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)

Fiscal years ended March 31	2015 Average Balance	2015 Interest	2015 Yield/Rate	2014 Average Balance	2014 Interest	2014 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 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)

	Billions of yen		
Fiscal years ended March 31	**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.

RESULTS OF OPERATIONS (CONSOLIDATED) (continued)

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.

RESULTS OF OPERATIONS (CONSOLIDATED) (continued)

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)

Fiscal years ended March 31	Billions of yen 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 non-consolidated 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)

	Billions of yen	
As of March 31	**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]		Risk-monitored Loans[2]
				Total loans and bills discounted: 4,222.9	Other 76.8	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.

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	Amounts of coverage: Collateral and guarantees	Amounts of coverage: 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)

	Billions of yen	
As of March 31	**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)

	Billions of yen	
As of March 31	**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

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)

	Billions of yen (except percentages)	
As of March 31	**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.

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												
						Accumulated other comprehensive income							
	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock, at cost	Unrealized gain (loss) on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Foreign currency translation adjustments	Defined retirement benefit plans	Total	Minority interests	Total equity
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)												
						Accumulated other comprehensive income							
	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock, at cost	Unrealized gain (loss) on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Foreign currency translation adjustments	Defined retirement benefit plans	Total	Minority interests	Total equity
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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONSOLIDATED

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.

(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.

(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**

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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**

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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.

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.

31. INCOME TAXES

CONSOLIDATED

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).

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

Fiscal year ended March 31, 2015	Thousands of U.S. dollars						
	Institutional Group				Global Markets Group		
	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	$ —	$ —	$ —	$ —	$ —

Fiscal year ended March 31, 2015	Thousands of U.S. dollars						
	Individual Group				Corporate/Other		
		Consumer Finance Sub-Group					
	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:

	Millions of yen		Thousands of U.S. dollars
Fiscal Year ended March 31	**2015**	2014	**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:

		Amount of the transaction				Balance at the end of fiscal year		
		Millions of yen		Thousands of U.S. dollars		Millions of yen		Thousands of U.S. dollars
Related party	Description of the transaction	**2015**	2014	**2015**	Account name	**2015**	2014	**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.

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

As of March 31, 2015	Thousands of U.S. dollars 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

As of March 31, 2015	Millions of yen 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

As of March 31, 2015	Thousands of U.S. dollars 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.

38. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

CONSOLIDATED

(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)

(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	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	¥ 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%	

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	2015 Reserve Amount	2014 Reserve Amount
	Millions of yen	
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

	FY2014 Amount of write-off	FY2013 Amount of write-off
	Millions of yen	
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

	Millions of yen	
As of March 31	**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

	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%	**¥ 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

	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	**—**	—
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

	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 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

	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	**—**	—
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	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 GROUP INVESTS

(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	**¥ —**	¥ 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 (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	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 (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

Millions of yen

As of March 31	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

Millions of yen

As of March 31	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

Millions of yen

As of March 31	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

Millions of yen

As of March 31	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

As of March 31	Millions of yen 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

As of March 31	Millions of yen 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

As of March 31	Millions of yen 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)

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QUANTITATIVE DISCLOSURE (NONCONSOLIDATED)

1. CAPITAL ADEQUACY

(1) AMOUNT OF REQUIRED CAPITAL FOR CREDIT RISK

Portfolios under the Standardized Approach (SA)

Millions of yen

As of March 31	2015 Required capital amount	2014 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

As of March 31	2015 Required capital amount	2014 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

As of March 31	2015 Required capital amount	2014 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

As of March 31	2015 Required capital amount	2014 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

As of March 31	Millions of yen	
	2015	2014
	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

As of March 31	Millions of yen	
	2015	2014
	Required capital amount	Required capital amount
The Standardized Approach	**¥ 14,647**	¥ 13,894

(6) TOTAL REQUIRED CAPITAL (DOMESTIC STANDARD)

As of March 31	Millions of yen	
	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

As of March 31	Millions of yen	
	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

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%	**¥ 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	2015		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		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	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 (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

	Millions of yen	
As of March 31	**2015**	2014
Unrealized gain (loss)	**¥ 9,313**	¥ 3,817

(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)		¥ 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

	Millions of yen	
As of March 31	**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:

	Billions of yen	
As of March 31	**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-

DISCLOSURE ITEMS CONCERNING REMUNERATION, ETC. (CONTINUED)

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."

Shinsei Bank, Limited

- Institutional Group
  - Head Office and domestic branch offices
  - Major subsidiaries: •Showa Leasing Co., Ltd. •Shinsei Trust & Banking Co., Ltd. •Shinsei Principal Investments Ltd.
- Global Markets Group
  - Head Office and domestic branch offices
  - Major subsidiaries: •Shinsei Securities Co., Ltd. •Shinsei Investment Management Co., Ltd.
- Individual Group
  - Head Office and domestic branches
  - Major subsidiaries: •Shinsei Financial Co., Ltd. •SHINKI Co., Ltd. •APLUS FINANCIAL Co., Ltd.

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

Capital (in millions)	Established	Acquired	Equity stake held by Shinsei Bank and consolidated subsidiaries (%)		
				Equity stake held by Shinsei Bank	Equity stake held by consolidated subsidiaries of Shinsei Bank
¥ 29,360	1969.4	2005.3	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

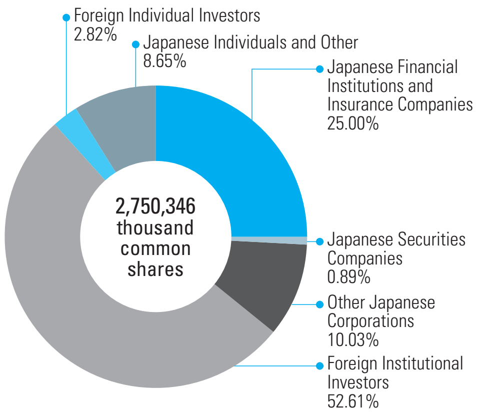
1 Figures include number of preferred shares outstanding

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

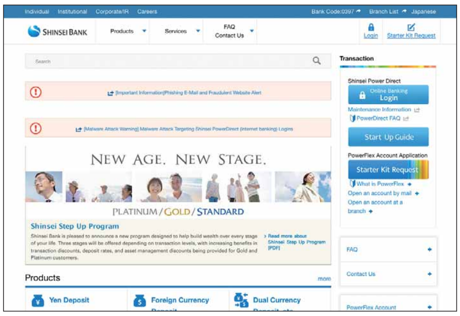
	Long-Term (Outlook)	Short-Term
Moody's	Baa3 (Positive)	Prime-3
Standard and Poor's (S&P)	BBB+ (Stable)	A-2
Japan Credit Rating Agency (JCR)	BBB+ (Stable)	J-2
Rating and Investment Information, Inc. (R&I)	BBB+ (Positive)	a-2

Financial Highlights
Message from the Management
Special Features
Review of Operations
Management Structure
Corporate Information
Data Section

WEBSITE

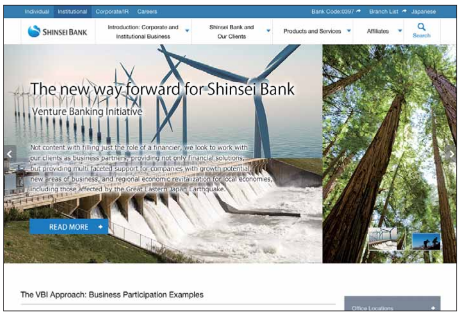
Our English and Japanese websites provide a wide range of corporate data as well as information for individual and institutional customers and investors.

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.

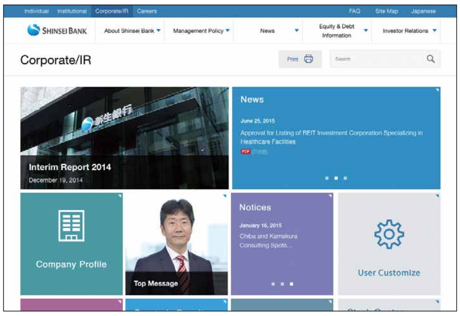
INSTITUTIONAL



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.