Unique
Growing
Speed & Action

Interim Report 2014

Six months ended September 30, 2014

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Unique

Differentiating ourselves through our values and unique approaches

Growing

Growing together with customers and markets

Speed and Action

Building capability and moving forward

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

Shinsei Way

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

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

SHINSEI BANK'S BUSINESS PROFILE

As of September 30, 2014

SHINSEI BANK GROUP

Individual Business (Individual Group)

Consumer Finance Sub-Group

- Shinsei Bank Lake
  - 新生銀行 カードローン レイク
  - Shinsei Bank Card Loan—Lake
- Unsecured Personal Loan, Credit Guarantee
  - SHINSEI FINANCIAL
- Unsecured Personal Loan
  - A Financial Venture シンキ株式会社
  - SHINKI Co., Ltd.
- Credit Card, Shopping Credit, Settlement
  - APLUS FINANCIAL
- Real Estate Mortgage Loan
  - SHINSEI PROPERTY FINANCE

Retail Banking Sub-Group

- Retail Deposits
- Mutual Funds
- Structured Deposits
- Insurance
- Housing Loan
- Overseas Remittance

Institutional Business (Institutional Group, Global Markets Group)

Institutional Group

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

Markets Group

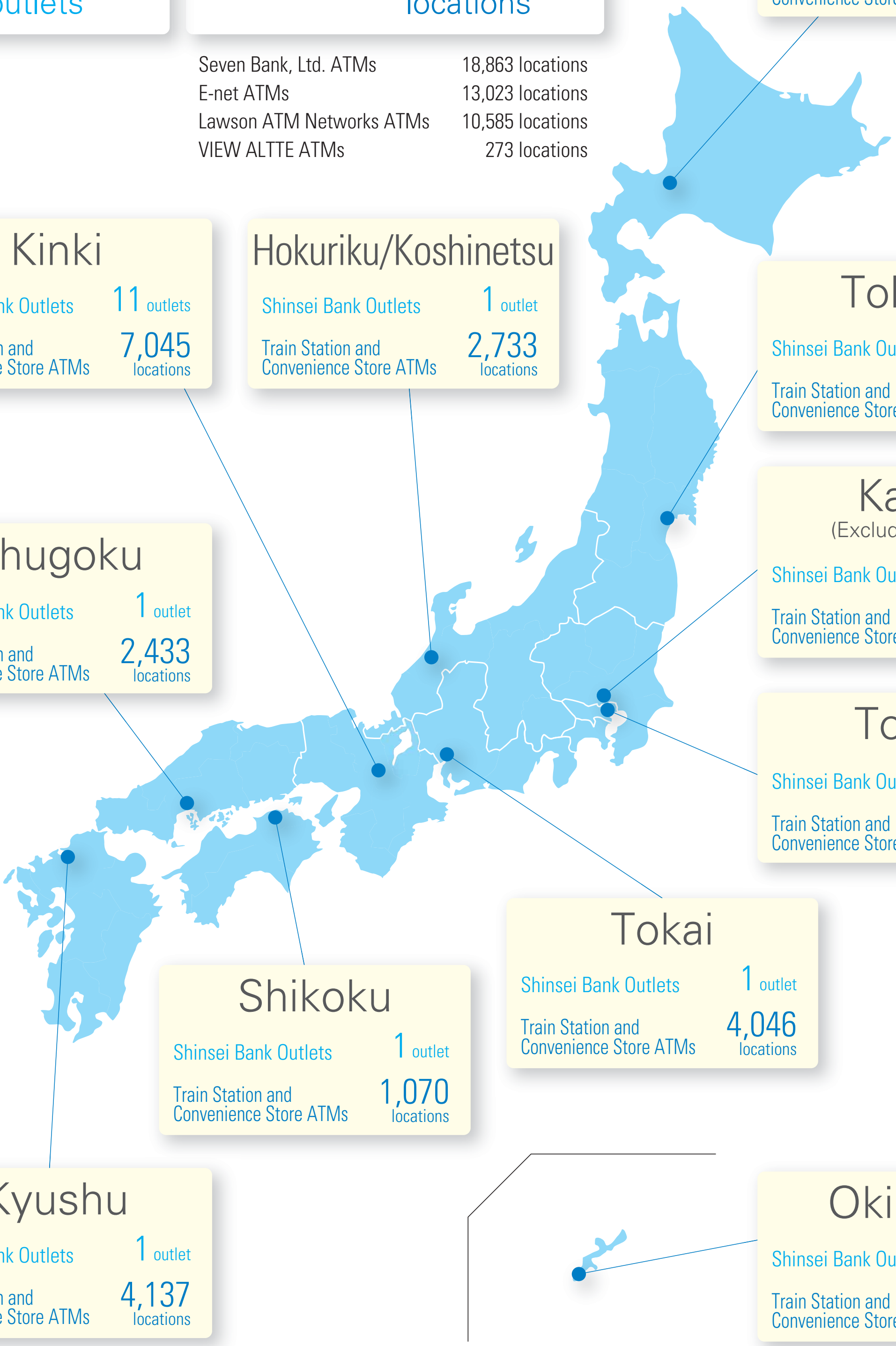
- Financial Institutions
- Markets
- Wealth Management
- Asset Management
  - SHINSEI INVESTMENT MANAGEMENT
- Securities (Securitization, Structured Debentures)
  - SHINSEI SECURITIES

NETWORK

As of November 30, 2014

Shinsei Bank Outlets	Train Station and Convenience Store ATMs
39 outlets	42,744 locations

Seven Bank, Ltd. ATMs	18,863 locations
E-net ATMs	13,023 locations
Lawson ATM Networks ATMs	10,585 locations
VIEW ALTTE ATMs	273 locations



Region	Shinsei Bank Outlets	Train Station and Convenience Store ATMs
Hokkaido	1 outlet	1,746 locations
Tohoku	1 outlet	2,839 locations
Kanto (Excluding Tokyo)	9 outlets	10,252 locations
Tokyo	12 outlets	6,024 locations
Hokuriku/Koshinetsu	1 outlet	2,733 locations
Tokai	1 outlet	4,046 locations
Kinki	11 outlets	7,045 locations
Chugoku	1 outlet	2,433 locations
Shikoku	1 outlet	1,070 locations
Kyushu	1 outlet	4,137 locations
Okinawa	0 outlets	419 locations

FINANCIAL HIGHLIGHTS

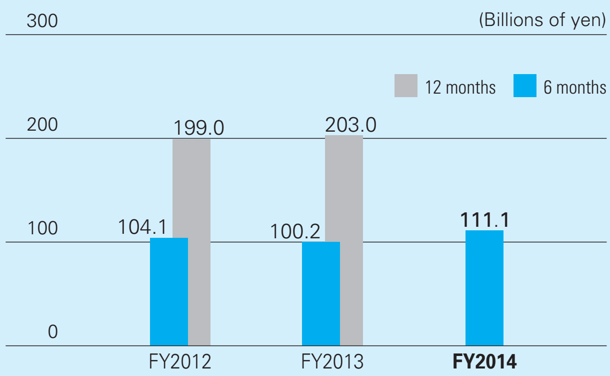
Shinsei Bank, Limited, and its Consolidated Subsidiaries
Six months ended September 30, 2012, 2013 and 2014, and years ended March 31, 2013 and 2014[1]

	Billions of yen				
	September 30 (6 months)			March 31 (12 months)	
	2012	2013	**2014**	2013	2014
For the fiscal year:					
Net interest income	¥ 56.1	¥ 55.0	**¥ 60.5**	¥ 111.6	¥ 110.5
Noninterest income	47.9	45.2	**50.5**	87.3	92.5
Net fees and commissions	8.7	11.6	**10.8**	19.1	22.4
Net trading income	9.5	6.9	**5.4**	20.0	13.9
Net other business income	29.5	26.5	**34.1**	48.1	56.1
Total revenue	104.1	100.2	**111.1**	199.0	203.0
General and administrative expenses	64.7	67.0	**71.1**	130.9	135.0
Net business profit	33.6	28.0	**35.3**	57.2	58.1
Net credit costs	6.2	0.3	**5.0**	5.5	0.2
Net business profit after net credit costs	27.4	27.7	**30.3**	51.7	57.9
Net income	25.7	27.2	**28.9**	51.0	41.3
Cash basis net income[2]	30.6	31.7	**32.9**	60.4	49.8

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

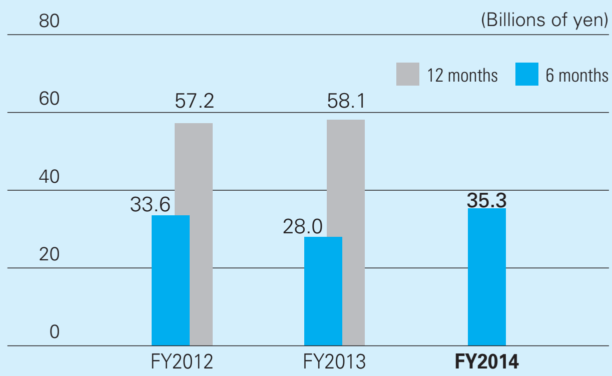
Total revenue

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



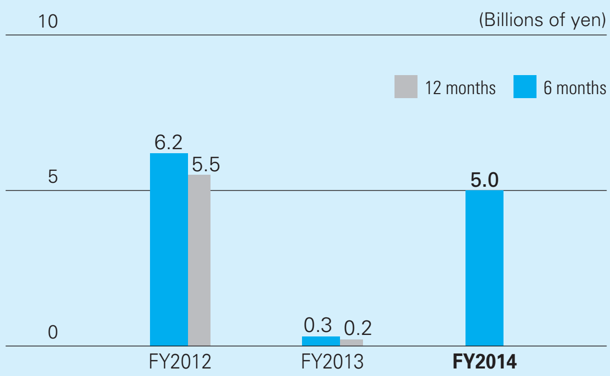
Net business profit

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



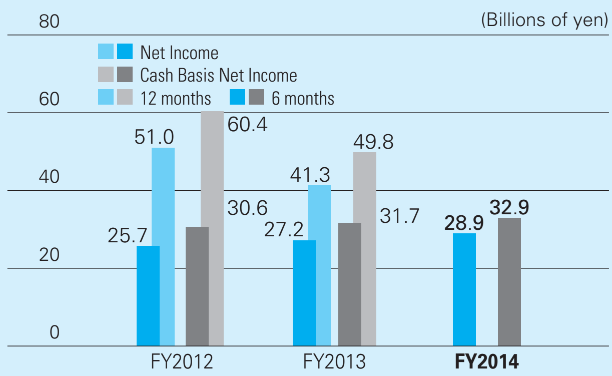
Net credit costs

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



Consolidated net income, cash basis net income

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



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	Billions of yen				
	September 30 (6 months)			March 31 (12 months)	
	2012	2013	**2014**	2013	2014
Balances at fiscal year-end:					
Securities	¥ 2,003.4	¥ 1,794.7	**¥ 1,621.3**	¥ 1,842.3	¥ 1,557.0
Loans and bills discounted	4,281.9	4,208.6	**4,338.6**	4,292.4	4,319.8
Total assets	8,882.5	8,905.5	**9,190.1**	9,029.3	9,321.1
Deposits, including negotiable certificates of deposit	5,374.6	5,753.4	**5,611.0**	5,457.5	5,850.4
Debentures	277.6	45.8	**37.7**	262.3	41.7
Total liabilities	8,235.2	8,198.5	**8,483.9**	8,345.6	8,598.5
Total equity	647.2	706.9	**706.2**	683.6	722.5
Total liabilities and equity	8,882.5	8,905.5	**9,190.1**	9,029.3	9,321.1

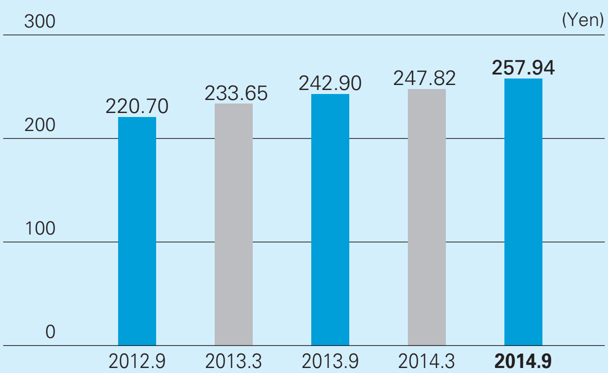
	Yen				
	September 30 (6 months)			March 31 (12 months)	
	2012	2013	**2014**	2013	2014
Per share data:					
Common equity	¥ 220.70	¥ 242.90	**¥ 257.94**	¥ 233.65	¥ 247.82
Fully diluted equity[3]	220.70	242.90	**257.94**	233.65	247.82
Basic net income	9.70	10.26	**10.90**	19.24	15.59
Diluted net income	9.70	10.26	**10.90**	19.24	15.59
Dividends	—	—	**—**	1.00	1.00
Cash basis per share data:					
Basic net income	¥ 11.56	¥ 11.96	**¥ 12.41**	¥ 22.77	¥ 18.78
Diluted net income	—	11.96	**—**	—	18.78

	%				
	September 30 (6 months)			March 31 (12 months)	
	2012	2013	**2014**	2013	2014
Ratios:					
Return on assets[4]	0.6	0.6	**0.6**	0.6	0.5
Cash basis return on assets	0.7	0.7	**0.7**	0.7	0.5
Return on equity (fully diluted)[5]	8.9	8.6	**8.6**	8.6	6.5
Cash basis return on equity (fully diluted)[6]	11.6	10.7	**10.3**	11.1	8.3
Expense-to-revenue ratio	62.2	66.9	**64.0**	65.8	66.5
Total capital adequacy ratio (Basel II, Domestic Standard)	11.71	14.12	**—**	12.24	—
Capital ratio (Basel III, Domestic Standard)	—	—	**13.81**	—	13.58
Ratio of nonperforming claims classified under the Financial Revitalization Law to total claims	6.16	4.76	**2.61**	5.32	3.81

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

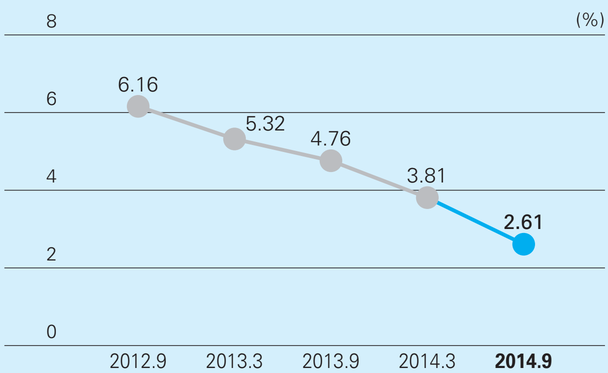
Common equity per share

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



Nonperforming loan ratio under the Financial Revitalization Law

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



TO OUR SHAREHOLDERS, CUSTOMERS, AND EMPLOYEES

President and Chief Executive Officer Shigeki Toma

In the first half of fiscal year 2014, Shinsei Bank posted a consolidated net income of 28.9 billion yen, a steady progression toward our full year net income target of 55.0 billion yen. We are continuing to devote our full energy toward the achievement of the goals of our Second Medium-Term Management Plan (Second MTMP), proactively investing management resources in strategic areas of our institutional and individual businesses in order to accelerate new initiatives, and substantially expand our revenue base.

During the first half of fiscal year 2014, consumer spending and corporate manufacturing activity were generally weak due to a reflexive decline in demand that followed a surge previous to the consumption tax hike. However, the Japanese economy remains on a mild recovery track, with consumer spending continuing to recover after the initial reflexive consumption tax hike related downturn, employment conditions steadily improving, corporate profits showing an overall favorable trend, and consumer prices rising at a moderate pace. On the other hand, the protraction of the decreased demand following the increase in demand before the consumption tax hike and concerns about economic downturns overseas linger as downside risks for the economy, and we must continue to closely monitor developments in these areas.

In this business environment, Shinsei Bank continued its efforts to establish a unique business base, increase revenue and further strengthen its balance sheet, while also proactively implementing initiatives aimed at expanding our individual and institutional businesses in line with the goals of the Second MTMP.

As a result, during the first half of fiscal year 2014 we posted consolidated total revenue of 111.1 billion yen, an increase of 10.8 billion yen compared to the first half of fiscal year 2013. Consolidated interim net income totaled 28.9 billion yen, increased by 1.6 billion yen compared to the first half of fiscal year 2013, a smooth progression toward the achievement of our full year net income target of 55.0 billion yen.

This strong performance achieved by Shinsei Bank in the first half of fiscal year 2014 could not have been possible without the continued understanding and support of our various stakeholders. I would like to take this opportunity to express our sincerest appreciation for your support.

Shinsei Bank, under the Second MTMP, is aiming to increase profits by expanding its customer base and accumulating high quality assets, in order to achieve continuing, sustainable growth. We are undertaking a number of new initiatives to achieve the goals of the MTMP, and these are beginning to bear fruit in various areas. Going forward, our challenge will be to ensure that these initiatives bring about tangible results in the form of increased revenues. We will continue to work toward achieving the goals of our Second MTMP, aggressively investing management resources in strategic business areas, accelerating new initiatives, and redoubling efforts to substantially increase revenues.

We look forward to your continued support and guidance in the future.

December 2014

Shigeki Toma
President and Chief Executive Officer

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

(FY2013 - FY2015)

Management Principles

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

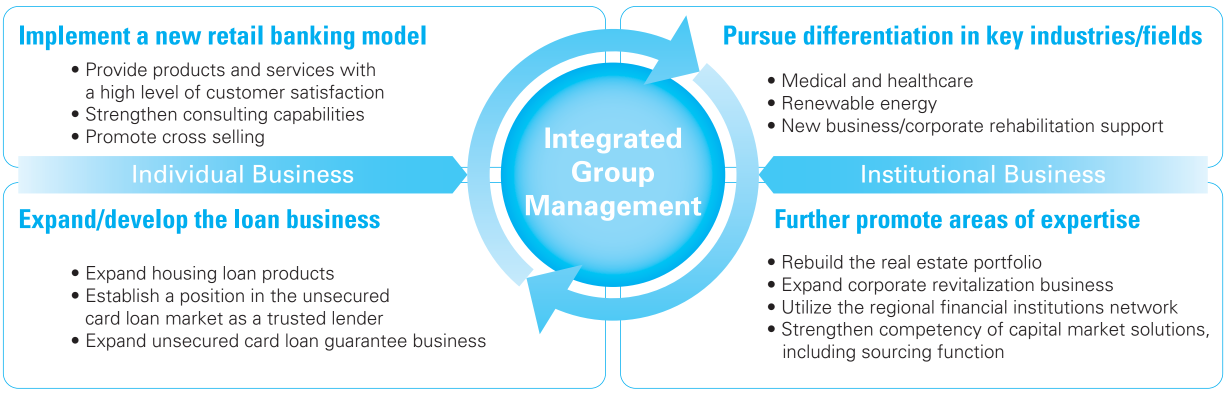
Basic strategy

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

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

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

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



Targets

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

FY2015 Financial Targets

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

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

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

Review of Operations

AT A GLANCE
Segment Data

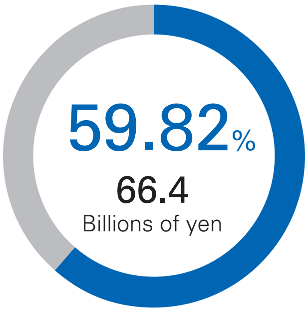
INDIVIDUAL GROUP

Major Business

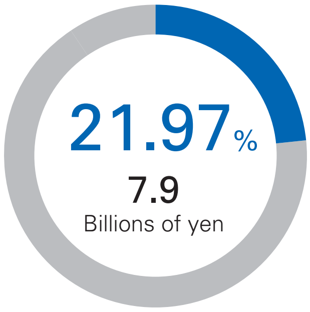
- Retail Banking
  - Deposit related products (saving deposits, time deposits, structured deposits, foreign currency deposits)
  - Asset management (consultation, mutual funds, annuity products)
  - Housing loans
- Consumer Finance
  - Unsecured personal loans (Shinsei Bank, Shinsei Financial, SHINKI)
  - Installment sales credit, settlement, credit cards (APLUS FINANCIAL)
  - Credit Guarantees (Shinsei Financial, APLUS FINANCIAL)

Contribution[1]

Total Revenue



Ordinary Business Profit after Net Credit Costs



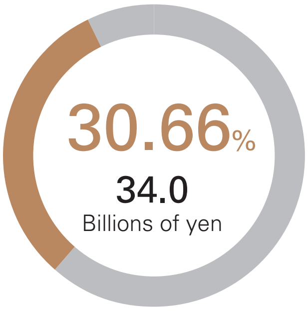
INSTITUTIONAL GROUP

Major Business

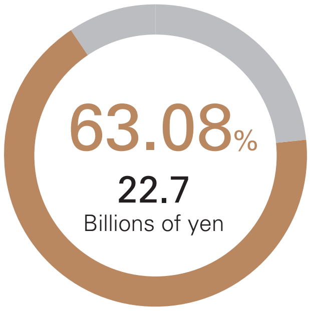
- Corporate & Public Sector Finance
- Healthcare Finance
- Real Estate Finance
- Specialty Finance
- Corporate Restructuring
- Credit Trading
- Private Equity
- Advisory Services
- Leasing (Showa Leasing)
- Trust operations (Shinsei Trust & Banking)

Contribution[1]

Total Revenue



Ordinary Business Profit after Net Credit Costs



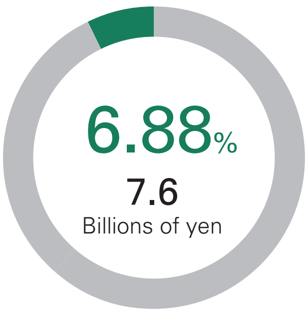
GLOBAL MARKETS GROUP

Major Business

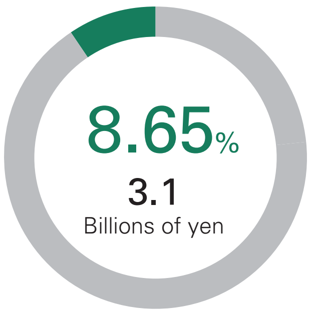
- Financial Institutions Business
- Markets
- Asset Management
- Wealth Management
- Securitization (Shinsei Securities)

Contribution[1]

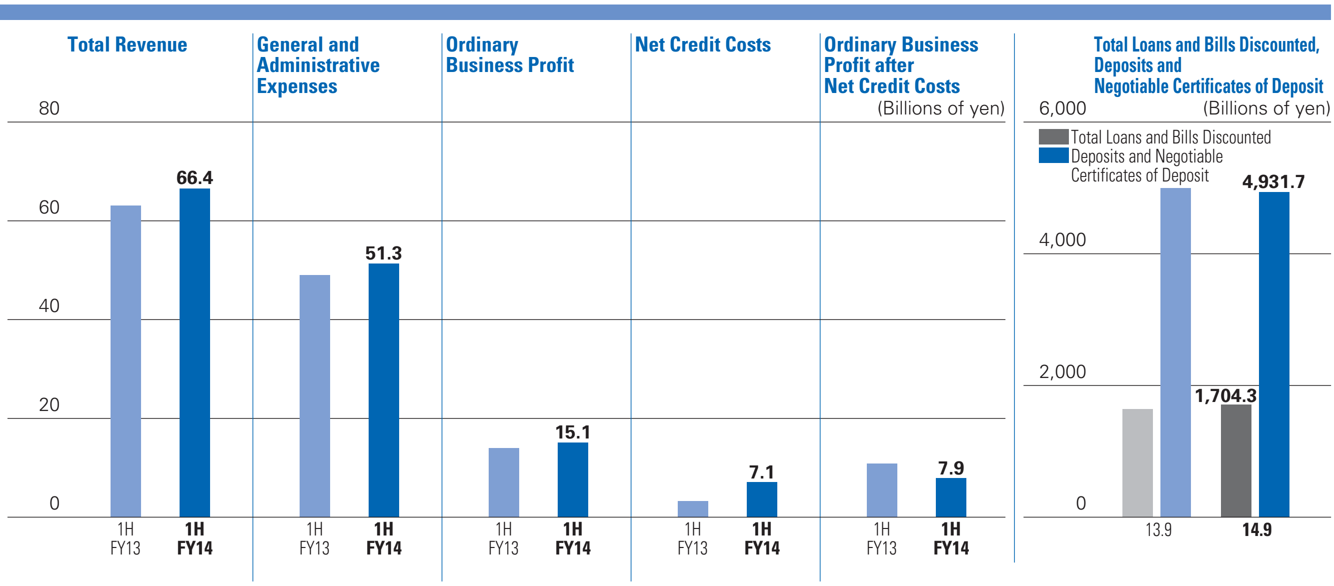
Total Revenue

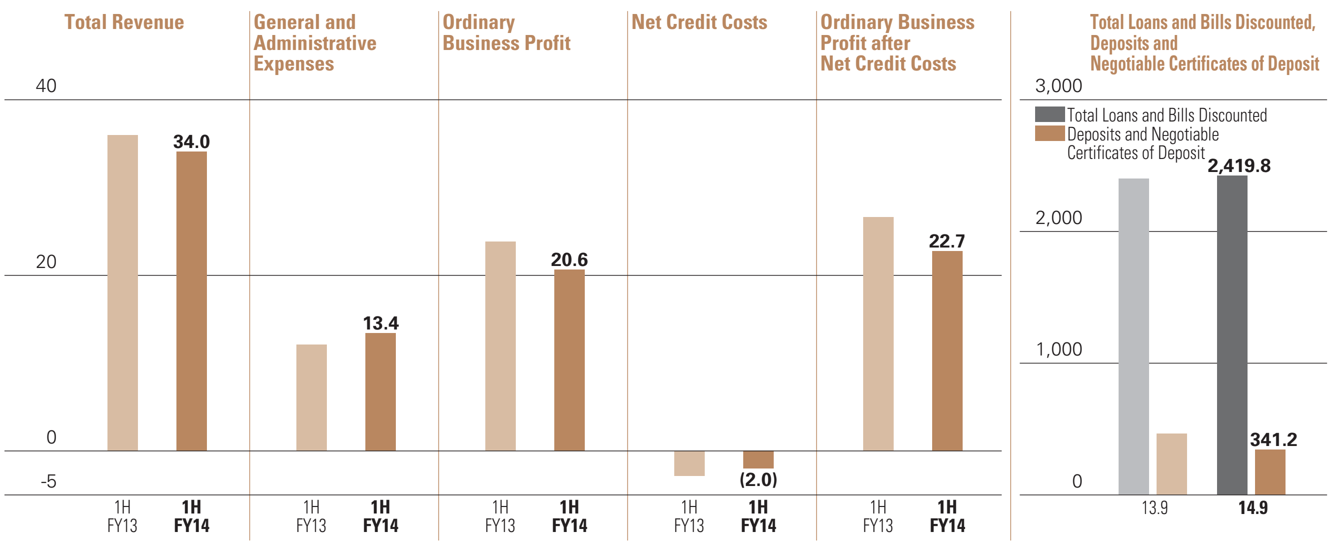


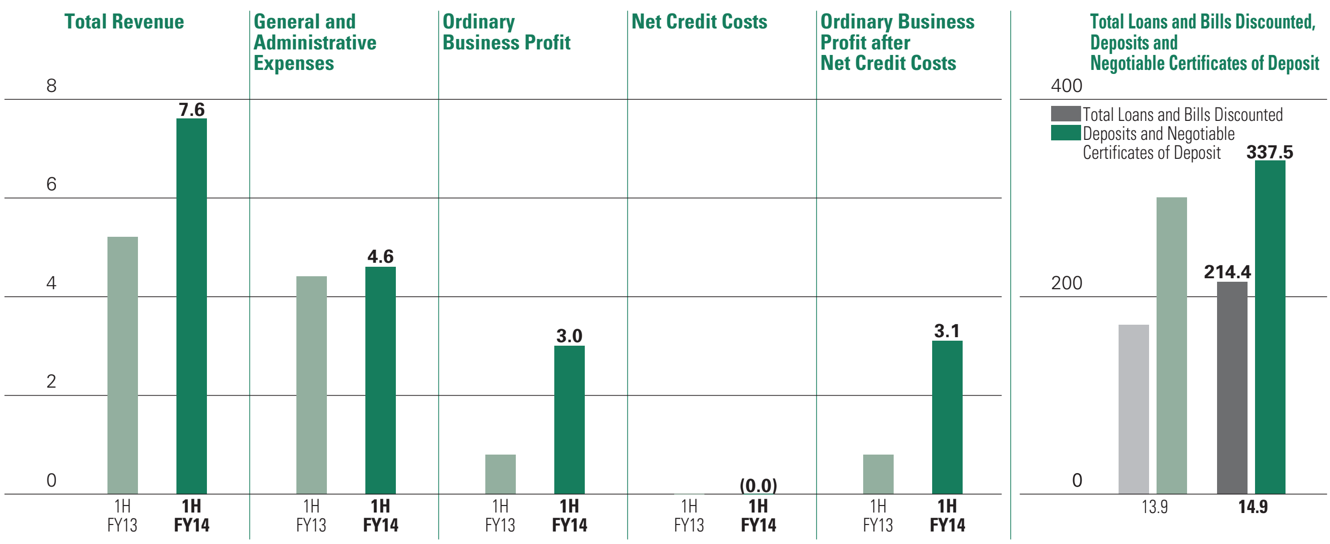
Ordinary Business Profit after Net Credit Costs



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







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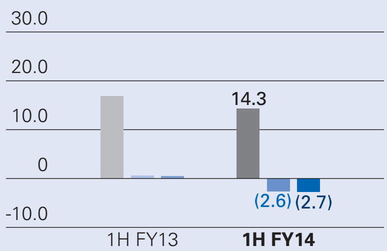
Explanations of Major Businesses

INDIVIDUAL GROUP

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

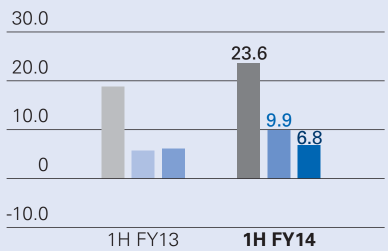
Retail Banking

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



Shinsei Financial and *Shinsei Bank Card Loan—Lake*

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

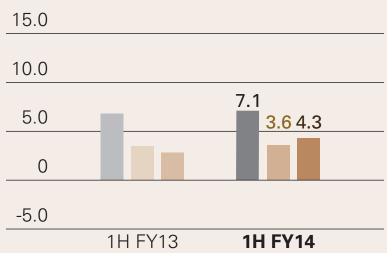


INSTITUTIONAL GROUP

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

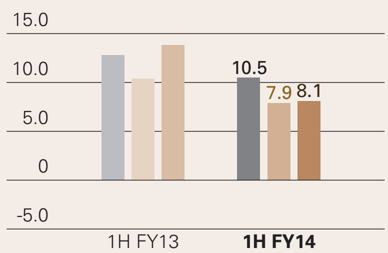
Institutional Business

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



Structured Finance

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

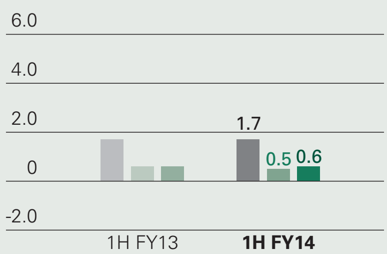


GLOBAL MARKETS GROUP

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

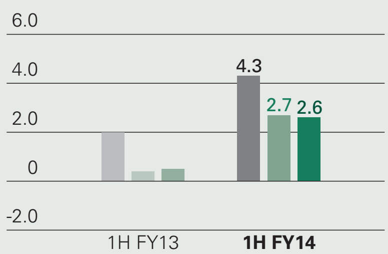
Financial Institutions Business

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



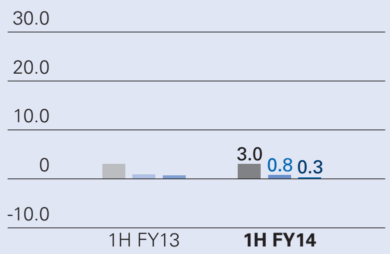
Markets

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



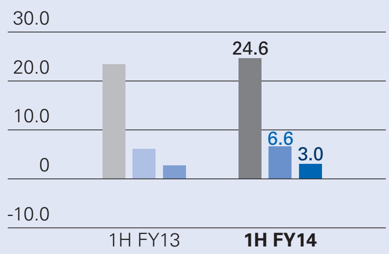
SHINKI

Unsecured personal loan business—brand name "NO LOAN"



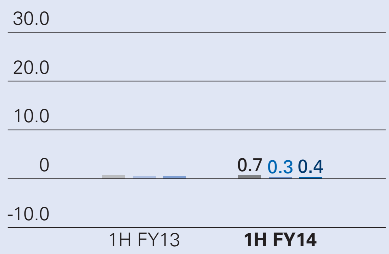
APLUS FINANCIAL

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



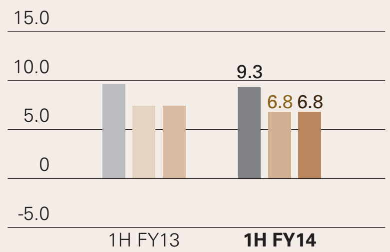
Other Businesses

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



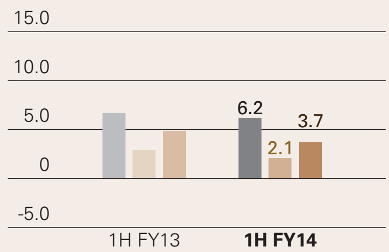
Principal Transactions

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



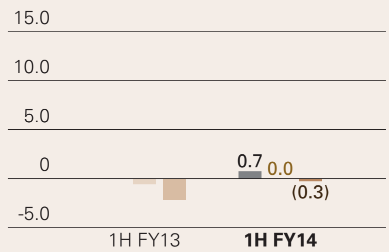
Showa Leasing

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



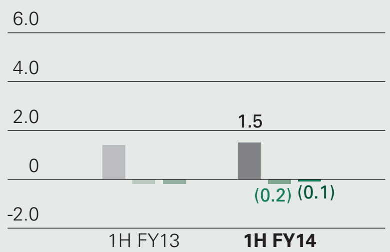
Other Businesses

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



Other Businesses

Shinsei Securities, asset management, and wealth management business



INDIVIDUAL GROUP

The Individual Group is comprised of: 1) the retail banking business handling deposits, investment trusts, insurance and housing loans, 2) *Shinsei Bank Card Loan–Lake* offering unsecured personal loan (UPL) services, 3) Shinsei Financial Co., Ltd. handling UPL and the credit guarantee operations, 4) SHINKI Co., Ltd. specializing in UPL, 5) APLUS FINANCIAL Co., Ltd. whose core business is the installment sales credit business, and 6) Shinsei Property Finance Co., Ltd. that handles loans secured by real estate.

Achievements and Challenges in the First Half of Fiscal Year 2014

The Individual Group's most important goal under the Second Medium-Term Management Plan (MTMP) is to increase the number of its "core customers"—customers who can freely use the products and services offered by the Shinsei Bank Group companies according to their individual needs—to five million. In fiscal year 2014, the second year of the Second MTMP, the year designated as the year for further organizational enhancement and a shift to a new phase of growth in customer base, we are focusing on strengthening marketing, expanding alliance sales, and enhancing services.

Specific measures to strengthen marketing included the establishment of the Customer Analytics Division, tasked with promoting target marketing, and the Group Marketing Division to promote the shared use of best practices in all Group marketing activities.

In the area of alliance sales, through the alliance with Culture Convenience Club Co., Ltd. ("CCC") that was expanded to include the Bank in June of last fiscal year, we and are broadening the range of related business activities, including offering users of our financial services T Points under CCC's T Point Program, utilizing marketing approaches that utilize big data made available to us by CCC, and promoting the Bank's products and services through advertising at other T Point Program affiliates. We are also strengthening coordination throughout the Shinsei Bank Group to more proactively introduce the Bank's products and services to corporate customers of Group companies.

Measures to enhance services during the first half of fiscal year 2014 included the introduction of the NISA Plus program, which waives the application fee for customers opening a NISA (Nippon Individual Savings Account) even if the amount invested exceeds the tax-free limit. The program is the Bank's response to customer expectations and dissatisfaction with the NISA system as we strive to create an environment that encourages long-term investment by our individual customers. In addition, we improved the convenience of our foreign currency services, one of the core strengths of Shinsei Bank, by lowering fees charged on foreign currency deposits.

Strategy

We aim to achieve the target number of "core customers" and grow cross selling opportunities by enhancing collaboration between Group companies to improve customer convenience.

In product and service enhancement, we will continue to strengthen cooperation with housing developers and retailers to expand sales channels for our customers in order to respond to the increased competition in the housing loan market and the decline in demand for refinancing loans, and continue enhancing our products to satisfy diverse needs.

In our unsecured personal loan operations, we will further develop new products and enhance our marketing capability, while further strengthening our credit guarantee business in collaboration with regional financial institutions. We will also grow the transaction volumes of settlement products such as credit cards and rent payment, leveraging the T Point Program alliance formed in the last fiscal year. Furthermore, we are looking into satisfying the financial needs of Japanese retail customers in the Asian market.

Going forward, in order to respond to the diverse financial product needs of individual customers, we will further grow our product line-up to increase transactions with our existing customers within the Shinsei Bank Group while engaging in various initiatives in order to expand the customer base of the entire Shinsei Bank Group.

Business Performance in the First Half of Fiscal Year 2014

In our retail banking business, net interest income from deposits decreased mainly due to lower market interest rates. Additionally, the retail banking business' sales of investment products, primarily structured bonds, were at a similar level recorded for the first half of fiscal year 2013. However, noninterest income declined due to an increase in ATM-related expenses and lower foreign currency-related fee income. As a result of these factors, total revenue in the retail banking business declined year on year in the first half of fiscal year 2014. In the consumer finance business, net interest income increased due to the growth of the total balance of unsecured personal loans at Shinsei Financial and *Shinsei Bank Card Loan—Lake*. Noninterest income also increased due to an increase in the shopping credit and settlement transaction volumes of APLUS FINANCIAL. As a result, total revenue in the consumer finance business was higher than in the first half of the previous year. As a result of the preceding, total revenue for the Individual Group of ¥66.4 billion for the first half of fiscal year 2014, up from ¥63.0 billion recorded for the same period of the previous year. The Group's first half expenses rose to ¥51.3 billion, up from ¥48.9 billion in the previous first half, as a result of increases in personnel and advertising expenses as measures to achieve the goals of the Second MTMP were actively implemented. Net credit costs also increased, rising from ¥3.2 billion for the first half of fiscal year 2013 to ¥7.1 billion for the first half of fiscal year 2014. The increase is mainly due to an increase in credit costs at the consumer finance business as a result of growth in the total balance of unsecured personal loans.

As a result of the preceding factors, ordinary business profit after net credit costs at the Individual Group in the first half of fiscal year 2014 totaled ¥7.9 billion, compared with ¥10.8 billion for the first half of fiscal year 2013.

Our retail banking business continues to offer customers a wide range of financial products including yen deposits, housing loans, foreign currency deposits, structured deposits, investment trusts and insurance products.

In the first half of fiscal year 2014, a large amount of yen denominated time deposits reached maturity, and as a result of offers to undertaken to propose products and services to the deposit holders in order to keep their business, Shinsei Bank was successful in avoiding a significant reduction of its deposit balance, which contributed to an improvement in funding costs for the Shinsei Bank Group as a whole.

In our housing loan business, the loan balance increased from ¥1,184.0 billion as of March 31, 2014, to ¥1,200.4 billion as of September 30, 2014. The steady growth in our loan business reflects consumers' high evaluation of our housing loan product and the maintenance of appropriate interest rates. In particular, we saw strong demand for the "*Shinsei Bank PowerSmart Home Mortgage Anshin Pack W*," a relatively new product that provides the borrower with a number of coupons based upon loan amount that can be exchanged for sick child care services and housekeeping services from service providers designated by Shinsei Bank (coupon value varies with contracted loan amounts).

At the consumer finance business, *Shinsei Bank Card Loan—Lake* continued to steadily expand its business, with its loan balance increasing to ¥144.4 billion and total customers surpassing 350,000 as of September 30, 2014.

APLUS FINANCIAL has been focusing on installment sales credit, credit cards, and settlement services as its core business areas. Through its partnership with T Point Japan Co., Ltd., it has been expanding and developing businesses by leveraging the T Point service.

INSTITUTIONAL GROUP

The Institutional Group is composed of: (1) the Institutional Business Sub-Group that provides private and public sector corporate customers with loans and other corporate financial services, structured finance for real estate and other projects, and other diverse financial products and solutions, (2) the Principal Transactions Sub-Group that operates the credit trading and private equity businesses, (3) the VBI Promotion Division, (4) the Corporate Advisory Division, (5) the Overseas Banking Division, and (6) the Shinsei Bank Group companies, including Showa Leasing and Shinsei Trust & Banking.

Achievements and Challenges in the First Half of Fiscal Year 2014

In our institutional business, we continued efforts to drive the full scale implementation of the Venture Banking Initiative (VBI), a central theme of our Second MTMP. These efforts were facilitated by the previous year's consolidation of the Institutional Business Sub-Group and the Structured Finance Sub-Group, which provides a better platform for enhancing the synergistic effects of traditional balance sheet finance and cash flow finance, including project finance.

In new business areas, where one key theme is the creation and development of the project finance market in Japan, we increased our support for growth companies in the renewable energy field, primarily by providing financing arrangements for medium sized projects. As a result, we now have a committed total of nearly ¥80 billion of project financing to 15 renewable energy projects. Additionally, by arranging project financing for wind power generation projects and providing highly stable trust schemes with Shinsei Trust & Banking serving both as trustee and main operating entity of several mega solar projects, we are contributing to the diversification of energy sources and structures in the renewable energy field.

Furthermore, in the medical and healthcare sector, in April 2014, we entered an agreement with Kenedix, Inc., and four other companies to establish a healthcare real estate investment trust (REIT). Together with the same five partners, we established an asset management company to manage the healthcare REIT and took other measures in preparation for the listing of the healthcare REIT.

Amid a favorable market environment that continues due to support by the Bank of Japan's monetary easing policy, we continued to make further progress from last fiscal year in improving the quality of the bank's overall loan portfolio, which contributed to the early achievement of the Bank's Second MTMP nonperforming loan ratio target. Meanwhile, we continue to expand our customer base including middle market companies and small and medium sized enterprises (SMEs), a critical component in the realization of the goals of the Second MTMP. Going forward, we will continue to engage in the implementation of aggressive strategies, including "business participation," and increase high quality assets in growth areas as we strive to build a platform for sustainable growth.

Strategy

In fiscal year 2014, the second year of the Second MTMP, we will accelerate our business expansion centered on the areas of focus such as renewable energy, medical/healthcare services, start-up support, corporate rehabilitation support, and support for new, growing businesses.

We will enhance our customer base with further increase of high-quality assets by the deliberate customer segmentation and the well-organized sales promotion system through clear business plans, and by the development of the speedy risk assessment system through the enhancement of the risk management framework.

Our efforts in new business areas include the promotion of the renewable energy industry in Japan, including wind power, geothermal power and biomass projects in addition to mega solar plant projects. Going forward, we plan to engage in a growing number of such projects. Meanwhile, we will continue to work to contribute to the revitalization of regional financial markets by leveraging our robust and extensive relationships with regional financial institutions in the arranging of syndicated loans and other financing schemes.

The Principal Transactions Sub-Group is leveraging the Shinsei Principal Investments Group platform established in fiscal year 2013 to strengthen its ability to meet newly emerging customer needs prompted by changes in the business environment, such as the expiration of the SME Financing Facilitation Act and ageing of the population. Specifically, we are enhancing our consulting functions and our ability to provide financing solutions for corporate customers burdened by increasingly long term receivables and to increase the investment appeal of companies we have conducted IPO investment in by providing stronger support for their growth strategies.

In overseas businesses, we are strengthening our ability to support middle market companies and SMEs seeking to enter overseas markets or expand overseas operations, including through tie ups and joint ventures with local firms. Specific developments to date have included (1) expanding the scope of our business partnership with Yes Bank in India, (2) forming a business partnership with Forval Corporation, a consulting firm that supports the overseas business development of middle market companies and SMEs, (3) entering into a business alliance agreement with Military Commercial Joint-Stock Bank, a large private commercial bank in Vietnam, and (4) the establishment in July 2014 of the Overseas Banking Division as a new organization within the Principal Transactions Sub-Group. We are also actively seeking project financing business opportunities in the Asia/Oceania region and private finance initiatives (PFI) in Europe.

Showa Leasing Co., Ltd. aims to enlarge its core customer base of middle-market companies and SMEs in the areas of its strengths. In addition to asset finance for semiconductors, construction machinery, medical services, and airplanes, the company will continue enhancing its fee income from businesses such as the buy-sell business where the company buys and sells second-hand machinery. Shinsei Trust & Banking Co., Ltd. will continue providing its customers with financing schemes utilizing its trust function as a member of the Shinsei Bank Group. For instance, it played a core function in the arrangement of project finance for mega solar businesses using the trust scheme.

Business Performance in the First Half of Fiscal Year 2014

In the Institutional Group, net interest income declined due to the disposal of large loans to borrowers with low credit ratings, the resulting significant improvement in the quality of the loan portfolio limited the emergence of additional credit costs, leading to a stronger, more stable profit structure.

The Institutional Group's total revenue for the first half of fiscal year 2014 totaled ¥34.0 billion, down slightly from ¥35.9 billion recorded for the first half of fiscal year 2013. Net interest income of ¥14.5 billion was recorded in the first half of fiscal year 2014, roughly the same level as ¥14.8 billion recorded for the first half of fiscal year 2013, as a result of the disposal of large loans to borrowers with low credit ratings offsetting our success in steadily expanding the customer base through robust new customer development activities. Noninterest income for the period declined, from ¥21.0 billion for the first half of fiscal year 2013 to ¥19.5 billion in the first half of fiscal year 2014, mainly due to the absence of gains on sales of unlisted stocks that contributed to higher noninterest income in the first half of fiscal 2013. The absence of such one off gains was partially offset by increased fee income from loan originations to mega solar projects and other projects and a continued strong performance from our domestic credit trading business.

Expenses for the first half of fiscal year 2014 totaled ¥13.4 billion, increased from ¥12.1 billion for the first half of the previous year, as we continued to invest management resources in key areas expected to strengthen our profit generating capability. The investments focused on increasing staff and expanding our business platform in those key areas. Net credit costs continued to improve, as we recorded a net recovery of ¥2.0 billion for the first half of fiscal year 2014, compared to a net recovery of ¥2.8 billion recorded in the same period of fiscal year 2013. The net recovery is attributable to (1) the reduction of potential risks following disposals of large loans to borrowers with low credit ratings, (2) the ongoing strengthening of risk management, which has helped us avoid the emergence of new nonperforming loans requiring large provisions for loan losses, and (3) improvements in the credit quality of some borrowers.

As a result of the preceding factors, the Institutional Group's ordinary business profit after net credit costs was ¥22.7 billion for the first half of fiscal year 2014. Although down from ¥26.6 billion recorded for the same period fiscal year 2013, the result represents a solid performance by the Group.

The balance of loans to corporates increased from ¥1,040.9 billion at end-September 2013 to ¥1,105.3 billion as of end-September 2014. It should be noted that, while the growth rate of the loan balance as a whole was somewhat mild, this was due to the strategic disposal of nonperforming loans and of some large loans to low-credit borrowers. Additionally, the Specialty Finance Division, which engages in project financing, increased its outstanding loan balance from ¥291.2 billion at end-September 2013 to ¥339.9 billion as of end-September 2014. It should be noted that the Group is seeing success in the accumulation of high-quality assets in strategic areas.

GLOBAL MARKETS GROUP

The Global Markets Group is composed of: 1) the Financial Institutions Sub-Group that offers financial products and services to financial institution customers, 2) the Markets Sub-Group that engages in foreign exchange, derivatives, and other capital markets operations, 3) the Asset Management Sub-Group that engages in the asset and wealth management business, and 4) Shinsei Securities.

Achievements and Challenges in the First Half of Fiscal Year 2014

The Global Markets Group, in line with the goals of the Second Medium-Term Management Plan, aims to achieve sustainable growth by strengthening its networks with regional financial institutions, enhancing its sourcing and other market solution capabilities, and expanding the portfolio of products and services provided to clients.

In our cooperation with regional financial institutions, we are focusing on providing products and services that meet diverse needs, including the financing needs of our regional partners' customers. As part of this effort to strengthen the operations of regional financial institutions, we have expanded our involvement in the sale/purchase and brokering of loans, and promoted greater cooperation in cash flow financing, primarily in the financing of renewable energy projects, in order to respond to the demand for new types of investment instruments among the regional financial institutions. Additionally, in order to provide solutions for the needs of regional financial institutions to strengthen their businesses, we have stepped up our participation in corporate restructuring and M&A, strengthened our support for regional financial institutions' housing loan businesses, as well as support for their entry into the unsecured personal loan business. By providing the products, services and expertise of the Shinsei Bank Group to regional financial institutions in fulfilling their needs and facing their challenges including the revitalization of local companies, creation of new business opportunities for the next generation of local entrepreneurs and business owners, and strengthening of retail banking businesses, we are thereby pursuing greater contribution to the rejuvenation of local communities, expansion in the volume of executed transactions and further enhancing our earnings potential.

We continued to strengthen and expand our market solution capabilities from last year as we made further progress in increasing our customer transaction base during the first half of fiscal year 2014, through measures such as further expanding derivative transactions in response to corporate customers' needs to hedge exposures to market fluctuations, as well as steadily expanding sales of structured bonds to individual customers by leveraging the product development abilities of Shinsei Securities and the securities brokerage function at the Individual Group's retail banking operations. While transaction profit margins continued to decline due to lower market interest rates and tighter credit spreads, due to the promotion of the development of foreign currency derivative transactions with superior middle-market companies and the development of a more extensive lineup of structured bond products, we have seen success in our efforts to strengthen and expand our marketing organization and our structure for providing products and services to customers. Going forward, we will continue to work to provide timely and finely-tuned solutions that meet the diverse needs of our customers.

Strategy

Financial Institutions Sub-Group

In the first half of fiscal year 2014, we established two new specialist teams within this sub-group, in order to engage in more aggressive sourcing activities in cooperation with other groups of the Bank and with external institutions, as well as to provide fast, unified responses to needs for market operations and the distribution of various asset types in line with the diversification of financing techniques.

We believe this new internal structure will enable us to develop and deliver products to customers more quickly, as we expand from traditional corporate loans and market-linked loans to cash flow financing and cross-border loans in order to provide more diverse financing solutions and meet customers' increasingly sophisticated and diverse asset management needs.

Additionally, we are also continuing efforts to strengthen co-operation with regional financial institution customers through measures such as supporting our regional partners' corporate banking business through consultations and proposals related to M&A solutions for local businesses in different business stages, business restructuring and succession, asset-backed loans (ABLs) and asset disposals, in addition to providing support for improving management and strengthening business structures. On the retail banking side, we are assisting our regional financial institution customers meet the various funding and investment needs of their individual clients. Through such measures, we will continue to support regional financial institutions by providing them with access to the functions and strengths of the entire Shinsei Bank Group in support of their efforts to revitalize regional economies and to actively provide the necessary funding for local businesses and individuals.

Markets Sub-Group

The Markets Sub-Group will work to strengthen its solutions proposal business to capture the needs of corporate and financial institution customers and to improve the product line-up for individual customers based on market trends. Through these efforts, we will expand our operations and promote the growth of our transactions with new customers. In addition, we will raise our visibility as a bank that has strengths in foreign exchange operations by, for instance, actively providing information on foreign exchange markets through seminars for customers and our website in order to enhance our profit-generating abilities.

In the trading business, we will endeavor to enlarge the scope of our business and enhance our product line-up, flexibly create positions based on the comprehensive understanding of market trends, and rigorously manage risks in order to ensure stable revenues.

Asset Management Sub-Group

The Asset Management Sub-Group will contribute to increasing the balance of assets under management by Shinsei Bank through enhancing the Bank's line-up of progressive investment trust products, taking into account the market environment and customers' needs. In our transactions with individual customers, we will expand our offerings of products that are suitable for Nippon Individual Savings Accounts (NISA), and aim to increase the customer base and build up the balance of assets under management. We will also work on expanding our product line-up by, for instance, creating privately placed investment trusts to flexibly cater to the investment needs of financial institutions and high-net-worth individual customers.

Shinsei Securities

Shinsei Securities will work on promoting sales of structured bonds to individual customers by creating a diverse product line-up, including the development of low risk products for new customers, based on the market outlook and different levels of risk tolerance of customers. We will also work to supply products to regional financial institutions. For corporate customers, Shinsei Securities arranges and sells housing loans and lease/installment claim securitized products. It also engages in securitization projects overseas and in new business areas. To provide optimal solutions to customers, Shinsei Securities will expand its structured finance business utilizing the technologies and the expertise it has developed in the securitization business.

Business Performance in the First Half of Fiscal Year 2014

In the first half of fiscal year 2014, the Global Markets Group's revenue was ¥7.6 billion, up from ¥5.2 billion for the first half of fiscal year 2013. This gain can be attributed to the successful development and provision of products that meet customer needs, such as foreign currency derivative transactions for superior middle-market companies and interest-rate swap transactions related to renewable energy projects. These positives offset the negative impact on revenues from the continued decline in transaction profitability caused by falling market interest rates and tighter credit spreads. While continuing efforts to improve efficiency in each business line, we remained focused on investing resources to strengthen priority areas and establish a differentiated business base, and as a result expenses totaled ¥4.6 billion, compared to ¥4.4 billion recorded for the first half of the previous year. In net credit costs, net credit recoveries of ¥0 billion (¥93 million) were recorded in the first half of fiscal year 2014, compared to a net credit recoveries of ¥0 billion (¥46 million) in the previous first half.

As a result of the preceding factors, the Global Markets Group posted a first-half ordinary business profit after net credit costs of ¥3.1 billion, up from ¥0.8 billion in the previous first half.

In our markets-related operations, the strengthening of our solutions-oriented marketing structure lead to business with new customers and increased transaction volume with existing customers, resulting in a steady increase in derivative transactions for institutional customers seeking to hedge forex and interest-rate risks. This ultimately resulted in progress in the overall expansion of the customer base.

Transactions with financial institution customers expanded steadily as we strengthened ties with regional financial institutions as we increased undertaking in the sale/purchase and brokering of loans to local governments while working together with regional partners on various new financing schemes, especially for renewable energy projects. In addition to the Bank's products and services, we are engaging in the provision of the wide ranging of functions and strengths of the entire Shinsei Bank Group to financial institutional customers. For example, Shinsei Financial and APLUS FINANCIAL have entered into alliances with regional financial institutions, and Showa Leasing has tied up with Shinkin Central Bank to help Shinkin banks engage in ABL transactions with their customers. Going forward, the Shinsei Bank Group will continue to serve its financial institution customers.

In the provision of asset management products, in addition to continuing the sale of privately placed investment trusts to financial institutions, the Sub-Group tied up with the Individual Group and Shinsei Investment Management (SIM) to launch the "Shinsei World Smart Bond Fund (also known as "Shinsei Kenjin no Saihai")" for individual investors. In addition, the Sub-Group saw strong growth in its investment trust asset balance due to the promotion of the opening of NISA accounts through the introduction of the Bank's "NISA Plus" program, as well an expanded "NISA-centric" product lineup.

Shinsei Securities continued to enjoy a strong expansion in sales to individuals of structured bonds centered on stock price-linked bonds. It also achieved a sharp increase in customer brokerage accounts by responding to customer needs for a stronger lineup of structured products through the development of securities linked to multiple indicators, such as stock indices and forex rates.

Status of Regional Revitalization and SME Management Improvement Initiatives

In order to improve the management of Small- and Medium-sized Enterprises ("SME" or "SMEs") and contribute to regional revitalization efforts, the Institutional Group and the Global Markets Group are engaging in initiatives such as those described below, providing Shinsei Bank's expertise and, depending upon the initiative, cooperating with local financial institutions and the SME Business Rehabilitation Support Cooperative. In addition, the VBI Promotion Department is engaging in business with SMEs and local businesses which have promising technologies or business models, as well as businesses in new business areas and earthquake reconstruction that will help revitalize regional economies as its area of focus. By providing multi-faceted solutions (management solutions) that satisfy not only funding needs, but needs for human resources and services such as business strategy planning and implementation support, the Bank aims to expand the scope of its business with SMEs that are undergoing growth and contribute to the development of new businesses that are created as a result of innovation.

Examples of Shinsei Bank Initiatives

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

Environment-related venture business: Shinsei Bank has been focusing on environmental businesses engaged in recycling and renewable energy, such as the mega solar businesses, for which we have been providing financing to businesses since the earliest days of the industry. In the first half of fiscal year 2014, we arranged project financing focusing on cash flows and the business potential of a mega solar project in Japan's Kanto region. In this instance, we sought to further strengthen ties with regional financial institutions, and we looked to undertake project financing in cooperation with local regional banks and succeeded in arranging the participation of several local banks.

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

- Example of supporting regional revitalization through business rehabilitation

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

- Example of supporting business rehabilitation

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

- Example of supporting SME management

A cooperative conducting sales and purchasing operations for SME member companies: This enterprise is a cooperative with a membership that includes SMEs in diverse business domains. The cooperative provides joint marketing of members' products and purchasing of needed materials. It also provides training courses for foreign workers. In recent years, however, the cooperative launched the joint procurement of electric power for supply to its members and has grown this activity into its core business. While it had many SME members as stable sources of electricity supply, the cooperative needed to secure a stable source of electric power through its own generation. Shinsei Bank supported the cooperative's decision to construct a gas-fired thermal power generation plant by not only helping it secure the funds necessary for construction, but by introducing business partners and proposing a project finance scheme. The Bank will continue to act as an adviser to the cooperative.

- Example of supporting a company in its growth stage

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

GLOSSARY

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

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

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

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

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

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

CLO (Collateralized Loan Obligations)
CLOs are debt-collateralized securities with leveraged loans (LBO), corporate loans, and corporate bonds as the underlying assets.

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

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

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

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

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

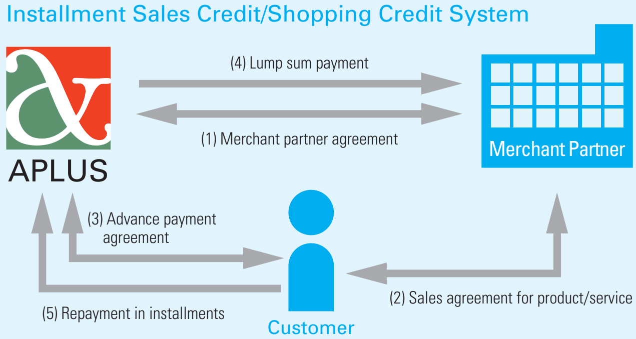
Exposure
Exposure refers to an amount of assets or an amount of money that is exposed to foreign exchange, price fluctuations or other risks as a result of loans and investments.

(Grey Zone) Interest Repayment
Prior to the interest rate reduction implemented as part of the revisions to the Money Lending Business Law, the interest rates on some consumer finance products offered by the Shinsei Bank Group's subsidiaries exceeded the upper limit stipulated by the Investment Law. Following a ruling by the Supreme Court in January 2006, customers who paid more than the upper limit stipulated by the Investment Law have been allowed to request a refund of the extra interest paid. Accordingly, consumer finance companies have recorded reserves in order to cover losses on (grey zone) interest repayments. However, losses from a portion of the "grey zone" interest repayment liabilities at Shinsei Financial are indemnified by GE under the purchase agreement made when Shinsei Bank acquired the company.

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

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

Installment Sales Credit/Shopping Credit System



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

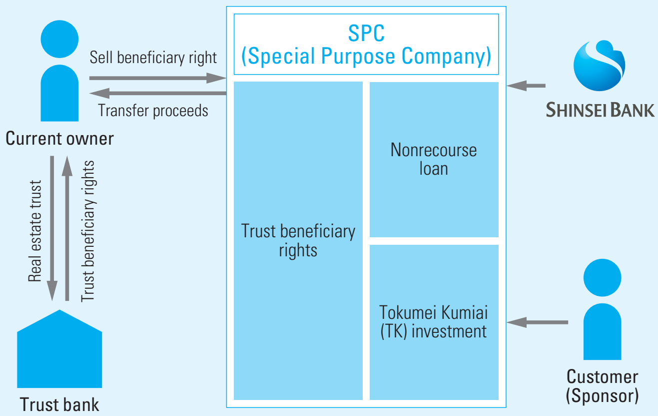
J-REIT
J-REIT stands for Japanese Real Estate Investment Trust.

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

DIRECTORS AND EXECUTIVES

As of December 1, 2014

BOARD OF DIRECTORS (6)

Shigeki Toma	Representative Director, President
Yukio Nakamura	Representative Director, Deputy President
J. Christopher Flowers*	Managing Director and Chief Executive Officer, J. C. Flowers & Co. LLC
Ernest M. Higa*	Chairman and Chief Executive Officer, Higa Industries Co., Ltd.
Shigeru Kani*	Former Director, Administration Department, The Bank of Japan, Specially Appointed Professor, Yokohama College of Commerce
Jun Makihara*	Chairman of the Board, Neoteny Co., Ltd.

*Outside Directors

AUDIT & SUPERVISORY BOARD MEMBERS (3)

Shinya Nagata	Audit & Supervisory Board Member
Kozue Shiga*	Lawyer
Ryuichi Tomimura*	Executive Vice President, Director, SIGMAXYZ Inc.

*Outside Audit & Supervisory Board Members

EXECUTIVE OFFICERS (25)

Shigeki Toma	Representative Director, President, Chief Executive Officer
Yukio Nakamura	Representative Director, Deputy President, Chief of Staff, Head of Corporate Staff Group, General Manager, Office of Financing Facilitation Management
Sanjeev Gupta	Senior Managing Executive Officer, Head of Individual Group
Michiyuki Okano	Senior Managing Executive Officer, Group Chief Information Officer, Head of Banking Infrastructure Group
Hitomi Sato	Senior Managing Executive Officer, Head of Institutional Group, General Manager, VBI Promotion Division
Shigeru Tsukamoto	Senior Managing Executive Officer, Chief Financial Officer, Head of Finance Group
Satoshi Koiso	Managing Executive Officer, General Manager, Corporate Planning Division
Yoshiaki Kozano	Managing Executive Officer, Head of Principal Transactions Sub-Group
Hideyuki Kudo	Managing Executive Officer, Chief Risk Officer, Head of Risk Management Group
Toru Myochin	Managing Executive Officer, Executive Officer in charge of Institutional Business, General Manager, Healthcare Finance Division
Hironobu Satou	Managing Executive Officer, Head of Global Markets Group
Shinichirou Seto	Managing Executive Officer, Executive Officer in charge of Institutional Business, Head of Institutional Business Sub-Group
Masashi Yamashita	Managing Executive Officer, Deputy Head of Individual Group, Head of Consumer Finance Sub-Group
Shigeto Yanase	Managing Executive Officer, Executive Officer in charge of Overseas Banking
Akira Hirasawa	Executive Officer, General Manager, Portfolio and Risk Management Division
Yasunobu Kawazoe	Executive Officer, General Manager, Institutional Credit Management Division
Takahisa Komoda	Executive Officer, General Manager, Human Resources Division
Tsukasa Makizumi	Executive Officer, General Manager, Specialty Finance Division, Head of Project Finance Department, Specialty Finance Division
Takako Masai	Executive Officer, Head of Markets Research Department, Markets Sub-Group
Yuji Matsuura	Executive Officer, Head of Markets Sub-Group
Nozomi Moue	Executive Officer, General Manager, Structured Risk Management Division
Masayuki Nankouin	Executive Officer, Head of Financial Control and Accounting Sub-Group
Nobuyasu Nara	Executive Officer, Executive Officer in charge of Institutional Business, General Manager, Osaka Branch
Eiji Shibazaki	Executive Officer, Head of Financial Institutions Sub-Group
Takashi Yoshikawa	Executive Officer, General Manager, Overseas Banking Division, Head of Overseas Business Development Department, Overseas Banking Division

SENIOR ADVISOR (1)

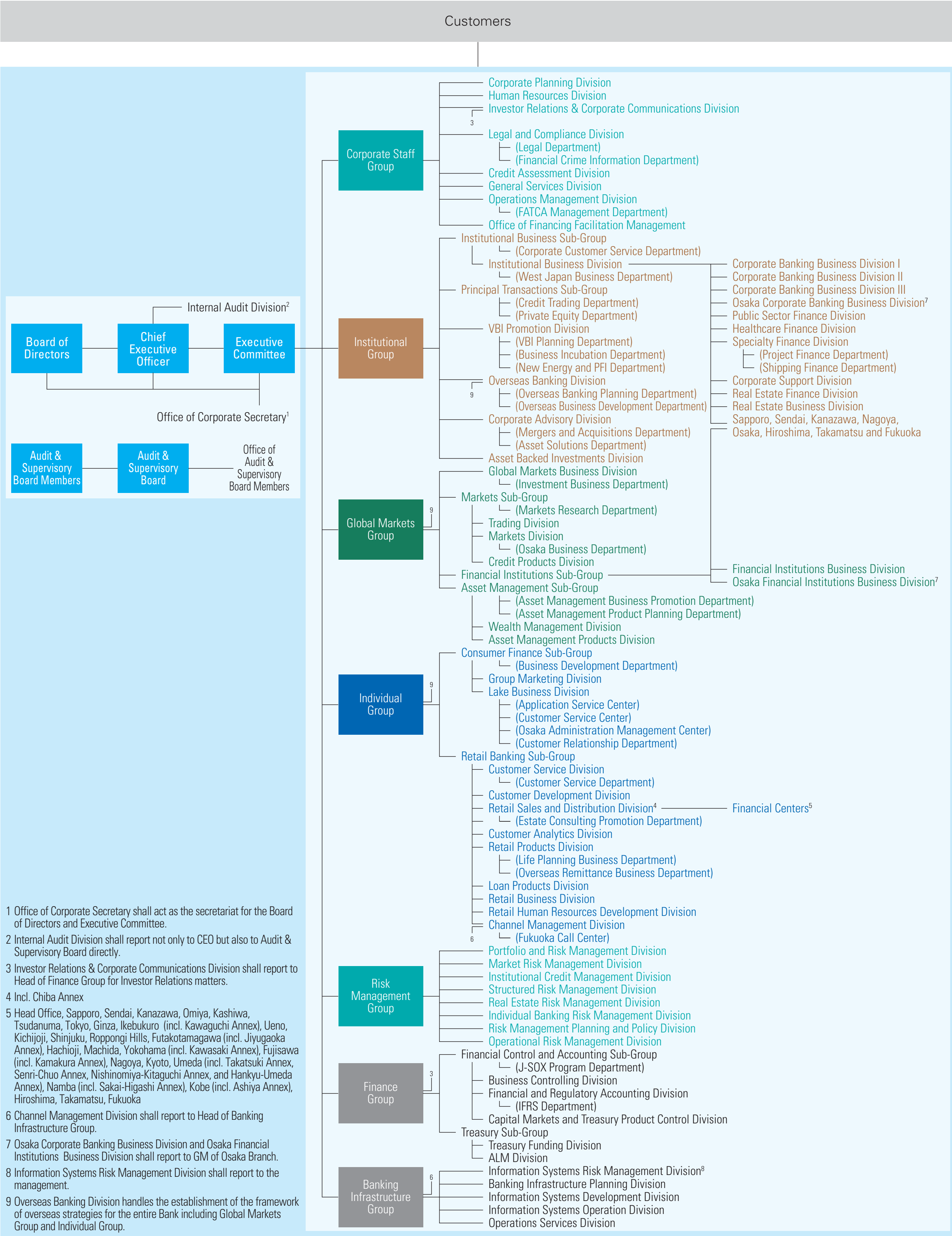
David Morgan	Supervisory Board Member, HSH Nordbank AG, and Managing Director, Europe and Asia-Pacific, J.C. Flowers & Co. UK Ltd

ADVISOR (1)

Yuji Tsushima

ORGANIZATION

As of December 1, 2014



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

SUMMARY OF MAJOR EVENTS

2000	March	Launched as an innovative Japanese bank under new management and new ownership
	June	Changed name from The Long-Term Credit Bank of Japan, Limited (LTCB), to Shinsei Bank, Limited
2001	May	Commenced operations of Shinsei Securities Co., Ltd.
2003	April	Commenced operations of Shinsei Investment Management Co., Ltd.
2004	February	Listed the Bank's common shares on the First Section of the Tokyo Stock Exchange
	April	Converted the Bank's long-term credit bank charter to an ordinary bank charter
	May	Achieved one million retail accounts
	September	Acquired a controlling interest in APLUS Co., Ltd.
2005	March	Acquired a controlling interest in Showa Leasing Co., Ltd.
	May	Commenced operations of Shinsei International Limited
2006	July	Commenced resolution of public funds
2007	April	Achieved two million retail accounts
	December	Acquired a controlling interest in SHINKI Co., Ltd.
2008	January	Reached a mutual agreement with Seven Bank, Ltd. to share sales channels and develop products and services together
	February	Completed a tender offer bid for the Bank's common shares and a third-party allotment of new common shares of the Bank to the investor group led by J.C. Flowers & Co. LLC and affiliates
	September	Acquired GE Consumer Finance Co., Ltd. (Changed company name to Shinsei Financial Co., Ltd. on April 1, 2009)
2009	January	Launched *Shinsei Step Up Program*
	March	Concluded tender offer for the shares of common stock of SHINKI Co., Ltd.
	June	Opened first Shinsei Consulting Spots
		Launched *Two Weeks Maturity Deposit*
2010	June	Moved to a "Company with Board of Statutory Auditors" board model
	November	Announced business alliance with YES BANK LIMITED in Japan-India cross-border M&A business
2011	January	Commenced operations at new head office (Nihonbashi Muromachi)
	March	Issued new shares through international common share offering
	September	Assisted The Daito Bank, Ltd. in arranging its first syndicated loan
	October	Commenced unsecured personal card loan service under the Lake brand
2012	March	Established VBI Promotion Division in the Institutional Group
	April	Added "Shinsei APLUS Gold Card" and "Shinsei APLUS Card" to credit card line-up
	July	Established venture fund targeting mobile entertainment companies with gumi Inc.
	September	Balance of *PowerSmart* Home Mortgages exceeded one trillion yen
	October	Invested in "Fukushima Growth Industry Development Fund"
		Issued Fourth Series of Unsecured Callable Subordinated Bonds
	November	Provided nonrecourse loan for construction of lodgings for post-earthquake reconstruction workers in Miyagi Prefecture

2013	January	Participated in establishment of "Tokutei Mokuteki Gaisha Healthcare Infra Fund Kobe," which is privately placed real estate fund for individual investors where healthcare facilities constitute the underlying investment assets
	March	Started *Go Remit Overseas Remittance Service*
		Syndicated project finance for mega solar project in the Eastern area of Hokkaido
	April	Stopped issuing long-term credit debentures (public sales issues) and long-term credit debentures for workers' property accumulation (*Zaikei issue*)
		Established "Femto Growth Capital Investment Business Limited Liability Partnership" to invest in and provide support to early-stage companies in Japan's Internet sector
		Provided nonrecourse loan for special purpose company set up by Singapore-based Healthway Medical Development to purchase healthcare facilities in Japan
	May	Arranged project finance for the construction of large-scale solar power plants in Mito city and Shirosato town in Ibaraki prefecture
		Issued unsecured callable subordinated bonds to retail investors in Japan
	June	Changed Shinsei Step Up Program to further improve convenience for the Shinsei Bank Group's unsecured card loan and credit card customers
		Formed a business alliance with Culture Convenience Club Co., Ltd. to award T Points to users of Shinsei Bank's financial services
	July	Formed Shinsei Principal Investments Group
		Initiated a pilot project aimed at discovering and nurturing "Innovators" in collaboration with Nomura Research Institute, Inc.
	August	Relocated the Osaka Branch in order to enhance business functions
		Arranged project financing for a mega solar project in Koshimizu, Shari District, Hokkaido Prefecture
	September	Participated in a syndicated loan to a wood biomass power generation and wood pellet manufacturing business
	October	Invested in Private Finance Initiative Promotion of Japan (public-private infrastructure fund)
		Entered ATM partnerships with "VIEW ALTTE" ATM, operated by East Japan Railway Company, and major convenience store chains such as LAWSON and FamilyMart
	November	Arranged project finance for mega solar business in Kikugawa City, Shizuoka Prefecture
	December	Issued Sixth Series of Unsecured Callable Subordinated Bonds to Retail Investors
2014	January	Launched "*PowerSmart* Home Mortgage Anshin Pack W"
	February	Arranged project finance for mega solar business in Kokonoemachi, Kusu-gun, Oita Prefecture
		Commenced smartphone banking services through Shinsei *PowerDirect*
		Reached agreement to conclude the indemnity for losses on interest repayment with GE Japan Corporation
	March	Participated in business revitalization support project using a debt-equity swap by Japan Finance Corporation
		Entered business partnership agreement on business succession support with Shinkin Central Bank
		Launched account opening application for smartphones
		Concluded a business alliance agreement concerning business development support for small- and medium-sized enterprises entering into countries belonging to the Association of Southeast Asian Nations (ASEAN) with Forval Corporation
		Entered into business alliance with Military Commercial Joint-Stock Bank, a major private commercial bank in Vietnam
	April	Terminated new loan transactions that utilize the long-term prime rate as the base rate
		Extended new line of credit to wind power plant operation project in Sakata, Yamagata Prefecture
		Arranged project finance for mega solar projects in seven locations in Japan utilizing trust schemes
		Established Japan Senior Living Partners Co., Ltd., a REIT asset management company aimed at founding a healthcare REIT
	May	Launched NISA Plus, an investment trust application program
	July	Issued terms for First Series of Unsecured Corporate Bonds (with Inter-Bond Pari Passu Clause)
		Arranged project finance for mega solar projects in Nasushiobara-shi, Tochigi Prefecture
		Arranged project finance for mega solar projects in Atsuma-cho, Hokkaido
	September	Arranged project finance for mega solar projects in Hikari-shi, Yamaguchi Prefecture
	October	Started home mortgage campaign to support reconstruction efforts following the Great East Japan Earthquake

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

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

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

OVERVIEW

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

- In the institutional business, in order to provide financial products and services that meet institutional customer needs through a strategic, as well as 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 undertaken directly 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 services. In its consumer finance business, we offer unsecured personal loans through the Bank, Shinsei Financial Co., Ltd. (Shinsei Financial) and SHINKI Co., Ltd. (SHINKI), in addition to providing installment sales credit, credit card and settlement services through APLUS FINANCIAL Co., Ltd. (APLUS FINANCIAL).

FINANCIAL SUMMARY FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2014

In the six months ended September 30, 2014 (April 1, 2014 to September 30, 2014), Shinsei Bank Group posted a consolidated net income of ¥28.9 billion, an increase of ¥1.6 billion compared to ¥27.2 billion recorded for the six months ended September 30, 2013. This is an approximate 53% progression toward the ¥55.0 billion full-year net income forecast and is in line with the achievement of the target.

Total revenue for the six months ended September 30, 2014 was ¥111.1 billion. Of this amount, net interest income was ¥60.5 billion, an increase of ¥5.5 billion compared to ¥55.0 billion for the six months ended September 30, 2013. This increase was due to a reduction in funding costs as well as an increase in revenue as a result of the growth of the consumer finance business loan balance offsetting the sluggish growth of operating assets in the Institutional Group. Noninterest income was ¥50.5 billion for the six months ended September 30, 2014, an increase of ¥5.3 billion compared to ¥45.2 billion for the six months ended September 30, 2013. This was a result of the posting of gains on the sale of Japanese national government bonds ("JGBs") for the six months ended September 30, 2014, while having recorded losses for the six months ended September 30, 2013 on the sale of JGBs made in an effort to avoid interest rate risk arising from major fluctuations in the market. Additionally, strong revenue growth in markets related transactions also contributed to the performance.

OVERVIEW (CONTINUED)

General and administrative expenses, while operational efficiency continued to be promoted, due to the allocation of management resources in areas such as increasing personnel and advertising in order to grow our business base, increased to ¥71.1 billion for the six months ended September 30, 2014 from ¥67.0 billion recorded for the six months ended September 30, 2013.

Net credit costs of ¥5.0 billion were recorded for the six months ended September 30, 2014, an increase compared to costs of ¥0.3 billion for the six months ended September 30, 2013. This was a result of factors such as the provisioning of general reserves for loan losses in line with the level of growth of the loan balance of the Bank's consumer finance business.

The balance of loans and bills discounted was ¥4,338.6 billion as of September 30, 2014, an increase of ¥18.7 billion from ¥4,319.8 billion as of March 31, 2014. Loans to institutional customers shrank slightly as a result of factors such as collections of loans and fierce competition to meet loan demand from customers. In loans to individuals, housing loans continued to steadily increase, and the consumer finance loan balance continued to grow compared to the previous fiscal year. As a result, the overall balance of loans and bills discounted of the Bank grew.

A net interest margin of 2.28% was recorded for the six months ended September 30, 2014, up significantly from 2.03% recorded for the six months ended September 30, 2013. This was due to a significant reduction in the rate on deposits, including negotiable certificates of deposits, resulting from the maturation of high interest rate time deposits made in previous years. Additionally, the yield on interest-earning assets, and in particular, securities, increased compared to the six months ended September 30, 2013 as the result of an increase in dividend income on securities in the Institutional Group and the Global Markets Group. It should be noted that the yield on loans and bills discounted on interest-earning assets was largely at the same level as that in the six months ended September 30, 2013.

Regarding Basel III domestic standard capital ratios (grandfathering basis), total core capital decreased as a result of the reduction in core capital due to the redemption of perpetual preferred securities exceeding the positive impacts of the accumulation of profits, as well as a reduction in expected losses exceeding eligible provisions reserved. On the other hand, risk assets decreased significantly due to factors such as collections of large claims. As a result, the consolidated core capital adequacy ratio rose from 13.58% as of March 31, 2014 to 13.81% as of September 30, 2014. 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 10.6% as of September 30, 2014.

The balance of nonperforming loans under the Financial Revitalization Law (nonconsolidated basis) as of September 30, 2014 was ¥110.2 billion, decreased by ¥54.5 billion during the six months ended September 30, 2014. In addition, the proportion of nonperforming claims to the overall loan balance improved significantly from 3.81% as of March 31, 2014 to 2.61% as of September 30, 2014.

SIGNIFICANT EVENTS

ISSUANCE OF UNSECURED CORPORATE BONDS

On July 18, 2014, Shinsei Bank issued ¥6.0 billion of unsecured corporate bonds with inter-bond pari passu clause.

SELECTED FINANCIAL DATA (CONSOLIDATED)

Shinsei Bank, Limited and its Consolidated Subsidiaries

As of and for the six months ended September 30, 2014 and 2013, and as of and for the fiscal year ended March 31, 2014

Billions of yen (except per share data and percentages)

	Sept. 30, 2014 (6 months)	Sept. 30, 2013 (6 months)	Mar. 31, 2014 (1 year)
Statements of income data:			
Net interest income	**¥ 60.5**	¥ 55.0	¥ 110.5
Net fees and commissions	**10.8**	11.6	22.4
Net trading income	**5.4**	6.9	13.9
Net other business income	**34.1**	26.5	56.1
Total revenue	**111.1**	100.2	203.0
General and administrative expenses	**71.1**	67.0	135.0
Amortization of goodwill and intangible assets acquired in business combinations	**4.5**	5.1	9.7
Total general and administrative expenses	**75.7**	72.2	144.8
Net credit costs	**5.0**	0.3	0.2
Other gains (losses), net	**1.9**	(0.1)	(11.9)
Income before income taxes and minority interests	**32.2**	27.6	46.0
Current income taxes	**1.2**	1.8	2.4
Deferred income taxes (benefit)	**0.8**	(3.1)	(0.7)
Minority interests in net income of subsidiaries	**1.1**	1.6	2.9
Net income	**¥ 28.9**	¥ 27.2	¥ 41.3
Balance sheet data:			
Trading assets	**¥ 310.4**	¥ 318.1	¥ 249.1
Securities	**1,621.3**	1,794.7	1,557.0
Loans and bills discounted	**4,338.6**	4,208.6	4,319.8
Customers' liabilities for acceptances and guarantees	**331.4**	453.0	358.4
Reserve for credit losses	**(117.9)**	(143.9)	(137.3)
Total assets	**9,190.1**	8,905.5	9,321.1
Deposits, including negotiable certificates of deposit	**5,611.0**	5,753.4	5,850.4
Debentures	**37.7**	45.8	41.7
Trading liabilities	**269.1**	273.5	218.5
Borrowed money	**720.4**	619.3	643.4
Acceptances and guarantees	**331.4**	453.0	358.4
Total liabilities	**8,483.9**	8,198.5	8,598.5
Common stock	**512.2**	512.2	512.2
Total equity	**706.2**	706.9	722.5
Total liabilities and equity	**¥ 9,190.1**	¥ 8,905.5	¥ 9,321.1
Per share data:			
Common equity[1]	**¥ 257.94**	¥ 242.90	¥ 247.82
Basic net income	**10.90**	10.26	15.59
Diluted net income	**—**	10.26	15.59
Capital adequacy data:			
Capital ratio (Basel III, Domestic Standard)	**13.8%**	—	13.6%
Total capital adequacy ratio (Basel II)	**—**	14.1%	13.8%
Tier I capital ratio (Basel II)	**—**	12.0%	12.2%
Average balance data:			
Securities	**¥ 1,707.6**	¥ 1,937.4	¥ 1,892.7
Loans and bills discounted	**4,281.4**	4,264.8	4,241.5
Total assets	**9,255.6**	8,967.4	9,175.2
Interest-bearing liabilities	**7,460.3**	7,367.6	7,465.5
Total liabilities	**8,541.2**	8,272.1	8,472.1
Total equity	**714.4**	695.3	703.1
Other data:			
Return on assets	**0.6%**	0.6%	0.5%
Return on equity[1]	**8.6%**	8.6%	6.5%
Ratio of deposits, including negotiable certificates of deposit, to total liabilities	**66.1%**	70.2%	68.0%
Expense-to-revenue ratio[2]	**64.0%**	66.9%	66.5%
Nonperforming claims, nonconsolidated	**¥ 110.1**	¥ 201.9	¥ 164.7
Ratio of nonperforming claims to total claims, nonconsolidated	**2.6%**	4.8%	3.8%
Net deferred tax assets	**¥ 14.8**	¥ 18.7	¥ 16.5
Net deferred tax assets as a percentage of Core capital (Basel III, Domestic Standard)	**1.8%**	—	2.0%
Net deferred tax assets as a percentage of Tier I capital (Basel II)	**—**	2.9%	2.5%

Notes: (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 six months ended September 30, 2014	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	¥ 1.5
Associated deferred tax income	(0.5)
Amortization of goodwill	3.0
Total amortization of goodwill and intangible assets acquired in business combinations, net of tax benefit	¥ 4.0
Reconciliation of net income to cash basis net income[1]	
Net income	¥ 28.9
Amortization of goodwill and intangible assets acquired in business combinations, net of tax benefit	4.0
Cash basis net income	¥ 32.9
Reconciliation of basic net income per share to cash basis basic net income per share	
Basic net income per share	¥ 10.90
Effect of amortization of goodwill and intangible assets acquired in business combinations, net of tax benefit	1.51
Cash basis basic net income per share	¥ 12.41
Reconciliation of return on assets to cash basis return on assets	
Return on assets	0.6%
Effect of amortization of goodwill and intangible assets acquired in business combinations, net of tax benefit	0.1%
Cash basis return on assets	0.7%
Reconciliation of return on equity to cash basis return on equity	
Return on equity	8.6%
Effect of amortization of goodwill and intangible assets acquired in business combinations, net of tax benefit	1.2%
Cash basis return on equity	9.8%
Reconciliation of return on equity to return on tangible equity	
Return on equity	8.6%
Effect of goodwill and intangible assets acquired in business combinations	1.7%
Return on tangible equity[2]	10.3%

Notes: (1) 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.
(2) 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 ¥60.5 billion was recorded for the six months ended September 30, 2014, increased ¥5.5 billion from ¥55.0 billion recorded for the six months ended September 30, 2013. While continuing efforts in the institutional business to provide funding to customers continued to be met with fierce competition, and the existing institutional loan balance declined due to factors such as collections of loans, in the individual business, net interest income improved primarily due to a reduction in funding costs as a result of the maturation of campaign yen denominated time deposits made in the past as well as an increase in revenue corresponding to the growth of the loan balance of the consumer finance business, resulting in the overall growth of net interest income.

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/Rates)

	Six months ended September 30, 2014			Six months ended September 30, 2013		
	Average Balance	**Interest**	**Yield/Rate[4]**	Average Balance	Interest	Yield/Rate[4]
Interest-earning assets:						
Loans and bills discounted	**¥ 4,281.4**	**¥ 62.7**	**2.92%**	¥ 4,264.8	¥ 62.7	2.94%
Lease receivables and leased investment assets/ installment receivables	**667.7**	**18.9**	**5.66**	591.1	17.8	6.03
Securities	**1,707.6**	**7.8**	**0.92**	1,937.4	8.2	0.85
Other interest-earning assets[1]	**350.6**	**1.5**	**n.m.[3]**	421.4	1.5	n.m.[3]
Total revenue on interest-earning assets (A)	**¥ 7,007.5**	**¥ 91.0**	**2.59%**	¥ 7,214.8	¥ 90.4	2.50%
Interest-bearing liabilities:						
Deposits, including negotiable certificates of deposit	**¥ 5,729.4**	**¥ 5.7**	**0.20%**	¥ 5,725.5	¥ 11.3	0.39%
Debentures	**40.1**	**0.0**	**0.13**	85.2	0.1	0.28
Borrowed money	**661.3**	**2.3**	**0.71**	634.0	2.5	0.79
Subordinated debt	**64.8**	**0.8**	**2.73**	90.6	1.0	2.23
Other borrowed money	**596.5**	**1.4**	**0.49**	543.3	1.4	0.55
Corporate bonds	**179.9**	**2.6**	**2.96**	186.9	2.9	3.19
Subordinated bonds	**154.5**	**2.5**	**3.30**	166.9	2.8	3.43
Other corporate bonds	**25.3**	**0.1**	**0.88**	19.9	0.1	1.19
Other interest-bearing liabilities[1]	**849.4**	**0.7**	**n.m.[3]**	735.8	0.5	n.m.[3]
Total expense on interest-bearing liabilities (B)	**¥ 7,460.3**	**¥ 11.4**	**0.31%**	¥ 7,367.6	¥ 17.5	0.47%
Net interest margin (A) - (B)	**—**	**—**	**2.28%**	—	—	2.03%
Noninterest-bearing sources of funds:						
Noninterest-bearing (assets) liabilities, net	**¥ (1,118.9)**	**—**	**—**	¥ (786.3)	—	—
Total equity excluding minority interest[2]	**666.1**	**—**	**—**	633.6	—	—
Total noninterest-bearing sources of funds (C)	**¥ (452.7)**	**—**	**—**	¥ (152.7)	—	—
Total interest-bearing liabilities and noninterest-bearing sources of funds (D) = (B) + (C)	**¥ 7,007.5**	**¥ 11.4**	**0.33%**	¥ 7,214.8	¥ 17.5	0.48%
Net revenue on interest-earning assets/ yield on interest-earning assets (A) - (D)	**—**	**¥ 79.5**	**2.26%**	—	¥ 72.9	2.02%
Reconciliation of total revenue on interest-earning assets to total interest income						
Total revenue on interest-earning assets	**¥ 7,007.5**	**¥ 91.0**	**2.59%**	¥ 7,214.8	¥ 90.4	2.50%
Less: Income on lease transactions and installment receivables	**667.7**	**18.9**	**5.66**	591.1	17.8	6.03
Total interest income	**¥ 6,339.7**	**¥ 72.0**	**2.27%**	¥ 6,623.7	¥ 72.5	2.18%
Total interest expenses	**—**	**11.4**	**—**	—	17.5	—
Net interest income	**—**	**¥ 60.5**	**—**	—	¥ 55.0	—

Notes: (1) Other interest-earning assets and other interest-bearing liabilities include interest swaps and funding swaps.
(2) Represents a simple average of the balance as of the beginning and the end of the presented period.
(3) n.m. is not meaningful.
(4) Percentages have been rounded from the third decimal place.

Net revenue on interest-earning assets includes net interest income as well as revenue earned on lease receivables, leased investment assets and installment receivables. However, while we consider income on lease transactions and installment receivables to be a component of interest income, Japanese GAAP does not recognize income on lease transactions and installment receivables as a component of net interest income. Therefore, in our interim consolidated statements of income, income on lease transactions and installment receivables is reported in net other business income in accordance with Japanese GAAP.

Net interest margin of 2.28% was recorded for the six months ended September 30, 2014, compared to 2.03% for the six months ended September 30, 2013. This increase was mainly due to a significant reduction in the rate on deposits, including negotiable certificates of deposits, from 0.39% to 0.20% as a result of the maturation of a portion of high interest rate time deposits, in addition to an increase in the yield on

RESULTS OF OPERATIONS (CONSOLIDATED) (CONTINUED)

securities from 0.85% to 0.92% as a result of an increase in securities related dividend income.

Net interest income including leasing and installment accounts receivable for the six months ended September 30, 2014 was ¥79.5 billion, increased from ¥72.9 billion for the six months ended September 30, 2013. This was the result of the total expense on interest-bearing liabilities decreasing from ¥17.5 billion for the six months ended September 30, 2013 to ¥11.4 billion for the six months ended September 30, 2014, in addition to total revenue on interest earning assets increasing from ¥90.4 billion in the six months ended September 30, 2013 to ¥91.0 billion in the six months ended September 30, 2014.

NET FEES AND COMMISSIONS

Net fees and commissions consists mainly of fee income from nonrecourse finance on domestic real estate, servicing fee income in Specialty Finance and Principal Transactions, guarantee and other businesses operated by consumer finance subsidiaries, and fee income on the sales of mutual funds and insurance products. Net fees and commissions of ¥10.8 billion was recorded for the six months ended September 30, 2014, decreased from ¥11.6 billion recorded for the six months ended September 30, 2013. This decrease was due primarily to a reduction in fee income in the Institutional Group, despite the recording of strong fee income in the guarantee related business of the Bank's consumer finance business.

NET TRADING INCOME

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

TABLE 2. NET TRADING INCOME (CONSOLIDATED)

	Billions of yen		
	Six months ended September 30, 2014	Six months ended September 30, 2013	Change (Amount)
Income from trading securities	**¥ 2.6**	¥ 3.1	¥ (0.4)
Income (loss) from securities held to hedge trading transactions	**(0.2)**	(0.8)	0.6
Income from trading-related financial derivatives	**2.9**	4.9	(1.9)
Other, net	**0.1**	(0.1)	0.2
Net trading income	**¥ 5.4**	¥ 6.9	¥ (1.5)

Net trading income includes revenues from derivatives associated with customer transactions, as well as revenues from proprietary trading undertaken by the Bank. Net trading income of ¥5.4 billion was recorded for the six months ended September 30, 2014, a decline from ¥6.9 billion recorded for the six months ended September 30, 2013.

NET OTHER BUSINESS INCOME

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

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

	Billions of yen		
	Six months ended September 30, 2014	Six months ended September 30, 2013	Change (Amount)
Net gain on monetary assets held in trust	**¥ 4.8**	¥ 3.7	¥ 1.1
Net gain on foreign exchanges	**3.2**	2.2	0.9
Net gain on securities	**1.5**	0.0	1.5
Net gain on other monetary claims purchased	**3.4**	0.9	2.4
Other, net:	**2.0**	1.6	0.4
Income (loss) from derivative transactions for banking purpose, net	**(0.0)**	0.2	(0.2)
Equity in net income of affiliates	**1.4**	0.9	0.5
Gain on lease cancellation and other lease income (loss), net	**0.1**	0.9	(0.8)
Other, net	**0.3**	(0.6)	1.0
Net other business income before income on lease transactions and installment receivables, net	**15.2**	8.7	6.5
Income on lease transactions and installment receivables, net	**18.9**	17.8	1.0
Net other business income	**¥ 34.1**	¥ 26.5	¥ 7.6

RESULTS OF OPERATIONS (CONSOLIDATED) (CONTINUED)

Net other business income of ¥34.1 billion was recorded for the six months ended September 30, 2014 as compared to ¥26.5 billion recorded for the six months ended September 30, 2013. This improvement was due to factors such as an improvement in revenue from markets related transactions, as well as the recording of firm revenues in the Bank's ALM operations in the six months ended September 30, 2014 on the sale of JGBs, whereas in the six months ended September 30, 2013 the sale of JGBs undertaken in order to avoid interest rate risk resulting from volatility in the market resulted in the recording of losses.

TOTAL REVENUE

As a result of the preceding, total revenue in the six months September 30, 2014 was ¥111.1 billion, as compared with ¥100.2 billion recorded for the six months ended September 30, 2013.

GENERAL AND ADMINISTRATIVE EXPENSES

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

TABLE 4. GENERAL AND ADMINISTRATIVE EXPENSES (CONSOLIDATED)

Billions of yen

	Six months ended September 30, 2014	Six months ended September 30, 2013	Change (Amount)
Personnel expenses	**¥ 29.1**	¥ 27.4	¥ 1.7
Premises expenses	**9.5**	9.7	(0.1)
Technology and data processing expenses	**9.3**	8.8	0.5
Advertising expenses	**5.4**	5.0	0.4
Consumption and property taxes	**4.0**	3.2	0.7
Deposit insurance premium	**2.1**	2.0	0.0
Other general and administrative expenses	**11.4**	10.6	0.8
General and administrative expenses	**71.1**	67.0	4.1
Amortization of goodwill and intangible assets acquired in business combinations	**4.5**	5.1	(0.5)
Total general and administrative expenses	**¥ 75.7**	¥ 72.2	¥ 3.5

General and administrative expenses excluding amortization of goodwill and intangible assets acquired in business combinations of ¥71.1 billion were recorded for the six months ended September 30, 2014, increased from ¥67.0 billion recorded for the six months ended September 30, 2013. This was a result of the investment of management resources into 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 targets established in the Second Medium-Term Management Plan.

Personnel expenses of ¥29.1 billion were recorded for the six months ended September 30, 2014, increased from ¥27.4 billion recorded for the six months ended September 30, 2013. This was due to the increase of personnel in key business areas in order to expand our customer base and enhance our profitability.

Nonpersonnel expenses of ¥42.0 billion were recorded for the six months ended September 30, 2014, increased from ¥39.5 billion recorded for the six months ended September 30, 2013. While we continue to promote rationalization of expenses across all business lines, this increase was the result of simultaneously allocating necessary investment in order to grow our business base. Of the total nonpersonnel expenses, premises expenses were ¥9.5 billion for the six months ended September 30, 2014, slightly declined compared to the six months ended September 30, 2013, as efforts to streamline expenses were continued; technology and data processing expenses were ¥9.3 billion for the six months ended September 30, 2014, increased from ¥8.8 billion recorded in the six months ended September 30, 2013, as investments aimed at stabilizing our information technology infrastructure were made; and advertising expenses were ¥5.4 billion for the six months ended September 30, 2014, increased from ¥5.0 billion for the six months ended September 30, 2013, as we proactively expanded advertising activities in order to expand our customer base.

Consumption and property taxes of ¥4.0 billion were recorded for the six months ended September 30, 2014, increased primarily due to the consumption tax hike from ¥3.2 billion recorded for the six months ended September 30, 2013.

Deposit insurance premium expenses of ¥2.1 billion were recorded for the six months ended September 30, 2014, almost at the same level recorded for the six months ended September 30, 2013. This was due to the average balance of deposits, etc. that form the basis for calculating our deposit insurance premium not fluctuating drastically and the insurance premium rate remaining more or less unchanged.

RESULTS OF OPERATIONS (CONSOLIDATED) (CONTINUED)

Other general and administrative expenses of ¥11.4 billion were recorded for the six months ended September 30, 2014, an increase from ¥10.6 billion recorded for the six months ended September 30, 2013, due to an increase in payments to experts as we actively expand our business and as outsourcing expenses increased as a result of efforts to stabilize 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 finance and commercial finance companies totaled ¥4.5 billion for the six months ended September 30, 2014, down from ¥5.1 billion recorded for the six months ended September 30, 2013. This reduction is mainly attributable to the sum-of-the-years digits method applied for amortization of goodwill and intangible assets acquired in business combinations related to Shinsei Financial. It should be noted that full impairment of goodwill and intangible assets for APLUS FINANCIAL was taken as of March 31, 2010, and amortization of goodwill and intangible assets acquired in business combinations recorded for APLUS FINANCIAL of ¥0.4 billion for the six months ended September 30, 2014 is related to the amortization of goodwill for Zen-Nichi Shinpan Co., Ltd., a subsidiary of APLUS FINANCIAL.

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

Billions of yen

	Six months ended September 30, 2014	Six months ended September 30, 2013	Change (Amount)
Shinsei Financial	**¥ 2.9**	¥ 3.4	¥ (0.5)
SHINKI	**(0.1)**	(0.1)	—
APLUS FINANCIAL	**0.4**	0.4	(0.0)
Showa Leasing	**1.3**	1.4	(0.0)
Others	**0.0**	0.0	—
Amortization of goodwill and intangible assets acquired in business combinations	**¥ 4.5**	¥ 5.1	¥ (0.5)

NET CREDIT COSTS

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

TABLE 6. NET CREDIT COSTS (CONSOLIDATED)

Billions of yen

	Six months ended September 30, 2014	Six months ended September 30, 2013	Change (Amount)
Losses on write-off or sales of loans	**¥ 2.2**	¥ 1.7	¥ 0.4
Net provision of reserve for loan losses:			
Net provision of general reserve for loan losses	**4.7**	2.2	2.5
Net provision of specific reserve for loan losses	**2.2**	0.4	1.8
Subtotal	**7.0**	2.6	4.3
Other credit costs (recoveries) relating to leasing business	**(0.0)**	(0.0)	(0.0)
Recoveries of written-off claims	**(4.1)**	(3.9)	(0.1)
Net credit costs	**¥ 5.0**	¥ 0.3	¥ 4.6

The principal components of net credit costs are provisions or reversals of reserves for loan losses. In accordance with Japanese GAAP, 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 of the Bank, particularly Shinsei Financial, APLUS FINANCIAL, SHINKI, and Showa Leasing also maintain general and specific reserves for loan losses.

Net credit costs of ¥5.0 billion were recorded for the six months ended September 30, 2014, as compared to net credit costs of ¥0.3 billion for the six months ended September 30, 2013. 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 six months ended September 30, 2013, provisions of general reserves for loan losses increased in the six months ended September 30, 2014, primarily due to an increase in loans at the Bank's consumer finance business.

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RESULTS OF OPERATIONS (CONSOLIDATED) (CONTINUED)

For the six months ended September 30, 2014, recoveries of written-off claims were ¥4.1 billion, compared to ¥3.9 billion recorded for the six months ended September 30, 2013. The ¥4.1 billion of recoveries of written-off claims recorded in the six months ended September 30, 2014 included ¥2.4 billion from Shinsei Financial, ¥0.5 billion from SHINKI and ¥1.0 billion from Shinsei Bank (nonconsolidated basis). It should be noted that with the exclusion of recoveries of written off claims, net credit costs for the six months ended September 30, 2014 were ¥9.1 billion, compared to ¥4.3 billion recorded for the six months ended September 30, 2013.

OTHER GAINS (LOSSES), NET

Other gains of ¥1.9 billion were recorded for the six months ended September 30, 2014, as compared to losses of ¥0.1 billion recorded for the six months ended September 30, 2013.

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

	Billions of yen		
	Six months ended September 30, 2014	Six months ended September 30, 2013	Change (Amount)
Net gain (loss) on disposal of premises and equipment	**¥ 0.2**	¥ (0.1)	¥ 0.4
Gains on write-off of unclaimed debentures	**0.5**	0.5	(0.0)
Gains on write-off of unclaimed deposits	**0.4**	0.1	0.3
Impairment losses on long-lived assets	**(0.4)**	(1.0)	0.5
Other, net	**1.1**	0.4	0.6
Total	**¥ 1.9**	¥ (0.1)	¥ 2.0

INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS

As a result of the preceding, income before taxes and minority interests were ¥32.2 billion for the six months ended September 30, 2014, as compared to ¥27.6 billion recorded for the six months ended September 30, 2013.

INCOME TAXES (BENEFIT)

Regarding the sum of current and deferred income taxes, a net expense of ¥2.1 billion was recorded for the six months ended September 30, 2014, as compared to a net benefit of ¥1.2 billion for the six months ended September 30, 2013.

MINORITY INTERESTS IN NET INCOME OF SUBSIDIARIES

Minority interests in net income of subsidiaries were ¥1.1 billion for the six months ended September 30, 2014. Minority interests in net income of subsidiaries largely reflect dividends accrued on perpetual preferred securities issued by Shinsei Bank's subsidiaries, and minority interests in the net income of other consolidated subsidiaries. Minority interests in net income of subsidiaries for the six months ended September 30, 2013 were ¥1.6 billion.

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

	Billions of yen		
	Six months ended September 30, 2014	Six months ended September 30, 2013	Change (Amount)
Dividends on preferred securities issued by foreign SPCs	**¥ 1.1**	¥ 1.5	¥ (0.4)
Others	**0.0**	0.0	(0.0)
Minority interests in net income of subsidiaries	**¥ 1.1**	¥ 1.6	¥ (0.4)

RESULTS OF OPERATIONS (CONSOLIDATED) (CONTINUED)

NET INCOME

As a result of the preceding Shinsei Bank recognized a consolidated net income of ¥28.9 billion for the six months ended September 30, 2014, as compared to consolidated net income of ¥27.2 billion recorded for the six months ended September 30, 2013.

Additionally, consolidated cash basis net income for the six months ended September 30, 2014 was ¥32.9 billion, compared to ¥31.7 billion recorded for the six months ended September 30, 2013.

It should be noted that 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 in accordance with Japanese GAAP.

RECONCILIATION FROM REPORTED-BASIS RESULTS TO OPERATING-BASIS RESULTS

Shinsei Bank, in addition to analyzing its results of operations in the format used for our financial statements, which we refer to as the "reported-basis," also performs business management utilizing an "operating-basis" assessment of individual business lines in the evaluation of achieved results against targeted goals. Operating-basis results are generally calculated by adjusting the reported-basis results for amortization of goodwill and intangible assets acquired in business combinations, certain revenue items, amortization of net actuarial losses, and lump-sum payments. In general, operating-basis results represent what the Bank considers to be "core" business results and are in accordance with Japanese GAAP at the net income (loss) level. The following summary table is a reconciliation between our reported-basis and operating-basis results.

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

Billions of yen

	Six months ended September 30, 2014			Six months ended September 30, 2013		
	Reported-basis	**Reclassifications**	**Operating-basis**	Reported-basis	Reclassifications	Operating-basis
Revenue:						
Net interest income	**¥ 60.5**	**¥ —**	**¥ 60.5**	¥ 55.0	¥ —	¥ 55.0
Noninterest income	**50.5**	**—**	**50.5**	45.2	—	45.2
Total revenue	**111.1**	**—**	**111.1**	100.2	—	100.2
General and administrative expenses(1)(3)	**71.1**	**(1.1)**	**70.0**	67.0	(1.2)	65.8
Amortization of goodwill and intangible assets acquired in business combinations(2)(3)	**4.5**	**(4.5)**	**—**	5.1	(5.1)	—
Total general and administrative expenses	**75.7**	**(5.6)**	**70.0**	72.2	(6.3)	65.8
Net business profit/Ordinary business profit(2)	**35.3**	**5.6**	**41.0**	28.0	6.3	34.4
Net credit costs	**5.0**	**—**	**5.0**	0.3	—	0.3
Amortization of goodwill and intangible assets acquired in business combinations(2)	**—**	**4.5**	**4.5**	—	5.1	5.1
Other gains (losses), net(1)	**1.9**	**(1.1)**	**0.7**	(0.1)	(1.2)	(1.3)
Income before income taxes and minority interests	**32.2**	**—**	**32.2**	27.6	—	27.6
Income taxes and minority interests	**3.3**	**—**	**3.3**	0.3	—	0.3
Net income	**¥ 28.9**	**¥ —**	**¥ 28.9**	¥ 27.2	¥ —	¥ 27.2

Notes: (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 business is classified to general and administrative expenses.

RESULTS OF OPERATIONS (CONSOLIDATED) (CONTINUED)

BUSINESS LINES RESULTS

Management monitors the performance of our business lines on an operating-basis. The following business line discussion 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		
	Six months ended September 30, 2014	Six months ended September 30, 2013	Change (Amount)
Institutional Group:			
Net interest income	**¥ 14.5**	¥ 14.8	¥ (0.3)
Noninterest income	**19.5**	21.0	(1.5)
Total revenue	**34.0**	35.9	(1.8)
General and administrative expenses	**13.4**	12.1	1.2
Ordinary business profit	**20.6**	23.8	(3.1)
Net credit costs (recoveries)	**(2.0)**	(2.8)	0.7
Ordinary business profit after net credit costs (recoveries)	**¥ 22.7**	¥ 26.6	¥ (3.9)
Global Markets Group:			
Net interest income	**¥ 2.1**	¥ 1.9	¥ 0.1
Noninterest income	**5.5**	3.2	2.2
Total revenue	**7.6**	5.2	2.4
General and administrative expenses	**4.6**	4.4	0.2
Ordinary business profit	**3.0**	0.8	2.1
Net credit costs (recoveries)	**(0.0)**	(0.0)	(0.0)
Ordinary business profit after net credit costs (recoveries)	**¥ 3.1**	¥ 0.8	¥ 2.2
Individual Group:			
Net interest income	**¥ 43.7**	¥ 41.5	¥ 2.1
Noninterest income	**22.7**	21.4	1.3
Total revenue	**66.4**	63.0	3.4
General and administrative expenses	**51.3**	48.9	2.4
Ordinary business profit	**15.1**	14.0	1.0
Net credit costs	**7.1**	3.2	3.9
Ordinary business profit after net credit costs	**¥ 7.9**	¥ 10.8	¥ (2.9)
Corporate/Other[1]:			
Net interest income	**¥ 0.1**	¥ (3.3)	¥ 3.5
Noninterest income	**2.7**	(0.5)	3.3
Total revenue	**2.9**	(3.9)	6.8
General and administrative expenses	**0.6**	0.3	0.2
Ordinary business profit (loss)	**2.2**	(4.2)	6.5
Net credit costs	**(0.0)**	0.0	(0.0)
Ordinary business profit (loss) after net credit costs	**¥ 2.2**	¥ (4.2)	¥ 6.5
Total:			
Net interest income	**¥ 60.5**	¥ 55.0	¥ 5.5
Noninterest income	**50.5**	45.2	5.3
Total revenue	**111.1**	100.2	10.8
General and administrative expenses	**70.0**	65.8	4.2
Ordinary business profit	**41.0**	34.4	6.6
Net credit costs	**5.0**	0.3	4.6
Ordinary business profit after net credit costs	**¥ 36.0**	¥ 34.0	¥ 1.9

Note: (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) Institutional Business Sub-Group which provides financial products and services to corporate and public entities, and also provides structured finance businesses such as real estate finance and project finance, 2) Principal Transactions Sub-Group which covers credit trading and private equity business, 3) Showa Leasing and 4) Others including asset-backed investments.

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

Billions of yen

	Six months ended September 30, 2014	Six months ended September 30, 2013	Change (Amount)
Institutional Business Sub-Group—Institutional Business[1]:			
Net interest income	**¥ 5.8**	¥ 4.8	¥ 1.0
Noninterest income	**1.2**	1.9	(0.7)
Total revenue	**7.1**	6.8	0.3
General and administrative expenses	**3.4**	3.2	0.2
Ordinary business profit	**3.6**	3.5	0.0
Net credit costs (recoveries)	**(0.7)**	0.7	(1.4)
Ordinary business profit after net credit costs (recoveries)	**¥ 4.3**	¥ 2.8	¥ 1.5
Institutional Business Sub-Group—Structured Finance:			
Net interest income	**¥ 7.1**	¥ 8.8	¥ (1.7)
Noninterest income	**3.4**	3.9	(0.5)
Total revenue	**10.5**	12.8	(2.2)
General and administrative expenses	**2.6**	2.4	0.2
Ordinary business profit	**7.9**	10.4	(2.4)
Net credit costs (recoveries)	**(0.1)**	(3.4)	3.3
Ordinary business profit after net credit costs (recoveries)	**¥ 8.1**	¥ 13.8	¥ (5.7)
Principal Transactions Sub-Group:			
Net interest income	**¥ 2.8**	¥ 2.2	¥ 0.5
Noninterest income	**6.5**	7.3	(0.8)
Total revenue	**9.3**	9.6	(0.2)
General and administrative expenses	**2.5**	2.1	0.4
Ordinary business profit	**6.8**	7.4	(0.6)
Net credit costs (recoveries)	**(0.0)**	0.0	(0.0)
Ordinary business profit after net credit costs (recoveries)	**¥ 6.8**	¥ 7.4	¥ (0.5)
Showa Leasing:			
Net interest income	**¥ (1.2)**	¥ (1.3)	¥ 0.1
Noninterest income	**7.4**	8.1	(0.7)
Total revenue	**6.2**	6.7	(0.5)
General and administrative expenses	**4.0**	3.8	0.2
Ordinary business profit	**2.1**	2.9	(0.7)
Net credit costs (recoveries)	**(1.6)**	(1.8)	0.2
Ordinary business profit after net credit costs (recoveries)	**¥ 3.7**	¥ 4.8	¥ (1.0)
Others[1]:			
Net interest income	**¥ (0.1)**	¥ 0.1	¥ (0.3)
Noninterest income	**0.9**	(0.2)	1.2
Total revenue	**0.7**	(0.0)	0.8
General and administrative expenses	**0.6**	0.5	0.1
Ordinary business profit (loss)	**0.0**	(0.6)	0.7
Net credit costs	**0.4**	1.6	(1.2)
Ordinary business profit (loss) after net credit costs	**¥ (0.3)**	¥ (2.2)	¥ 1.9
Institutional Group:			
Net interest income	**¥ 14.5**	¥ 14.8	¥ (0.3)
Noninterest income	**19.5**	21.0	(1.5)
Total revenue	**34.0**	35.9	(1.8)
General and administrative expenses	**13.4**	12.1	1.2
Ordinary business profit	**20.6**	23.8	(3.1)
Net credit costs (recoveries)	**(2.0)**	(2.8)	0.7
Ordinary business profit after net credit costs (recoveries)	**¥ 22.7**	¥ 26.6	¥ (3.9)

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

RESULTS OF OPERATIONS (CONSOLIDATED) (CONTINUED)

The Institutional Group business recorded total revenue of ¥34.0 billion for the six months ended September 30, 2014, a decrease compared to ¥35.9 billion for the six months ended September 30, 2013. Net interest income was ¥14.5 billion for the six months ended September 30, 2014, compared to ¥14.8 billion for the six months ended September 30, 2013. Noninterest income was ¥19.5 billion for the six months ended September 30, 2014, compared to ¥21.0 billion for the six months ended September 30, 2013. Initiatives aimed at expanding the customer base and strengthening profitability continued to be promoted, and while strong income was recorded in domestic credit trading, as a result of the absence of significant real estate related income and income on private equity which was recorded in the six months ended September 30, 2013, total revenue declined compared to the six months ended September 30, 2013.

In the Institutional Business under the Institutional Business Sub-Group, total revenue was ¥7.1 billion for the six months ended September 30, 2014, a strong performance compared to ¥6.8 billion for the six months ended September 30, 2013. Efforts continued to be made to identify new outlets for corporate lending in order to further expand our client base, and due in part to the recording of significant dividend income on securities, total revenue in the six months ended September 30, 2014 increased compared to the six months ended September 30, 2013. Additionally, Structured Finance under the Institutional Business Sub-Group recorded total revenue of ¥10.5 billion for the six months ended September 30, 2014, as compared to ¥12.8 billion for the six months ended September 30, 2013. In Specialty Finance, while overall business performance was strong, due to factors such as the absence of significant real estate related income which was recognized in the six months ended September 30, 2013, total revenue for the six months ended September 30, 2014 declined compared to the six months ended September 30, 2013.

The Principal Transactions Sub-Group recorded total revenue of ¥9.3 billion for the six months ended September 30, 2014, compared to ¥9.6 billion for the six months ended September 30, 2013. While the performance of domestic credit trading operations continued to be strong, and some large revenues were recorded, total revenue declined compared to the six months ended September 30, 2013 due to factors such as the absence of capital gains on sales of private equity investments in the six months ended September 30, 2014, which were recorded in the six months ended September 30, 2013.

Total revenue at Others of the Institutional Group was a gain of ¥0.7 billion for the six months ended September 30, 2014, compared to a loss of ¥0.0 billion (¥97 million) for the six months ended September 30, 2013. This is the result of improvement in income related to equity method investments.

General and administrative expenses in the Institutional Group were ¥13.4 billion for the six months ended September 30, 2014, compared to ¥12.1 billion for the six months ended September 30, 2013. While the Group continued efforts to improve efficiency in all business lines, expenses increased due to the investment of management resources in order to expand the business base.

Net credit recoveries of ¥2.0 billion were recorded for the six months ended September 30, 2014, as compared to net credit recoveries of ¥2.8 billion for the six months ended September 30, 2013. In the six months ended September 30, 2014, there were some reversals of reserve for loan losses due to the sale of non-performing loans as well as improvements in creditworthiness of some accounts, whereas in the six months ended September 30, 2013 gains on the disposal of loans were recorded.

As a result of the preceding, the Institutional Group recorded an ordinary business profit after net credit costs of ¥22.7 billion for the six months ended September 30, 2014, compared to ¥26.6 billion recorded for the six months ended September 30, 2013.

Showa Leasing recorded an ordinary business profit after net credit costs of ¥3.7 billion for the six months ended September 30, 2014, an increase as compared to ¥4.8 billion recorded for the six months ended September 30, 2013. Total revenue was ¥6.2 billion for the six months ended September 30, 2014, compared to ¥6.7 billion recorded for the six months ended September 30, 2013. This performance was primarily due to less lease related fee income being recorded compared to the six months ended September 30, 2013. Additionally, net credit recoveries of ¥1.6 billion were recorded for the six months ended September 30, 2014 due to improvements in the credit quality of loans and the progression of collections. This is relatively unchanged compared to net credit recoveries of ¥1.8 billion recorded for the six months ended September 30, 2013.

RESULTS OF OPERATIONS (CONSOLIDATED) (CONTINUED)

GLOBAL MARKETS GROUP

The Global Markets Group consists of: 1) Financial Institutions Sub-Group which provides financial products and services for financial institutions, 2) Markets Sub-Group which deals with foreign exchanges, 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		
	Six months ended September 30, 2014	Six months ended September 30, 2013	Change (Amount)
Financial Institutions Sub-Group:			
Net interest income	**¥ 0.7**	¥ 0.8	¥ (0.0)
Noninterest income	**0.9**	0.8	0.0
Total revenue	**1.7**	1.7	0.0
General and administrative expenses	**1.1**	1.0	0.1
Ordinary business profit	**0.5**	0.6	(0.1)
Net credit costs (recoveries)	**(0.1)**	0.0	(0.1)
Ordinary business profit after net credit costs (recoveries)	**¥ 0.6**	¥ 0.6	¥ 0.0
Markets Sub-Group:			
Net interest income	**¥ 1.2**	¥ 1.1	¥ 0.1
Noninterest income	**3.0**	0.9	2.1
Total revenue	**4.3**	2.0	2.2
General and administrative expenses	**1.6**	1.6	0.0
Ordinary business profit	**2.7**	0.4	2.2
Net credit costs (recoveries)	**0.0**	(0.0)	0.1
Ordinary business profit after net credit costs (recoveries)	**¥ 2.6**	¥ 0.5	¥ 2.1
Others:			
Net interest income	**¥ 0.0**	¥ 0.0	¥ 0.0
Noninterest income	**1.4**	1.4	0.0
Total revenue	**1.5**	1.4	0.1
General and administrative expenses	**1.8**	1.7	0.0
Ordinary business profit (loss)	**(0.2)**	(0.2)	0.0
Net credit costs (recoveries)	**(0.0)**	(0.0)	(0.0)
Ordinary business profit (loss) after net credit costs (recoveries)	**¥ (0.1)**	¥ (0.2)	¥ 0.0
Global Markets Group:			
Net interest income	**¥ 2.1**	¥ 1.9	¥ 0.1
Noninterest income	**5.5**	3.2	2.2
Total revenue	**7.6**	5.2	2.4
General and administrative expenses	**4.6**	4.4	0.2
Ordinary business profit	**3.0**	0.8	2.1
Net credit costs (recoveries)	**(0.0)**	(0.0)	(0.0)
Ordinary business profit after net credit costs (recoveries)	**¥ 3.1**	¥ 0.8	¥ 2.2

RESULTS OF OPERATIONS (CONSOLIDATED) (CONTINUED)

The Global Markets Group recorded total revenue of ¥7.6 billion for the six months ended September 30, 2014, compared to ¥5.2 billion for the six months ended September 30, 2013. The continued efforts by the Group to expand its customer base, as well as the development and provision of financial products that meet customers' needs, and the total volume of customer transactions and market related-transactions being strong, where the contributing factors in this increase in total revenue.

The Financial Institutions Sub-Group's total revenue for the six months ended September 30, 2014 was at the same level as ¥1.7 billion recorded for the six months ended September 30, 2013. This was the result of the Sub-Group's continued promotion of business alliances leveraging its well-developed network with financial institutions, in addition to striving to deepen transaction relationships through the provision of products that satisfy customers' needs.

The Markets Sub-Group recorded total revenue increased by ¥2.2 billion to ¥4.3 billion for the six months ended September 30, 2014, from ¥2.0 billion recorded for the six months ended September 30, 2013. This was the result of significant improvements in transaction volumes with customers and profitability of markets related transactions.

Total revenue at Others of the Global Markets Group increased to ¥1.5 billion for the six months ended September 30, 2014, from ¥1.4 billion recorded for the six months ended September 30, 2013.

The Global Markets Group recorded ¥4.6 billion of general and administrative expenses for the six months ended September 30, 2014, compared to ¥4.4 billion for the six months ended September 30, 2013. While the Group continued efforts to improve efficiency in all business lines, resources were invested in key business areas in order to rebuild the customer base, in addition to investments made in human resources, resulting in expenses increasing slightly as compared to the six months ended September 30, 2013.

The Global Markets Group recorded net credit recoveries of ¥0.0 billion (¥93 million) was recorded for the six months ended September 30, 2014, compared to net credit recoveries of ¥0.0 billion (¥46 million) was recorded for the six months ended September 30, 2013.

As a result of the preceding, the Global Markets Group recorded ¥3.1 billion of ordinary business profit after net credit costs for the six months ended September 30, 2014, compared to ¥0.8 billion recorded for the six months ended September 30, 2013.

INDIVIDUAL GROUP

The Individual Group consists of: 1) Retail Banking, 2) Shinsei Financial and Shinsei Bank Card Loan—Lake ("Shinsei Bank Lake"), 3) SHINKI, 4) APLUS FINANCIAL, and 5) Others, which includes Shinsei Property Finance Co., Ltd.

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

	Billions of yen		
	Six months ended September 30, 2014	Six months ended September 30, 2013	Change (Amount)
Retail Banking:	**¥ 14.3**	¥ 16.8	¥ (2.5)
Deposits and Debentures Net Interest Income	**6.4**	8.0	(1.5)
Deposits and Debentures Noninterest Income	**0.8**	1.5	(0.6)
Asset management	**2.4**	2.7	(0.3)
Loans	**4.5**	4.5	(0.0)
Shinsei Financial and Shinsei Bank Lake[1]	**23.6**	18.8	4.8
SHINKI	**3.0**	3.0	0.0
APLUS FINANCIAL	**24.6**	23.4	1.2
Others[2]	**0.7**	0.8	(0.1)
Total revenue	**¥ 66.4**	¥ 63.0	¥ 3.4

Notes: (1) Results for the 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.

RESULTS OF OPERATIONS (CONSOLIDATED) (CONTINUED)

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

Billions of yen

	Six months ended September 30, 2014	Six months ended September 30, 2013	Change (Amount)
Retail Banking:			
Net interest income	**¥ 11.5**	¥ 12.7	¥ (1.1)
Noninterest income	**2.7**	4.0	(1.3)
Total revenue	**14.3**	16.8	(2.5)
General and administrative expenses	**16.9**	16.1	0.8
Ordinary business profit	**(2.6)**	0.6	(3.3)
Net credit costs	**0.0**	0.1	(0.0)
Ordinary business profit after net credit costs	**¥ (2.7)**	¥ 0.5	¥ (3.2)
Shinsei Financial and Shinsei Bank Lake[1]:			
Net interest income	**¥ 24.8**	¥ 20.8	¥ 4.0
Noninterest income	**(1.1)**	(1.9)	0.8
Total revenue	**23.6**	18.8	4.8
General and administrative expenses	**13.7**	13.1	0.6
Ordinary business profit	**9.9**	5.7	4.2
Net credit costs (recoveries)	**3.1**	(0.4)	3.5
Ordinary business profit after net credit costs (recoveries)	**¥ 6.8**	¥ 6.1	¥ 0.6
SHINKI[3]:			
Net interest income	**¥ 3.3**	¥ 3.3	¥ 0.0
Noninterest income	**(0.2)**	(0.2)	0.0
Total revenue	**3.0**	3.0	0.0
General and administrative expenses	**2.2**	2.0	0.1
Ordinary business profit	**0.8**	0.9	(0.1)
Net credit costs	**0.5**	0.1	0.3
Ordinary business profit after net credit costs	**¥ 0.3**	¥ 0.7	¥ (0.4)
APLUS FINANCIAL:			
Net interest income	**¥ 3.3**	¥ 3.9	¥ (0.6)
Noninterest income	**21.3**	19.4	1.8
Total revenue	**24.6**	23.4	1.2
General and administrative expenses	**18.0**	17.2	0.7
Ordinary business profit	**6.6**	6.1	0.5
Net credit costs	**3.5**	3.3	0.1
Ordinary business profit after net credit costs	**¥ 3.0**	¥ 2.7	¥ 0.3
Others[2]:			
Net interest income	**¥ 0.6**	¥ 0.7	¥ (0.0)
Noninterest income	**0.1**	0.1	(0.0)
Total revenue	**0.7**	0.8	(0.1)
General and administrative expenses	**0.3**	0.3	0.0
Ordinary business profit	**0.3**	0.5	(0.1)
Net credit costs (recoveries)	**(0.0)**	(0.0)	(0.0)
Ordinary business profit after net credit costs (recoveries)	**¥ 0.4**	¥ 0.6	¥ (0.1)
Individual Group:			
Net interest income	**¥ 43.7**	¥ 41.5	¥ 2.1
Noninterest income	**22.7**	21.4	1.3
Total revenue	**66.4**	63.0	3.4
General and administrative expenses	**51.3**	48.9	2.4
Ordinary business profit	**15.1**	14.0	1.0
Net credit costs	**7.1**	3.2	3.9
Ordinary business profit after net credit costs	**¥ 7.9**	¥ 10.8	¥ (2.9)

Notes: (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.
(3) While results for SHINKI are reported as a part of the Shinsei Financial Business Segment, the results are presented separately in this table.

RESULTS OF OPERATIONS (CONSOLIDATED) (CONTINUED)

The Individual Group's recorded ordinary business profit after net credit costs of ¥7.9 billion for the six months ended September 30, 2014, compared to ¥10.8 billion recorded for the six months ended September 30, 2013.

RETAIL BANKING

In Retail Banking, total revenue of ¥14.3 billion was recorded for the six months ended September 30, 2014, compared to ¥16.8 billion recorded for the six months ended September 30, 2013. Net interest income totaled ¥11.5 billion for the six months ended September 30, 2014, compared to ¥12.7 billion for the six months ended September 30, 2013. The disbursement of new housing loans remained strong, resulting in a net increase in the loan balance, as well as an increase in revenue, however, net interest income from deposits including liquid deposits decreased due to a decline in market interest rates, and as a result, overall net interest income decreased compared to the six months ended September 30, 2013. Noninterest income, due to a reduction in revenue associated with the sale of investment products and an increase in ATM related fees, decreased to ¥2.7 billion for the six months ended September 30, 2014, as compared to ¥4.0 billion for the six months ended September 30, 2013.

General and administrative expenses of ¥16.9 billion were recorded for the six months ended September 30, 2014, an increase as compared to ¥16.1 billion recorded for the six months ended September 30, 2013. This increase was the result of the proactive implementation of measures aimed at smoothly carrying out the Second Medium-Term Management Plan, despite the implementation of various rationalization and efficiency measures, such as reviewing unit prices of advertising.

Net credit costs of ¥0.0 billion (¥81 million) were recorded for the six months ended September 30, 2014, compared to net credit costs of ¥0.1 billion recorded for the six months ended September 30, 2013. As a result of the preceding, ordinary business profit after net credit costs was a loss of ¥2.7 billion for the six months ended September 30, 2014, compared to a profit of ¥0.5 billion for the six months ended September 30, 2013.

SHINSEI FINANCIAL AND SHINSEI BANK LAKE

Including related consolidation adjustments, ordinary business profit after net credit costs of Shinsei Financial and Shinsei Bank Lake of ¥6.8 billion was recorded for the six months ended September 30, 2014, compared to ¥6.1 billion recorded for the six months ended September 30, 2013.

Total revenue of ¥23.6 billion was recorded for the six months ended September 30, 2014, compared to ¥18.8 billion recorded for the six months ended September 30, 2013, due primarily to the growth of the loan balance.

While we continued to engage in a phased tightening of credit standards as well as strengthening of collection capabilities, net credit costs of ¥3.1 billion were recorded for the six months ended September 30, 2014, as compared to net credit recoveries of ¥0.4 billion recorded for the six months ended September 30, 2013, due in part to an increase in the rate of growth of the loan balance during the six months ended September 30, 2014 compared to the six months ended September 30, 2013.

SHINKI

Including related consolidation adjustments, ordinary business profit after net credit costs of SHINKI of ¥0.3 billion was recorded for the six months ended September 30, 2014, compared to ¥0.7 billion recorded for the six months ended September 30, 2013.

RESULTS OF OPERATIONS (CONSOLIDATED) (CONTINUED)

APLUS FINANCIAL

Including related consolidation adjustments, ordinary business profit after net credit costs of APLUS FINANCIAL of ¥3.0 billion was recorded for the six months ended September 30, 2014, compared to ¥2.7 billion recorded for the six months ended September 30, 2013. Total revenue in the six months ended September 30, 2014 was ¥24.6 billion, increased from ¥23.4 billion recorded for the six months ended September 30, 2013. Of this, while net interest income decreased to ¥3.3 billion for the six months ended September 30, 2014, compared to ¥3.9 billion for the six months ended September 30, 2013, due to a reduction in the loan balance compared to the six months ended September 30, 2013, noninterest income increased to ¥21.3 billion recorded for the six months ended September 30, 2014, compared to ¥19.4 billion recorded for the six months ended September 30, 2013, as a result of a strong performance in the installment sales credit and settlement business. General and administrative expenses, while we have continued to pursue rationalization and efficiency in our business processes, increased to ¥18.0 billion recorded for the six months ended September 30, 2014, from ¥17.2 billion recorded for the six months ended September 30, 2013, due to an increase in expenses associated with the implementation of measures aimed at enhancing customer services. Additionally, net credit costs of ¥3.5 billion recorded for the six months ended September 30, 2014, compared to ¥3.3 billion recorded for the six months ended September 30, 2013.

The business results of Others includes profits and losses of Shinsei Property Finance and the Consumer Finance Sub-Group.

INTEREST REPAYMENT

Regarding reserves for losses on interest repayments, no additional reserves were made in the six months ended September 30, 2014, whereas additional reserves totaling ¥15.6 billion were made in the fiscal year ended March 31, 2014 based upon a revision of future additional interest repayment costs.

Shinsei Financial's usage of reserves for losses on interest repayments (interest repayment and related principal amortization) totaled was ¥19.0 billion for the six months ended September 30, 2014, compared to ¥2.2 billion for the six months ended September 30, 2013. This increase was the result of the additional provisioning of ¥175.0 billion of reserves of losses on interest repayments coinciding with the conclusion of the GE Japan, Ltd., indemnity for losses on interest repayments, and a subsequent expansion of claims covered through the reserves for losses on interest repayments. No additional recording or provisioning of reserves has taken place in the six months ended September 30, 2014, and the outstanding total balance of reserves for losses on interest repayments as of September 30, 2014 was ¥168.3 billion, compared to ¥187.3 billion as of March 31, 2014.

SHINKI's usage of reserves for losses on interest repayments (interest repayment and related principal amortization) totaled ¥2.1 billion for the six months ended September 30, 2014, compared to ¥2.4 billion for the six months ended September 30, 2013. No additional reserves were provisioned in the six months ended September 30, 2014, and the outstanding total balance of reserves for losses on interest repayments as of September 30, 2014 was ¥14.0 billion, compared to ¥16.2 billion as of March 31, 2014.

Additionally, APLUS FINANCIAL and its consolidated subsidiaries' usage of reserves for losses on interest repayments (interest repayment and related principal amortization) totaled to ¥1.5 billion for the six months ended September 30, 2014, compared to ¥1.6 billion for the six months ended September 30, 2013. No additional reserves were provisioned during the six months ended September 30, 2014, and the outstanding total balance of reserves for losses on interest repayments as of September 30, 2014, was ¥3.0 billion, compared to ¥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 operations of the entire Bank.

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

Billions of yen

	Six months ended September 30, 2014	Six months ended September 30, 2013	Change (Amount)
Treasury Sub-Group:			
Net interest income	**¥ 0.1**	¥ (1.7)	¥ 1.9
Noninterest income	**2.7**	(0.7)	3.5
Total revenue	**2.9**	(2.5)	5.4
General and administrative expenses	**0.8**	0.7	0.0
Ordinary business profit (loss)	**2.1**	(3.2)	5.4
Net credit costs	**—**	—	—
Ordinary business profit (loss) after net credit costs	**¥ 2.1**	¥ (3.2)	¥ 5.4
Others[1]:			
Net interest income	**¥ (0.0)**	¥ (1.6)	¥ 1.6
Noninterest income	**(0.0)**	0.1	(0.2)
Total revenue	**(0.0)**	(1.4)	1.3
General and administrative expenses	**(0.1)**	(0.4)	0.2
Ordinary business profit (loss)	**0.1**	(1.0)	1.1
Net credit costs	**(0.0)**	0.0	(0.0)
Ordinary business profit (loss) after net credit costs	**¥ 0.1**	¥ (1.0)	¥ 1.1
Corporate/Other:			
Net interest income	**¥ 0.1**	¥ (3.3)	¥ 3.5
Noninterest income	**2.7**	(0.5)	3.3
Total revenue	**2.9**	(3.9)	6.8
General and administrative expenses	**0.6**	0.3	0.2
Ordinary business profit (loss)	**2.2**	(4.2)	6.5
Net credit costs	**(0.0)**	0.0	(0.0)
Ordinary business profit (loss) after net credit costs	**¥ 2.2**	¥ (4.2)	¥ 6.5

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

While total revenue of Corporate/Other for the six months ended September 30, 2013 was a loss of ¥3.9 billion, for the six months ended September 30, 2014 a profit of ¥2.9 billion was recorded. Net interest income of ¥0.1 billion was recorded in the for six months ended September 30, 2014, a significant improvement compared to a loss of ¥3.3 billion recorded in the six months ended September 30, 2013. This performance was due in part to the maturation of high interest rate time deposits resulting in lower funding costs, which in turn had an impact through internal funds transfers.

Noninterest income, while a loss of ¥0.5 billion was recorded for the six months ended September 30, 2013 on the sale of JGBs undertaken to avoid interest rate risk arising from major fluctuations in the market caused by temporary turbulence in financial markets, a profit of ¥2.7 billion was recorded for the six months ended September 30, 2014. This performance was due to the undertaking of flexible operations by the Treasury Sub-Group in its ALM operations resulting in the recording of a profit of ¥1.7 billion in the Treasury Sub-Group on the sale of bonds including overseas corporate bonds and government bonds.

RESULTS OF OPERATIONS (NONCONSOLIDATED)

SUMMARY OF NONCONSOLIDATED FINANCIAL RESULTS

We disclose nonconsolidated financial information in addition to our consolidated financial statements. As a recipient of public funds, we are required by the Financial Services Agency of Japan ("FSA") to update and report on nonconsolidated performance in relation to targets set forth in our Revitalization Plan on a quarterly basis and to publicly disclose that information semi-annually. Shinsei recorded a net income of ¥19.3 billion on a nonconsolidated basis for the six months ended September 30, 2014. Differences between the net income on a nonconsolidated basis and consolidated basis are mainly because of 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. SUPPLEMENTAL MEASURES (NONCONSOLIDATED)

Billions of yen

	Six months ended September 30, 2014	Six months ended September 30, 2013
Gross business profit *(gyomu sorieki)* :		
Net interest income	**¥ 43.7**	¥ 37.5
Net fees and commissions[(1)]	**6.9**	6.0
Net trading income	**2.0**	2.5
Net other business income	**3.9**	1.7
Total gross business profit	**56.6**	47.8
Expenses[(2)]	**37.1**	34.3
Net business profit *(jisshitsu gyomu jun-eki)*	**19.5**	13.5
Other, net[(3)]	**1.6**	1.2
Net operating income *(keijo rieki)*	**21.2**	14.7
Extraordinary income (loss)	**(1.0)**	(1.0)
Income before income taxes	**20.1**	13.6
Current income taxes (benefit)	**(0.0)**	(0.1)
Deferred income taxes (benefit)	**0.8**	(1.8)
Net income	**¥ 19.3**	¥ 15.5

Notes: (1) Includes net gain (loss) on monetary assets held in trust of ¥7.2 billion and ¥2.3 billion for the six months ended September 30, 2014 and 2013, respectively.
(2) General and administrative expenses with certain adjustment.
(3) Excludes net gain (loss) on monetary assets held in trust.

SUPPLEMENTAL NONCONSOLIDATED MEASURES

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

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

- net interest income, which excludes interest expense related to investment in monetary assets held in trust;
- net fees and commissions, which includes net gain (loss) on monetary assets held in trust (in keeping with the definition of gross business profit in our revitalization plan);
- net trading income; and
- net other business income, which excludes net gain (loss) on monetary assets held in trust and on equity securities.

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

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

FINANCIAL CONDITION

TOTAL ASSETS

Consolidated total assets decreased from ¥9,321.1 billon to ¥9,190.1 billion over the six months ended September 30, 2014.

The balance of loans and bills discounted was ¥4,338.6 billion as of September 30, 2014, an increase of ¥18.7 billion from ¥4,319.8 billion as of March 31, 2014. Loans to institutional customers shrank slightly as a result of factors such as collections of loans and fierce competition to meet loan demand from customers. In loans to individuals, housing loans continued to steadily increase, and the consumer finance loan balance continued to grow compared to the previous fiscal year. As a result, the overall balance of loans and bills discounted for the Bank grew.

TABLE 17. LOANS BY BORROWER INDUSTRY (CONSOLIDATED)

Billions of yen (except percentages)

	As of September 30, 2014		As of September 30, 2013	
Domestic offices (excluding Japan offshore market account):				
Manufacturing	**¥ 205.4**	**4.8%**	¥ 206.5	5.0%
Agriculture and Forestry	**0.1**	**0.0**	0.2	0.0
Fishery	**0.0**	**0.0**	—	—
Mining, quarrying and gravel extraction	**—**	**—**	0.1	0.0
Construction	**11.2**	**0.3**	13.9	0.3
Electric power, gas, heat supply and water supply	**193.4**	**4.5**	139.3	3.4
Information and communications	**42.2**	**1.0**	35.5	0.9
Transportation, postal service	**194.5**	**4.6**	214.2	5.2
Wholesale and retail	**92.8**	**2.2**	75.4	1.8
Finance and insurance	**629.1**	**14.7**	698.6	16.8
Real estate	**534.7**	**12.5**	561.7	13.5
Services	**328.2**	**7.7**	286.7	6.9
Local government	**98.4**	**2.3**	108.4	2.6
Others	**1,939.4**	**45.4**	1,816.1	43.7
Total domestic (A)	**¥ 4,270.0**	**100.0%**	¥ 4,157.1	100.0%
Overseas offices (including Japan offshore market accounts):				
Governments	**¥ 1.3**	**2.0%**	¥ 1.6	3.3%
Financial institutions	**0.0**	**0.1**	0.6	1.3
Others	**67.1**	**97.9**	49.0	95.4
Total overseas (B)	**¥ 68.6**	**100.0%**	¥ 51.4	100.0%
Total (A+B)	**¥ 4,338.6**		¥ 4,208.6	

FUNDING AND LIQUIDITY

The table below shows changes in the proportion of our overall funding represented by funds raised from deposits and debentures in our Retail and Institutional Banking businesses. Shinsei continues to optimize its funding base through deposits mainly from retail customers.

TABLE 18. DIVERSIFICATION BY FUNDING TYPE (CONSOLIDATED)

Billions of yen

	As of September 30, 2014	As of September 30, 2013
Retail deposits	**¥ 4,931.7**	¥ 4,987.7
Institutional deposits	**679.3**	765.6
Retail debentures[1]	**36.4**	44.0
Institutional debentures	**1.3**	1.8
Total	**¥ 5,648.8**	¥ 5,799.3

Note: (1) Excludes unclaimed matured debentures.

TOTAL EQUITY

Total equity as of September 30, 2014 was ¥706.2 billion and included minority interests of ¥20.4 billion.

FINANCIAL CONDITION (CONTINUED)

ASSET QUALITY AND DISPOSAL OF NONPERFORMING LOANS OF SHINSEI

At September 30, 2014, 58.7% of our consolidated nonperforming loans as disclosed in accordance with the guidelines of the Japanese Bankers Association (JBA) were held by Shinsei and most of the rest were held by Shinsei Financial and APLUS FINANCIAL. This discussion of our asset quality presents information of Shinsei on a nonconsolidated basis unless specified otherwise. In particular, nonperforming claims as defined in the Financial Revitalization Law are only disclosed on a nonconsolidated basis, and therefore do not include nonperforming claims held by Shinsei Financial, APLUS FINANCIAL, Showa Leasing and SHINKI. For a discussion regarding 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.

CLAIMS CLASSIFIED UNDER THE FINANCIAL REVITALIZATION LAW

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

DISCLOSURE OF CLAIMS CLASSIFIED UNDER THE FINANCIAL REVITALIZATION LAW

Our current management team has consistently emphasized the monitoring of nonperforming claims. Shinsei's total amount of nonperforming claims as disclosed pursuant to the Financial Revitalization Law decreased ¥54.5 billion, or 33.1%, to ¥110.1 billion, between March 31, 2014 and September 30, 2014. During the six months ended September 30, 2014, claims against bankrupt and quasi-bankrupt obligors decreased from ¥13.2 billion to ¥8.6 billion, and doubtful claims decreased from ¥146.6 billion to ¥97.0 billion, and substandard claims decreased from ¥4.8 billion to ¥4.4 billion, as a result of our self assessment. The ratio of nonperforming claims disclosed under the Financial Revitalization Law to total nonconsolidated claims as of September 30, 2014 decreased to 2.6%, compared to 3.8% as of March 31, 2014.

Shinsei's claims against other need caution obligors, excluding substandard claims, totaled ¥100.5 billion as of September 30, 2014, a 7.6% decrease from ¥108.8 billion as of March 31, 2014, which included private placement bonds guaranteed by Shinsei classified as claims against other need caution obligors.

These claims represented 2.4% of total nonconsolidated claims as of September 30, 2014, down from 2.5% as of March 31, 2014.

FINANCIAL CONDITION (CONTINUED)

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

(Billions of yen)

Obligor Classifications		Internal Ratings	Reserve Ratios for Borrowers Type	Claims Classified under the Financial Revitalization Law[2][3] Total loans and bills discounted: 4,121.0 Other 97.4	Risk-monitored Loans[2] Total loans and bills discounted: 4,121.0
Legally bankrupt		9E	100.0% for unsecured portion	Claims against bankrupt and quasi-bankrupt obligors 8.6 (Amount of coverage, coverage ratio) (8.6*, 100.0%) *Amount of reserve for loan losses is —, collateral and guarantees is 8.6	Loans to bankrupt obligors 3.2
Virtually bankrupt		9D	100.0% for unsecured portion		Nonaccrual delinquent loans 89.4
Possibly bankrupt		9C	99.2% for unsecured portion	Doubtful claims 97.0 (Amount of coverage, coverage ratio) (93.8*, 96.7%) *Amount of reserve for loan losses is 38.9, collateral and guarantees is 54.8	
Need caution	Substandard	9B	59.5% for unsecured portion	Substandard claims (loan account only) 4.4 (Amount of coverage, coverage ratio) (2.8*, 64.9%) *Amount of reserve for loan losses is 1.7, collateral and guarantees is 1.1	Loans past due for three months or more Restructured loans 4.4
	Other need caution	9A	5.7% for total claims	Normal claims 4,108.3	Normal 4,023.9
Normal		0A–6C	0.3% for total claims		
				Total nonperforming claims and ratio to total claims 110.1, 2.6% (Total amount of coverage, coverage ratio) (105.4*, 95.7%) *Total amount of reserve for loan losses is 40.6, collateral and guarantees is 64.7	Total risk-monitored loans and ratio to total loans and bills discounted 97.0, 2.4%

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

FINANCIAL CONDITION (CONTINUED)

TABLE 19. CLAIMS CLASSIFIED UNDER THE FINANCIAL REVITALIZATION LAW (NONCONSOLIDATED)

Billions of yen (except percentages)

	As of September 30, 2014	As of September 30, 2013	As of March 31, 2014
Claims against bankrupt and quasi-bankrupt obligors	**¥ 8.6**	¥ 33.6	¥ 13.2
Doubtful claims	**97.0**	161.5	146.6
Substandard claims	**4.4**	6.7	4.8
Total claims disclosed under the Financial Revitalization Law[1]	**110.1**	201.9	164.7
Normal claims and claims against other need caution obligors excluding substandard claims	**4,108.3**	4,044.0	4,163.5
Total claims	**¥ 4,218.4**	¥ 4,245.9	¥ 4,328.2
Ratio of total claims disclosed under the Financial Revitalization Law to total claims	**2.6%**	4.8%	3.8%

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

COVERAGE RATIOS

As of September 30, 2014, 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, 96.7% for doubtful claims and 64.9% for substandard claims. For all claims classified under the Financial Revitalization Law, the coverage ratio was 95.7%.

Shinsei directly writes off, rather than reserves, the portion of claims against bankrupt and quasi-bankrupt obligors that are estimated to be uncollectible. As of September 30, 2014, ¥53.9 billion of such claims were written off on a nonconsolidated basis.

TABLE 20. COVERAGE RATIOS FOR NONPERFORMING CLAIMS DISCLOSED UNDER THE FINANCIAL REVITALIZATION LAW (NONCONSOLIDATED)

Billions of yen (except percentages)

	Amount of claims	Amounts of coverage: Reserve for loan losses	Collateral and guarantees	Total	Coverage ratio
As of September 30, 2014:					
Claims against bankrupt and quasi-bankrupt obligors	**¥ 8.6**	**¥ —**	**¥ 8.6**	**¥ 8.6**	**100.0%**
Doubtful claims	**97.0**	**38.9**	**54.8**	**93.8**	**96.7**
Substandard claims	**4.4**	**1.7**	**1.1**	**2.8**	**64.9**
Total	**¥ 110.1**	**¥ 40.6**	**¥ 64.7**	**¥ 105.4**	**95.7%**
As of September 30, 2013:					
Claims against bankrupt and quasi-bankrupt obligors	¥ 33.6	¥ —	¥ 33.6	¥ 33.6	100.0%
Doubtful claims	161.5	57.2	97.8	155.0	96.0
Substandard claims	6.7	1.9	2.3	4.2	62.9
Total	¥ 201.9	¥ 59.1	¥ 133.8	¥ 192.9	95.5%
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%

FINANCIAL CONDITION (CONTINUED)

RESERVE FOR CREDIT LOSSES

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

TABLE 21. RESERVE FOR CREDIT LOSSES (NONCONSOLIDATED)

Billions of yen (except percentages)

	As of September 30, 2014	As of September 30, 2013
General reserve for loan losses	**¥ 19.1**	¥ 28.0
Specific reserve for loan losses	**39.9**	58.4
Reserve for loans to restructuring countries	**0.0**	0.0
Subtotal reserve for loan losses	**59.1**	86.5
Specific reserve for other credit losses	**3.9**	3.9
Total reserve for credit losses	**¥ 63.0**	¥ 90.4
Total claims[1]	**¥ 4,218.4**	¥ 4,245.9
Ratio of total reserve for loan losses to total claims	**1.4%**	2.0%
Ratio of total reserve for credit losses to total claims	**1.5%**	2.1%

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

As of September 30, 2014 and September 30, 2013, total reserve for credit losses on a nonconsolidated basis was ¥63.0 billion and ¥90.4 billion, respectively, constituting 1.5% and 2.1%, respectively, of total claims.

TABLE 22. RESERVE RATIOS BY BORROWERS' CATEGORY (NONCONSOLIDATED)

Percentages

		As of September 30, 2014	As of September 30, 2013
Legally and virtually bankrupt	(unsecured portion)	**100.0%**	100.0%
Possibly bankrupt	(unsecured portion)	**99.2%**	95.3%
Substandard	(unsecured portion)	**59.5%**	51.3%
Need caution	(total claims)	**5.7%**	6.0%
	(unsecured portion)	**25.7%**	25.7%
Normal	(total claims)	**0.3%**	0.4%

RISK-MONITORED LOANS

Consolidated risk-monitored loans decreased by ¥55.3 billion during the six months ended September 30, 2014 to ¥165.3 billion.

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

TABLE 23. RISK-MONITORED LOANS (CONSOLIDATED)

Billions of yen (except percentages)

	As of September 30, 2014	As of September 30, 2013
Total loans and bills discounted	**¥ 4,338.6**	¥ 4,208.6
Loans to bankrupt obligors (A)	**6.2**	12.5
Nonaccrual delinquent loans (B)	**128.2**	212.5
Subtotal (A)+(B)	**¥ 134.4**	¥ 225.0
Ratio to total loans and bills discounted	**3.1%**	5.3%
Loans past due for three months or more (C)	**¥ 1.3**	¥ 1.4
Restructured loans (D)	**29.5**	35.7
Total risk-monitored loans (A)+(B)+(C)+(D)	**¥ 165.3**	¥ 262.2
Ratio to total loans and bills discounted	**3.8%**	6.2%
Reserve for credit losses	**¥ 117.9**	¥ 143.9

FINANCIAL CONDITION (CONTINUED)

TABLE 24. RISK-MONITORED LOANS (NONCONSOLIDATED)

Billions of yen (except percentages)

	As of September 30, 2014	As of September 30, 2013
Total loans and bills discounted	**¥ 4,121.0**	¥ 4,139.9
Loans to bankrupt obligors (A)	**3.2**	8.2
Nonaccrual delinquent loans (B)	**89.4**	171.5
Subtotal (A)+(B)	**¥ 92.6**	¥ 179.8
Ratio to total loans and bills discounted	**2.2%**	4.3%
Loans past due for three months or more (C)	**¥ 1.1**	¥ 1.2
Restructured loans (D)	**3.3**	5.4
Total risk-monitored loans (A)+(B)+(C)+(D)	**¥ 97.0**	¥ 186.5
Ratio to total loans and bills discounted	**2.4%**	4.5%
Reserve for credit losses	**¥ 63.0**	¥ 90.4

TABLE 25. RISK-MONITORED LOANS BY BORROWER INDUSTRY (NONCONSOLIDATED)

Billions of yen

	As of September 30, 2014	As of September 30, 2013
Domestic offices (excluding Japan offshore market account):		
Manufacturing	**¥ 1.0**	¥ 6.2
Agriculture and Forestry	**—**	—
Fishery	**—**	—
Mining, quarrying and gravel extraction	**—**	—
Construction	**0.3**	—
Electric power, gas, heat supply and water supply	**—**	—
Information and communications	**0.5**	1.9
Transportation, postal service	**—**	2.9
Wholesale and retail	**0.4**	0.2
Finance and insurance	**—**	41.6
Real estate	**58.9**	84.7
Services	**25.4**	28.2
Local government	**—**	—
Individual	**3.3**	4.4
Overseas yen loan and overseas loans booked domestically	**6.8**	16.0
Total domestic (A)	**¥ 97.0**	¥ 186.5
Overseas offices (including Japan offshore market accounts):		
Governments	**¥ —**	¥ —
Financial institutions	**—**	—
Others	**—**	—
Total overseas (B)	**¥ —**	¥ —
Total (A+B)	**¥ 97.0**	¥ 186.5

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 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, APLUS FINANCIAL, Showa Leasing 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:

Financial Highlights
Message from the Management
Overview of the Second Medium-Term Management Plan (MTMP)
Review of Operations
Management Structure
Data Section
Management's Discussion and Analysis of Financial Condition and Results of Operations

FINANCIAL CONDITION (CONTINUED)

TABLE 26. RISK-MONITORED LOANS BREAKDOWN FOR LARGE ENTITIES (CONSOLIDATED)

	Billions of yen					
	Shinsei	Shinsei Financial	APLUS FINANCIAL	SHINKI	Other subsidiaries	Total
As of September 30, 2014:						
Loans to bankrupt obligors	**¥ 3.2**	**¥ 1.6**	**¥ 0.0**	**¥ 0.0**	**¥ 1.3**	**¥ 6.2**
Nonaccrual delinquent loans	**89.4**	**8.5**	**13.8**	**1.0**	**15.4**	**128.2**
Loans past due for three months or more	**1.1**	**0.0**	**0.1**	**—**	**0.0**	**1.3**
Restructured loans	**3.3**	**16.0**	**8.6**	**1.5**	**—**	**29.5**
Total	**¥ 97.0**	**¥ 26.2**	**¥ 22.6**	**¥ 2.5**	**¥ 16.8**	**¥ 165.3**
As of September 30, 2013:						
Loans to bankrupt obligors	¥ 8.2	¥ 1.2	¥ 0.1	¥ 0.0	¥ 2.8	¥ 12.5
Nonaccrual delinquent loans	171.5	6.5	14.5	0.8	19.0	212.5
Loans past due for three months or more	1.2	0.0	0.0	—	0.1	1.4
Restructured loans	5.4	18.9	9.6	1.6	—	35.7
Total	¥ 186.5	¥ 26.7	¥ 24.3	¥ 2.4	¥ 22.1	¥ 262.2
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 27. RISK-MONITORED INSTALLMENT RECEIVABLES INCLUDED IN OTHER ASSETS BREAKDOWN FOR LARGE ENTITIES (CONSOLIDATED)[(1)]

	Billions of yen				
	Shinsei Financial	APLUS FINANCIAL	Showa Leasing	Other subsidiaries	Total
As of September 30, 2014:					
Credits to bankrupt obligors	**¥ 0.0**	**¥ 0.0**	**¥ 0.0**	**¥ 0.1**	**¥ 0.1**
Nonaccrual delinquent credits	**0.0**	**5.4**	**2.9**	**0.0**	**8.4**
Credits past due for three months or more	**—**	**0.3**	**0.0**	**—**	**0.3**
Restructured credits	**0.0**	**0.5**	**—**	**—**	**0.5**
Total	**¥ 0.0**	**¥ 6.3**	**¥ 2.9**	**¥ 0.1**	**¥ 9.5**
As of September 30, 2013:					
Credits to bankrupt obligors	¥ 0.0	¥ 0.1	¥ 0.2	¥ 0.1	¥ 0.5
Nonaccrual delinquent credits	0.0	4.9	4.0	0.1	9.1
Credits past due for three months or more	—	0.2	0.0	—	0.2
Restructured credits	0.0	0.8	0.0	—	0.9
Total	¥ 0.0	¥ 6.2	¥ 4.3	¥ 0.2	¥ 10.8
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

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

CAPITAL RATIOS

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

Our total capital adequacy ratio as of September 30, 2014 was 13.8%, compared with 13.6% as of March 31, 2014.

The main factors of reduction in risk assets are change of the risk parameter of corporate and retail assets and upward credit rating changes of corporate loan assets, which resulted in further improvement of the Total capital adequacy ratio to 13.8%, as of September 30, 2014, compared to 13.6% as of March 31, 2014.

FINANCIAL CONDITION (CONTINUED)

TABLE 28. CAPITAL RATIOS (CONSOLIDATED)

Billions of yen (except percentages)

As of September 30, 2014 Items	Basel III (Domestic Standard)	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	¥ 689.5	
of which: capital and capital surplus	591.6	
of which: retained earnings	170.4	
of which: treasury stock (-)	(72.5)	
of which: earning to be distributed (-)	—	
of which: other than above	—	
Accumulated other comprehensive income (amount allowed to be included in Core capital)	1.2	¥ (4.6)
of which: foreign currency translation adjustment	1.2	
of which: amount related defined benefit	—	(4.6)
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	2.4	
of which: general reserve for loan losses included in Core capital	2.4	
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)	158.9	
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)	4.4	
Core capital: instruments and reserves (A)	¥ 857.9	
Core capital: regulatory adjustments		
Total amount of intangible assets (excluding those relating to mortgage servicing rights)	¥ 30.8	¥ 12.0
of which: goodwill (including those equivalent)	25.9	—
of which: other intangibles other than goodwill and mortgage servicing rights	4.9	12.0
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	—	6.9
Shortfall of eligible provisions to expected losses	4.7	—
Gain on sale of securitization	9.3	—
Gains and losses due to changes in own credit risk on fair valued liabilities	—	—
Net defined benefit asset	—	1.8
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)	¥ 44.9	
Capital (consolidated)		
Capital (consolidated)((A)–(B))(C)	¥ 813.0	
Risk-weighted assets		
Total amount of credit risk-weighted assets	¥ 5,386.3	
of which: total amount included in risk-weighted assets by transitional arrangements	(26.3)	
of which: intangible assets (excluding those relating to goodwill and mortgage servicing rights)	12.0	
of which: deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	6.9	
of which: net defined benefit asset	1.8	
of which: significant investments in the common stock of Other Financial Institutions (net of eligible short positions)	(47.1)	
of which: other than above	—	
Market risk (derived by multiplying the capital requirement by 12.5)	152.9	
Operational risk (derived by multiplying the capital requirement by 12.5)	347.5	
Credit risk adjustments	—	
Operational risk adjustments	—	
Total amount of Risk-weighted assets (D)	¥ 5,886.9	
Capital ratio (consolidated)		
Capital ratio (consolidated)((C)/(D))	13.8%	

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FINANCIAL CONDITION (CONTINUED)

As of March 31, 2014 Items	Billions of yen (except percentages) Basel III (Domestic Standard)	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 (A)	¥ 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 (amount above the 10% threshold)	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 (B)	¥ 71.9	
Capital (consolidated)		
Capital (consolidated)((A)–(B))(C)	¥ 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 (derived by multiplying the capital requirement by 12.5)	125.5	
Operational risk (derived by multiplying the capital requirement by 12.5)	344.4	
Credit risk adjustments	—	
Operational risk adjustments	—	
Total amount of Risk-weighted assets (D)	¥ 6,016.7	
Capital ratio (consolidated)		
Capital ratio (consolidated)((C)/(D))	13.6%	

INTERIM CONSOLIDATED BALANCE SHEETS (UNAUDITED)

Shinsei Bank, Limited, and its Consolidated Subsidiaries
As of September 30, 2014 and March 31, 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	Sept. 30, 2014	Mar. 31, 2014	**Sept. 30, 2014**
ASSETS			
Cash and due from banks (Notes 3, 21, 22 and 33)	**¥ 1,179,342**	¥ 1,451,492	**$ 10,793,906**
Call loans (Note 33)	**4,500**	36,451	**41,186**
Receivables under resale agreements (Note 33)	**53,216**	53,216	**487,065**
Receivables under securities borrowing transactions (Note 33)	**35,372**	23,651	**323,744**
Other monetary claims purchased (Notes 4 and 33)	**97,062**	105,857	**888,365**
Trading assets (Notes 5, 21, 33 and 34)	**310,415**	249,115	**2,841,075**
Monetary assets held in trust (Notes 6, 21 and 33)	**184,876**	199,117	**1,692,075**
Securities (Notes 7, 21, 22 and 33)	**1,621,344**	1,557,020	**14,839,327**
Loans and bills discounted (Notes 8, 21, 22 and 33)	**4,338,622**	4,319,830	**39,709,160**
Foreign exchanges (Note 9)	**20,973**	25,656	**191,959**
Lease receivables and leased investment assets (Notes 21, 31 and 33)	**226,215**	227,764	**2,070,437**
Other assets (Notes 10, 21, 22, 33 and 34)	**783,755**	724,963	**7,173,309**
Premises and equipment (Notes 11, 21 and 31)	**50,305**	50,143	**460,420**
Intangible assets (Notes 12 and 31)	**52,264**	57,643	**478,346**
Asset for retirement benefits	**2,883**	1,567	**26,395**
Deferred issuance expenses for debentures	**22**	32	**202**
Deferred tax assets	**15,426**	16,519	**141,187**
Customers' liabilities for acceptances and guarantees (Note 20)	**331,485**	358,414	**3,033,918**
Reserve for credit losses (Note 13)	**(117,924)**	(137,358)	**(1,079,299)**
Total assets	**¥ 9,190,162**	¥ 9,321,103	**$ 84,112,777**
LIABILITIES AND EQUITY			
Liabilities:			
Deposits, including negotiable certificates of deposit (Notes 14, 21 and 33)	**¥ 5,611,098**	¥ 5,850,447	**$ 51,355,467**
Debentures (Notes 15 and 33)	**37,750**	41,747	**345,515**
Call money (Notes 21 and 33)	**310,000**	180,000	**2,837,269**
Payables under securities lending transactions (Notes 21 and 33)	**238,866**	317,599	**2,186,221**
Trading liabilities (Notes 16, 33 and 34)	**269,132**	218,585	**2,463,232**
Borrowed money (Notes 17, 21, 22 and 33)	**720,429**	643,431	**6,593,714**
Foreign exchanges (Note 9)	**63**	37	**584**
Short-term corporate bonds (Note 33)	**97,500**	86,900	**892,367**
Corporate bonds (Notes 18, 21, 22 and 33)	**191,121**	177,248	**1,749,234**
Other liabilities (Notes 19, 21, 33 and 34)	**472,877**	497,804	**4,328,000**
Accrued employees' bonuses	**4,939**	7,782	**45,213**
Accrued directors' bonuses	**39**	67	**365**
Liability for retirement benefits	**12,513**	10,116	**114,532**
Reserve for directors' retirement benefits	**79**	119	**729**
Reserve for losses on interest repayments	**185,466**	208,201	**1,697,476**
Deferred tax liabilities	**586**	9	**5,367**
Acceptances and guarantees (Notes 20, 21 and 33)	**331,485**	358,414	**3,033,918**
Total liabilities	**8,483,951**	8,598,512	**77,649,203**
Equity:			
Common stock (Note 24)	**512,204**	512,204	**4,687,942**
Capital surplus	**79,461**	79,461	**727,274**
Stock acquisition rights (Note 25)	**1,214**	1,221	**11,115**
Retained earnings	**170,482**	146,002	**1,560,333**
Treasury stock, at cost (Note 24)	**(72,558)**	(72,558)	**(664,094)**
Accumulated other comprehensive income:			
Unrealized gain (loss) on available-for-sale securities (Note 7)	**8,205**	6,288	**75,097**
Deferred gain (loss) on derivatives under hedge accounting	**(9,840)**	(8,769)	**(90,061)**
Foreign currency translation adjustments	**1,234**	267	**11,295**
Defined retirement benefit plans	**(4,623)**	(5,195)	**(42,313)**
Total	**685,779**	658,923	**6,276,588**
Minority interests (Note 23)	**20,430**	63,667	**186,986**
Total equity	**706,210**	722,590	**6,463,574**
Total liabilities and equity	**¥ 9,190,162**	¥ 9,321,103	**$ 84,112,777**

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

INTERIM CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

Shinsei Bank, Limited, and its Consolidated Subsidiaries
For the six months ended September 30, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
	Sept. 30, 2014 (6 months)	Sept. 30, 2013 (6 months)	**Sept. 30, 2014 (6 months)**
Interest income:			
Interest on loans and bills discounted	**¥ 62,794**	¥ 62,820	**$ 574,726**
Interest and dividends on securities	**7,836**	8,238	**71,724**
Interest on deposits with banks	**704**	442	**6,449**
Other interest income	**718**	1,061	**6,572**
Total interest income	**72,053**	72,562	**659,471**
Interest expenses:			
Interest on deposits, including negotiable certificates of deposit	**5,711**	11,323	**52,277**
Interest and discounts on debentures	**27**	121	**248**
Interest on other borrowings	**2,453**	2,566	**22,454**
Interest on corporate bonds	**2,666**	2,992	**24,408**
Other interest expenses	**603**	504	**5,527**
Total interest expenses	**11,462**	17,509	**104,914**
Net interest income	**60,590**	55,053	**554,557**
Fees and commissions income	**21,692**	22,667	**198,542**
Fees and commissions expenses	**10,807**	11,010	**98,917**
Net fees and commissions	**10,885**	11,656	**99,625**
Net trading income (loss) (Note 26)	**5,483**	6,990	**50,185**
Other business income (loss), net:			
Income on lease transactions and installment receivables, net	**18,958**	17,862	**173,516**
Net gain (loss) on monetary assets held in trust	**4,897**	3,790	**44,820**
Net gain (loss) on foreign exchanges	**3,291**	2,293	**30,122**
Net gain (loss) on securities	**1,571**	47	**14,383**
Net gain (loss) on other monetary claims purchased	**3,436**	991	**31,453**
Other, net (Note 27)	**2,042**	1,606	**18,690**
Net other business income (loss)	**34,196**	26,592	**312,984**
Total revenue	**111,155**	100,293	**1,017,351**
General and administrative expenses:			
Personnel expenses	**29,185**	27,477	**267,124**
Premises expenses	**9,582**	9,766	**87,708**
Technology and data processing expenses	**9,378**	8,850	**85,838**
Advertising expenses	**5,459**	5,012	**49,964**
Consumption and property taxes	**4,014**	3,244	**36,740**
Deposit insurance premium	**2,101**	2,070	**19,234**
Other general and administrative expenses	**11,466**	10,635	**104,947**
General and administrative expenses	**71,188**	67,058	**651,555**
Amortization of goodwill and intangible assets acquired in business combinations	**4,575**	5,172	**41,874**
Total general and administrative expenses	**75,763**	72,231	**693,429**
Net business profit (loss)	**35,391**	28,061	**323,922**
Net credit costs (Note 28)	**5,019**	354	**45,938**
Other gains (losses), net (Note 29)	**1,908**	(103)	**17,472**
Income (loss) before income taxes and minority interests	**32,281**	27,603	**295,456**
Income taxes (benefit):			
Current	**1,283**	1,890	**11,746**
Deferred	**893**	(3,145)	**8,182**
Net income (loss) before minority interests	**30,104**	28,857	**275,528**
Minority interests in net income of subsidiaries	**1,169**	1,617	**10,699**
Net income (loss)	**¥ 28,935**	¥ 27,240	**$ 264,829**
	Yen		U.S. dollars (Note 1)
Basic net income (loss) per common share (Note 30)	**¥ 10.90**	¥ 10.26	**$ 0.10**
Diluted net income (loss) per common share (Note 30)	**—**	10.26	**—**

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

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

Shinsei Bank, Limited, and its Consolidated Subsidiaries
For the six months ended September 30, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
	Sept. 30, 2014 (6 months)	Sept. 30, 2013 (6 months)	**Sept. 30, 2014 (6 months)**
Net income (loss) before minority interests	**¥ 30,104**	¥ 28,857	**$ 275,528**
Other comprehensive income:			
Unrealized gain (loss) on available-for-sale securities	**1,931**	(1,923)	**17,676**
Deferred gain (loss) on derivatives under hedge accounting	**(1,070)**	2,540	**(9,795)**
Foreign currency translation adjustments	**862**	(332)	**7,897**
Defined retirement benefit plans	**1,221**	—	**11,180**
Share of other comprehensive income in affiliates	**532**	(1)	**4,877**
Total other comprehensive income	**3,478**	283	**31,835**
Comprehensive income	**¥ 33,582**	¥ 29,140	**$ 307,363**
Total comprehensive income attributable to:			
Owners of the parent	**¥ 31,968**	¥ 27,213	**$ 292,594**
Minority interests	**1,613**	1,927	**14,769**

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

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)

Shinsei Bank, Limited, and its Consolidated Subsidiaries
For the six months ended September 30, 2014 and 2013

	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, 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**
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)				**28,935**						**28,935**		**28,935**
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 period			**(7)**			**1,916**	**(1,070)**	**966**	**1,221**	**3,026**	**(43,237)**	**(40,211)**
BALANCE, September 30, 2014	**¥512,204**	**¥79,461**	**¥1,214**	**¥170,482**	**¥(72,558)**	**¥ 8,205**	**¥ (9,840)**	**¥1,234**	**¥(4,623)**	**¥685,779**	**¥ 20,430**	**¥706,210**

	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 (as previously reported)	¥512,204	¥79,461	¥1,238	¥107,288	¥(72,558)	¥ 3,825	¥(11,605)	¥1,475	¥ —	¥621,329	¥ 62,315	¥683,644
Effect of accounting change				—					—	—		—
BALANCE, April 1, 2013 (as restated)	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)				27,240						27,240		27,240
Purchase of treasury stock					—					—		—
Changes by inclusion of consolidated subsidiaries				—						—		—
Changes by exclusion of consolidated subsidiaries				(0)						(0)		(0)
Net change during the period			(16)			(1,982)	2,540	(584)	—	(42)	(1,211)	(1,254)
BALANCE, September 30, 2013	¥512,204	¥79,461	¥1,222	¥131,873	¥(72,558)	¥ 1,842	¥ (9,065)	¥ 890	¥ —	¥645,871	¥ 61,103	¥706,975

	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, April 1, 2014 (as previously reported)	**$ 4,687,942**	**$ 727,274**	**$ 11,181**	**$1,336,289**	**$ (664,093)**	**$ 57,559**	**$ (80,266)**	**$ 2,449**	**$ (47,555)**	**$6,030,780**	**$ 582,717**	**$ 6,613,497**
Effect of accounting change				**(16,469)**					**(5,935)**	**(22,404)**		**(22,404)**
BALANCE, April 1, 2014 (as restated)	**4,687,942**	**727,274**	**11,181**	**1,319,820**	**(664,093)**	**57,559**	**(80,266)**	**2,449**	**(53,490)**	**6,008,376**	**582,717**	**6,591,093**
Dividends				**(24,290)**						**(24,290)**		**(24,290)**
Net income (loss)				**264,829**						**264,829**		**264,829**
Purchase of treasury stock					**(1)**					**(1)**		**(1)**
Changes by inclusion of consolidated subsidiaries				**(5)**						**(5)**		**(5)**
Changes by exclusion of consolidated subsidiaries				**(21)**						**(21)**		**(21)**
Net change during the period			**(66)**			**17,538**	**(9,795)**	**8,846**	**11,177**	**27,700**	**(395,731)**	**(368,031)**
BALANCE, September 30, 2014	**$ 4,687,942**	**$ 727,274**	**$ 11,115**	**$1,560,333**	**$ (664,094)**	**$ 75,097**	**$ (90,061)**	**$ 11,295**	**$ (42,313)**	**$6,276,588**	**$ 186,986**	**$ 6,463,574**

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

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

Shinsei Bank, Limited, and its Consolidated Subsidiaries
For the six months ended September 30, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
	Sept. 30, 2014 (6 months)	Sept. 30, 2013 (6 months)	**Sept. 30, 2014 (6 months)**
Cash flows from operating activities:			
Income (loss) before income taxes and minority interests	**¥ 32,281**	¥ 27,603	**$ 295,456**
Adjustments for:			
Income taxes paid	**(2,122)**	(911)	**(19,428)**
Depreciation (other than leased assets as lessor)	**5,154**	5,015	**47,176**
Amortization of goodwill and intangible assets acquired in business combinations	**4,575**	5,172	**41,874**
Impairment losses on long-lived assets	**474**	1,072	**4,345**
Net change in reserve for credit losses	**(19,434)**	(17,887)	**(177,874)**
Net change in reserve for losses on interest repayments	**(22,734)**	(6,352)	**(208,080)**
Net change in other reserves	**(2,912)**	(2,929)	**(26,661)**
Interest income	**(72,053)**	(72,562)	**(659,471)**
Interest expenses	**11,462**	17,509	**104,914**
Investment (gains) losses	**(4,830)**	(3,077)	**(44,207)**
Net exchange (gain) loss	**(10,127)**	(9,859)	**(92,694)**
Net change in trading assets	**(61,300)**	(30,270)	**(561,047)**
Net change in trading liabilities	**50,547**	33,409	**462,635**
Net change in loans and bills discounted	**(18,746)**	85,304	**(171,573)**
Net change in deposits, including negotiable certificates of deposit	**(239,348)**	295,916	**(2,190,634)**
Net change in debentures	**(3,996)**	(216,474)	**(36,574)**
Net change in borrowed money (other than subordinated debt)	**86,245**	(97,928)	**789,361**
Net change in corporate bonds (other than subordinated corporate bonds)	**14,789**	(1,871)	**135,365**
Net change in interest-bearing deposits with banks	**27,880**	(26,221)	**255,178**
Net change in call loans, receivables under resale agreements, receivables under securities borrowing transactions and other monetary claims purchased	**31,448**	27,417	**287,828**
Net change in call money, payables under securities lending transactions, and short-term corporate bonds (liabilities)	**61,866**	(11,846)	**566,234**
Net change in foreign exchange assets and liabilities	**4,710**	(4,037)	**43,109**
Interest received	**71,167**	71,935	**651,361**
Interest paid	**(36,632)**	(13,379)	**(335,282)**
Net change in securities for trading purposes	**15**	155	**138**
Net change in monetary assets held in trust for trading purposes	**11,594**	20,915	**106,115**
Net change in lease receivables and leased investment assets	**1,566**	(7,994)	**14,337**
Other, net	**(67,686)**	(67,347)	**(619,504)**
Total adjustments	**(178,427)**	(27,128)	**(1,633,059)**
Net cash provided by (used in) operating activities	**(146,146)**	474	**(1,337,603)**
Cash flows from investing activities:			
Purchase of investments	**(3,938,924)**	(530,471)	**(36,050,932)**
Proceeds from sales of investments	**3,689,869**	541,861	**33,771,461**
Proceeds from maturity of investments	**210,934**	39,167	**1,930,574**
Purchase of premises and equipment (other than leased assets as lessor)	**(2,157)**	(1,551)	**(19,746)**
Purchase of intangible assets (other than leased assets as lessor)	**(2,921)**	(2,065)	**(26,743)**
Other, net	**807**	161	**7,394**
Net cash provided by (used in) investing activities	**(42,392)**	47,102	**(387,992)**
Cash flows from financing activities:			
Proceeds from issuance of subordinated debt	**—**	2,400	**—**
Repayment of subordinated debt	**(9,000)**	(5,000)	**(82,372)**
Proceeds from issuance of subordinated corporate bonds	**—**	9,901	**—**
Payment for redemption of subordinated corporate bonds	**—**	(500)	**—**
Proceeds from minority shareholders of subsidiaries	**1,213**	21	**11,105**
Payment for capital returned to minority shareholders of subsidiaries	**(42,871)**	(0)	**(392,378)**
Dividends paid	**(2,653)**	(2,653)	**(24,290)**
Dividends paid to minority shareholders of subsidiaries	**(3,193)**	(3,152)	**(29,227)**
Payment for purchase of treasury stock	**(0)**	—	**(1)**
Net cash provided by (used in) financing activities	**(56,505)**	1,015	**(517,163)**
Foreign currency translation adjustments on cash and cash equivalents	**74**	55	**687**
Net change in cash and cash equivalents	**(244,968)**	48,647	**(2,242,071)**
Cash and cash equivalents at beginning of the period	**1,366,710**	574,470	**12,508,792**
Cash and cash equivalents at end of the period (Note 3)	**¥ 1,121,741**	¥ 623,118	**$ 10,266,721**

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

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Shinsei Bank, Limited, and its Consolidated Subsidiaries
For the six months ended September 30, 2014

1. BASIS OF PRESENTATION OF INTERIM CONSOLIDATED FINANCIAL STATEMENTS CONSOLIDATED

The accompanying interim consolidated financial statements of Shinsei Bank, Limited (the "Bank") and its consolidated subsidiaries (collectively, the "Group"), stated in Japanese yen, have been prepared on the basis of generally accepted accounting principles in Japan ("Japanese GAAP") and in accordance with the Banking Act of Japan (the "Banking Act"), and compiled from the interim consolidated financial statements prepared under the provisions set forth in the Financial Instruments and Exchange Act of Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

Certain reclassifications and rearrangements have been made to the interim consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, the accompanying notes include information that is not required under Japanese GAAP, but is presented herein for the convenience of readers.

The preparation of interim consolidated financial statements in conformity with Japanese GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the interim consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

The interim consolidated financial statements are stated in Japanese yen, the currency of the country in which the Bank is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥109.26 to U.S.$1.00, the rate of exchange prevailing on the Tokyo foreign exchange market on September 30, 2014. 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 September 30, 2014 and March 31, 2014 were as follows:

	September 30, 2014	March 31, 2014
Consolidated subsidiaries	**183**	184
Unconsolidated subsidiaries	**90**	93
Affiliates accounted for by the equity method	**22**	19
Affiliates accounted for not applying the equity method	**1**	0

SL PERM CO., LTD. and 1 other company were newly consolidated due to an increased materiality, while Galaxy Asset Management Co., Ltd. and 1 other company were excluded from the scope of consolidation due to their liquidation and SL ROCKY LTD. was excluded from the scope of consolidation due to a decreased materiality in the six months ended September 30, 2014.

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 was excluded from the scope of application of the equity method due to its liquidation in the six months ended September 30, 2014.

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 consolidation in order to avoid any material misunderstanding by the Bank's stakeholders.

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

Major consolidated subsidiaries as of September 30, 2014 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%

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONSOLIDATED

All significant inter-company transactions, related account balances and unrealized gains have been eliminated in consolidation. As of September 30, 2014, the six month period ending dates were September 30 for 139 subsidiaries, January 31 for 3 subsidiaries, March 31 for 3 subsidiaries, May 31 for 1 subsidiary, June 30 for 34 subsidiaries, July 31 for 1 subsidiary and August 31 for 2 subsidiaries. Except for 9 subsidiaries which were consolidated as of September 30 rather than their interim period ends, those consolidated subsidiaries whose six month periods end at dates other than September 30 were consolidated using their six month period-end interim financial statements with appropriate adjustments made for significant transactions that occurred during the period from the ending dates of their six month periods to the date of the Group's interim consolidated financial statements.

Major affiliates accounted for by the equity method as of September 30, 2014 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONSOLIDATED

(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 interim financial statements of consolidated foreign subsidiaries are translated into Japanese yen at exchange rates as of their respective balance sheet dates, except for equity, which is translated at historical exchange rates. Differences arising from such translation are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity in the accompanying interim 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 period, which reflects liquidity and credit risks.

Trading income and trading losses include interest received and paid during the period and unrealized gains and losses resulting from the change in the value of securities, monetary claims purchased, and derivatives between the beginning and the end of the period.

(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. 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 September 30, 2014 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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONSOLIDATED

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 ¥148,242 million (U.S.$1,356,790 thousand) and ¥155,632 million as of September 30, 2014 and March 31, 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 period.

(Q) EMPLOYEES' RETIREMENT BENEFITS AND PENSION PLAN ASSETS

The Bank, 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 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 obligations 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 shall be treated as reclassification adjustments.

(c) The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods and relating to 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, both 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 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, asset for retirement benefits of ¥1,223 million (U.S.$11,197 thousand) and liability for retirement benefits of ¥3,671 million (U.S.$33,601 thousand) increased and retained earnings of ¥1,799 million (U.S.$16,471 thousand) and defined retirement benefit plans of ¥648 million (U.S.$5,933 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.

(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, the stock option is presented as a stock acquisition right as a separate component of equity until exercised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONSOLIDATED

(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 ¥105 million (U.S.$966 thousand) and ¥215 million for the six months ended September 30, 2014 and 2013, 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONSOLIDATED

(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 period, retroactively adjusted for stock splits and reverse stock splits.

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 period and at the beginning of the period for those previously issued and outstanding at the beginning of the period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONSOLIDATED

(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONSOLIDATED

(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 "transactions with noncontrolling interest," "acquisition-related costs" and presentation changes in the consolidated financial statements 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 the presentation changes in the consolidated statement of income. In case of earlier application, all accounting standards and guidance above, except for the presentation changes, should be applied simultaneously. Either retrospective or prospective application of the revised accounting standards and guidance for "transactions with noncontrolling interest" and "acquisition-related costs" is permitted. In retrospective application of the revised standards and guidance for "transactions with noncontrolling interest" and "acquisition-related costs," accumulated effects of retrospective adjustments for all "transactions with noncontrolling interest" and "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 for "transactions with noncontrolling interest" and "acquisition-related costs" shall be applied prospectively from the beginning of the year of the first-time application. The changes in presentation 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 "provisional accounting treatments for a business combination" are effective for a business combination which will occur 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 will occur 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 from the beginning of the fiscal year beginning on 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 interim consolidated balance sheets as of September 30, 2014 and 2013 was as follows:

	Millions of yen		Thousands of U.S. dollars
As of September 30,	**2014**	2013	**2014**
Cash and due from banks	**¥ 1,179,342**	¥ 724,563	**$ 10,793,906**
Interest-bearing deposits included in due from banks (except for due from the Bank of Japan)	**(57,600)**	(101,444)	**(527,185)**
Cash and cash equivalents	**¥ 1,121,741**	¥ 623,118	**$ 10,266,721**

4. OTHER MONETARY CLAIMS PURCHASED

CONSOLIDATED

(a) Other monetary claims purchased as of September 30, 2014 and March 31, 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2014	Mar. 31, 2014	**Sept. 30, 2014**
Trading purposes	**¥ 43,709**	¥ 51,259	**$ 400,050**
Other	**53,353**	54,597	**488,315**
Total	**¥ 97,062**	¥ 105,857	**$ 888,365**

(b) The fair value and the unrealized loss which is included in net gain (loss) on other monetary claims purchased for trading purposes as of September 30, 2014 and March 31, 2014 were as follows:

	Millions of yen				Thousands of U.S. dollars	
	Sept. 30, 2014		Mar. 31, 2014		**Sept. 30, 2014**	
	Fair value	**Unrealized loss**	Fair value	Unrealized loss	**Fair value**	**Unrealized loss**
Trading purposes	**¥ 43,709**	**¥ 30,241**	¥ 51,259	¥ 32,485	**$ 400,050**	**$ 276,781**

5. TRADING ASSETS

CONSOLIDATED

Trading assets as of September 30, 2014 and March 31, 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2014	Mar. 31, 2014	**Sept. 30, 2014**
Trading securities	**¥ 44,734**	¥ 13,642	**$ 409,435**
Derivatives for trading securities	**1,803**	1,515	**16,509**
Derivatives for securities held to hedge trading transactions	**64,412**	59,599	**589,532**
Trading-related financial derivatives	**197,036**	173,637	**1,803,373**
Other	**2,428**	720	**22,226**
Total	**¥ 310,415**	¥ 249,115	**$ 2,841,075**

6. MONETARY ASSETS HELD IN TRUST CONSOLIDATED

(a) Monetary assets held in trust as of September 30, 2014 and March 31, 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2014	Mar. 31, 2014	**Sept. 30, 2014**
Trading purposes	**¥ 56,360**	¥ 67,954	**$ 515,836**
Other	**128,515**	131,163	**1,176,239**
Total	**¥ 184,876**	¥ 199,117	**$ 1,692,075**

(b) The fair value and the unrealized loss which is included in net gain (loss) on monetary assets held in trust for trading purposes as of September 30, 2014 and March 31, 2014 were as follows:

	Millions of yen				Thousands of U.S. dollars	
	Sept. 30, 2014		Mar. 31, 2014		**Sept. 30, 2014**	
	Fair value	**Unrealized loss**	Fair value	Unrealized loss	**Fair value**	**Unrealized loss**
Trading purposes	**¥ 56,360**	**¥ 985**	¥ 67,954	¥ 3,012	**$ 515,836**	**$ 9,019**

(c) The carrying amount of monetary assets held in trust for other than trading purposes is the same as the acquisition cost as of September 30, 2014 and March 31, 2014.

7. SECURITIES CONSOLIDATED

(a) Securities as of September 30, 2014 and March 31, 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2014	Mar. 31, 2014	**Sept. 30, 2014**
Trading securities	**¥ 116**	¥ 131	**$ 1,067**
Securities being held to maturity	**602,768**	545,675	**5,516,827**
Securities available for sale:			
Securities carried at fair value	**901,172**	895,444	**8,247,961**
Securities carried at cost whose fair value cannot be reliably determined	**67,933**	69,757	**621,763**
Investments in unconsolidated subsidiaries and affiliates	**49,353**	46,010	**451,709**
Total	**¥ 1,621,344**	¥ 1,557,020	**$ 14,839,327**

The above balances do not include securities held in connection with securities borrowing transactions with or without cash collateral, securities purchased under resale agreements or securities accepted as collateral for derivative transactions, where the Group has the right to sell or pledge such securities without restrictions. The balances of those securities as of September 30, 2014 and March 31, 2014 were ¥28,783 million (U.S.$263,441 thousand) and ¥28,302 million, respectively. In addition, ¥39,197 million (U.S.$358,751 thousand) and ¥38,571 million of those securities were further pledged as of September 30, 2014 and March 31, 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 September 30, 2014 and March 31, 2014 were ¥22,623 million (U.S.$207,059 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 September 30, 2014 and March 31, 2014 were as follows:

Millions of yen

	Sept. 30, 2014				Mar. 31, 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	**¥ 561,858**	**¥ 1,814**	**¥ —**	**¥ 563,672**	¥ 497,405	¥ 1,771	¥ —	¥ 499,177
Other	**40,910**	**3,232**	**—**	**44,142**	48,269	4,101	—	52,371
Total	**¥ 602,768**	**¥ 5,046**	**¥ —**	**¥ 607,814**	¥ 545,675	¥ 5,872	¥ —	¥ 551,548
Securities available for sale:								
Equity securities	**¥ 13,490**	**¥ 9,688**	**¥ 270**	**¥ 22,908**	¥ 13,511	¥ 6,877	¥ 442	¥ 19,947
Japanese national government bonds	**649,221**	**1**	**252**	**648,970**	630,133	—	735	629,398
Japanese local government bonds	**501**	**17**	**—**	**519**	502	21	—	523
Japanese corporate bonds	**101,485**	**709**	**1,456**	**100,737**	115,794	782	413	116,162
Other, primarily foreign debt securities	**130,385**	**3,775**	**224**	**133,936**	132,347	4,505	318	136,533
Total	**¥ 895,084**	**¥ 14,191**	**¥ 2,203**	**¥ 907,072**	¥ 892,289	¥ 12,186	¥ 1,909	¥ 902,565

Thousands of U.S. dollars

	Sept. 30, 2014			
	Amortized/ Acquisition cost	**Gross unrealized gain**	**Gross unrealized loss**	**Fair value**
Securities being held to maturity:				
Japanese national government bonds	**$ 5,142,398**	**$ 16,603**	**$ —**	**$ 5,159,001**
Other	**374,429**	**29,585**	**—**	**404,014**
Total	**$ 5,516,827**	**$ 46,188**	**$ —**	**$ 5,563,015**
Securities available for sale:				
Equity securities	**$ 123,471**	**$ 88,675**	**$ 2,473**	**$ 209,673**
Japanese national government bonds	**5,941,989**	**10**	**2,309**	**5,939,690**
Japanese local government bonds	**4,594**	**159**	**—**	**4,753**
Japanese corporate bonds	**928,841**	**6,490**	**13,331**	**922,000**
Other, primarily foreign debt securities	**1,193,347**	**34,556**	**2,054**	**1,225,849**
Total	**$ 8,192,242**	**$ 129,890**	**$ 20,167**	**$ 8,301,965**

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 six months ended September 30, 2014 was ¥686 million (U.S.$6,287 thousand), which consisted of ¥686 million (U.S.$6,287 thousand) for Japanese corporate bonds.

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 a decline in fair value is significant, the Group applies the following rule, by the obligor classification of the security issuer based on the Group's self-assessment guidelines:

7. SECURITIES (CONTINUED) CONSOLIDATED

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

"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 September 30, 2014 and March 31, 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2014	Mar. 31, 2014	**Sept. 30, 2014**
Unrealized gain (loss) before deferred tax on:			
Available-for-sale securities	**¥ 11,988**	¥ 10,276	**$109,724**
The Group's interests in available-for-sale securities held by partnerships recorded as securities whose fair value cannot be reliably determined and other adjustments	**1,342**	1,580	**12,286**
Securities being held to maturity, reclassified from available-for-sale in the past, under extremely illiquid market conditions	**(2,583)**	(3,581)	**(23,649)**
Deferred tax liabilities	**(2,506)**	(1,966)	**(22,945)**
Unrealized gain (loss) on available-for-sale securities before interest adjustments	**8,239**	6,308	**75,416**
Minority interests	**(102)**	(99)	**(936)**
The Group's interests in unrealized gain (loss) on available-for-sale securities held by affiliates to which the equity method is applied	**67**	80	**617**
Unrealized gain (loss) on available-for-sale securities	**¥ 8,205**	¥ 6,288	**$ 75,097**

8. LOANS AND BILLS DISCOUNTED

CONSOLIDATED

Loans and bills discounted as of September 30, 2014 and March 31, 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2014	Mar. 31, 2014	**Sept. 30, 2014**
Loans on deeds	**¥ 3,619,576**	¥ 3,625,948	**$ 33,128,103**
Loans on bills	**34,849**	30,649	**318,963**
Bills discounted	**3,116**	5,684	**28,527**
Overdrafts	**681,079**	657,547	**6,233,567**
Total	**¥ 4,338,622**	¥ 4,319,830	**$ 39,709,160**

(a) Risk-monitored loans

Loans and bills discounted include loans to bankrupt obligors of ¥6,240 million (U.S.$57,115 thousand) and ¥10,049 million as of September 30, 2014 and March 31, 2014, respectively, as well as nonaccrual delinquent loans of ¥128,223 million (U.S.$1,173,562 thousand) and ¥177,786 million as of September 30, 2014 and March 31, 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 September 30, 2014 and March 31, 2014 were ¥1,317 million (U.S.$12,061 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 September 30, 2014 and March 31, 2014 were ¥29,559 million (U.S.$270,540 thousand) and ¥31,719 million, respectively.

(b) Loan participations

The total outstanding amounts deducted from the loan account for loan participations as of September 30, 2014 and March 31, 2014 were ¥12,656 million (U.S.$115,836 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 ¥9,585 million (U.S.$87,730 thousand) and ¥21,864 million as of September 30, 2014 and March 31, 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 September 30, 2014 and March 31, 2014 were ¥3,199 million (U.S.$29,281 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 ¥3,616,582 million (U.S.$33,100,698 thousand) and ¥3,746,826 million as of September 30, 2014 and March 31, 2014, out of which the amounts with original agreement terms of within one year or which were cancelable were ¥3,420,307 million (U.S.$31,304,294 thousand) and ¥3,539,902 million as of September 30, 2014 and March 31, 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 September 30, 2014 and March 31, 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2014	Mar. 31, 2014	**Sept. 30, 2014**
Foreign exchange assets:			
Foreign bills bought	**¥ 82**	¥ 190	**$ 754**
Foreign bills receivable	**6,167**	9,441	**56,447**
Due from foreign banks	**14,723**	16,024	**134,758**
Total	**¥ 20,973**	¥ 25,656	**$ 191,959**
Foreign exchange liabilities:			
Foreign bills payable	**¥ 61**	¥ 34	**$ 562**
Due to foreign banks	**2**	2	**22**
Total	**¥ 63**	¥ 37	**$ 584**

10. OTHER ASSETS

CONSOLIDATED

Other assets as of September 30, 2014 and March 31, 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2014	Mar. 31, 2014	**Sept. 30, 2014**
Accrued income	**¥ 14,673**	¥ 14,875	**$ 134,301**
Prepaid expenses	**4,147**	3,704	**37,959**
Fair value of derivatives	**124,765**	123,488	**1,141,910**
Accounts receivable	**92,517**	46,560	**846,769**
Installment receivables	**437,271**	421,920	**4,002,119**
Security deposits	**13,242**	14,072	**121,202**
Suspense payments	**18,586**	21,434	**170,109**
Margin deposits for futures transactions	**1,763**	1,481	**16,141**
Cash collateral paid for financial instruments	**6,880**	4,633	**62,971**
Other	**69,907**	72,792	**639,828**
Total	**¥ 783,755**	¥ 724,963	**$ 7,173,309**

Installment receivables in other assets as of September 30, 2014 and March 31, 2014 include credits to bankrupt obligors of ¥153 million (U.S.$1,402 thousand) and ¥496 million, nonaccrual delinquent credits of ¥8,452 million (U.S.$77,363 thousand) and ¥9,154 million, credits past due for three months or more of ¥378 million (U.S.$3,466 thousand) and ¥271 million, and restructured credits of ¥587 million (U.S.$5,374 thousand) and ¥731 million, respectively.

11. PREMISES AND EQUIPMENT

CONSOLIDATED

Premises and equipment as of September 30, 2014 and March 31, 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2014	Mar. 31, 2014	**Sept. 30, 2014**
Buildings	**¥ 29,888**	¥ 29,996	**$ 273,549**
Land	**5,390**	5,914	**49,333**
Tangible leased assets as lessor	**45,970**	43,919	**420,741**
Other	**23,495**	22,890	**215,045**
Subtotal	**104,744**	102,720	**958,668**
Accumulated depreciation	**(54,438)**	(52,577)	**(498,248)**
Net book value	**¥ 50,305**	¥ 50,143	**$ 460,420**

12. INTANGIBLE ASSETS

CONSOLIDATED

Intangible assets as of September 30, 2014 and March 31, 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2014	Mar. 31, 2014	**Sept. 30, 2014**
Software	**¥ 17,975**	¥ 18,693	**$ 164,517**
Goodwill, net:			
Goodwill	**30,620**	33,847	**280,254**
Negative goodwill	**(4,716)**	(4,897)	**(43,164)**
Intangible assets acquired in business combinations	**7,652**	9,182	**70,036**
Intangible leased assets as lessor	**3**	3	**29**
Other	**729**	815	**6,674**
Total	**¥ 52,264**	¥ 57,643	**$ 478,346**

13. RESERVE FOR CREDIT LOSSES

CONSOLIDATED

Reserve for credit losses as of September 30, 2014 and March 31, 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2014	Mar. 31, 2014	**Sept. 30, 2014**
Reserve for loan losses:			
General reserve for loan losses	**¥ 59,088**	¥ 59,809	**$ 540,808**
Specific reserve for loan losses	**54,927**	73,641	**502,726**
Reserve for loan losses to restructuring countries	**0**	0	**8**
Subtotal	**114,017**	133,451	**1,043,542**
Specific reserve for other credit losses	**3,906**	3,906	**35,757**
Total	**¥ 117,924**	¥ 137,358	**$ 1,079,299**

14. DEPOSITS, INCLUDING NEGOTIABLE CERTIFICATES OF DEPOSIT

CONSOLIDATED

Deposits, including negotiable certificates of deposit, as of September 30, 2014 and March 31, 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2014	Mar. 31, 2014	**Sept. 30, 2014**
Current	**¥ 12,449**	¥ 13,207	**$ 113,943**
Ordinary	**1,828,116**	1,721,190	**16,731,799**
Notice	**9,346**	7,435	**85,546**
Time	**3,255,934**	3,576,937	**29,799,872**
Negotiable certificates of deposit	**103,106**	117,223	**943,678**
Other	**402,145**	414,451	**3,680,629**
Total	**¥ 5,611,098**	¥ 5,850,447	**$ 51,355,467**

15. DEBENTURES
CONSOLIDATED

(a) Debentures as of September 30, 2014 and March 31, 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2014	Mar. 31, 2014	**Sept. 30, 2014**
Coupon debentures	**¥ 37,750**	¥ 41,747	**$ 345,515**

(b) Annual maturities of debentures as of September 30, 2014 were as follows:

Year ending September 30,	Millions of yen	Thousands of U.S. dollars
2015	**¥ 10,803**	**$ 98,880**
2016	**14,038**	**128,489**
2017	**8,323**	**76,183**
2018	**4,584**	**41,963**
2019 and thereafter	**—**	**—**
Total	**¥ 37,750**	**$ 345,515**

16. TRADING LIABILITIES
CONSOLIDATED

Trading liabilities as of September 30, 2014 and March 31, 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2014	Mar. 31, 2014	**Sept. 30, 2014**
Derivatives for trading securities	**¥ 1,258**	¥ 1,162	**$ 11,520**
Derivatives for securities held to hedge trading transactions	**57,345**	52,239	**524,851**
Trading-related financial derivatives	**179,287**	150,892	**1,640,929**
Trading securities sold for short sales	**31,240**	14,290	**285,932**
Total	**¥ 269,132**	¥ 218,585	**$ 2,463,232**

17. BORROWED MONEY
CONSOLIDATED

(a) Borrowed money as of September 30, 2014 and March 31, 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2014	Mar. 31, 2014	**Sept. 30, 2014**
Subordinated debt	**¥ 60,400**	¥ 69,400	**$ 552,810**
Other	**660,029**	574,031	**6,040,904**
Total	**¥ 720,429**	¥ 643,431	**$ 6,593,714**

(b) Annual maturities of borrowed money as of September 30, 2014 were as follows:

Year ending September 30,	Millions of yen	Thousands of U.S. dollars
2015	**¥ 363,539**	**$ 3,327,287**
2016	**72,095**	**659,848**
2017	**96,719**	**885,224**
2018	**88,558**	**810,533**
2019 and thereafter	**99,516**	**910,822**
Total	**¥ 720,429**	**$ 6,593,714**

18. CORPORATE BONDS

CONSOLIDATED

(a) Corporate bonds as of September 30, 2014 and March 31, 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2014	Mar. 31, 2014	**Sept. 30, 2014**
Subordinated bonds	**¥ 153,053**	¥ 153,970	**$ 1,400,817**
Other corporate bonds	**38,068**	23,278	**348,417**
Total	**¥ 191,121**	¥ 177,248	**$ 1,749,234**

(b) Subordinated bonds as of September 30, 2014 and March 31, 2014 consisted of the following:

Issuer	Description	Issue	Maturity	Interest Rate (%)	Millions of yen Sept. 30, 2014	Millions of yen Mar. 31, 2014	Thousands of U.S. dollars Sept. 30, 2014
Shinsei Bank, Limited	Unsecured subordinated bonds, payable in Yen[1]	Mar. 2005 to Dec. 2013	Mar. 2015 to Dec. 2023	1.96 to 4.00	**¥ 100,400**	¥100,400	**$ 918,909**
	Unsecured subordinated notes, payable in Euro[2]	Sept. 2010	Sept. 2020	7.375	**48,153**	49,070	**440,722**
	Unsecured perpetual subordinated notes, payable in Euroyen[3]	Oct. 2005	—	2.35 and 2.435	**4,500**	4,500	**41,186**
	Total				**¥ 153,053**	¥153,970	**$ 1,400,817**

1 This includes a series of subordinated bonds, payable in Yen.
2 This includes a series of subordinated notes, payable in Euro.
3 This includes a series of perpetual subordinated notes issued under Euro Note Programme.

(c) Annual maturities of corporate bonds as of September 30, 2014 were as follows:

Year ending September 30,	Millions of yen	Thousands of U.S. dollars
2015	**¥ 34,332**	**$ 314,231**
2016	**36,804**	**336,853**
2017	**28,441**	**260,314**
2018	**882**	**8,073**
2019 and thereafter	**90,659**	**829,763**
Total	**¥ 191,121**	**$ 1,749,234**

19. OTHER LIABILITIES

CONSOLIDATED

Other liabilities as of September 30, 2014 and March 31, 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2014	Mar. 31, 2014	**Sept. 30, 2014**
Accrued expenses	**¥ 18,604**	¥ 44,490	**$ 170,275**
Unearned income	**1,361**	1,495	**12,466**
Income taxes payable	**2,052**	2,880	**18,785**
Fair value of derivatives	**181,333**	179,890	**1,659,656**
Matured debentures, including interest	**8,763**	9,623	**80,204**
Trust account	**123**	334	**1,132**
Accounts payable	**66,040**	78,997	**604,436**
Deferred gains on installment receivables and credit guarantees	**32,375**	32,008	**296,319**
Asset retirement obligations	**8,515**	8,526	**77,942**
Deposits payable	**96,634**	90,468	**884,444**
Cash collateral received for financial instruments	**20,028**	12,653	**183,312**
Other	**37,042**	36,434	**339,029**
Total	**¥ 472,877**	¥ 497,804	**$ 4,328,000**

20. ACCEPTANCES AND GUARANTEES CONSOLIDATED

Acceptances and guarantees as of September 30, 2014 and March 31, 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2014	Mar. 31, 2014	**Sept. 30, 2014**
Guarantees	**¥ 331,485**	¥ 358,414	**$ 3,033,918**

21. ASSETS PLEDGED AS COLLATERAL CONSOLIDATED

Assets pledged as collateral and liabilities collateralized as of September 30, 2014 and March 31, 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2014	Mar. 31, 2014	**Sept. 30, 2014**
Assets pledged as collateral:			
Cash and due from banks	**¥ 2,332**	¥ 2,433	**$ 21,344**
Trading assets	**37,005**	8,814	**338,690**
Monetary assets held in trust	**2,250**	1,767	**20,598**
Securities	**914,133**	808,841	**8,366,588**
Loans and bills discounted	**81,641**	97,593	**747,225**
Lease receivables and leased investment assets	**65,646**	71,676	**600,827**
Other assets	**54,438**	48,212	**498,250**
Premises and equipment	**2,148**	2,285	**19,662**
Liabilities collateralized:			
Deposits, including negotiable certificates of deposit	**¥ 2,305**	¥ 692	**$ 21,105**
Call money	**310,000**	180,000	**2,837,269**
Payables under securities lending transactions	**235,776**	306,843	**2,157,944**
Borrowed money	**406,195**	353,030	**3,717,692**
Corporate bonds	**11,617**	12,727	**106,325**
Other liabilities	**14**	58	**136**
Acceptances and guarantees	**962**	961	**8,811**

In addition, ¥118,338 million (U.S.$1,083,091 thousand) and ¥170,124 million of securities as of September 30, 2014 and March 31, 2014, were pledged as collateral for transactions, including exchange settlements, swap transactions and replacement of margin for futures transactions.

Also, ¥1,763 million (U.S.$16,141 thousand) and ¥1,481 million of margin deposits for futures transactions outstanding, ¥13,242 million (U.S.$121,202 thousand) and ¥14,072 million of security deposits, ¥6,880 million (U.S.$62,971 thousand) and ¥4,633 million of cash collateral paid for financial instruments, and ¥3,752 million (U.S.$34,347 thousand) and ¥2,619 million of guarantee deposits under resale agreements were included in other assets as of September 30, 2014 and March 31, 2014, respectively.

22. NONRECOURSE DEBTS CONSOLIDATED

Nonrecourse debts in consolidated special purpose companies as of September 30, 2014 and March 31, 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2014	Mar. 31, 2014	**Sept. 30, 2014**
Nonrecourse debts:			
Borrowed money	**¥ 94,926**	¥ 95,335	**$ 868,817**
Corporate bonds	**11,617**	12,727	**106,325**
Assets corresponding to nonrecourse debts:			
Cash and due from banks	**¥ 2,100**	¥ 2,208	**$ 19,228**
Securities	**120,418**	121,026	**1,102,128**
Loans and bills discounted	**38,059**	44,955	**348,340**
Other assets	**14,184**	14,374	**129,824**

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

23. 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 September 30, 2014 and March 31, 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		Thousands of U.S. dollars
							Sept. 30, 2014	Mar. 31, 2014	**Sept. 30, 2014**
Shinsei Finance (Cayman) Limited	Feb. 2006	U.S.$775	6.418%	Jul. 2016	step-up	Jul. 2016[2]	**¥ 3,305**	¥ 3,110	**$ 30,250**
Shinsei Finance II (Cayman) Limited	Mar. 2006	U.S.$700	7.16%	Jul. 2016	non step-up	Jul. 2016[3]	**1,877**	1,767	**17,187**
Shinsei Finance III (Cayman) Limited	Mar. 2009	¥19,000	5.5%	Jul. 2014	non step-up	Jul. 2014[2]	**—**	15,600	**—**
	Mar. 2009	¥20,100	5.0%	Jul. 2019	step-up	Jul. 2014[2]	**—**	18,000	**—**
Shinsei Finance IV (Cayman) Limited	Mar. 2009	¥2,500	5.0%	Jul. 2019	step-up	Jul. 2014[2]	**—**	2,500	**—**
	Mar. 2009	¥6,600	5.5%	Jul. 2014	non step-up	Jul. 2014[2]	**—**	6,600	**—**
Shinsei Finance V (Cayman) Limited	Oct. 2009	¥4,000	5.5%	Jul. 2015	non step-up	Jul. 2015[2]	**4,000**	4,000	**36,610**
	Oct. 2009	¥5,000	floating	—	non step-up	Jul. 2015[2]	**5,000**	5,000	**45,762**
Total							**¥ 14,182**	¥ 56,577	**$ 129,809**

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"). The preferred securities issued by Shinsei Finance III (Cayman) Limited and Shinsei Finance IV (Cayman) Limited were fully redeemed in July 2014.
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.

24. EQUITY — CONSOLIDATED

The authorized number of shares of common stock as of September 30, 2014 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
Six months ended September 30, 2014:		
Beginning of period	**2,750,346**	**96,427**
Increase[1]	**—**	**0**
Decrease	**—**	**—**
End of period	**2,750,346**	**96,428**
Six months ended September 30, 2013:		
Beginning of period	2,750,346	96,427
Increase	—	—
Decrease	—	—
End of period	2,750,346	96,427

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

25. 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 six months ended September 30, 2014 and 2013.

(a) There were no stock-based compensation expenses for the six months ended September 30, 2014 and 2013.

(b) Amount of profit by non-exercise of stock options for the six months ended September 30, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2014	Sept. 30, 2013	**Sept. 30, 2014**
Other gains (losses), net	**¥ 7**	¥ 16	**$ 66**

26. NET TRADING INCOME (LOSS) CONSOLIDATED

Net trading income (loss) for the six months ended September 30, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
Six months ended September 30,	**2014**	2013	**2014**
Income (loss) from trading securities	**¥ 2,694**	¥ 3,146	**$ 24,659**
Income (loss) from securities held to hedge trading transactions	**(238)**	(898)	**(2,185)**
Income (loss) from trading-related financial derivatives	**2,925**	4,901	**26,772**
Other, net	**102**	(159)	**939**
Total	**¥ 5,483**	¥ 6,990	**$ 50,185**

27. OTHER BUSINESS INCOME (LOSS), NET CONSOLIDATED

"Other, net" in other business income (loss), net, for the six months ended September 30, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
Six months ended September 30,	**2014**	2013	**2014**
Income (loss) from derivatives entered into for banking purposes, net	**¥ (16)**	¥ 279	**$ (152)**
Equity in net income (loss) of affiliates	**1,481**	973	**13,559**
Gain on lease cancellation and other lease income (loss), net	**178**	996	**1,635**
Other, net	**398**	(643)	**3,648**
Total	**¥ 2,042**	¥ 1,606	**$ 18,690**

28. NET CREDIT COSTS CONSOLIDATED

Net credit costs for the six months ended September 30, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
Six months ended September 30,	**2014**	2013	**2014**
Losses on write-off or sales of loans	**¥ 2,219**	¥ 1,756	**$ 20,313**
Net provision (reversal) of reserve for loan losses:			
Net provision (reversal) of general reserve for loan losses	**4,768**	2,238	**43,644**
Net provision (reversal) of specific reserve for loan losses	**2,272**	425	**20,796**
Subtotal	**7,040**	2,663	**64,440**
Other credit costs (recoveries) relating to leasing business	**(97)**	(71)	**(897)**
Recoveries of written-off claims	**(4,142)**	(3,993)	**(37,918)**
Total	**¥ 5,019**	¥ 354	**$ 45,938**

29. OTHER GAINS (LOSSES), NET CONSOLIDATED

Other gains (losses), net for the six months ended September 30, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
Six months ended September 30,	**2014**	2013	**2014**
Net gain (loss) on disposal of premises and equipment	**¥ 278**	¥ (137)	**$ 2,550**
Gains on write-off of unclaimed debentures	**512**	517	**4,687**
Gains on write-off of unclaimed deposits	**428**	113	**3,921**
Impairment losses on long-lived assets	**(474)**	(1,072)	**(4,345)**
Other, net	**1,164**	477	**10,659**
Total	**¥ 1,908**	¥ (103)	**$ 17,472**

Impairment losses on long-lived assets

For the six months ended September 30, 2014 and 2013, respectively, impairment losses on long-lived assets of ¥473 million (U.S.$4,334 thousand) and ¥1,072 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.

30. NET INCOME (LOSS) PER COMMON SHARE

CONSOLIDATED

Basic net income (loss) per common share ("EPS") for the six months ended September 30, 2014 was as follows:

	Net income (loss) (Millions of yen)	Weighted average shares (Thousands)	EPS (Yen)	EPS (U.S. dollars)
For the six months ended September 30, 2014:				
Basic EPS				
Net income (loss) available to common shareholders	**¥ 28,935**	**2,653,919**	**¥ 10.90**	**$ 0.10**

Diluted EPS for the six months ended September 30, 2014 was not disclosed because there was no effect from dilutive securities.

A reconciliation of the difference between basic and diluted EPS for the six months ended September 30, 2013 was as follows:

	Net income (loss) (Millions of yen)	Weighted average shares (Thousands)	EPS (Yen)
For the six months ended September 30, 2013:			
Basic EPS			
Net income (loss) available to common shareholders	¥ 27,240	2,653,919	¥ 10.26
Effect of dilutive securities			
Stock acquisition rights	—	3	
Diluted EPS			
Net income (loss) for computation	¥ 27,240	2,653,922	¥ 10.26

31. 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."

AS LESSOR

(a) Breakdown of "Lease receivables and leased investment assets" as of September 30, 2014 and March 31, 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2014	Mar. 31, 2014	**Sept. 30, 2014**
Lease receivables	**¥ 65,162**	¥ 62,456	**$ 596,401**
Leased investment assets:			
Lease payment receivables	**175,330**	180,008	**1,604,709**
Estimated residual value	**6,402**	6,570	**58,602**
Interest equivalent	**(20,999)**	(21,587)	**(192,202)**
Other	**319**	315	**2,927**
Subtotal	**161,053**	165,307	**1,474,036**
Total	**¥ 226,215**	¥ 227,764	**$ 2,070,437**

31. LEASE TRANSACTIONS (CONTINUED)

CONSOLIDATED

(b) Lease payment receivables for "Lease receivables and leased investment assets" as of September 30, 2014 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	**¥ 20,766**	**$ 190,062**	**¥ 53,300**	**$ 487,836**
Due after one year within two years	**16,227**	**148,525**	**41,315**	**378,135**
Due after two years within three years	**12,113**	**110,864**	**30,694**	**280,929**
Due after three years within four years	**9,368**	**85,748**	**20,644**	**188,944**
Due after four years within five years	**6,141**	**56,211**	**10,986**	**100,552**
Due after five years	**4,349**	**39,805**	**18,389**	**168,313**
Total	**¥ 68,966**	**$ 631,215**	**¥ 175,330**	**$ 1,604,709**

(B) OPERATING LEASE TRANSACTIONS

Noncancelable operating lease obligations as lessee and lease payment receivables as lessor as of September 30, 2014 and March 31, 2014 were as follows:

AS LESSEE

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2014	Mar. 31, 2014	**Sept. 30, 2014**
Lease obligations:			
Due within one year	**¥ 3,546**	¥ 4,062	**$ 32,461**
Due after one year	**13,221**	16,253	**121,010**
Total	**¥ 16,768**	¥ 20,316	**$ 153,471**

AS LESSOR

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2014	Mar. 31, 2014	**Sept. 30, 2014**
Lease payment receivables:			
Due within one year	**¥ 3,943**	¥ 4,252	**$ 36,094**
Due after one year	**18,970**	19,885	**173,623**
Total	**¥ 22,913**	¥ 24,137	**$ 209,717**

32. 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 operations ALM 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 six months ended September 30, 2013 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.

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32. SEGMENT INFORMATION (CONTINUED)

CONSOLIDATED

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

Millions of yen

Six months ended September 30, 2014	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:	¥ 17,715	¥ 9,369	¥ 6,212	¥ 784	¥ 1,713	¥ 4,367	¥ 1,570
Net Interest Income	13,043	2,846	(1,204)	(142)	765	1,293	90
Noninterest Income[1]	4,671	6,523	7,417	926	948	3,073	1,480
Expenses	6,093	2,564	4,070	685	1,158	1,643	1,824
Net Credit Costs (Recoveries)	(860)	(28)	(1,612)	430	(119)	92	(66)
Segment Profit (Loss)	¥ 12,482	¥ 6,834	¥ 3,754	¥ (331)	¥ 674	¥ 2,632	¥ (186)
Segment Assets[2]	¥ 2,481,726	¥ 254,010	¥ 451,313	¥ 59,723	¥ 149,711	¥ 414,277	¥ 95,426
Segment Liabilities	¥ 356,656	¥ 2,697	¥ —	¥ 1,433	¥ 308,666	¥ 236,284	¥ 65,986
Includes:							
1. Equity in net income (loss) of affiliates	¥ —	¥ 602	¥ —	¥ 890	¥ (10)	¥ (1)	¥ —
2. Investment in affiliates	—	48,063	—	—	—	1,141	—
Other:							
Goodwill (Negative Goodwill):							
Amortization	¥ —	¥ —	¥ 1,073	¥ —	¥ —	¥ —	¥ —
Unamortized balance	—	—	22,537	—	—	—	—
Intangible assets acquired in business combinations:							
Amortization	¥ —	¥ —	¥ 282	¥ —	¥ —	¥ —	¥ —
Unamortized balance	—	—	2,108	—	—	—	—
Impairment losses on long-lived assets	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —

Millions of yen

Six months ended September 30, 2014	Individual Group				Corporate/Other		
	Retail Banking Sub-Group	Consumer Finance Sub-Group					
		Shinsei Financial	APLUS FINANCIAL	Other	Treasury Sub-Group	Other	Total
Revenue:	¥ 14,321	¥ 26,765	¥ 24,673	¥ 735	¥ 2,975	¥ (49)	¥ 111,155
Net Interest Income	11,595	28,192	3,306	628	177	(2)	60,590
Noninterest Income[1]	2,725	(1,427)	21,367	106	2,797	(46)	50,564
Expenses	16,996	15,987	18,026	375	810	(152)	70,084
Net Credit Costs (Recoveries)	81	3,631	3,548	(73)	—	(3)	5,019
Segment Profit (Loss)	¥ (2,756)	¥ 7,145	¥ 3,098	¥ 432	¥ 2,164	¥ 107	¥ 36,052
Segment Assets[2]	¥ 1,212,765	¥ 389,183	¥ 799,318	¥ 22,640	¥ 1,236,291	¥ 0	¥ 7,566,390
Segment Liabilities	¥ 4,968,188	¥ 6,378	¥ 301,161	¥ 129	¥ 1,885	¥ (0)	¥ 6,249,467
Includes:							
1. Equity in net income (loss) of affiliates	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ 1,481
2. Investment in affiliates	—	—	—	—	—	—	49,204
Other:							
Goodwill (Negative Goodwill):							
Amortization	¥ 70	¥ 1,472	¥ 429	¥ (0)	¥ —	¥ —	¥ 3,045
Unamortized balance	198	1,884	1,288	(4)	—	—	25,904
Intangible assets acquired in business combinations:							
Amortization	¥ —	¥ 1,247	¥ —	¥ —	¥ —	¥ —	¥ 1,530
Unamortized balance	—	5,543	—	—	—	—	7,652
Impairment losses on long-lived assets	¥ 128	¥ 5	¥ —	¥ —	¥ —	¥ 340	¥ 474

32. SEGMENT INFORMATION (CONTINUED)

CONSOLIDATED

	Millions of yen						
	Institutional Group				Global Markets Group		
Six months ended September 30, 2013	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:	¥ 19,656	¥ 9,632	¥ 6,784	¥ (97)	¥ 1,710	¥ 2,089	¥ 1,444
Net Interest Income	13,777	2,268	(1,348)	178	813	1,149	5
Noninterest Income[1]	5,878	7,364	8,132	(275)	896	939	1,439
Expenses	5,643	2,159	3,847	508	1,045	1,612	1,742
Net Credit Costs (Recoveries)	(2,704)	49	(1,869)	1,664	55	(51)	(50)
Segment Profit (Loss)	¥ 16,717	¥ 7,422	¥ 4,806	¥ (2,271)	¥ 609	¥ 528	¥ (247)
Segment Assets[2]	¥ 2,433,303	¥ 300,679	¥ 419,844	¥ 81,315	¥ 155,345	¥ 389,858	¥ 95,529
Segment Liabilities	¥ 468,307	¥ 3,175	¥ —	¥ 1,091	¥ 269,620	¥ 223,622	¥ 83,903
Includes:							
1. Equity in net income (loss) of affiliates	¥ —	¥ 557	¥ —	¥ 431	¥ (13)	¥ (1)	¥ —
2. Investment in affiliates	—	42,109	—	—	—	2,108	—
Other:							
Goodwill (Negative Goodwill):							
Amortization	¥ —	¥ —	¥ 1,102	¥ —	¥ —	¥ —	¥ —
Unamortized balance	—	—	24,684	—	—	—	—
Intangible assets acquired in business combinations:							
Amortization	¥ —	¥ —	¥ 299	¥ —	¥ —	¥ —	¥ —
Unamortized balance	—	—	2,689	—	—	—	—
Impairment losses on long-lived assets	¥ 86	¥ —	¥ —	¥ —	¥ 39	¥ 5	¥ —

	Millions of yen						
	Individual Group				Corporate/Other		
		Consumer Finance Sub-Group					
Six months ended September 30, 2013	Retail Banking Sub-Group	Shinsei Financial	APLUS FINANCIAL	Other	Treasury Sub-Group	Other	Total
Revenue:	¥ 16,831	¥ 21,910	¥ 23,406	¥ 859	¥ (2,501)	¥ (1,433)	¥ 100,293
Net Interest Income	12,766	24,157	3,909	727	(1,741)	(1,610)	55,053
Noninterest Income[1]	4,065	(2,247)	19,497	132	(760)	176	45,239
Expenses	16,145	15,196	17,263	312	778	(415)	65,839
Net Credit Costs (Recoveries)	155	(231)	3,394	(58)	—	0	354
Segment Profit (Loss)	¥ 530	¥ 6,945	¥ 2,749	¥ 606	¥ (3,280)	¥ (1,018)	¥ 34,098
Segment Assets[2]	¥ 1,161,080	¥ 363,082	¥ 882,741	¥ 25,657	¥ 1,386,161	¥ —	¥ 7,694,599
Segment Liabilities	¥ 5,031,856	¥ 4,241	¥ 437,518	¥ 134	¥ 2,396	¥ —	¥ 6,525,868
Includes:							
1. Equity in net income (loss) of affiliates	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ 973
2. Investment in affiliates	—	—	—	—	—	—	44,218
Other:							
Goodwill (Negative Goodwill):							
Amortization	¥ 70	¥ 1,802	¥ 429	¥ (0)	¥ —	¥ —	¥ 3,405
Unamortized balance	339	4,819	2,147	(5)	—	—	31,985
Intangible assets acquired in business combinations:							
Amortization	¥ —	¥ 1,468	¥ —	¥ —	¥ —	¥ —	¥ 1,767
Unamortized balance	—	8,030	—	—	—	—	10,720
Impairment losses on long-lived assets	¥ 474	¥ 21	¥ —	¥ —	¥ 5	¥ 440	¥ 1,072

32. SEGMENT INFORMATION (CONTINUED)

CONSOLIDATED

	Thousands of U.S. dollars						
	Institutional Group				Global Markets Group		
Six months ended September 30, 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:	$ 162,140	$ 85,757	$ 56,858	$ 7,182	$ 15,680	$ 39,976	$ 14,377
Net Interest Income	119,384	26,051	(11,026)	(1,301)	7,003	11,842	827
Noninterest Income[1]	42,756	59,706	67,884	8,483	8,677	28,134	13,550
Expenses	55,772	23,473	37,256	6,274	10,599	15,039	16,699
Net Credit Costs (Recoveries)	(7,879)	(265)	(14,762)	3,941	(1,090)	842	(611)
Segment Profit (Loss)	$ 114,247	$ 62,549	$ 34,364	$ (3,033)	$ 6,171	$ 24,095	$ (1,711)
Segment Assets[2]	$ 22,713,957	$ 2,324,827	$ 4,130,638	$ 546,622	$ 1,370,235	$ 3,791,662	$ 873,393
Segment Liabilities	$ 3,264,292	$ 24,690	$ —	$ 13,117	$ 2,825,260	$ 2,162,591	$ 603,939
Includes:							
1. Equity in net income (loss) of affiliates	$ —	$ 5,517	$ —	$ 8,153	$ (100)	$ (11)	$ —
2. Investment in affiliates	—	439,898	—	—	—	10,444	—
Other:							
Goodwill (Negative Goodwill):							
Amortization	$ —	$ —	$ 9,823	$ —	$ —	$ —	$ —
Unamortized balance	—	—	206,276	—	—	—	—
Intangible assets acquired in business combinations:							
Amortization	$ —	$ —	$ 2,590	$ —	$ —	$ —	$ —
Unamortized balance	—	—	19,302	—	—	—	—
Impairment losses on long-lived assets	$ —	$ —	$ —	$ —	$ —	$ —	$ —

	Thousands of U.S. dollars						
	Individual Group				Corporate/Other		
		Consumer Finance Sub-Group					
Six months ended September 30, 2014	Retail Banking Sub-Group	Shinsei Financial	APLUS FINANCIAL	Other	Treasury Sub-Group	Other	Total
Revenue:	$ 131,075	$ 244,968	$ 225,825	$ 6,727	$ 27,237	$ (451)	$ 1,017,351
Net Interest Income	106,129	258,033	30,260	5,751	1,629	(25)	554,557
Noninterest Income[1]	24,946	(13,065)	195,565	976	25,608	(426)	462,794
Expenses	155,560	146,323	164,990	3,440	7,422	(1,399)	641,448
Net Credit Costs (Recoveries)	746	33,242	32,479	(669)	—	(36)	45,938
Segment Profit (Loss)	$ (25,231)	$ 65,403	$ 28,356	$ 3,956	$ 19,815	$ 984	$ 329,965
Segment Assets[2]	$ 11,099,812	$ 3,561,994	$ 7,315,749	$ 207,217	$ 11,315,130	$ 0	$ 69,251,236
Segment Liabilities	$ 45,471,248	$ 58,378	$ 2,756,378	$ 1,186	$ 17,253	$ (0)	$ 57,198,132
Includes:							
1. Equity in net income (loss) of affiliates	$ —	$ —	$ —	$ —	$ —	$ —	$ 13,559
2. Investment in affiliates	—	—	—	—	—	—	450,342
Other:							
Goodwill (Negative Goodwill):							
Amortization	$ 645	$ 13,474	$ 3,931	$ (3)	$ —	$ —	$ 27,870
Unamortized balance	1,821	17,246	11,792	(44)	—	—	237,091
Intangible assets acquired in business combinations:							
Amortization	$ —	$ 11,414	$ —	$ —	$ —	$ —	$ 14,004
Unamortized balance	—	50,734	—	—	—	—	70,036
Impairment losses on long-lived assets	$ 1,174	$ 50	$ —	$ —	$ —	$ 3,121	$ 4,345

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.

32. 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 interim consolidated statements of income for the six months ended September 30, 2014 and 2013 was as follows:

	Millions of yen		Thousands of U.S. dollars
Six months ended September 30,	**2014**	2013	**2014**
Total segment profit	**¥ 36,052**	¥ 34,098	**$ 329,965**
Amortization of goodwill acquired in business combinations	**(2,974)**	(3,335)	**(27,225)**
Amortization of intangible assets acquired in business combinations	**(1,530)**	(1,767)	**(14,004)**
Lump-sum payments	**(1,174)**	(1,289)	**(10,752)**
Other gains (losses), net	**1,908**	(103)	**17,472**
Income (loss) before income taxes and minority interests	**¥ 32,281**	¥ 27,603	**$ 295,456**

(ii) A reconciliation between total segment assets and total assets on the interim consolidated balance sheets as of September 30, 2014 and 2013 was as follows:

	Millions of yen		Thousands of U.S. dollars
As of September 30,	**2014**	2013	**2014**
Total segment assets	**¥ 7,566,390**	¥ 7,694,599	**$ 69,251,236**
Cash and due from banks	**1,179,342**	724,563	**10,793,906**
Call loans	**4,500**	—	**41,186**
Receivables under resale agreements	**53,216**	53,216	**487,065**
Receivables under securities borrowing transactions	**35,372**	51,557	**323,744**
Foreign exchanges	**20,973**	37,746	**191,959**
Other assets excluding installment receivables	**346,484**	369,839	**3,171,189**
Premises and equipment excluding tangible leased assets	**31,214**	32,552	**285,690**
Intangible assets excluding intangible leased assets	**52,260**	61,866	**478,317**
Asset for retirement benefits	**2,883**	4,648	**26,395**
Deferred issuance expenses for debentures	**22**	47	**202**
Deferred tax assets	**15,426**	18,800	**141,187**
Reserve for credit losses	**(117,924)**	(143,925)	**(1,079,299)**
Total assets	**¥ 9,190,162**	¥ 8,905,513	**$ 84,112,777**

(iii) A reconciliation between total segment liabilities and total liabilities on the interim consolidated balance sheets as of September 30, 2014 and 2013 was as follows:

	Millions of yen		Thousands of U.S. dollars
As of September 30,	**2014**	2013	**2014**
Total segment liabilities	**¥ 6,249,467**	¥ 6,525,868	**$ 57,198,132**
Call money	**310,000**	120,000	**2,837,269**
Payables under securities lending transactions	**238,866**	60,216	**2,186,221**
Borrowed money	**720,429**	619,344	**6,593,714**
Foreign exchanges	**63**	25	**584**
Short-term corporate bonds	**97,500**	107,900	**892,367**
Corporate bonds	**191,121**	189,142	**1,749,234**
Other liabilities	**472,877**	535,057	**4,328,000**
Accrued employees' bonuses	**4,939**	4,628	**45,213**
Accrued directors' bonuses	**39**	31	**365**
Liability for retirement benefits	**12,513**	7,521	**114,532**
Reserve for directors' retirement benefits	**79**	114	**729**
Reserve for losses on interest repayments	**185,466**	28,630	**1,697,476**
Deferred tax liabilities	**586**	56	**5,367**
Total liabilities	**¥ 8,483,951**	¥ 8,198,537	**$ 77,649,203**

32. SEGMENT INFORMATION (CONTINUED) CONSOLIDATED

(B) RELATED INFORMATION

(a) INFORMATION BY SERVICES

Income regarding major services for the six months ended September 30, 2014 and 2013 was as follows:

	Millions of yen		Thousands of U.S. dollars
Six months ended September 30,	**2014**	2013	**2014**
Loan Businesses	**¥ 66,937**	¥ 66,814	**$ 612,644**
Lease Businesses	**4,342**	4,651	**39,745**
Securities Investment Businesses	**9,408**	8,286	**86,107**
Installment Sales and Guarantee Businesses	**22,457**	20,854	**205,544**

"Installment Sales and Guarantee Businesses" is presented from the six months ended September 30, 2014, due to its increased materiality.

(b) GEOGRAPHICAL INFORMATION

(i) REVENUE

Revenue from external domestic customers exceeded 90% of total revenue on the interim consolidated statements of income for the six months ended September 30, 2014 and 2013, 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 interim consolidated balance sheets as of September 30, 2014 and 2013, 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 interim consolidated statements of income for the six months ended September 30, 2014 and 2013, therefore major customer information is not presented.

33. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES CONSOLIDATED

Fair values of financial instruments as of September 30, 2014 and March 31, 2014 were as follows:

	Millions of yen					
	Sept. 30, 2014			Mar. 31, 2014		
	Carrying amount	**Fair value**	**Unrealized gain (loss)**	Carrying amount	Fair value	Unrealized gain (loss)
Assets:						
(1) Cash and due from banks	**¥ 1,179,342**	**¥ 1,179,342**	**¥ —**	¥ 1,451,492	¥ 1,451,492	¥ —
(2) Call loans	**4,500**	**4,500**	**—**	36,451	36,451	—
(3) Receivables under resale agreements	**53,216**	**53,471**	**254**	53,216	53,518	301
(4) Receivables under securities borrowing transactions	**35,372**	**35,372**	**—**	23,651	23,651	—
(5) Other monetary claims purchased						
Trading purposes	**43,709**	**43,709**	**—**	51,259	51,259	—
Other[1]	**51,822**	**52,788**	**966**	53,142	53,903	761
(6) Trading assets						
Securities held for trading purposes	**47,163**	**47,163**	**—**	14,362	14,362	—
(7) Monetary assets held in trust[1]	**184,876**	**189,575**	**4,699**	199,115	202,915	3,800
(8) Securities						
Trading securities	**116**	**116**	**—**	131	131	—
Securities being held to maturity	**602,768**	**607,814**	**5,046**	545,675	551,548	5,872
Securities available for sale	**901,172**	**901,172**	**—**	895,444	895,444	—
Equity securities of affiliates	**44,956**	**33,134**	**(11,822)**	40,975	31,163	(9,812)
(9) Loans and bills discounted[2]	**4,338,622**			4,319,830		
Reserve for credit losses	**(73,332)**			(92,484)		
Net	**4,265,290**	**4,372,127**	**106,837**	4,227,346	4,309,890	82,544
(10) Lease receivables and leased investment assets[1]	**222,505**	**224,488**	**1,982**	223,805	225,471	1,665
(11) Other assets						
Installment receivables	**437,271**			421,920		
Deferred gains on installment receivables	**(14,237)**			(13,672)		
Reserve for credit losses	**(10,456)**			(10,700)		
Net	**412,577**	**428,520**	**15,943**	397,547	411,144	13,597
Total	**¥ 8,049,389**	**¥ 8,173,296**	**¥ 123,907**	¥ 8,213,618	¥ 8,312,351	¥ 98,732
Liabilities:						
(1) Deposits, including negotiable certificates of deposit	**¥ 5,611,098**	**¥ 5,622,236**	**¥ (11,138)**	¥ 5,850,447	¥ 5,855,332	¥ (4,885)
(2) Debentures	**37,750**	**37,788**	**(37)**	41,747	41,782	(35)
(3) Call money	**310,000**	**310,000**	**—**	180,000	180,000	—
(4) Payables under securities lending transactions	**238,866**	**238,866**	**—**	317,599	317,599	—
(5) Trading liabilities						
Trading securities sold for short sales	**31,240**	**31,240**	**—**	14,290	14,290	—
(6) Borrowed money	**720,429**	**722,459**	**(2,029)**	643,431	645,895	(2,463)
(7) Short-term corporate bonds	**97,500**	**97,500**	**—**	86,900	86,900	—
(8) Corporate bonds	**191,121**	**195,389**	**(4,268)**	177,248	181,687	(4,439)
Total	**¥ 7,238,007**	**¥ 7,255,481**	**¥ (17,474)**	¥ 7,311,664	¥ 7,323,488	¥ (11,824)
Derivative instruments[3]:						
Hedge accounting is not applied	**¥ (22,617)**	**¥ (22,617)**	**¥ —**	¥ (17,867)	¥ (17,867)	¥ —
Hedge accounting is applied	**(8,590)**	**(8,590)**	**—**	(8,076)	(8,076)	—
Total	**¥ (31,207)**	**¥ (31,207)**	**¥ —**	¥ (25,943)	¥ (25,943)	¥ —

	Contract amount	**Fair value**	Contract amount	Fair value
Other:				
Guarantee contracts[4]	**¥ 331,485**	**¥ (1,904)**	¥ 358,414	¥ (3,171)

33. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED)

CONSOLIDATED

	Thousands of U.S. dollars		
	Sept. 30, 2014		
	Carrying amount	Fair value	Unrealized gain (loss)
Assets:			
(1) Cash and due from banks	$ 10,793,906	$ 10,793,906	$ —
(2) Call loans	41,186	41,186	—
(3) Receivables under resale agreements	487,065	489,396	2,331
(4) Receivables under securities borrowing transactions	323,744	323,744	—
(5) Other monetary claims purchased			
Trading purposes	400,050	400,050	—
Other[1]	474,303	483,147	8,844
(6) Trading assets			
Securities held for trading purposes	431,661	431,661	—
(7) Monetary assets held in trust[1]	1,692,075	1,735,085	43,010
(8) Securities			
Trading securities	1,067	1,067	—
Securities being held to maturity	5,516,827	5,563,015	46,188
Securities available for sale	8,247,961	8,247,961	—
Equity securities of affiliates	411,467	303,261	(108,206)
(9) Loans and bills discounted[2]	39,709,160		
Reserve for credit losses	(671,173)		
Net	39,037,987	40,015,814	977,827
(10) Lease receivables and leased investment assets[1]	2,036,476	2,054,625	18,149
(11) Other assets			
Installment receivables	4,002,119		
Deferred gains on installment receivables	(130,313)		
Reserve for credit losses	(95,701)		
Net	3,776,105	3,922,022	145,917
Total	$ 73,671,880	$ 74,805,940	$ 1,134,060
Liabilities:			
(1) Deposits, including negotiable certificates of deposit	$ 51,355,467	$ 51,457,410	$ (101,943)
(2) Debentures	345,515	345,857	(342)
(3) Call money	2,837,269	2,837,269	—
(4) Payables under securities lending transactions	2,186,221	2,186,221	—
(5) Trading liabilities			
Trading securities sold for short sales	285,932	285,932	—
(6) Borrowed money	6,593,714	6,612,292	(18,578)
(7) Short-term corporate bonds	892,367	892,367	—
(8) Corporate bonds	1,749,234	1,788,302	(39,068)
Total	$ 66,245,719	$ 66,405,650	$ (159,931)
Derivative instruments[3]:			
Hedge accounting is not applied	$ (207,005)	$ (207,005)	$ —
Hedge accounting is applied	(78,625)	(78,625)	—
Total	$ (285,630)	$ (285,630)	$ —

	Contract amount	Fair value
Other:		
Guarantee contracts[4]	$ 3,033,918	$ (17,430)

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 ¥185,466 million (U.S.$1,697,476 thousand) and ¥208,201 million was recognized for estimated losses on reimbursements of excess interest payments as of September 30, 2014 and March 31, 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.

33. 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 interim 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 interim 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 interim consolidated balance sheet date.

(2) Debentures and (8) 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

33. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED) CONSOLIDATED

average funding rates of corporate time deposits etc. funded in the past three months of the interim 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 and (4) Payables under securities lending transactions
The fair values approximate carrying amounts because most of them are with short maturities of three months or less.

(5) Trading liabilities
The fair values are measured at market prices.

(6) 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.

(7) 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
	Sept. 30, 2014	Mar. 31, 2014	**Sept. 30, 2014**
Equity securities without readily available market price[1,2]	**¥ 10,398**	¥ 11,501	**$ 95,177**
Investment in partnerships and others[1,2]	**61,931**	63,292	**566,829**
Total	**¥ 72,330**	¥ 74,793	**$ 662,006**

1 Equity securities without readily available market price are out of the scope of fair value disclosure because their fair values cannot be reliably determined. Investments in partnerships and others, the assets of which comprise equity securities without readily available market price, are out of the scope of fair values disclosure because fair values of those investments cannot be reliably determined.
2 For the six months ended September 30, 2014 and for the fiscal year ended March 31, 2014, impairment losses on equity securities without readily available market price of ¥575 million (U.S.$5,263 thousand) and ¥27 million, and on investment in partnerships and others of ¥1 million (U.S.$11 thousand) and ¥33 million were recognized, respectively.

34. DERIVATIVE FINANCIAL INSTRUMENTS

CONSOLIDATED

(A) DERIVATIVE TRANSACTIONS TO WHICH HEDGE ACCOUNTING WAS NOT APPLIED

The fair values of derivatives on the interim consolidated balance sheets as of September 30, 2014 and March 31, 2014 are adjusted for credit risk by a reduction of ¥918 million (U.S.$8,404 thousand) and ¥623 million, respectively, and also adjusted for liquidity risk by a reduction of ¥1,080 million (U.S.$9,888 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 September 30, 2014 and March 31, 2014 were as follows:

Millions of yen

	Sept. 30, 2014				Mar. 31, 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	**¥ 75,493**	**¥ —**	**¥ (3)**	**¥ (3)**	¥ 2,495	¥ —	¥ 0	¥ 0
Bought	**84,085**	**29,592**	**(0)**	**(0)**	9,582	682	0	0
Interest rate options (listed):								
Sold	**46,401**	**679**	**(10)**	**2**	639	639	(0)	0
Bought	**45,721**	**—**	**35**	**13**	—	—	—	—
Interest rate swaps (over-the-counter):								
Receive fixed and pay floating	**6,022,983**	**4,735,120**	**172,087**	**172,087**	5,760,971	4,643,282	143,784	143,784
Receive floating and pay fixed	**5,360,037**	**4,386,696**	**(149,682)**	**(149,682)**	5,336,252	4,261,538	(120,446)	(120,446)
Receive floating and pay floating	**1,185,367**	**878,923**	**1,994**	**1,994**	694,348	557,544	(29)	(29)
Interest rate swaptions (over-the-counter):								
Sold	**824,681**	**616,266**	**(10,962)**	**7,759**	883,245	652,788	(13,407)	7,956
Bought	**1,406,629**	**1,234,770**	**3,575**	**(7,253)**	1,449,667	1,315,767	8,346	(3,267)
Interest rate options (over-the-counter):								
Sold	**50,414**	**34,632**	**(214)**	**198**	96,755	55,944	(275)	433
Bought	**79,286**	**69,754**	**100**	**(256)**	120,172	80,926	139	(333)
Total			**¥ 16,919**	**¥ 24,859**			¥ 18,113	¥ 28,097

Thousands of U.S. dollars

	Sept. 30, 2014			
	Contract/Notional principal			
	Total	**Maturity over 1 year**	**Fair value**	**Unrealized gain (loss)**
Futures contracts (listed):				
Sold	**$ 690,950**	**$ —**	**$ (29)**	**$ (29)**
Bought	**769,592**	**270,842**	**(5)**	**(5)**
Interest rate options (listed):				
Sold	**424,688**	**6,219**	**(94)**	**20**
Bought	**418,469**	**—**	**325**	**127**
Interest rate swaps (over-the-counter):				
Receive fixed and pay floating	**55,125,239**	**43,338,101**	**1,575,025**	**1,575,025**
Receive floating and pay fixed	**49,057,639**	**40,149,150**	**(1,369,964)**	**(1,369,964)**
Receive floating and pay floating	**10,849,053**	**8,044,329**	**18,253**	**18,253**
Interest rate swaptions (over-the-counter):				
Sold	**7,547,877**	**5,640,365**	**(100,337)**	**71,016**
Bought	**12,874,145**	**11,301,214**	**32,726**	**(66,387)**
Interest rate options (over-the-counter):				
Sold	**461,413**	**316,975**	**(1,963)**	**1,818**
Bought	**725,664**	**638,429**	**919**	**(2,351)**
Total			**$ 154,856**	**$ 227,523**

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.

34. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

CONSOLIDATED

(b) CURRENCY-RELATED TRANSACTIONS

Currency-related transactions as of September 30, 2014 and March 31, 2014 were as follows:

	Millions of yen							
	Sept. 30, 2014				Mar. 31, 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)	**¥ 853,371**	**¥ 705,127**	**¥ (29,615)**	**¥ (29,615)**	¥ 839,527	¥ 725,663	¥ (26,309)	¥ (26,309)
Forward foreign exchange contracts (over-the-counter):								
Sold	**1,420,362**	**111,119**	**(42,226)**	**(42,226)**	879,171	108,948	(25,619)	(25,619)
Bought	**740,849**	**136,806**	**51,047**	**51,047**	589,755	142,497	44,780	44,780
Currency options (over-the-counter):								
Sold	**1,105,983**	**475,893**	**(25,724)**	**(7,173)**	1,452,721	542,009	(33,859)	(9,031)
Bought	**1,107,166**	**436,190**	**1,590**	**(15,482)**	1,441,375	527,601	(800)	(21,886)
Total			**¥ (44,928)**	**¥ (43,450)**			¥ (41,807)	¥ (38,065)

	Thousands of U.S. dollars			
	Sept. 30, 2014			
	Contract/Notional principal			
	Total	**Maturity over 1 year**	**Fair value**	**Unrealized gain (loss)**
Currency swaps (over-the-counter)	**$ 7,810,462**	**$ 6,453,664**	**$ (271,056)**	**$ (271,056)**
Forward foreign exchange contracts (over-the-counter):				
Sold	**12,999,837**	**1,017,022**	**(386,476)**	**(386,476)**
Bought	**6,780,612**	**1,252,117**	**467,207**	**467,207**
Currency options (over-the-counter):				
Sold	**10,122,495**	**4,355,609**	**(235,444)**	**(65,655)**
Bought	**10,133,318**	**3,992,224**	**14,561**	**(141,699)**
Total			**$ (411,208)**	**$ (397,679)**

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.

34. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

CONSOLIDATED

(c) EQUITY-RELATED TRANSACTIONS

Equity-related transactions as of September 30, 2014 and March 31, 2014 were as follows:

Millions of yen

	Sept. 30, 2014				Mar. 31, 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	¥ 13,147	¥ 9,896	¥ (411)	¥ (411)	¥ 12,003	¥ 6,938	¥ 343	¥ 343
Bought	13,042	3,090	76	76	14,103	3,090	(286)	(286)
Equity index options (listed):								
Sold	653,083	187,825	(35,644)	(10,460)	625,042	176,262	(34,603)	(4,740)
Bought	625,817	173,037	37,104	9,872	624,831	163,425	37,056	4,999
Equity options (over-the-counter):								
Sold	80,252	51,207	(19,857)	(11,155)	77,568	48,523	(15,800)	(7,119)
Bought	85,644	60,474	27,193	16,837	82,960	57,790	22,193	11,857
Other (over-the-counter):								
Sold	67,900	67,900	1,546	1,546	68,900	68,900	50	50
Bought	97,377	97,377	(2,327)	(2,327)	103,377	103,377	(1,162)	(1,162)
Total			¥ 7,680	¥ 3,979			¥ 7,790	¥ 3,943

Thousands of U.S. dollars

	Sept. 30, 2014			
	Contract/Notional principal			
	Total	Maturity over 1 year	Fair value	Unrealized gain (loss)
Equity index futures (listed):				
Sold	$ 120,336	$ 90,578	$ (3,765)	$ (3,765)
Bought	119,370	28,286	705	705
Equity index options (listed):				
Sold	5,977,332	1,719,065	(326,235)	(95,742)
Bought	5,727,787	1,583,722	339,598	90,362
Equity options (over-the-counter):				
Sold	734,505	468,674	(181,745)	(102,104)
Bought	783,861	553,488	248,887	154,109
Other (over-the-counter):				
Sold	621,453	621,453	14,154	14,154
Bought	891,246	891,246	(21,299)	(21,299)
Total			$ 70,300	$ 36,420

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.

34. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

CONSOLIDATED

(d) BOND-RELATED TRANSACTIONS

Bond-related transactions as of September 30, 2014 and March 31, 2014 were as follows:

Millions of yen

	Sept. 30, 2014				Mar. 31, 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	**¥ 29,946**	**¥ —**	**¥ (24)**	**¥ (24)**	¥ 5,042	¥ —	¥ (1)	¥ (1)
Bought	**3,325**	**—**	**2**	**2**	13,525	—	(15)	(15)
Bond futures options (listed):								
Sold	**17,490**	**—**	**(18)**	**20**	—	—	—	—
Total			**¥ (40)**	**¥ (1)**			¥ (16)	¥ (16)

Thousands of U.S. dollars

	Sept. 30, 2014			
	Contract/Notional principal			
	Total	**Maturity over 1 year**	**Fair value**	**Unrealized gain (loss)**
Bond futures (listed):				
Sold	**$ 274,084**	**$ —**	**$ (223)**	**$ (223)**
Bought	**30,438**	**—**	**21**	**21**
Bond futures options (listed):				
Sold	**160,077**	**—**	**(170)**	**190**
Total			**$ (372)**	**$ (12)**

Notes:

(1) Derivatives included in the table above were measured at fair value and the unrealized gains and losses were recognized in income.

(2) The fair values of listed transactions represent the closing price on the Osaka Exchange and other exchanges.

(e) CREDIT DERIVATIVES TRANSACTIONS

Credit derivatives transactions as of September 30, 2014 and March 31, 2014 were as follows:

Millions of yen

	Sept. 30, 2014				Mar. 31, 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	**¥ 278,740**	**¥ 204,801**	**¥ 3,976**	**¥ 3,976**	¥ 294,763	¥ 242,814	¥ 3,571	¥ 3,571
Bought	**278,924**	**214,166**	**(4,227)**	**(4,227)**	288,062	237,995	(3,792)	(3,792)
Total			**¥ (250)**	**¥ (250)**			¥ (220)	¥ (220)

Thousands of U.S. dollars

	Sept. 30, 2014			
	Contract/Notional principal			
	Total	**Maturity over 1 year**	**Fair value**	**Unrealized gain (loss)**
Credit default option (over-the-counter):				
Sold	**$ 2,551,169**	**$ 1,874,445**	**$ 36,399**	**$ 36,399**
Bought	**2,552,848**	**1,960,150**	**(38,689)**	**(38,689)**
Total			**$ (2,290)**	**$ (2,290)**

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.

34. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

CONSOLIDATED

(B) DERIVATIVE TRANSACTIONS TO WHICH HEDGE ACCOUNTING WAS APPLIED

(a) INTEREST RATE-RELATED TRANSACTIONS

Interest rate-related transactions which are accounted for using the deferral method as of September 30, 2014 and March 31, 2014 were as follows:

	Millions of yen					
	Sept. 30, 2014			Mar. 31, 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	**¥ 482,194**	**¥ 482,194**	**¥ 4,745**	¥ 760,794	¥ 477,794	¥ 3,743
Receive floating and pay fixed	**248,429**	**234,299**	**(12,915)**	247,304	232,411	(11,061)
Total			**¥ (8,170)**			¥ (7,317)

	Thousands of U.S. dollars		
	Sept. 30, 2014		
	Contract/Notional principal		
	Total	**Maturity over 1 year**	**Fair value**
Interest rate swaps:			
Receive fixed and pay floating	**$ 4,413,276**	**$ 4,413,276**	**$ 43,433**
Receive floating and pay fixed	**2,273,746**	**2,144,418**	**(118,211)**
Total			**$ (74,778)**

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.

34. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

CONSOLIDATED

Interest rate swaps which meet specific matching criteria as of September 30, 2014 and March 31, 2014 were as follows:

	Millions of yen					
	Sept. 30, 2014			Mar. 31, 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	**¥ 6,325**	**¥ 2,725**	**¥ —**	¥ 8,125	¥ 4,525	¥ —

	Thousands of U.S. dollars		
	Sept. 30, 2014		
	Contract/Notional principal		
	Total	**Maturity over 1 year**	**Fair value**
Interest rate swaps:			
Receive floating and pay fixed	**$ 57,889**	**$ 24,941**	**$ —**

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 33 "FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES."

(b) CURRENCY-RELATED TRANSACTIONS

Currency-related transactions which are accounted for using the deferral method as of September 30, 2014 and March 31, 2014 were as follows:

	Millions of yen					
	Sept. 30, 2014			Mar. 31, 2014		
	Contract/Notional principal			Contract/Notional principal		
	Total	**Maturity over 1 year**	**Fair value**	Total	Maturity over 1 year	Fair value
Currency swaps	**¥ 10,976**	**¥ 10,976**	**¥ (420)**	¥ 10,329	¥ 10,329	¥ (758)

	Thousands of U.S. dollars		
	Sept. 30, 2014		
	Contract/Notional principal		
	Total	**Maturity over 1 year**	**Fair value**
Currency swaps	**$ 100,461**	**$ 100,461**	**$ (3,847)**

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.

INTERIM NONCONSOLIDATED BALANCE SHEETS (UNAUDITED)

Shinsei Bank, Limited
As of September 30, 2014 and March 31, 2014

	Millions of yen		Thousands of U.S. dollars (Note)
	Sept. 30, 2014	Mar. 31, 2014	**Sept. 30, 2014**
ASSETS			
Cash and due from banks	**¥ 1,104,337**	¥ 1,367,839	**$ 10,107,425**
Call loans	**4,500**	36,451	**41,186**
Receivables under resale agreements	**53,216**	53,216	**487,065**
Other monetary claims purchased	**190,127**	195,287	**1,740,139**
Trading assets	**263,523**	235,097	**2,411,897**
Monetary assets held in trust	**120,830**	196,421	**1,105,903**
Securities	**2,037,629**	1,977,811	**18,649,361**
Valuation allowance for investments	**(3,370)**	(3,370)	**(30,850)**
Loans and bills discounted	**4,121,030**	4,235,713	**37,717,647**
Foreign exchanges	**20,973**	25,656	**191,959**
Other assets	**209,185**	204,706	**1,914,565**
Premises and equipment	**19,669**	20,042	**180,027**
Intangible assets	**8,713**	9,485	**79,752**
Prepaid pension cost	**—**	1,830	**—**
Deferred issuance expenses for debentures	**22**	32	**202**
Deferred tax assets	**1,725**	2,458	**15,790**
Customers' liabilities for acceptances and guarantees	**24,032**	11,616	**219,959**
Reserve for credit losses	**(63,054)**	(83,550)	**(577,105)**
Total assets	**¥ 8,113,092**	¥ 8,486,745	**$ 74,254,922**
LIABILITIES AND EQUITY			
Liabilities:			
Deposits, including negotiable certificates of deposit	**¥ 5,736,195**	¥ 6,194,216	**$ 52,500,417**
Debentures	**37,750**	41,747	**345,515**
Call money	**310,000**	180,000	**2,837,269**
Payables under securities lending transactions	**199,451**	300,690	**1,825,474**
Trading liabilities	**240,052**	206,587	**2,197,075**
Borrowed money	**414,075**	360,769	**3,789,814**
Foreign exchanges	**63**	37	**584**
Corporate bonds	**182,948**	221,891	**1,674,436**
Other liabilities	**252,479**	265,671	**2,310,810**
Accrued employees' bonuses	**2,272**	4,035	**20,798**
Reserve for retirement benefits	**1,330**	—	**12,180**
Acceptances and guarantees	**24,032**	11,616	**219,959**
Total liabilities	**7,400,653**	7,787,262	**67,734,331**
Equity:			
Common stock	**512,204**	512,204	**4,687,942**
Capital surplus	**79,465**	79,465	**727,311**
Stock acquisition rights	**1,214**	1,221	**11,115**
Retained earnings:			
Legal reserve	**13,158**	12,628	**120,436**
Unappropriated retained earnings	**185,781**	172,395	**1,700,358**
Unrealized gain (loss) on available-for-sale securities	**6,632**	5,140	**60,705**
Deferred gain (loss) on derivatives under hedge accounting	**(13,458)**	(11,013)	**(123,182)**
Treasury stock, at cost	**(72,558)**	(72,558)	**(664,094)**
Total equity	**712,439**	699,483	**6,520,591**
Total liabilities and equity	**¥ 8,113,092**	¥ 8,486,745	**$ 74,254,922**

Note: U.S. dollar amounts, presented solely for the readers' convenience, are translated at ¥109.26=U.S.$1.00, the rate of exchange prevailing on the Tokyo foreign exchange market on September 30, 2014.

INTERIM NONCONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

Shinsei Bank, Limited
For the six months ended September 30, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note)
	Sept. 30, 2014 (6 months)	Sept. 30, 2013 (6 months)	**Sept. 30, 2014 (6 months)**
Interest income:			
Interest on loans and bills discounted	**¥ 37,780**	¥ 35,808	**$ 345,787**
Interest and dividends on securities	**15,113**	16,700	**138,329**
Interest on deposits with banks	**643**	397	**5,893**
Other interest income	**1,008**	1,381	**9,228**
Total interest income	**54,546**	54,288	**499,237**
Interest expenses:			
Interest on deposits, including negotiable certificates of deposit	**5,724**	11,332	**52,395**
Interest and discounts on debentures	**27**	121	**248**
Interest on other borrowings	**1,270**	1,386	**11,625**
Interest on corporate bonds	**3,812**	4,556	**34,893**
Other interest expenses	**379**	173	**3,473**
Total interest expenses	**11,213**	17,570	**102,634**
Net interest income	**43,332**	36,718	**396,603**
Fees and commissions income	**9,088**	11,072	**83,187**
Fees and commissions expenses	**9,310**	7,429	**85,217**
Net fees and commissions	**(221)**	3,642	**(2,030)**
Net trading income	**2,033**	2,520	**18,615**
Other business income (loss), net:			
Net gain (loss) on monetary assets held in trust	**7,201**	2,362	**65,911**
Net gain (loss) on foreign exchanges	**2,572**	3,146	**23,545**
Net gain (loss) on securities	**1,673**	(7)	**15,317**
Net gain (loss) on other monetary claims purchased	**15**	10	**146**
Other, net	**31**	335	**285**
Net other business income (loss)	**11,494**	5,847	**105,204**
Total revenue	**56,639**	48,729	**518,392**
General and administrative expenses:			
Personnel expenses	**12,952**	11,863	**118,545**
Premises expenses	**5,957**	6,113	**54,529**
Technology and data processing expenses	**4,159**	3,654	**38,071**
Advertising expenses	**3,237**	2,971	**29,632**
Consumption and property taxes	**2,239**	1,607	**20,499**
Deposit insurance premium	**2,101**	2,070	**19,234**
Other general and administrative expenses	**7,710**	7,337	**70,570**
Total general and administrative expenses	**38,358**	35,619	**351,080**
Net business profit	**18,280**	13,110	**167,312**
Net credit costs (recoveries)	**(1,951)**	(960)	**(17,858)**
Other gains (losses), net	**(74)**	(416)	**(685)**
Income (loss) before income taxes	**20,156**	13,654	**184,485**
Income taxes (benefit):			
Current	**(74)**	(120)	**(680)**
Deferred	**854**	(1,804)	**7,816**
Net income (loss)	**¥ 19,377**	¥ 15,579	**$ 177,349**

Note: U.S. dollar amounts, presented solely for the readers' convenience, are translated at ¥109.26=U.S.$1.00, the rate of exchange prevailing on the Tokyo foreign exchange market on September 30, 2014.

INTERIM NONCONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)

Shinsei Bank, Limited
For the six months ended September 30, 2014 and 2013

	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, 2014 (as previously reported)	¥ 512,204	¥ 79,465	¥ 1,221	¥ 12,628	¥ 172,395	¥ 5,140	¥ (11,013)	¥ (72,558)	¥ 699,483
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)					19,377				19,377
Purchase of treasury stock								(0)	(0)
Net change during the period			(7)			1,492	(2,445)		(960)
BALANCE, September 30, 2014	¥ 512,204	¥ 79,465	¥ 1,214	¥ 13,158	¥ 185,781	¥ 6,632	¥ (13,458)	¥ (72,558)	¥ 712,439

	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 (as previously reported)	¥ 512,204	¥ 79,465	¥ 1,238	¥ 12,097	¥ 139,126	¥ 2,976	¥ (8,657)	¥ (72,558)	¥ 665,893
Effect of accounting change					—				—
BALANCE, April 1, 2013 (as restated)	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)					15,579				15,579
Purchase of treasury stock								—	—
Net change during the period			(16)			(2,350)	137		(2,229)
BALANCE, September 30, 2013	¥ 512,204	¥ 79,465	¥ 1,222	¥ 12,628	¥ 151,520	¥ 625	¥ (8,520)	¥ (72,558)	¥ 676,588

	Thousands of U.S. dollars (Note)								
				Retained earnings					
	Common stock	Capital surplus	Stock acquisition rights	Legal reserve	Unappropriated retained earnings	Unrealized gain (loss) on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Treasury stock, at cost	Total equity
BALANCE, April 1, 2014 (as previously reported)	$ 4,687,942	$ 727,311	$ 11,181	$ 115,578	$ 1,577,848	$ 47,046	$ (100,801)	$ (664,093)	$ 6,402,012
Effect of accounting change					(25,691)				(25,691)
BALANCE, April 1, 2014 (as restated)	4,687,942	727,311	11,181	115,578	1,552,157	47,046	(100,801)	(664,093)	6,376,321
Dividends				4,858	(29,148)				(24,290)
Net income (loss)					177,349				177,349
Purchase of treasury stock								(1)	(1)
Net change during the period			(66)			13,659	(22,381)		(8,788)
BALANCE, September 30, 2014	$ 4,687,942	$ 727,311	$ 11,115	$ 120,436	$ 1,700,358	$ 60,705	$ (123,182)	$ (664,094)	$ 6,520,591

Note: U.S. dollar amounts, presented solely for the readers' convenience, are translated at ¥109.26=U.S.$1.00, the rate of exchange prevailing on the Tokyo foreign exchange market on September 30, 2014.

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. 15 of March 23, 2007 (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 dated March 27, 2006 (Basel Accord - Pillar I: Minimum Capital Ratio).

COMPOSITION OF CAPITAL DISCLOSURE (CONSOLIDATED)

Shinsei Bank and subsidiaries

As of September 30, 2014 Items	Millions of yen (except percentages) Basel III (Domestic Standard)	Amounts excluded under transitional arrangements
Core capital: instruments and reserves (1)		
Directly issued qualifying common share capital or preferred share capital with a compulsory conversion clause plus related capital surplus and retained earnings	¥ 689,589	
of which: capital and capital surplus	591,666	
of which: retained earnings	170,482	
of which: treasury stock (–)	(72,558)	
of which: earning to be distributed (–)	—	
of which: other than above	—	
Accumulated other comprehensive income (amount allowed to be included in Core capital)	1,234	¥ (4,623)
of which: foreign currency translation adjustment	1,234	
of which: amount related defined benefit	—	(4,623)
Stock acquisition right to common shares and preferred shares with a compulsory conversion clause	1,214	
Adjusted minority interests (amount allowed to be included in Core capital)	—	
Total of reserves included in Core capital: instruments and reserves	2,476	
of which: general reserve for loan losses included in Core capital	2,476	
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)	158,967	
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)	4,467	
Core capital: instruments and reserves (A)	¥ 857,949	
Core capital: regulatory adjustments (2)		
Total amount of intangible assets (excluding those relating to mortgage servicing rights)	¥ 30,829	¥ 12,040
of which: goodwill (including those equivalent)	25,904	—
of which: other intangibles other than goodwill and mortgage servicing rights	4,924	12,040
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	—	6,925
Shortfall of eligible provisions to expected losses	4,701	—
Gain on sale of securitization	9,378	—
Gains and losses due to changes in own credit risk on fair valued liabilities	—	—
Net defined benefit asset	—	1,856
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)	¥ 44,909	
Capital (consolidated)		
Capital (consolidated)((A)–(B))(C)	¥ 813,039	
Risk-weighted assets (3)		
Total amount of credit risk-weighted assets	¥ 5,386,328	
of which: total amount included in risk-weighted assets by transitional arrangements	(26,350)	
of which: intangible assets (excluding those relating to goodwill and mortgage servicing rights)	12,040	
of which: deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	6,925	
of which: net defined benefit asset	1,856	
of which: significant investments in the common stock of Other Financial Institutions (net of eligible short positions)	(47,172)	
of which: other than above	—	
Market risk (derived by multiplying the capital requirement by 12.5)	152,997	
Operational risk (derived by multiplying the capital requirement by 12.5)	347,586	
Credit risk adjustments	—	
Operational risk adjustments	—	
Total amount of Risk-weighted assets (D)	¥ 5,886,912	
Capital ratio (consolidated)		
Capital ratio (consolidated)((C)/(D))	13.81%	

COMPOSITION OF CAPITAL DISCLOSURE (CONSOLIDATED) (continued)

Shinsei Bank and subsidiaries

As of March 31, 2014 Items	Millions of yen (except percentages) Basel III (Domestic Standard)	 Amounts excluded under transitional arrangements
Core capital: instruments and reserves (1)		
Directly issued qualifying common share capital or preferred share capital with a compulsory conversion clause plus related capital surplus and retained earnings	¥ 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 September 30, 2014 Items	Basel III (Domestic Standard)	Amounts excluded under transitional arrangements
Core capital: instruments and reserves (1)		
Directly issued qualifying common share capital or preferred share capital with a compulsory conversion clause plus related capital surplus and retained earnings	¥ 718,051	
of which: capital and capital surplus	591,670	
of which: retained earnings	198,939	
of which: treasury stock (–)	(72,558)	
of which: earning to be distributed (–)	—	
of which: other than above	—	
Stock acquisition right to common shares and preferred shares with a compulsory conversion clause	1,214	
Total of reserves included in Core capital: instruments and reserves	2,342	
of which: general reserve for loan losses included in Core capital	2,342	
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)	158,967	
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)	¥ 880,576	
Core capital: regulatory adjustments (2)		
Total amount of intangible assets (excluding those relating to mortgage servicing rights)	¥ 1,631	¥ 4,297
of which: goodwill (including those equivalent)	900	—
of which: other intangibles other than goodwill and mortgage servicing rights	731	4,297
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	—	1,958
Shortfall of eligible provisions to expected losses	6,460	—
Gain on sale of securitization	9,378	—
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)	¥ 17,471	
Capital (nonconsolidated)		
Capital (nonconsolidated)((A)–(B))(C)	¥ 863,105	
Risk-weighted assets (3)		
Total amount of credit risk-weighted assets	¥ 5,362,377	
of which: total amount included in risk-weighted assets by transitional arrangements	(40,916)	
of which: intangible assets (excluding those relating to goodwill and mortgage servicing rights)	4,297	
of which: deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	1,958	
of which: prepaid pension cost	—	
of which: significant investments in the common stock of Other Financial Institutions (net of eligible short positions)	(47,172)	
of which: other than above	—	
Market risk (derived by multiplying the capital requirement by 12.5)	137,584	
Operational risk (derived by multiplying the capital requirement by 12.5)	181,805	
Credit risk adjustments	—	
Operational risk adjustments	—	
Total amount of Risk-weighted assets (D)	¥ 5,681,767	
Capital ratio (nonconsolidated)		
Capital ratio (nonconsolidated)((C)/(D))	15.19%	

COMPOSITION OF CAPITAL DISCLOSURE (NONCONSOLIDATED) (continued)

Shinsei Bank

As of March 31, 2014 Items	Millions of yen (except percentages) Basel III (Domestic Standard)	Amounts excluded under transitional arrangements
Core capital: instruments and reserves (1)		
Directly issued qualifying common share capital or preferred share capital with a compulsory conversion clause plus related capital surplus and retained earnings	¥ 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

	As of September 30, 2014	As of March 31, 2014
	Required capital amount	Required capital amount
Shinsei Bank	**¥ 45,747**	¥ 43,397
Subsidiaries	**6,117**	5,980

Portfolios under the Internal Ratings-Based Approach (IRB)

Millions of yen

	As of September 30, 2014	As of March 31, 2014
	Required capital amount	Required capital amount
Corporate (Excluding Specialized Lending)[1]	**¥ 165,311**	¥ 170,472
Specialized Lending[2]	**96,986**	103,628
Sovereign	**3,607**	3,158
Bank	**15,540**	17,594
Residential mortgages	**1,335**	1,502
Qualified revolving retails	**87,107**	98,388
Other retails	**133,067**	132,190
Equity	**22,461**	29,755
Regarded (Fund)	**27,495**	27,707
Securitization[3]	**27,051**	31,637
Purchase receivables	**38,437**	44,536
Other assets	**6,227**	6,331
CVA risk	**9,810**	8,900
CCP risk	**13**	—
Total	**¥ 634,454**	¥ 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.
3 "Securitization" includes a part of amounts based on the Standardized Approach.

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

Millions of yen

	As of September 30, 2014	As of March 31, 2014
	Required capital amount	Required capital amount
Market-Based Approach Simplified Method	**¥ 2,810**	¥ 1,972
PD/LGD Method	**9,776**	18,144
Grandfathering Rule		402
RW100% Applied	**0**	0
RW250% Applied	**9,874**	9,234
Total	**¥ 22,461**	¥ 29,755

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

Millions of yen

	As of September 30, 2014	As of March 31, 2014
	Required capital amount	Required capital amount
Look Through	**¥ 3,046**	¥ 3,384
Revised Naivete Majority	**17,500**	17,418
Simplified [400%]	**1,046**	616
Simplified [1,250%]	**5,901**	6,288
Total	**¥ 27,495**	¥ 27,707

QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)

(4) AMOUNT OF REQUIRED CAPITAL FOR MARKET RISK

	Millions of yen	
	As of September 30, 2014	As of March 31, 2014
	Required capital amount	Required capital amount
The Standardized Approach	¥ 768	¥ 659
Interest rate risk	428	482
Equity position risk	18	0
FX risk	209	79
Securitization risk	111	96
The Internal Models Approach (IMA) (General Market Risk)	11,471	9,385

(5) AMOUNT OF REQUIRED CAPITAL FOR OPERATIONAL RISK

	Millions of yen	
	As of September 30, 2014	As of March 31, 2014
	Required capital amount	Required capital amount
The Standardized Approach	¥ 27,806	¥ 27,558

(6) TOTAL REQUIRED CAPITAL (DOMESTIC STANDARD)

	Millions of yen	
	As of September 30, 2014	As of March 31, 2014
Total Required Capital (Risk-weighted Assets x 4%)	¥ 235,476	¥ 240,670

3. CREDIT RISK EXPOSURE (EXCLUDING SECURITIZATION AND REGARDED EXPOSURE)

(1) AMOUNT OF CREDIT RISK EXPOSURE

Geographic, Industries or Maturity

	Millions of yen							
	As of September 30, 2014				As of March 31, 2014			
	Amount of Credit Risk Exposure				Amount of Credit Risk Exposure			
	Total	Loans, etc.[1]	Securities[2]	Derivatives[3]	Total	Loans, etc.[1]	Securities[2]	Derivatives[3]
Manufacturing	¥ 335,806	¥ 326,557	¥ —	¥ 9,248	¥ 346,707	¥ 339,231	¥ —	¥ 7,476
Agriculture	752	752	—	—	831	831	—	—
Mining	773	773	—	—	874	874	—	—
Construction	47,794	47,757	36	—	44,252	44,215	36	—
Electric power, gas, water supply	224,750	220,598	9	4,142	197,906	195,828	19	2,057
Information and communication	61,349	61,330	—	18	57,135	57,116	—	19
Transportation	219,828	215,538	1,998	2,291	224,010	220,870	1,998	1,141
Wholesale and retail	191,568	185,267	35	6,265	175,307	169,418	68	5,820
Finance and insurance	1,752,987	1,700,112	24,125	28,748	2,077,613	2,018,663	24,142	34,807
Real estate	613,256	511,080	99,110	3,065	680,862	565,016	113,107	2,738
Services	497,206	495,051	1,312	842	487,746	485,143	1,594	1,007
Government	1,298,633	87,051	1,211,582	—	1,217,011	88,968	1,128,042	—
Individuals	2,478,233	2,478,207	—	25	2,476,668	2,476,627	—	40
Others	48,616	48,615	0	—	6,412	6,412	0	—
Domestic Total	7,771,557	6,378,696	1,338,212	54,648	7,993,341	6,669,220	1,269,010	55,110
Foreign	707,940	399,775	99,253	208,911	669,638	388,151	100,191	181,295
Total	¥ 8,479,497	¥ 6,778,471	¥ 1,437,466	¥ 263,559	¥ 8,662,980	¥ 7,057,372	¥ 1,369,202	¥ 236,405
To 1 year	1,331,390	1,070,265	194,179	66,945	1,466,105	1,066,926	338,841	60,337
1 to 3 years	1,753,245	1,452,968	217,354	82,922	1,790,471	1,489,387	224,649	76,434
3 to 5 years	1,651,297	802,543	817,444	31,308	2,935,922	2,185,072	721,146	29,703
Over 5 years	2,248,542	1,957,939	208,220	82,382	2,039,390	1,892,690	76,769	69,930
Undated	1,495,020	1,494,753	266	—	431,090	423,294	7,795	—
Total	¥ 8,479,497	¥ 6,778,471	¥ 1,437,466	¥ 263,559	¥ 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

	As of September 30, 2014	As of March 31, 2014
	Default Exposure	Default Exposure
Manufacturing	**¥ 4,600**	¥ 10,606
Agriculture	**1**	6
Mining	**—**	—
Construction	**2,195**	1,486
Electric power, gas, water supply	**—**	—
Information and communication	**504**	508
Transportation	**1,953**	5,863
Wholesale and retail	**1,113**	1,146
Finance and insurance	**43,931**	49,597
Real estate	**75,487**	84,206
Services	**27,559**	28,735
Government	**—**	—
Individuals	**141,432**	138,115
Others	**5,313**	5,947
Domestic Total	**304,091**	326,220
Foreign	**33,325**	41,249
Total	**¥ 337,416**	¥ 367,470

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

Millions of yen

	As of September 30, 2014			As of March 31, 2014			As of September 30, 2013		
	Start Amount	**Change Amount**	**End Amount**	Start Amount	Change Amount	End Amount	Start Amount	Change Amount	End Amount
General	**¥ 59,809**	**¥ (721)**	**¥ 59,088**	¥ 67,707	¥ (7,898)	¥ 59,809	¥ 67,707	¥ (2,124)	¥ 65,583
Specific	**227,478**	**(28,221)**	**199,257**	243,746	(16,268)	227,478	243,746	(12,378)	231,368
Country	**0**	**—**	**0**	0	—	0	0	—	0
Total	**¥ 287,288**	**¥ (28,941)**	**¥ 258,347**	¥ 311,454	¥ (24,166)	¥ 287,288	¥ 311,454	¥ (14,502)	¥ 296,952

Geographic

Millions of yen

	As of September 30, 2014				As of March 31, 2014				As of September 30, 2013			
	Reserve Amount				Reserve Amount				Reserve Amount			
	Total	**General**	**Specific**	**Country**	Total	General	Specific	Country	Total	General	Specific	Country
Domestic	**¥ 223,258**	**¥ 53,175**	**¥ 170,082**	**¥ —**	¥ 250,385	¥ 54,265	¥ 196,119	¥ —	¥ 263,915	¥ 59,407	¥ 204,508	¥ —
Foreign	**35,088**	**5,912**	**29,174**	**0**	36,903	5,543	31,358	0	33,036	6,175	26,860	0
Total	**¥ 258,347**	**¥ 59,088**	**¥ 199,257**	**¥ 0**	¥ 287,288	¥ 59,809	¥ 227,478	¥ 0	¥ 296,952	¥ 65,583	¥ 231,368	¥ 0

QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)

Industries

	Millions of yen		
	As of September 30, 2014	As of March 31, 2014	As of September 30, 2013
	Reserve Amount	Reserve Amount	Reserve Amount
Manufacturing	**¥ 4,973**	¥ 8,808	¥ 10,837
Agriculture	**23**	25	31
Mining	**3**	4	16
Construction	**1,265**	1,359	1,452
Electric power, gas, water supply	**434**	331	402
Information and communication	**564**	552	622
Transportation	**1,546**	2,392	2,645
Wholesale and retail	**2,413**	2,369	2,585
Finance and insurance	**11,682**	14,685	16,124
Real estate	**33,967**	60,107	65,692
Services	**17,198**	17,979	19,759
Government	**67**	74	93
Individuals	**133,609**	134,161	135,377
Others	**6,233**	4,436	4,492
Foreign	**35,088**	36,903	33,036
Non-classified	**3,268**	3,096	3,780
Total	**¥ 252,341**	¥ 287,288	¥ 296,952

(4) AMOUNT OF WRITE-OFFS

Industries

	Millions of yen		
	Six months ended September 30, 2014	Fiscal year ended March 31, 2014	Six months ended September 30, 2013
	Amount of write-off	Amount of write-off	Amount of write-off
Manufacturing	**¥ 82**	¥ 927	¥ 810
Agriculture	**—**	5	5
Mining	**—**	—	—
Construction	**8**	48	44
Electric power, gas, water supply	**—**	—	—
Information and communication	**5**	382	347
Transportation	**0**	10	2
Wholesale and retail	**138**	81	27
Finance and insurance	**16,371**	—	382
Real estate	**6,386**	5,440	4,423
Services	**347**	146	111
Government	**—**	—	—
Individuals	**11,238**	26,076	10,766
Others	**0**	5	—
Foreign	**1,336**	1,834	423
Non-classified	**—**	—	—
Total	**¥ 35,914**	¥ 34,958	¥ 17,344

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

	Millions of yen			
	As of September 30, 2014		As of March 31, 2014	
	Rated	**Unrated**	Rated	Unrated
0%	**¥ 9**	**¥ 1,812**	¥ 66	¥ 1,970
10%	**—**	**—**	—	—
20%	**72,152**	**30**	58,796	30
35%	**—**	**996,658**	—	976,239
50%	**310**	**5,923**	159	5,015
75%	**—**	**332,112**	—	305,809
100%	**379**	**29,904**	332	28,966
150%	**—**	**1,702**	—	1,686
350%	**—**	**—**	—	—
1,250%	**—**	**—**	—	—
Total	**¥ 72,851**	**¥ 1,368,143**	¥ 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 September 30, 2014	As of March 31, 2014
Risk weight ratio	**Amount of Exposure**	Amount of Exposure
50%	**¥ 30,522**	¥ 28,948
70%	**219,869**	242,205
90%	**91,573**	56,855
115%	**56,619**	53,771
250%	**57,518**	22,331
0% (Default)	**57,468**	85,100
Total	**¥ 513,571**	¥ 489,212

Specialized lending for high-volatility commercial real estate

	Millions of yen	
	As of September 30, 2014	As of March 31, 2014
Risk weight ratio	**Amount of Exposure**	Amount of Exposure
70%	**¥ 7,071**	¥ 5,830
95%	**450**	1,194
120%	**1,016**	1,028
140%	**14,845**	15,894
250%	**15,699**	18,390
0% (Default)	**28,095**	36,319
Total	**¥ 67,177**	¥ 78,657

Equity exposure under Market-Based Simplified Method

	Millions of yen	
	As of September 30, 2014	As of March 31, 2014
Risk weight ratio	**Amount of Exposure**	Amount of Exposure
300%	**¥ 3,663**	¥ 2,019
400%	**5,537**	4,301
Total	**¥ 9,201**	¥ 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 September 30, 2014					As of March 31, 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	**0.17%**	**44.88%**	**43.56%**	**¥ 1,430,232**	**¥ 175,799**	0.20%	44.87%	45.67%	¥ 1,352,909	¥ 154,719
5–6	**1.81%**	**44.36%**	**99.81%**	**541,427**	**33,074**	1.93%	44.39%	102.35%	543,351	58,191
9A	**10.47%**	**44.90%**	**193.65%**	**123,145**	**2,684**	10.91%	44.85%	197.92%	128,825	5,872
Default	**100.00%**	**44.29%**	**—**	**55,100**	**1,006**	100.00%	43.80%	—	54,385	839

Sovereign

Millions of yen (except percentages)

	As of September 30, 2014					As of March 31, 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%**	**1.60%**	**¥ 2,597,489**	**¥1,434**	0.00%	45.00%	1.34%	¥ 2,728,857	¥ 981
5–6	**0.62%**	**45.00%**	**86.58%**	**—**	**76**	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 September 30, 2014					As of March 31, 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	**0.10%**	**40.44%**	**30.67%**	**¥ 280,693**	**¥ 240,541**	0.11%	40.93%	30.29%	¥ 364,445	¥ 219,021
5–6	**2.68%**	**45.00%**	**132.10%**	**12,327**	**569**	2.19%	45.00%	116.20%	19,124	634
9A	**10.47%**	**45.00%**	**195.32%**	**595**	**—**	10.91%	45.00%	207.09%	811	—
Default	**100.00%**	**45.00%**	**—**	**105**	**—**	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 September 30, 2014				As of March 31, 2014			
Credit Rating	PD	LGD	Risk Weight	Amount	PD	LGD	Risk Weight	Amount
0–4	**0.15%**	**90.00%**	**235.09%**	**¥ 15,533**	0.15%	90.00%	235.80%	¥ 13,654
5–6	**1.28%**	**90.00%**	**330.69%**	**3,342**	1.95%	90.00%	451.22%	24,963
9A	**10.47%**	**90.00%**	**792.99%**	**7,766**	10.91%	90.00%	793.29%	8,244
Default	**100.00%**	**90.00%**	**1,125.00%**	**544**	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 September 30, 2014							As of March 31, 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	1.21%	67.78%	86.65%	¥ 6,568	¥ 6,544	¥ —	—	1.25%	68.12%	89.91%	¥ 7,269	¥ 7,011	¥ —	—
Need caution	92.41%	48.80%	44.97%	3	155	—	—	78.83%	49.60%	121.87%	4	233	—	—
Default	100.00%	58.99%	—	217	119	—	—	100.00%	59.04%	—	201	113	—	—

Qualified revolving retail exposure

Millions of yen (except percentages)

	As of September 30, 2014							As of March 31, 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	5.41%	70.79%	77.74%	¥314,716	¥ 113,615	¥ 2,289,446	4.96%	6.52%	72.62%	90.95%	¥327,769	¥90,328	¥ 2,401,824	3.76%
Need caution	81.94%	76.57%	106.21%	2,059	2	1,442	0.16%	83.37%	78.15%	97.81%	2,340	—	—	—
Default	100.00%	73.36%	—	55,101	—	—	—	100.00%	77.25%	—	56,763	—	—	—

Other retail exposure

Millions of yen (except percentages)

	As of September 30, 2014							As of March 31, 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	2.51%	59.22%	73.44%	¥ 371,988	¥ 590,977	¥ 24,611	1.11%	2.56%	58.90%	73.94%	¥355,289	¥604,674	¥ 22,569	1.00%
Need caution	75.71%	51.41%	86.14%	6,378	2,594	—	—	74.52%	51.67%	90.96%	5,657	2,394	—	—
Default	100.00%	56.58%	—	93,977	650	—	—	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 TWO YEARS UNDER F-IRB APPROACH

Corporate, Sovereign & Bank

Millions of yen

	12 months ended September 30, 2014	12 months ended September 30, 2013
Results of actual losses (a)	¥ 595	¥ 2,135
Expected losses (b)	11,768	15,536
Differences ((b) - (a))	11,173	13,400

Retail

Millions of yen

	12 months ended September 30, 2014	12 months ended September 30, 2013
Results of actual losses (a)	¥ 15,692	¥ 17,038
Expected losses (b)	35,668	39,320
Differences ((b) - (a))	19,975	22,281

The above matrix shows the results of default (downgrade below substandard) losses (increase of reserve, write-offs and loss on sale) for the twelve-month period ended September 30, 2012 and 2013 for the Bank Group's non-default exposures at the start of the twelve-month period, with expected losses calculated using estimated PD and LGD at the end of September 2014.

QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)

4. CREDIT RISK MITIGATION (CRM)

(1) COVERED AMOUNT OF CRM BY COLLATERAL

FIRB

Millions of yen

	As of September 30, 2014		As of March 31, 2014	
	Eligible financial collateral	**Other eligible FIRB collateral**	Eligible financial collateral	Other eligible FIRB collateral
Corporate	**¥ 556**	**¥ 153,042**	¥ 935	¥ 182,677
Sovereign	**—**	**—**	—	—
Bank	**53,216**	**—**	53,216	—
Total	**¥ 53,773**	**¥ 153,042**	¥ 54,141	¥ 182,677

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

IRB

Millions of yen

	As of September 30, 2014	As of March 31, 2014
Corporate	**¥ 1,784**	¥ 3,024
Sovereign	**45,523**	52,909
Bank	**30,000**	55,000
Residential mortgages	**—**	—
Qualified revolving retail	**—**	—
Other retail	**—**	—
Total	**¥ 77,307**	¥ 110,933

5. COUNTERPARTY CREDIT RISK OF DERIVATIVES

Millions of yen

	As of September 30, 2014	As of March 31, 2014
Total amount of gross positive fair value	**¥ 515,223**	¥ 575,872
Amount of gross add-on	**221,550**	211,069
EAD before CRM	**736,774**	786,942
FX-related	**221,283**	227,248
Interest-related	**296,143**	276,314
Equity-related	**84,585**	68,592
Commodity-related	**—**	—
Credit derivatives	**134,557**	214,389
Others	**203**	397
Amount of net	**473,214**	550,138
EAD after net	**263,559**	236,803
Amount covered collateral	**—**	—
EAD after CRM	**263,559**	236,803

Note: Current Exposure Method

• Notional amount of credit derivatives which have counterparty risk

Millions of yen

	As of September 30, 2014		As of March 31, 2014	
Notional amount	**Protection-buy**	**Protection-sell**	Protection-buy	Protection-sell
Single name	**¥ 243,687**	**¥ 198,024**	¥ 265,369	¥ 208,567
Multi name	**68,976**	**46,976**	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 September 30, 2014	As of March 31, 2014
Type of original assets	**Amount of original assets**	Amount of original assets
Residential mortgages	**¥ 136,777**	¥ 155,191
Consumer loans	**—**	—
Commercial real estate loans	**—**	—
Corporate loans	**26,026**	26,318
Others	**—**	—
Total	**¥ 162,803**	¥ 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 default exposure including original assets

Securitization by transfer of assets

	Millions of yen	
	As of September 30, 2014	As of March 31, 2014
Type of original assets	**Amount of Default**	Amount of Default
Residential mortgages	**¥ 4,370**	¥ 4,571
Consumer loans	**—**	—
Commercial real estate loans	**—**	—
Corporate loans	**26,026**	26,318
Others	**—**	—
Total	**¥ 30,396**	¥ 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 September 30, 2014	As of March 31, 2014
Type of original assets	**Amount of Exposure**	Amount of Exposure
Residential mortgages	**¥ 56,222**	¥ 62,271
Consumer loans	**—**	—
Commercial real estate loans	**—**	—
Corporate loans	**1,334**	19,518
Others	**—**	—
Total	**¥ 57,556**	¥ 81,790

QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)

Resecuritization

	Millions of yen	
	As of September 30, 2014	As of March 31, 2014
Type of original assets	**Amount of Exposure**	Amount of Exposure
Residential mortgages	**¥ 835**	¥ 845
Consumer loans	**—**	—
Commercial real estate loans	**—**	—
Corporate loans	**—**	—
Others	**—**	—
Total	**¥ 835**	¥ 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

	Millions of yen			
	As of September 30, 2014		As of March 31, 2014	
Band of risk weight ratio	**Amount**	**Required capital amount**	Amount	Required capital amount
To 12%	**¥ 1,342**	**¥ 7**	¥ 19,527	¥ 115
Over 12% to 20%	**44,413**	**710**	50,462	807
Over 20% to 50%	**—**	**—**	—	—
Over 50% to 75%	**—**	**—**	—	—
Over 75% to 100%	**11,800**	**944**	11,800	944
Over 100% to 250%	**—**	**—**	—	—
Over 250% to 425%	**—**	**—**	—	—
Over 425% under 1,250%	**—**	**—**	—	—
Total	**¥ 57,556**	**¥ 1,662**	¥ 81,790	¥ 1,867

Resecuritization exposure

	Millions of yen			
	As of September 30, 2014		As of March 31, 2014	
Band of risk weight ratio	**Amount**	**Required capital amount**	Amount	Required capital amount
To 30%	**¥ —**	**¥ —**	¥ —	¥ —
Over 30% to 50%	**835**	**31**	483	16
Over 50% to 100%	**—**	**—**	361	19
Over 100% to 225%	**—**	**—**	—	—
Over 225% to 500%	**—**	**—**	—	—
Over 500% under 1,250%	**—**	**—**	—	—
Total	**¥ 835**	**¥ 31**	¥ 845	¥ 36

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

	Millions of yen	
	As of September 30, 2014	As of March 31, 2014
Type of original assets	**Amount**	Amount
Residential mortgages	**¥ 9,378**	¥ 9,414
Consumer loans	**—**	—
Commercial real estate loans	**—**	—
Corporate loans	**—**	—
Others	**—**	—
Total	**¥ 9,378**	¥ 9,414

QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)

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

Millions of yen

Type of original assets	As of September 30, 2014 Amount	As of March 31, 2014 Amount
Residential mortgages	¥ 6,317	¥ 5,717
Consumer loans	—	—
Commercial real estate loans	—	—
Corporate loans	—	—
Others	—	—
Total	¥ 6,317	¥ 5,717

Not applicable for the following items;

- Amount of assets held for securitization trade
- Summary of current six month's securitization activities
- Amount of recognized gain/loss by original asset type during the first six months of FY2014
- Securitization exposure subject to early amortization
- Credit risk mitigation for resecuritization exposure
- Amount of credit risk asset of securitization under SA subject to the Accord Supplementary Provision 15

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

Millions of yen

Type of original assets	As of September 30, 2014 Amount of Exposure	As of March 31, 2014 Amount of Exposure
Residential mortgages	¥ 2,202	¥ 2,449
Consumer loans	—	—
Commercial real estate loans	32,311	56,221
Corporate loans	18,190	20,357
Others	23,011	24,207
Total	¥ 75,715	¥ 103,235

Resecuritization exposure

Millions of yen

Type of original assets	As of September 30, 2014 Amount of Exposure	As of March 31, 2014 Amount of Exposure
Residential mortgages	¥ —	¥ —
Consumer loans	—	—
Commercial real estate loans	24,047	—
Corporate loans	10,689	16,588
Others	—	—
Total	¥ 34,736	¥ 16,588

QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)

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

Excluding resecuritization exposure

Millions of yen

	As of September 30, 2014		As of March 31, 2014	
Band of risk weight ratio	Amount	Required capital amount	Amount	Required capital amount
To 12%	¥ 34,754	¥ 207	¥ 40,245	¥ 246
Over 12% to 20%	8,649	110	17,221	254
Over 20% to 50%	—	—	—	—
Over 50% to 75%	—	—	—	—
Over 75% to 100%	—	—	—	—
Over 100% to 250%	4,926	792	6,000	965
Over 250% to 425%	27,384	7,029	27,311	6,680
Over 425% under 1,250%	—	—	12,456	5,980
Total	¥ 75,715	¥ 8,139	¥ 103,235	¥ 14,127

Resecuritization exposure

Millions of yen

	As of September 30, 2014		As of March 31, 2014	
Band of risk weight ratio	Amount	Required capital amount	Amount	Required capital amount
To 30%	¥ 14,736	¥ 258	¥ 16,588	¥ 311
Over 30% to 50%	—	—	—	—
Over 50% to 100%	20,000	1,091	—	—
Over 100% to 225%	—	—	—	—
Over 225% to 500%	—	—	—	—
Over 500% under 1,250%	—	—	—	—
Total	¥ 34,736	¥ 1,350	¥ 16,588	¥ 311

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

Millions of yen

	As of September 30, 2014	As of March 31, 2014
Type of original assets	Amount	Amount
Residential mortgages	¥ 38	¥ 39
Consumer loans	—	—
Commercial real estate loans	—	—
Corporate loans	65	56
Others	—	—
Total	¥ 103	¥ 96

Not applicable for the following items;

- Credit risk mitigation for resecuritization exposure
- Amount of credit risk asset of securitization under SA subject to the Accord Supplementary Provision 15

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

Type of original assets	As of September 30, 2014 Amount of Exposure	As of March 31, 2014 Amount of Exposure
Residential mortgages	**¥ 2,430**	¥ 1,575
Consumer loans	**—**	—
Commercial real estate loans	**—**	—
Corporate loans	**—**	—
Others	**—**	—
Total	**¥ 2,430**	¥ 1,575

Resecuritization exposure

Millions of yen

Type of original assets	As of September 30, 2014 Amount of Exposure	As of March 31, 2014 Amount of Exposure
Residential mortgages	**¥2,212**	¥ 2,232
Consumer loans	**—**	—
Commercial real estate loans	**—**	—
Corporate loans	**—**	—
Others	**—**	—
Total	**¥2,212**	¥ 2,232

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

Excluding resecuritization exposure

Millions of yen

	As of September 30, 2014		As of March 31, 2014	
Band of risk weight ratio	Amount	Required capital amount	Amount	Required capital amount
1.6%	**¥ 2,430**	**¥ 38**	¥ 1,575	¥ 25
4%	**—**	**—**	—	—
8%	**—**	**—**	—	—
28%	**—**	**—**	—	—
Total	**¥ 2,430**	**¥ 38**	¥ 1,575	¥ 25

Resecuritization exposure

Millions of yen

	As of September 30, 2014		As of March 31, 2014	
Band of risk weight ratio	Amount	Required capital amount	Amount	Required capital amount
3.2%	**¥ 2,183**	**¥ 69**	¥ 2,232	¥ 71
8%	**29**	**2**	—	—
18%	**—**	**—**	—	—
52%	**—**	**—**	—	—
Total	**¥ 2,212**	**¥ 72**	¥ 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 SEPTEMBER 2014 AND MARCH 2014 AND THE HIGH, MEAN AND LOW VAR

	Millions of yen	
	As of September 30, 2014	As of March 31, 2014
VaR at term end	**¥ 787**	¥ 1,209
VaR through this term		
High	**1,619**	3,264
Mean	**919**	1,735
Low	**468**	751

(2) STRESSED VAR AT THE END OF SEPTEMBER 2014 AND MARCH 2014 AND THE HIGH, MEAN AND LOW VAR

	Millions of yen	
	As of September 30, 2014	As of March 31, 2014
VaR at term end	**¥ 3,265**	¥ 2,222
VaR through this term		
High	**3,794**	4,314
Mean	**2,703**	2,834
Low	**1,673**	1,375

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

Not applicable for the following items;

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

8. EQUITY EXPOSURE IN BANKING BOOK

(1) BOOK VALUE AND FAIR VALUE

	Millions of yen	
	As of September 30, 2014	As of March 31, 2014
Market-based approach		
Listed equity exposure	**¥ 3,724**	¥ 2,101
Unlisted equity exposure	**5,537**	4,301
PD/LGD method		
Listed equity exposure	**11,933**	10,275
Unlisted equity exposure	**15,248**	36,918

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

	Millions of yen	
	Six months ended September 30, 2014	Fiscal year ended March 31, 2014
Gain (loss) on sale	**¥ 884**	¥ 4,905
Loss of depreciation	**574**	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 September 30, 2014	As of March 31, 2014
Unrealized gain (loss)	**¥ 10,106**	¥ 6,415

(4) AMOUNT OF EQUITY EXPOSURE UNDER GRANDFATHERING RULE SUBJECT TO THE ACCORD SUPPLEMENTARY PROVISION 13

	Millions of yen	
	As of September 30, 2014	As of March 31, 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 September 30, 2014	As of March 31, 2014
Regarded exposure (fund)	**¥ 65,577**	¥ 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 September 30, 2014	As of March 31, 2014
JPY	**¥ (100.0)**	¥ (57.8)
USD	**(1.1)**	(2.2)
Others	**(2.8)**	(2.7)
Total	**¥ (103.9)**	¥ (62.8)

QUANTITATIVE DISCLOSURE (NONCONSOLIDATED)

1. CAPITAL ADEQUACY

(1) AMOUNT OF REQUIRED CAPITAL FOR CREDIT RISK

Portfolios under the Standardized Approach (SA)

Millions of yen

	As of September 30, 2014	As of March 31, 2014
	Required capital amount	Required capital amount
Shinsei Bank	**¥ 45,747**	¥ 43,397
Housing loans	**37,035**	36,229
Shinsei bank card loan Lake	**8,711**	7,168

Portfolios under the Internal Ratings-Based Approach (IRB)

Millions of yen

	As of September 30, 2014	As of March 31, 2014
	Required capital amount	Required capital amount
Corporate (Excluding Specialized Lending)[1]	**¥ 149,030**	¥ 158,756
Specialized Lending[2]	**95,498**	102,786
Sovereign	**3,571**	3,123
Bank	**15,312**	17,354
Residential mortgages	**—**	—
Qualified revolving retails	**—**	—
Other retails	**—**	—
Equity	**142,884**	149,074
Regarded (Fund)	**19,589**	19,568
Securitization[3]	**28,445**	32,106
Purchase receivables	**38,209**	44,191
Other assets	**2,299**	2,440
CVA risk	**9,779**	8,803
CCP risk	**13**	—
Total	**¥ 504,633**	¥ 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.
3 "Securitization" includes a part of amounts based on the Standardized Approach.

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

Millions of yen

	As of September 30, 2014	As of March 31, 2014
	Required capital amount	Required capital amount
Market-Based Approach Simplified Method	**¥ 7,569**	¥ 6,527
PD/LGD Method	**135,105**	140,765
Grandfathering Rule		1,392
RW100% Applied	**0**	0
RW250% Applied	**209**	389
Total	**¥ 142,884**	¥ 149,074

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

Millions of yen

	As of September 30, 2014	As of March 31, 2014
	Required capital amount	Required capital amount
Look Through	**¥ 3,222**	¥ 3,384
Revised Naivete Majority	**8,147**	8,106
Simplified [400%]	**2,318**	1,790
Simplified [1,250%]	**5,901**	6,286
Total	**¥ 19,589**	¥ 19,568

QUANTITATIVE DISCLOSURE (NONCONSOLIDATED) (continued)

(4) AMOUNT OF REQUIRED CAPITAL FOR MARKET RISK

Millions of yen

	As of September 30, 2014	As of March 31, 2014
	Required capital amount	Required capital amount
The Standardized Approach	**¥ 597**	¥ 553
Interest rate risk	**400**	473
Equity position risk	**18**	0
FX risk	**178**	79
Securitization risk	**—**	—
The Internal Models Approach (IMA) (General Market Risk)	**¥ 10,408**	¥ 9,020

(5) AMOUNT OF REQUIRED CAPITAL FOR OPERATIONAL RISK

Millions of yen

	As of September 30, 2014	As of March 31, 2014
	Required capital amount	Required capital amount
The Standardized Approach	**¥ 14,544**	¥ 13,894

(6) TOTAL REQUIRED CAPITAL (DOMESTIC STANDARD)

Millions of yen

	As of September 30, 2014	As of March 31, 2014
Total Required Capital (Risk-weighted Assets x 4%)	**¥ 227,270**	¥ 231,256

2. CREDIT RISK EXPOSURE (EXCLUDING SECURITIZATION AND REGARDED EXPOSURE)

(1) AMOUNT OF CREDIT RISK EXPOSURE

Geographic, Industries or Maturity

Millions of yen

	As of September 30, 2014				As of March 31, 2014			
	Amount of Credit Risk Exposure				Amount of Credit Risk Exposure			
	Total	**Loans, etc.[1]**	**Securities[2]**	**Derivatives[3]**	Total	Loans, etc.[1]	Securities[2]	Derivatives[3]
Manufacturing	**¥ 271,289**	**¥ 262,041**	**¥ —**	**¥ 9,248**	¥ 278,294	¥ 270,818	¥ —	¥ 7,476
Agriculture	**213**	**213**	**—**	**—**	224	224	—	—
Mining	**171**	**171**	**—**	**—**	329	329	—	—
Construction	**10,199**	**10,199**	**—**	**—**	9,238	9,238	—	—
Electric power, gas, water supply	**224,590**	**220,438**	**9**	**4,142**	197,716	195,638	19	2,057
Information and communication	**45,227**	**45,208**	**—**	**18**	41,398	41,379	—	19
Transportation	**190,081**	**185,791**	**1,998**	**2,291**	197,202	194,062	1,998	1,141
Wholesale and retail	**114,228**	**107,927**	**35**	**6,265**	98,595	92,706	68	5,820
Finance and insurance	**1,911,363**	**1,844,206**	**36,014**	**31,142**	2,256,478	2,186,034	39,626	30,817
Real estate	**629,980**	**527,804**	**99,110**	**3,065**	696,073	580,226	113,107	2,738
Services	**398,394**	**394,058**	**1,205**	**3,130**	399,726	395,695	1,487	2,543
Government	**1,287,169**	**75,587**	**1,211,582**	**—**	1,205,312	77,305	1,128,006	—
Individuals	**1,140,077**	**1,140,051**	**—**	**25**	1,116,933	1,116,892	—	40
Others	**32**	**32**	**—**	**—**	—	—	—	—
Domestic Total	**6,223,021**	**4,813,736**	**1,349,956**	**59,329**	6,497,525	5,160,554	1,284,314	52,656
Foreign	**687,276**	**365,002**	**118,542**	**203,731**	654,039	352,604	119,849	181,585
Total	**¥ 6,910,298**	**¥ 5,178,738**	**¥ 1,468,499**	**¥ 263,060**	¥ 7,151,565	¥ 5,513,159	¥ 1,404,163	¥ 234,242
To 1 year	**1,258,972**	**997,096**	**194,179**	**67,695**	1,478,233	1,063,441	354,289	60,502
1 to 3 years	**1,216,056**	**916,276**	**217,354**	**82,425**	1,249,715	949,476	224,649	75,590
3 to 5 years	**1,463,094**	**596,079**	**836,625**	**30,389**	2,723,112	1,954,113	740,695	28,303
Over 5 years	**1,824,344**	**1,533,574**	**208,220**	**82,549**	1,649,623	1,503,007	76,769	69,846
Undated	**1,147,830**	**1,135,710**	**12,119**	**—**	50,880	43,120	7,759	—
Total	**¥ 6,910,298**	**¥ 5,178,738**	**¥ 1,468,499**	**¥ 263,060**	¥ 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	
	As of September 30, 2014	As of March 31, 2014
	Default Exposure	Default Exposure
Manufacturing	¥ 2,750	¥ 7,463
Agriculture	—	—
Mining	—	—
Construction	544	72
Electric power, gas, water supply	—	—
Information and communication	500	500
Transportation	3	3,592
Wholesale and retail	571	375
Finance and insurance	43,925	58,432
Real estate	73,909	107,661
Services	25,807	26,923
Government	—	—
Individuals	6,076	6,093
Others	—	—
Domestic Total	154,087	211,114
Foreign	33,325	41,249
Total	¥ 187,412	¥ 252,364

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

Millions of yen

	As of September 30, 2014			As of March 31, 2014			As of September 30, 2013		
	Start Amount	Change Amount	End Amount	Start Amount	Change Amount	End Amount	Start Amount	Change Amount	End Amount
General	¥ 19,937	¥ (776)	¥ 19,161	¥ 28,522	¥ (8,585)	¥ 19,937	¥ 28,522	¥ (496)	¥ 28,026
Specific	127,075	(29,274)	97,801	136,187	(9,112)	127,075	136,187	(10,729)	125,458
Country	0	—	0	0	—	0	0	—	0
Total	¥ 147,013	¥ (30,050)	¥ 116,963	¥ 164,711	¥ (17,698)	¥ 147,013	¥ 164,711	¥ (11,226)	¥ 153,485

Geographic

Millions of yen

	As of September 30, 2014				As of March 31, 2014				As of September 30, 2013			
	Total	General	Specific	Country	Total	General	Specific	Country	Total	General	Specific	Country
Domestic	¥ 83,740	¥ 14,242	¥ 69,497	¥ —	¥ 112,452	¥ 15,943	¥ 96,508	¥ —	¥ 123,506	¥ 24,029	¥ 99,477	¥ —
Foreign	33,222	4,918	28,303	0	34,560	3,993	30,566	0	29,979	3,997	25,981	0
Total	¥ 116,963	¥ 19,161	¥ 97,801	¥ 0	¥ 147,013	¥ 19,937	¥ 127,075	¥ 0	¥ 153,485	¥ 28,026	¥ 125,458	¥ 0

QUANTITATIVE DISCLOSURE (NONCONSOLIDATED) (continued)

Industries

	Millions of yen		
	As of September 30, 2014	As of March 31, 2014	As of September 30, 2013
	Reserve Amount	Reserve Amount	Reserve Amount
Manufacturing	**¥ 2,217**	¥ 5,494	¥ 6,971
Agriculture	**0**	0	—
Mining	**0**	0	7
Construction	**102**	99	142
Electric power, gas, water supply	**433**	330	402
Information and communication	**406**	383	384
Transportation	**805**	1,322	1,692
Wholesale and retail	**841**	698	820
Finance and insurance	**12,215**	16,736	19,167
Real estate	**43,727**	63,778	68,326
Services	**13,926**	14,619	16,219
Government	**—**	—	—
Individuals	**5,154**	5,080	5,465
Others	**3,908**	3,907	3,908
Foreign	**33,222**	34,560	29,979
Non-classified	**—**	—	—
Total	**¥ 116,963**	¥ 147,013	¥ 153,485

(4) AMOUNT OF WRITE-OFFS

Industries

	Millions of yen		
	Six months ended September 30, 2014	Fiscal year ended March 31, 2014	Six months ended September 30, 2013
	Amount of write-off	Amount of write-off	Amount of write-off
Manufacturing	**¥ —**	¥ 785	¥ 768
Agriculture	**—**	—	—
Mining	**—**	—	—
Construction	**—**	—	—
Electric power, gas, water supply	**—**	—	—
Information and communication	**—**	—	—
Transportation	**—**	—	—
Wholesale and retail	**—**	—	—
Finance and insurance	**16,371**	—	382
Real estate	**6,384**	5,434	4,423
Services	**—**	—	—
Government	**—**	—	—
Individuals	**20**	85	20
Others	**—**	—	—
Foreign	**1,336**	1,834	423
Non-classified	**—**	—	—
Total	**¥ 24,112**	¥ 8,141	¥ 6,018

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

	Millions of yen			
	As of September 30, 2014		As of March 31, 2014	
	Rated	**Unrated**	Rated	Unrated
0%	**¥ —**	**¥ —**	¥ —	¥ —
10%	**—**	**—**	—	—
20%	**—**	**—**	—	—
35%	**—**	**996,658**	—	976,239
50%	**—**	**1,866**	—	1,677
75%	**—**	**293,351**	—	263,677
100%	**—**	**1,439**	—	1,539
150%	**—**	**414**	—	434
350%	**—**	**—**	—	—
1,250%	**—**	**—**	—	—
Total	**¥ —**	**¥ 1,293,731**	¥ —	¥ 1,243,568

QUANTITATIVE DISCLOSURE (NONCONSOLIDATED) (continued)

(6) SPECIALIZED LENDING EXPOSURE UNDER SLOTTING CRITERIA AND EQUITY EXPOSURE UNDER MARKET-BASED SIMPLIFIED METHOD

Specialized lending excluding high-volatility commercial real estate

	Millions of yen	
	As of September 30, 2014	As of March 31, 2014
Risk weight ratio	**Amount of Exposure**	Amount of Exposure
50%	**¥ 30,522**	¥ 28,948
70%	**214,941**	237,092
90%	**91,573**	56,855
115%	**56,619**	53,771
250%	**53,491**	20,556
0% (Default)	**57,468**	85,100
Total	**¥ 504,616**	¥ 482,324

Specialized lending for high-volatility commercial real estate

	Millions of yen	
	As of September 30, 2014	As of March 31, 2014
Risk weight ratio	**Amount of Exposure**	Amount of Exposure
70%	**¥ 7,071**	¥ 5,830
95%	**450**	1,194
120%	**1,016**	1,028
140%	**14,845**	15,894
250%	**15,699**	18,390
0% (Default)	**28,095**	36,319
Total	**¥ 67,177**	¥ 78,657

Equity exposure under Market-Based Simplified Method

	Millions of yen	
	As of September 30, 2014	As of March 31, 2014
Risk weight ratio	**Amount of Exposure**	Amount of Exposure
300%	**¥ 2,026**	¥ 1,958
400%	**20,796**	17,773
Total	**¥ 22,822**	¥ 19,732

QUANTITATIVE DISCLOSURE (NONCONSOLIDATED) (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 September 30, 2014					As of March 31, 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%**	**44.88%**	**45.17%**	**¥ 1,452,225**	**¥ 178,383**	0.20%	44.87%	47.77%	¥ 1,370,703	¥ 156,545
5–6	**1.67%**	**44.29%**	**100.26%**	**483,596**	**33,033**	1.82%	44.35%	103.00%	501,122	58,169
9A	**10.47%**	**44.84%**	**185.45%**	**75,300**	**2,684**	10.91%	44.80%	198.74%	96,495	4,654
Default	**100.00%**	**44.18%**	**—**	**47,675**	**1,006**	100.00%	43.57%	—	45,103	1,154

Sovereign

Millions of yen (except percentages)

	As of September 30, 2014					As of March 31, 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%**	**1.63%**	**¥ 2,527,053**	**¥1,434**	0.00%	45.00%	1.33%	¥ 2,706,452	¥ 981
5–6	**0.62%**	**45.00%**	**86.58%**	**—**	**76**	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 September 30, 2014					As of March 31, 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	**0.10%**	**40.27%**	**31.71%**	**¥ 254,599**	**¥ 247,635**	0.11%	40.71%	30.92%	¥ 327,842	¥ 225,868
5–6	**2.90%**	**45.00%**	**140.32%**	**10,483**	**569**	2.26%	45.00%	119.20%	17,268	634
9A	**10.47%**	**45.00%**	**196.44%**	**541**	**—**	10.91%	45.00%	223.09%	2,380	—
Default	**100.00%**	**45.00%**	**—**	**50**	**—**	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 September 30, 2014				As of March 31, 2014			
Credit Rating	**PD**	**LGD**	**Risk Weight**	**Amount**	PD	LGD	Risk Weight	Amount
0–4	**0.28%**	**90.00%**	**301.25%**	**¥ 408,407**	0.31%	90.00%	301.74%	¥ 392,811
5–6	**1.06%**	**90.00%**	**335.62%**	**7,124**	1.85%	90.00%	435.99%	30,006
9A	**10.47%**	**90.00%**	**882.59%**	**37,713**	10.91%	90.00%	896.20%	37,713
Default	**100.00%**	**90.00%**	**1,125.00%**	**543**	100.00%	90.00%	1,125.00%	523

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

Corporate, Sovereign & Bank

Millions of yen

	12 months ended September 30, 2014	12 months ended September 30, 2013	12 months ended September 30, 2012
Results of actual losses (a)	**¥ 537**	¥ 1,674	¥ 23,399
Expected losses (b)	**10,437**	13,637	17,802
Differences ((b) - (a))	**9,900**	11,963	(5,596)

The above matrix shows the results of default (downgrade below substandard) losses (increase of reserve, write-offs and loss on sale) for the twelve-month period ended September 30, 2011, 2012 and 2013 for the Bank's non-default corporate, sovereign and bank exposures at the start of the twelve-month period, with expected losses calculated using estimated PD at the end of September 2014.

QUANTITATIVE DISCLOSURE (NONCONSOLIDATED) (continued)

3. CREDIT RISK MITIGATION (CRM)

(1) COVERED AMOUNT OF CRM BY COLLATERAL

FIRB

Millions of yen

	As of September 30, 2014		As of March 31, 2014	
	Eligible financial collateral	**Other eligible FIRB collateral**	Eligible financial collateral	Other eligible FIRB collateral
Corporate	**¥ 556**	**¥ 153,042**	¥ 935	¥ 182,677
Sovereign	**—**	**—**	—	—
Bank	**53,216**	**—**	53,216	—
Total	**¥ 53,773**	**¥ 153,042**	¥ 54,141	¥ 182,677

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

IRB

Millions of yen

	As of September 30, 2014	As of March 31, 2014
Corporate	**¥ 1,784**	¥ 3,024
Sovereign	**45,523**	52,909
Bank	**30,000**	55,000
Residential mortgages	**—**	—
Qualified revolving retail	**—**	—
Other retail	**—**	—
Total	**¥ 77,307**	¥ 110,933

4. COUNTERPARTY CREDIT RISK OF DERIVATIVES

Millions of yen

	As of September 30, 2014	As of March 31, 2014
Total amount of gross positive fair value	**¥ 528,465**	¥ 524,455
Amount of gross add-on	**220,940**	210,088
EAD before CRM	**749,405**	734,543
FX-related	**224,064**	229,115
Interest-related	**296,315**	276,539
Equity-related	**83,282**	67,028
Commodity-related	**—**	—
Credit derivatives	**145,538**	161,462
Others	**203**	397
Amount of net	**486,344**	499,904
EAD after net	**263,060**	234,639
Amount covered collateral	**—**	—
EAD after CRM	**263,060**	234,639

Note: Current Exposure Method

• Notional amount of credit derivatives which have counterparty risk

Millions of yen

	As of September 30, 2014		As of March 31, 2014	
Notional amount	**Protection-buy**	**Protection-sell**	Protection-buy	Protection-sell
Single name	**¥ 222,597**	**¥ 222,414**	¥ 232,589	¥ 241,347
Multi name	**60,976**	**60,976**	58,472	56,416

Not applicable for the following items;

• Amount covered collateral

• Notional amount of credit derivatives which cover exposures by CRM

QUANTITATIVE DISCLOSURE (NONCONSOLIDATED) (continued)

5. SECURITIZATION

SECURITIZATION EXPOSURE ORIGINATED BY THE BANK (CREDIT RISK)

(1) Amount of original assets

Securitization by transfer of assets

	Millions of yen	
	As of September 30, 2014	As of March 31, 2014
Type of original assets	**Amount of original assets**	Amount of original assets
Residential mortgages	**¥ 136,777**	¥ 155,191
Consumer loans	**—**	189,488
Commercial real estate loans	**—**	—
Corporate loans	**26,026**	26,318
Others	**167,244**	170,783
Total	**¥ 330,048**	¥ 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 default exposure including original assets

Securitization by transfer of assets

	Millions of yen	
	As of September 30, 2014	As of March 31, 2014
Type of original assets	**Amount of Default**	Amount of Default
Residential mortgages	**¥ 4,370**	¥ 4,571
Consumer loans	**—**	—
Commercial real estate loans	**—**	—
Corporate loans	**26,026**	26,318
Others	**—**	—
Total	**¥ 30,396**	¥ 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 September 30, 2014	As of March 31, 2014
Type of original assets	**Amount of Exposure**	Amount of Exposure
Residential mortgages	**¥ 56,222**	¥ 62,271
Consumer loans	**—**	120,800
Commercial real estate loans	**—**	—
Corporate loans	**1,334**	19,518
Others	**137,352**	141,428
Total	**¥ 194,909**	¥ 344,018

QUANTITATIVE DISCLOSURE (NONCONSOLIDATED) (continued)

Resecuritization exposure

Type of original assets	Millions of yen As of September 30, 2014 **Amount of Exposure**	As of March 31, 2014 Amount of Exposure
Residential mortgages	**¥ 835**	¥ 845
Consumer loans	**—**	—
Commercial real estate loans	**—**	—
Corporate loans	**—**	—
Others	**—**	—
Total	**¥ 835**	¥ 845

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

Securitization by transfer of assets

Excluding resecuritization exposure

Millions of yen

Band of risk weight ratio	As of September 30, 2014 **Amount**	**Required capital amount**	As of March 31, 2014 Amount	Required capital amount
To 12%	**¥ 136,195**	**¥ 1,359**	¥ 179,455	¥ 1,669
Over 12% to 20%	**46,913**	**753**	90,762	1,421
Over 20% to 50%	**—**	**—**	27,500	816
Over 50% to 75%	**—**	**—**	34,500	2,194
Over 75% to 100%	**11,800**	**944**	11,800	944
Over 100% to 250%	**—**	**—**	—	—
Over 250% to 425%	**—**	**—**	—	—
Over 425% under 1,250%	**—**	**—**	—	—
Total	**¥ 194,909**	**¥ 3,056**	¥ 344,018	¥ 7,046

Resecuritization exposure

Millions of yen

Band of risk weight ratio	As of September 30, 2014 **Amount**	**Required capital amount**	As of March 31, 2014 Amount	Required capital amount
To 30%	**¥ —**	**¥ —**	¥ —	¥ —
Over 30% to 50%	**835**	**31**	483	16
Over 50% to 100%	**—**	**—**	361	19
Over 100% to 225%	**—**	**—**	—	—
Over 225% to 500%	**—**	**—**	—	—
Over 500% under 1,250%	**—**	**—**	—	—
Total	**¥ 835**	**¥ 31**	¥ 845	¥ 36

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

Type of original assets	Millions of yen As of September 30, 2014 **Amount**	As of March 31, 2014 Amount
Residential mortgages	**¥ 9,378**	¥ 9,414
Consumer loans	**—**	—
Commercial real estate loans	**—**	—
Corporate loans	**—**	—
Others	**—**	—
Total	**¥ 9,378**	¥ 9,414

QUANTITATIVE DISCLOSURE (NONCONSOLIDATED) (continued)

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

	Millions of yen	
	As of September 30, 2014	As of March 31, 2014
Type of original assets	**Amount**	Amount
Residential mortgages	**¥ 6,317**	¥ 5,717
Consumer loans	**—**	—
Commercial real estate loans	**—**	—
Corporate loans	**—**	—
Others	**—**	—
Total	**¥ 6,317**	¥ 5,717

Not applicable for the following items;

- Amount of assets held for securitization trade
- Summary of current six month's securitization activities
- Amount of recognized gain/loss by original asset type during the first six months of FY2014
- Securitization exposure subject to early amortization
- Credit risk mitigation for resecuritization exposure
- Amount of credit risk asset of securitization under SA subject to the Accord Supplementary Provision 15

SECURITIZATION EXPOSURE IN WHICH THE BANK INVESTS

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

Excluding resecuritization exposure

	Millions of yen	
	As of September 30, 2014	As of March 31, 2014
Type of original assets	**Amount of Exposure**	Amount of Exposure
Residential mortgages	**¥ 2,202**	¥ 2,449
Consumer loans	**—**	—
Commercial real estate loans	**32,311**	56,221
Corporate loans	**18,190**	20,357
Others	**23,011**	24,207
Total	**¥ 75,715**	¥ 103,235

Resecuritization exposure

	Millions of yen	
	As of September 30, 2014	As of March 31, 2014
Type of original assets	**Amount of Exposure**	Amount of Exposure
Residential mortgages	**¥ —**	¥ —
Consumer loans	**—**	—
Commercial real estate loans	**24,047**	—
Corporate loans	**10,689**	16,588
Others	**—**	—
Total	**¥ 34,736**	¥ 16,588

QUANTITATIVE DISCLOSURE (NONCONSOLIDATED) (continued)

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

Excluding resecuritization exposure

Millions of yen

	As of September 30, 2014		As of March 31, 2014	
Band of risk weight ratio	**Amount**	**Required capital amount**	Amount	Required capital amount
To 12%	**¥ 34,754**	**¥ 207**	¥ 40,245	¥ 246
Over 12% to 20%	**8,649**	**110**	17,221	254
Over 20% to 50%	**—**	**—**	—	—
Over 50% to 75%	**—**	**—**	—	—
Over 75% to 100%	**—**	**—**	—	—
Over 100% to 250%	**4,926**	**792**	6,000	965
Over 250% to 425%	**27,384**	**7,029**	27,311	6,680
Over 425% under 1,250%	**—**	**—**	12,456	5,980
Total	**¥ 75,715**	**¥ 8,139**	¥ 103,235	¥ 14,127

Resecuritization exposure

Millions of yen

	As of September 30, 2014		As of March 31, 2014	
Band of risk weight ratio	**Amount**	**Required capital amount**	Amount	Required capital amount
To 30%	**¥ 14,736**	**¥ 258**	¥ 16,588	¥ 311
Over 30% to 50%	**—**	**—**	—	—
Over 50% to 100%	**20,000**	**1,091**	—	—
Over 100% to 225%	**—**	**—**	—	—
Over 225% to 500%	**—**	**—**	—	—
Over 500% under 1,250%	**—**	**—**	—	—
Total	**¥ 34,736**	**¥ 1,350**	¥ 16,588	¥ 311

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

Millions of yen

	As of September 30, 2014	As of March 31, 2014
Type of original assets	**Amount**	Amount
Residential mortgages	**¥ 38**	¥ 39
Consumer loans	**—**	—
Commercial real estate loans	**—**	—
Corporate loans	**65**	56
Others	**—**	—
Total	**¥ 103**	¥ 96

Not applicable for the following items;

- Credit risk mitigation for resecuritization exposure
- Amount of credit risk asset of securitization under SA subject to the Accord Supplementary Provision 15

QUANTITATIVE DISCLOSURE (NONCONSOLIDATED) (continued)

6. MARKET RISK (UNDER INTERNAL MODEL APPROACH)

(1) VAR AT THE END OF SEPTEMBER 2014 AND MARCH 2014 AND THE HIGH, MEAN AND LOW VAR

Millions of yen

	As of September 30, 2014	As of March 31, 2014
VaR at term end	**¥ 746**	¥ 1,189
VaR through this term		
High	**1,534**	3,242
Mean	**832**	1,701
Low	**397**	713

(2) STRESSED VAR AT THE END OF SEPTEMBER 2014 AND MARCH 2014 AND THE HIGH, MEAN AND LOW VAR

Millions of yen

	As of September 30, 2014	As of March 31, 2014
VaR at term end	**¥ 3,148**	¥ 2,188
VaR through this term		
High	**3,594**	4,249
Mean	**2,466**	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 September 30, 2014	As of March 31, 2014
Market-based approach		
Listed equity exposure	**¥ 2,087**	¥ 2,040
Unlisted equity exposure	**20,796**	17,773
PD/LGD method		
Listed equity exposure	**10,266**	10,202
Unlisted equity exposure	**443,521**	450,852

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

Millions of yen

	Six months ended September 30, 2014	Fiscal year ended March 31, 2014
Gain (loss) on sale	**¥ 791**	¥ 3,286
Loss of depreciation	**331**	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 September 30, 2014	As of March 31, 2014
Unrealized gain (loss)	**¥ 6,824**	¥ 3,817

(4) AMOUNT OF EQUITY EXPOSURE UNDER GRANDFATHERING RULE SUBJECT TO THE ACCORD SUPPLEMENTARY PROVISION 13

	Millions of yen	
	As of September 30, 2014	As of March 31, 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 September 30, 2014	As of March 31, 2014
Regarded exposure (fund)	**¥ 42,441**	¥ 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 September 30, 2014	As of March 31, 2014
JPY	**¥ (62.4)**	¥ (22.4)
USD	**(1.2)**	(2.2)
Others	**(2.8)**	(2.7)
Total	**¥ (66.4)**	¥ (27.4)

CORPORATE INFORMATION

SHINSEI BANK GROUP

AS OF SEPTEMBER 30, 2014

As of September 30, 2014, the Shinsei Bank Group consisted of Shinsei Bank, Limited, 273 subsidiaries (comprising 183 consolidated companies including APLUS FINANCIAL Co., Ltd., Showa Leasing Co., Ltd., Shinsei Financial Co., Ltd. and Shinsei Principal Investments Ltd. and 90 unconsolidated subsidiaries) and 23 affiliated companies (22 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 subsidiary: •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]
Shinsei Information Technology Co., Ltd.	Tokyo, Japan	Information technology[4]
Major Overseas Subsidiaries		
Shinsei International Limited	London, UK	Securities[1]
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

	Six months ended September 30, 2013	FY2013	**Six months ended September 30, 2014**
Consolidated			
Number of Employees	4,991	5,064	**5,265**
Nonconsolidated			
Number of Employees	1,995	2,030	**2,164**
Male	1,112	1,141	**1,235**
Female	883	889	**929**
Average age	39 years 11 months	40 years 3 months	**40 years 0 months**
Average years of service	11 years 3 months	11 years 5 months	**11 years 0 months**
Average monthly salary	¥477 thousand	¥482 thousand	**¥477 thousand**

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

AS OF SEPTEMBER 30, 2014

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	91.4
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	—
28,619	1954.12	2007.12	100.0	—	100.0
100	1983.8	—	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$ 30,991	2002.2	2006.7	35.4	—	35.4

NETWORK

AS OF NOVEMBER 30, 2014

DOMESTIC OUTLETS:

AS OF NOVEMBER 30, 2014

39 outlets (28 branches including head office, 11 annexes)

Hokkaido
- Sapporo Branch

Tohoku
- Sendai Branch

Kanto (Excluding Tokyo)
- Omiya Branch
- Ikebukuro Branch—Kawaguchi Annex
- Head Office—Chiba Annex
- Kashiwa Branch
- Tsudanuma Branch
- Yokohama Branch
- Yokohama Branch—Kawasaki Annex
- Fujisawa Branch
- Fujisawa Branch—Kamakura Annex

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
- Umeda Branch—Nishinomiya Kitaguchi Annex
- Namba Branch
- Namba Branch—Sakai Higashi Annex
- Kobe Branch
- Kobe Branch—Ashiya Annex

Chugoku
- Hiroshima Branch

Shikoku
- Takamatsu Branch

Kyushu
- Fukuoka Branch

DOMESTIC SUB-BRANCHES (ATM ONLY):

	AS OF NOVEMBER 30, 2014
Domestic Sub-Branches (ATM Only)	18 locations

SHINSEI BANK CARD LOAN—LAKE UNSTAFFED BRANCHES:

	AS OF NOVEMBER 30, 2014
Shinsei Bank Card Loan—Lake unstaffed branches	779 locations

PARTNER TRAIN STATION AND CONVENIENCE STORE ATMS:

	AS OF NOVEMBER 30, 2014
Seven Bank, Ltd. ATMs	18,863 locations
E-net ATMs	13,023 locations
Lawson ATM Networks ATMs	10,585 locations
VIEW ALTTE ATMs	273 locations

STOCK INFORMATION
AS OF SEPTEMBER 30, 2014

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

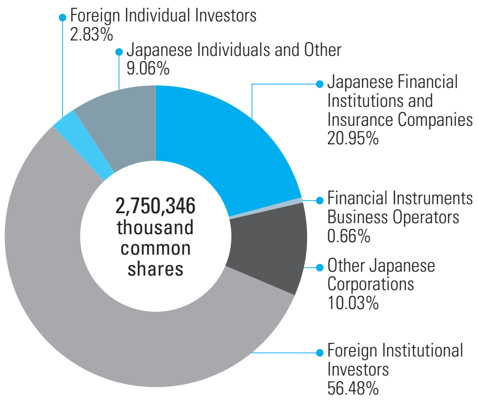
1 Figures include number of preferred shares outstanding

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	SATURN JAPAN III SUB C.V. (JPMCB 380113)	110,449	4.01
5	THE MASTER TRUST BANK OF JAPAN, LTD. (TRUST ACCOUNT)	97,516	3.54
6	SHINSEI BANK, LIMITED	96,428	3.50
7	JP MORGAN CHASE BANK 380055	93,160	3.38
8	JAPAN TRUSTEE SERVICE BANK, LTD. (TRUST ACCOUNT)	87,581	3.18
9	J. CHRISTOPHER FLOWERS	76,753	2.79
10	EUROCLEAR BANK S.A./N.V.	76,683	2.78
11	NORTHERN TRUST CO. (AVFC) RE 15PCT TREATY ACCOUNT	60,146	2.18
	Total (includes treasury shares)	2,750,346	100.00

Notes: 1 As of September 30, 2014, a group of investors, including affiliates of J.C. Flowers & Co. LLC., holds 553,663,517 common shares or 20.86% of Shinsei's outstanding common shares, excluding treasury shares.
2 As of September 30, 2014, in total, the Deposit Insurance Corporation and the Resolution and Collection Corporation hold 469,128,888 common shares or 17.67% of Shinsei's outstanding common shares, excluding treasury shares.

Largest Shareholders



Notes: 1 "Japanese Financial Institutions and Insurance Companies" includes the Resolution and Collection Corporation.
2 "Other Japanese Corporations" includes the Deposit Insurance Corporation.
3 "Japanese Individuals and Other" includes treasury shares.

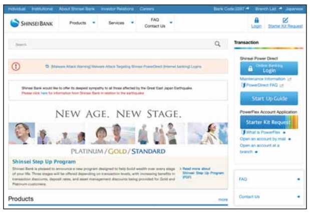
RATINGS INFORMATION
AS OF DECEMBER 1, 2014

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

WEBSITE

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

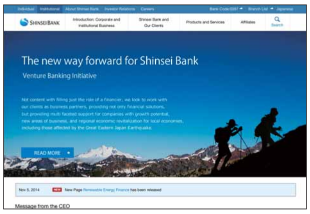
INDIVIDUAL



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

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

INSTITUTIONAL

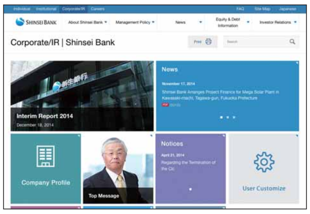


http://www.shinseibank.com/institutional/en/

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

Additionally, information regarding the Bank's undertakings in its "Venture Banking Initiative," ("VBI") is available in the form of interviews with customers. Through the VBI the Bank is working proactively to contribute to the growth of its customers, the economy, society and regional areas. Information regarding branches, affiliates and market reports (Japanese language only) is also available.

CORPORATE/IR



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

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

For further information, please contact:

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