
Amount of net	**397,492**	499,904
EAD after net	**170,869**	234,639
Amount covered collateral	**—**	—
EAD after CRM	**170,869**	234,639

Note: Current Exposure Method

QUANTITATIVE DISCLOSURE (NONCONSOLIDATED) (continued)

• Notional amount of credit derivatives which have counterparty risk

Millions of yen

As of March 31	2015		2014	
Notional amount	**Protection-buy**	**Protection-sell**	Protection-buy	Protection-sell
Single name	**¥ 204,477**	**¥ 208,483**	¥ 232,589	¥ 241,347
Multi name	**58,976**	**58,976**	58,472	56,416

Not applicable for the following items;

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

5. SECURITIZATION

SECURITIZATION EXPOSURE ORIGINATED BY THE BANK (CREDIT RISK)
(1) Amount of original assets
Securitization by transfer of assets

Millions of yen

As of March 31	2015	2014
Type of original assets	**Amount of original assets**	Amount of original assets
Residential mortgages	**¥ 107,833**	¥ 155,191
Consumer loans	**—**	189,488
Commercial real estate loans	**—**	—
Corporate loans	**26,026**	26,318
Others	**162,325**	170,783
Total	**¥ 296,185**	¥ 541,782

Note: Includes originally securitized assets originated by the Bank, 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 March 31	2015	2014
Type of original assets	**Amount of Default**	Amount of Default
Residential mortgages	**¥ 508**	¥ 4,571
Consumer loans	**—**	—
Commercial real estate loans	**—**	—
Corporate loans	**26,026**	26,318
Others	**—**	—
Total	**¥ 26,535**	¥ 30,889

Note: Includes originally securitized assets originated by the Bank, 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 March 31	2015	2014
Type of original assets	**Amount of Exposure**	Amount of Exposure
Residential mortgages	**¥ 55,858**	¥ 62,271
Consumer loans	**—**	120,800
Commercial real estate loans	**—**	—
Corporate loans	**1,334**	19,518
Others	**134,155**	141,428
Total	**¥ 191,348**	¥ 344,018

QUANTITATIVE DISCLOSURE (NONCONSOLIDATED) (continued)

Resecuritization exposure

As of March 31	Millions of yen 2015	2014
Type of original assets	**Amount of Exposure**	Amount of Exposure
Residential mortgages	**¥ —**	¥ 845
Consumer loans	**—**	—
Commercial real estate loans	**—**	—
Corporate loans	**—**	—
Others	**—**	—
Total	**¥ —**	¥ 845

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

Securitization by transfer of assets

Excluding resecuritization exposure

As of March 31	Millions of yen 2015		2014	
Band of risk weight ratio	**Amount**	**Required capital amount**	Amount	Required capital amount
To 12%	**¥ 154,884**	**¥ 1,394**	¥ 179,455	¥ 1,669
Over 12% to 20%	**14,617**	**181**	90,762	1,421
Over 20% to 50%	**21,691**	**542**	27,500	816
Over 50% to 75%	**—**	**—**	34,500	2,194
Over 75% to 100%	**—**	**—**	11,800	944
Over 100% to 250%	**20**	**2**	—	—
Over 250% to 425%	**133**	**45**	—	—
Over 425% under 1,250%	**—**	**—**	—	—
Total	**¥ 191,348**	**¥ 2,164**	¥ 344,018	¥ 7,046

Resecuritization exposure

As of March 31	Millions of yen 2015		2014	
Band of risk weight ratio	**Amount**	**Required capital amount**	Amount	Required capital amount
To 30%	**¥ —**	**¥ —**	¥ —	¥ —
Over 30% to 50%	**—**	**—**	483	16
Over 50% to 100%	**—**	**—**	361	19
Over 100% to 225%	**—**	**—**	—	—
Over 225% to 500%	**—**	**—**	—	—
Over 500% under 1,250%	**—**	**—**	—	—
Total	**¥ —**	**¥ —**	¥ 845	¥ 36

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

As of March 31	Millions of yen 2015	2014
Type of original assets	**Amount**	Amount
Residential mortgages	**¥ 8,323**	¥ 9,414
Consumer loans	**—**	—
Commercial real estate loans	**—**	—
Corporate loans	**—**	—
Others	**—**	—
Total	**¥ 8,323**	¥ 9,414

QUANTITATIVE DISCLOSURE (NONCONSOLIDATED) (continued)

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

As of March 31	Millions of yen 2015	2014
Type of original assets	**Amount**	Amount
Residential mortgages	**¥ 1,901**	¥ 5,717
Consumer loans	**—**	—
Commercial real estate loans	**—**	—
Corporate loans	**—**	—
Others	**—**	—
Total	**¥ 1,901**	¥ 5,717

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 FY2014
- 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

As of March 31	Millions of yen 2015	2014
Type of original assets	**Amount of Exposure**	Amount of Exposure
Residential mortgages	**¥ —**	¥ 2,449
Consumer loans	**—**	—
Commercial real estate loans	**22,650**	56,221
Corporate loans	**12,998**	20,357
Others	**30,926**	24,207
Total	**¥ 66,575**	¥ 103,235

Resecuritization exposure

As of March 31	Millions of yen 2015	2014
Type of original assets	**Amount of Exposure**	Amount of Exposure
Residential mortgages	**¥ —**	¥ —
Consumer loans	**—**	—
Commercial real estate loans	**20,468**	—
Corporate loans	**12,782**	16,588
Others	**—**	—
Total	**¥ 33,250**	¥ 16,588

QUANTITATIVE DISCLOSURE (NONCONSOLIDATED) (continued)

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

Excluding resecuritization exposure

As of March 31	Millions of yen			
	2015		2014	
Band of risk weight ratio	**Amount**	**Required capital amount**	Amount	Required capital amount
To 12%	**¥ 36,518**	**¥ 216**	¥ 40,245	¥ 246
Over 12% to 20%	**7,406**	**94**	17,221	254
Over 20% to 50%	**—**	**—**	—	—
Over 50% to 75%	**—**	**—**	—	—
Over 75% to 100%	**—**	**—**	—	—
Over 100% to 250%	**19,848**	**3,160**	6,000	965
Over 250% to 425%	**2,801**	**960**	27,311	6,680
Over 425% under 1,250%	**—**	**—**	12,456	5,980
Total	**¥ 66,575**	**¥ 4,432**	¥ 103,235	¥ 14,127

Resecuritization exposure

As of March 31	Millions of yen			
	2015		2014	
Band of risk weight ratio	**Amount**	**Required capital amount**	Amount	Required capital amount
To 30%	**¥ 13,250**	**¥ 233**	¥ 16,588	¥ 311
Over 30% to 50%	**—**	**—**	—	—
Over 50% to 100%	**20,000**	**1,087**	—	—
Over 100% to 225%	**—**	**—**	—	—
Over 225% to 500%	**—**	**—**	—	—
Over 500% under 1,250%	**—**	**—**	—	—
Total	**¥ 33,250**	**¥ 1,321**	¥ 16,588	¥ 311

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

As of March 31	Millions of yen	
	2015	2014
Type of original assets	**Amount**	Amount
Residential mortgages	**¥ 1,892**	¥ 39
Consumer loans	**—**	—
Commercial real estate loans	**—**	—
Corporate loans	**32**	56
Others	**—**	—
Total	**¥ 1,924**	¥ 96

Not applicable for the following items;

• Credit risk mitigation for resecuritization exposure

QUANTITATIVE DISCLOSURE (NONCONSOLIDATED) (continued)

6. MARKET RISK (UNDER INTERNAL MODEL APPROACH)

(1) VAR AT THE END OF MARCH 2015 AND MARCH 2014 AND THE HIGH, MEAN AND LOW VAR

	Millions of yen	
As of March 31	**2015**	2014
VaR at term end	**¥ 594**	¥ 1,189
VaR through this term		
High	**1,534**	3,242
Mean	**789**	1,701
Low	**397**	713

(2) STRESSED VAR AT THE END OF MARCH 2015 AND MARCH 2014 AND THE HIGH, MEAN AND LOW VAR

	Millions of yen	
As of March 31	**2015**	2014
VaR at term end	**¥ 1,627**	¥ 2,188
VaR through this term		
High	**4,170**	4,249
Mean	**2,537**	2,759
Low	**1,492**	1,318

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

Not applicable for the following items;

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

7. EQUITY EXPOSURE IN BANKING BOOK

(1) BOOK VALUE AND FAIR VALUE

	Millions of yen	
As of March 31	**2015**	2014
Market-based approach		
Listed equity exposure	**¥ 682**	¥ 2,040
Unlisted equity exposure	**21,325**	17,773
PD/LGD method		
Listed equity exposure	**9,912**	10,202
Unlisted equity exposure	**441,408**	450,852

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

	Millions of yen	
	FY2014	FY2013
Gain (loss) on sale	**¥ 4,573**	¥ 3,286
Loss of depreciation	**417**	34

QUANTITATIVE DISCLOSURE (NONCONSOLIDATED) (continued)

(3) UNREALIZED GAIN OR LOSS WHICH IS RECOGNIZED ON BALANCE SHEET AND NOT RECOGNIZED ON PROFIT AND LOSS STATEMENT

As of March 31	Millions of yen	
	2015	2014
Unrealized gain (loss)	**¥ 9,313**	¥ 3,817

(4) AMOUNT OF EQUITY EXPOSURE UNDER GRANDFATHERING RULE SUBJECT TO THE ACCORD SUPPLEMENTARY PROVISION 13

As of March 31	Millions of yen	
	2015	2014
Grandfathering rule (100% risk weight apply)		¥ 16,420

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

As of March 31	Millions of yen	
	2015	2014
Regarded exposure (fund)	**¥ 37,424**	¥ 40,478

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

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

As of March 31	Billions of yen	
	2015	2014
JPY	**¥ (65.1)**	¥ (22.4)
USD	**(1.5)**	(2.2)
Others	**(1.4)**	(2.7)
Total	**¥ (68.1)**	¥ (27.4)

DISCLOSURE ITEMS CONCERNING REMUNERATION, ETC.

1. MATTERS CONCERNING THE SITUATION OF SETTING UP AN ORGANIZATIONAL STRUCTURE REGARDING REMUNERATION, ETC. FOR APPLICABLE OFFICERS AND EMPLOYEES OF SHINSEI BANK (GROUP)

(1) Scope of "Applicable Officers and Employees"
The scopes of "Applicable Officers" and "Applicable Employees, etc." (collectively, "Applicable Officers and Employees") prescribed in the announcement on remuneration subject to disclosure are as shown below.

1) Scope of "Applicable Officers"
Applicable Officers refer to the Directors and Audit & Supervisory Board Members of Shinsei Bank, excluding outside Directors and outside Audit & Supervisory Board Members.

2) Scope of "Applicable Employees, etc."
At Shinsei Bank, "Applicable Employees, etc." who are subject to disclosure refer to the "persons who receive a large amount of remuneration, etc." and who have a material impact on business operation or the situation of assets of Shinsei Bank and its major consolidated subsidiaries, etc. among the officers and employees of Shinsei Bank and officers and employees of its major consolidated subsidiaries, etc., excluding Applicable Officers.

(a) Scope of "major consolidated subsidiaries, etc."
Major consolidated subsidiaries etc. refer to the subsidiaries that are independently mentioned in the business report and consolidated financial statements and which are important for the operation of the Shinsei Bank Group, taking into account the significance of their impact on the financial conditions and business results of the Shinsei Bank Group. More specifically, they refer to the following seven companies. While there are four consolidated subsidiaries, etc. with total assets accounting for 2% or more of consolidated total asset, all of those four companies are included in the following seven companies.

APLUS FINANCIAL Co., Ltd.
Showa Leasing Co., Ltd.
SHINKI Co., Ltd.
Shinsei Financial Co., Ltd.
Shinsei Trust & Banking Co., Ltd.
Shinsei Securities Co., Ltd.
Shinsei Principal Investments Ltd.

(b) Scope of the "persons who receive a large amount of remuneration, etc."
The "persons who receive a large amount of remuneration, etc." refer to the persons who receive remuneration, etc. at the amount equal to or above the "average amount of remuneration paid to Applicable Officers (which was 39 million yen in the fiscal year reported)." In the fiscal year reported, there were two Applicable Employees who receive remuneration at the amount equal to or above the "average amount of remuneration paid to Applicable Officers."
With respect to lump-sum retirement allowances, the amount calculated by deducting from the amount of remuneration etc. the entire amount of the lump-sum retirement allowance and then adding the "amount obtained by dividing the lump-sum retirement allowance by the number of years of service" shall be deemed as the amount of remuneration, etc. for the relevant person in making judgment as to whether the said person is a "persons who receive a large amount of remuneration, etc."

(c) Scope of the "persons who have a material impact on business operation or the situation of assets of the Shinsei Bank Group"
The "persons who have a material impact on business operation or the situation of assets of the Shinsei Bank Group" refer to the persons who, in their normal duties, execute transactions and manage matters which have a significant degree of impact on the business operation of Shinsei Bank, Shinsei Bank Group, and its major consolidated subsidiaries, etc. or who have a material impact on the situation of assets through losses incurred in transactions, etc. More specifically, these include the Executive Officers and persons in similar positions at Shinsei Bank, and Directors, Executive Officers, etc. of its major consolidated subsidiaries.
In the fiscal year reported, there were two Applicable Employees who fell under (b). All of them were considered to be "persons who have a material impact on business operation or the situation of assets of the Shinsei Bank Group."

(2) Determination of remuneration, etc. for Applicable Officers and Employees

1) Determination of remuneration, etc. of Applicable Officers
At Shinsei Bank, the General Meeting of Shareholders determines the total maximum amount of remuneration paid to its officers (for Directors: up to 180 million yen a year (of this amount, 60 million yen is for outside directors); for Audit & Supervisory Board Members: up to 60 million yen a year). The allocation to each individual of the remuneration of Directors approved at the General Meeting of Shareholders is left to the discretion of the Board of Directors. The allocation to each individual of the remuneration for Audit & Supervisory Board Members is left to the consultations among Audit & Supervisory Board Members.

2) Determination of remuneration, etc. of Applicable Employees, etc.
Remuneration, etc. paid to employees of the Shinsei Bank Group is determined and paid under the remuneration system designed based on the management policy and human resources policy of Shinsei Bank and its major consolidated subsidiaries, etc. Such remuneration system is designed and documented by the Human Resources Divisions, etc. of Shinsei Bank and its major consolidated subsidiaries, etc., which are independent from business promotion groups. Furthermore, policies regarding salaries, etc. of Shinsei Bank's major consolidated subsidiaries, etc. are reported to the Human Resources Division of the Bank on a periodical basis for the said Division to check their contents.

2. MATTERS CONCERNING THE EVALUATION OF THE APPROPRIATENESS OF THE DESIGN AND APPLICATION OF THE SYSTEM RELATED TO REMUNERATION, ETC. FOR APPLICABLE OFFICERS AND EMPLOYEES OF SHINSEI BANK (GROUP)

(1) Policy on remuneration, etc.

1) Policy on remuneration, etc. for "Applicable Officers"
Remuneration for Applicable Officers of Shinsei Bank is deter-

mined at the Board of Directors attended by five outside Directors, Audit & Supervisory Board Members (Full-Time), and two outside Audit & Supervisory Board Members, based on an appropriate evaluation of the responsibilities, and contributions to the Bank's performance, of each officer in his/her duties and sufficient discussions taking into account the Bank's business results, market standards, etc.

2) Policy on remuneration, etc. for "Applicable Employees, etc."
Remuneration for Applicable Employees, etc. of the Shinsei Bank Group is determined based on performance evaluation against individual targets which are broken down under the quantitative and qualitative business plan prepared with a medium- to long-term viewpoint. With its emphasis on both medium- and long-term quantitative targets and achievement against qualitative targets, our system enables evaluations that do not excessively rely on short-term results.

3. MATTERS CONCERNING CONSISTENCY BETWEEN THE SYSTEM FOR REMUNERATION, ETC. OF APPLICABLE OFFICERS AND EMPLOYEES OF SHINSEI BANK (GROUP) AND RISK MANAGEMENT AND THE LINKAGE BETWEEN REMUNERATION, ETC. AND BUSINESS RESULTS

When determining remuneration, etc. of Applicable Officers, the total amounts of remuneration payable to Directors and Audit & Supervisory Board Members are each determined at the General Meeting of Shareholders, while the amount of remuneration, etc. payable to each Director and Audit & Supervisory Board Member is determined at the Board of Directors or through consultations among Audit & Supervisory Board Members, respectively. Furthermore, remuneration, etc. of Applicable Employees, etc. is determined taking into account the financial conditions, etc. of each member company of the Shinsei Bank Group.

While business results are taken into account in determining remuneration, etc. of Applicable Officers and Employees of the Shinsei Bank Group, the portion of performance-based remuneration, etc. paid to Applicable Officers and Employees is very small. Accordingly, we cannot say that our remuneration system is linked to performance. Also, our remuneration system will not have a negative impact on risk management.

4. MATTERS CONCERNING TYPES, TOTAL AMOUNT PAYABLE, AND PAYMENT METHOD OF REMUNERATION, ETC. FOR APPLICABLE OFFICERS AND EMPLOYEES OF SHINSEI BANK (GROUP)

Total amount of remuneration, etc. for Applicable Officers and Employees (from April 1, 2014 to March 31, 2015)
(For both consolidated/and non-consolidated bases)

Category	Number of people	Total amount of remuneration, etc. (in million yen)	Total amount of fixed remuneration	Basic remuneration	Stock option	Other	Total amount of variable remuneration	Basic remuneration	Bonus	Other	Retirement allowance	Other
Applicable Officers (excl. outside officers)	3	118	118	118	0	0	0	0	0	0	0	0
Applicable Employees, etc.	2	208	200	70	0	130	0	0	0	0	8	0

Notes: (1) Because Applicable Employees, etc. only include employees of Shinsei Bank, the figures on consolidated and non-consolidated bases are the same.
(2) Applicable Officers include three people in total consisting of two fulltime Directors and one Audit & Supervisory Board Member (Full-Time).
(3) The total amount of remuneration paid to fulltime officers (fulltime Directors and Audit & Supervisory Board Member (Full-Time), excluding remuneration paid when they were employees, was 118 million yen (including bonuses paid to Executive Officers). The average number of the payees during the year was three and the average amount of remuneration paid to fulltime officers was 39 million yen.
(4) Two people who received remuneration at or over 39 million yen as shown in the certificate of income and withholding tax were identified as Applicable Employees, etc. The table shows the amount of remuneration paid to these two people during the fiscal year reported (April 2014 to March 2015).
(5) Specific comments on the breakdown of remuneration are as below.
1) Fixed remuneration
• Stock option
This refers to the amount posted as expenses during the fiscal year reported with respect to stock options granted in previous years.
• Other
This refers to the amount posted as the reserve during the fiscal year reported with respect to deferred remuneration based on contracts concluded in previous years and bonuses which payment is guaranteed.
2) Variable remuneration
• Bonuses
This refers to the bonuses paid during the fiscal year reported.
3) Retirement allowance
This refers to the amount posted as retirement benefit expenses (service cost) for applicable persons and severance pay during the fiscal year reported.
(6) The exercise periods of stock options granted are as shown below.

	Exercise period	
Shinsei Bank, Ltd. 1st Warrant	From July 1, 2006 to June 23, 2014	From July 1, 2007 to June 23, 2014
Shinsei Bank, Ltd. 5th Warrant	From July 1, 2007 to June 23, 2015	From July 1, 2008 to June 23, 2015
Shinsei Bank, Ltd. 6th Warrant	From July 1, 2007 to June 23, 2015	From July 1, 2008 to June 23, 2015
Shinsei Bank, Ltd. 7th Warrant	From July 1, 2008 to June 23, 2015	From July 1, 2010 to June 23, 2015
Shinsei Bank, Ltd. 8th Warrant	From July 1, 2008 to June 23, 2015	From July 1, 2010 to June 23, 2015
Shinsei Bank, Ltd. 13th Warrant	From June 1, 2008 to June 23, 2015	From June 1, 2009 to June 23, 2015
Shinsei Bank, Ltd. 14th Warrant	From June 1, 2008 to June 23, 2015	From June 1, 2009 to June 23, 2015
Shinsei Bank, Ltd. 15th Warrant	From June 1, 2009 to June 23, 2015	From June 1, 2011 to June 23, 2015
Shinsei Bank, Ltd. 16th Warrant	From June 1, 2009 to June 23, 2015	From June 1, 2011 to June 23, 2015
Shinsei Bank, Ltd. 18th Warrant	From June 1, 2009 to May 8, 2017	From June 1, 2011 to May 8, 2017
Shinsei Bank, Ltd. 20th Warrant	From June 1, 2010 to May 13, 2018	From June 1, 2012 to May 13, 2018

5. OTHER MATTERS THAT SHOULD BE REFERRED TO CONCERNING THE SYSTEM OF REMUNERATION, ETC. FOR APPLICABLE OFFICERS AND EMPLOYEES OF SHINSEI BANK (GROUP)

There is no applicable matter.

CORPORATE INFORMATION

SHINSEI BANK GROUP

AS OF MARCH 31, 2015

As of March 31, 2015, the Shinsei Bank Group consisted of Shinsei Bank, Limited, 270 subsidiaries (comprising 179 consolidated companies including APLUS FINANCIAL Co., Ltd., Showa Leasing Co., Ltd., Shinsei Financial Co., Ltd. and Shinsei Principal Investments Ltd. and 91 unconsolidated subsidiaries) and 20 affiliated companies (19 affiliated companies accounted for using the equity method, such as Jih Sun Financial Holding Co., Ltd. and 1 affiliates accounted for not applying the equity method). The Shinsei Bank Group provides a wide variety of financial products and services to domestic institutional and individual customers through the "Institutional Group," the "Global Markets Group," and the "Individual Group."

MAJOR SUBSIDIARIES AND AFFILIATES

Name	Location	Main business
Major Domestic Subsidiaries		
Showa Leasing Co., Ltd.	Tokyo, Japan	Leasing[1]
Shinsei Trust & Banking Co., Ltd.	Tokyo, Japan	Trust banking[1]
Shinsei Securities Co., Ltd.	Tokyo, Japan	Securities[2]
Shinsei Investment Management Co., Ltd.	Tokyo, Japan	Investment trust and discretionary investment advising[2]
Shinsei Principal Investments Ltd.	Tokyo, Japan	Financial instruments business[1]
Shinsei Corporate Investment Limited	Tokyo, Japan	Investment[1]
Shinsei Investment & Finance Limited	Tokyo, Japan	Finance[1]
Shinsei Servicing & Consulting Limited	Tokyo, Japan	Servicing business[1]
Shinsei Property Finance Co., Ltd.	Tokyo, Japan	Real estate collateral finance[3]
APLUS FINANCIAL Co., Ltd.	Osaka, Japan	Holding company[3]
APLUS Co., Ltd.	Osaka, Japan	Installment credit[3]
APLUS Personal Loan Co., Ltd.	Osaka, Japan	Finance[3]
Zen-Nichi Shinpan Co., Ltd.	Okayama, Japan	Installment credit[3]
Shinsei Financial Co., Ltd.	Tokyo, Japan	Finance[3]
SHINKI Co., Ltd.	Tokyo, Japan	Financing for individuals and small businesses[3]
Major Overseas Subsidiaries		
Shinsei International Limited	London, UK	Securities[2]
Shinsei Finance (Cayman), Limited	Grand Cayman, Cayman Islands	Finance[4]
Shinsei Finance II (Cayman), Limited	Grand Cayman, Cayman Islands	Finance[4]
Shinsei Finance V (Cayman), Limited	Grand Cayman, Cayman Islands	Finance[4]
Major Affiliates Accounted for Using the Equity Method		
Comox Holdings Ltd.	Hamilton, Bermuda	Holding company[2]
Jih Sun Financial Holding Co., Ltd.	Taipei, Taiwan	Finance[1]

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

EMPLOYEES

	2013	2014	**2015**
Consolidated			
Number of Employees	4,863	5,064	**5,300**
Nonconsolidated			
Number of Employees	1,931	2,030	**2,186**
Male	1,063	1,141	**1,249**
Female	868	889	**937**
Average age	40 years 3 months	40 years 3 months	**40 years 4 months**
Average years of service	11 years 8 months	11 years 5 months	**11 years 2 months**
Average monthly salary	¥487 thousand	¥482 thousand	**¥494 thousand**

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

AS OF MARCH 31, 2015

			Equity stake held by Shinsei Bank and consolidated subsidiaries (%)		
Capital (in millions)	Established	Acquired		Equity stake held by Shinsei Bank	Equity stake held by consolidated subsidiaries of Shinsei Bank
¥ 29,360	1969.4	2005.3	97.8%	97.8%	—%
5,000	1996.11	—	100.0	100.0	—
8,750	1997.8	—	100.0	100.0	—
495	2001.12	—	100.0	100.0	—
100	2006.4	2012.12	100.0	100.0	—
50	2012.11	—	100.0	—	100.0
100	1993.1	2000.9	100.0	—	100.0
500	2001.10	—	100.0	—	100.0
2,750	1959.5	2002.3	100.0	100.0	—
15,000	1956.10	2004.9	95.0	3.5	91.5
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
£ 3	2004.9	—	100.0%	100.0%	—%
$ 58	2006.2	—	100.0	100.0	—
$ 39	2006.3	—	100.0	100.0	—
¥ 9,008	2009.9	—	100.0	100.0	—
$ 16	2007.6	2010.8	49.9%	49.9%	—%
NT$ 32,151	2002.2	2006.7	35.4	—	35.4

NETWORK

AS OF JUNE 30, 2015

DOMESTIC OUTLETS:

AS OF JUNE 30, 2015

35 outlets (28 branches including head office, 7 annexes)

Hokkaido

- Sapporo Branch

Tohoku

- Sendai Branch

Kanto (Excluding Tokyo)

- Omiya Branch
- Ikebukuro Branch—Kawaguchi Annex
- Kashiwa Branch
- Tsudanuma Branch
- Yokohama Branch
- Yokohama Branch—Kawasaki Annex
- Fujisawa Branch

Tokyo

- Head Office
- Tokyo Branch
- Ginza Branch
- Ikebukuro Branch
- Ueno Branch
- Kichijoji Branch
- Shinjuku Branch
- Roppongi Hills Branch
- Futakotamagawa Branch
- Futakotamagawa Branch—Jiyugaoka Annex
- Hachioji Branch
- Machida Branch

Hokuriku

- Kanazawa Branch

Tokai

- Nagoya Branch

Kinki

- Kyoto Branch
- Osaka Branch
- Umeda Branch
- Umeda Branch—Hankyu Umeda Annex
- Umeda Branch—Senri Chuo Annex
- Umeda Branch—Takatsuki Annex
- Namba Branch
- Namba Branch—Sakai Higashi Annex
- Kobe Branch

Chugoku

- Hiroshima Branch

Shikoku

- Takamatsu Branch

Kyushu

- Fukuoka Branch

SHINSEI BANK CARD LOAN—LAKE UNSTAFFED BRANCHES:

AS OF JUNE 30, 2015

Shinsei Bank Card Loan—Lake unstaffed branches	761 locations

PARTNER TRAIN STATION AND CONVENIENCE STORE ATMS:

AS OF JUNE 30, 2015

Seven Bank, Ltd. ATMs	19,646 locations
E-net ATMs	13,179 locations
Lawson ATM Networks ATMs	10,843 locations
VIEW ALTTE ATMs	295 locations

STOCK INFORMATION
AS OF MARCH 31, 2015

Shares Outstanding and Capital

1,000 shares, millions of yen

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

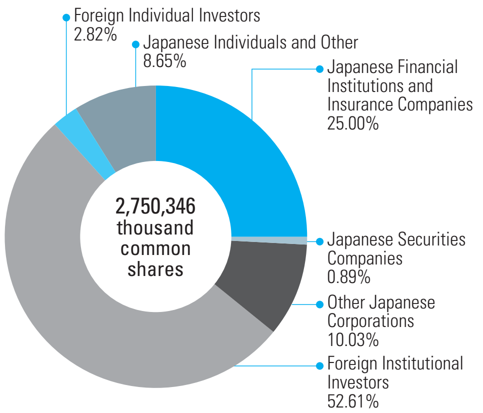
1 Figures include number of preferred shares outstanding

Largest Shareholders

Rank	Shareholders	Thousands of Common Shares	%
1	SATURN IV SUB LP (JPMCB 380111)	323,680	11.76
2	Deposit Insurance Corporation of Japan	269,128	9.78
3	THE RESOLUTION AND COLLECTION CORPORATION	200,000	7.27
4	THE MASTER TRUST BANK OF JAPAN, LTD. (TRUST ACCOUNT)	151,446	5.50
5	SATURN JAPAN III SUB C.V. (JPMCB 380113)	110,449	4.01
6	JAPAN TRUSTEE SERVICE BANK, LTD. (TRUST ACCOUNT)	105,053	3.81
7	SHINSEI BANK, LIMITED	96,428	3.50
8	JP MORGAN CHASE BANK 380055	92,773	3.37
9	J.CHRISTOPHER FLOWERS	76,753	2.79
10	CREDIT SUISSE SECURITIES (USA) LLC SPCL. FOR EXCL. BEN	47,695	1.73
11	EUROCLEAR BANK S.A./N.V.	45,813	1.66
	Total (includes treasury shares)	2,750,346	100.00

Notes: 1 As of March 31, 2015, a group of investors, including affiliates of J.C. Flowers & Co. LLC., holds 553,663,517 common shares or 20.86% of Shinsei Bank's outstanding common shares, excluding treasury shares.
2 As of March 31, 2015, in total, the Deposit Insurance Corporation and the Resolution and Collection Corporation hold 469,128,888 common shares or 17.67% of Shinsei Bank's outstanding common shares, excluding treasury shares.

Largest Shareholders



Notes: 1 "Japanese Financial Institutions and Insurance Companies" includes the Resolution and Collection Corporation.
2 "Other Japanese Corporations" includes the Deposit Insurance Corporation.
3 "Japanese Individuals and Other" includes treasury shares.

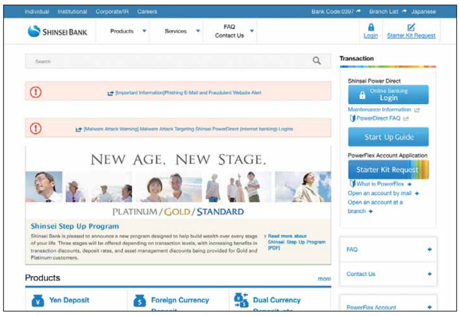
RATINGS INFORMATION
AS OF JULY 1, 2015

	Long-Term (Outlook)	Short-Term
Moody's	Baa3 (Positive)	Prime-3
Standard and Poor's (S&P)	BBB+ (Stable)	A-2
Japan Credit Rating Agency (JCR)	BBB+ (Stable)	J-2
Rating and Investment Information, Inc. (R&I)	BBB+ (Positive)	a-2

WEBSITE

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

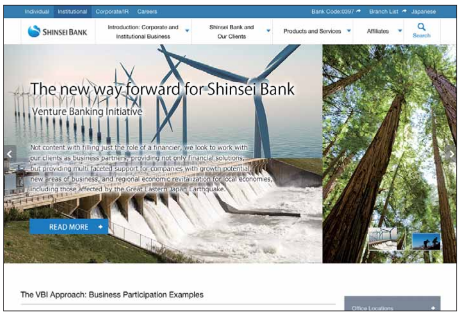
INDIVIDUAL



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

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

INSTITUTIONAL

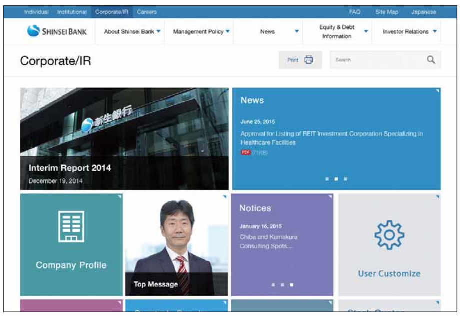


http://www.shinseibank.com/institutional/en/

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

Additionally, information regarding the Bank's undertakings in its "Venture Banking Initiative," ("VBI") is available in the form of interviews with customers. Through the VBI the Bank is working proactively to contribute to the growth of its customers, the economy, society and regional areas. Information regarding branches, affiliates and market reports (Japanese language only) is also available.

CORPORATE/IR



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

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

For further information, please contact:

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